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Consolidated Model Half-Year Report

Half-years ending on or after 31 December 2006

Putting together the A-IFRS puzzle

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Foreword

November 2006

The *Consolidated Model Half-Year Report – half-years ending on or after 31 December 2006* has been designed and updated by Deloitte Touche Tohmatsu to assist you in the preparation of half-year reports for interim reporting periods ending on or after **31 December 2006**.

30 June 2006 saw the majority of Australian entities complete their transition to Australian equivalents to International Financial Reporting Standards ('A-IFRS'). A brief respite, and now thoughts turn to the next A-IFRS reporting period. With the transition to A-IFRS complete, one might expect to be able to sit back this year and approach the coming financial year end with less angst about the application of accounting pronouncements. However, as preparers, practitioners and regulators enhance their understanding of the rules and interpretations of A-IFRS, we anticipate the current reporting period will continue to be a period of some challenge. In addition, entities will have to address the amendments made to a number of accounting standards which now are operative, most notably the changes limiting the ability of entities to designate financial assets and financial liabilities as at 'fair value through profit or loss', to account for most financial guarantee contracts in accordance with AASB 139 'Financial Instruments: Recognition and Measurement' and to reconsider existing accounting policy for business combinations involving entities under common control.

We trust that you will find the 2006 *Consolidated Model Half-Year Report* a useful tool in the preparation of your second half-year report prepared in accordance with the suite of new standards, along with its sister publication, the 2006 *Consolidated Model Annual Reports*, available from www.deloitte.com.au.

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

Consolidated model half-year report

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Changes in reporting requirements

Significant changes in Australian reporting requirements affecting financial reporting periods beginning on or after 1 July 2006 include:

New/Revised Standards applicable to reporting periods beginning 1 January 2006

AASB 119 'Employee Benefits' and AASB 2004-3 'Amendments to Australian Accounting Standards'

A revised version of AASB 119 was issued in December 2004 and applies to annual reporting periods beginning on or after 1 January 2006. The revised Standard supersedes the July 2004 version of AASB 119.

The key changes to the requirements specified by superseded AASB 119 are as follows. The revised Standard:

(a) allows a choice of three methods for recognising actuarial gains and losses: full recognition through profit or loss, the "corridor" approach, or full recognition directly in retained earnings;

(b) specifies how group entities should account for defined benefit group plans in their separate financial statements; and

(c) requires extensive additional disclosures to be made in relation to defined benefit plans in annual financial reports.

Consequential amendments to other Australian Accounting Standards are specified in AASB 2004-3, which was issued concurrently with revised AASB 119. The consequential amendments include requiring that an entity recognising actuarial gains and losses directly in retained earnings be required to prepare a statement of recognised income and expense, and specifying the contents of such a statement.

Illustrative examples

The disclosure requirements of revised AASB 119 are not illustrated in the model half-year report as the disclosure requirements apply only to annual financial reports. Illustrative disclosures are included in the 2006 *Consolidated Model Annual Reports* publication, available from www.deloitte.com.au.

AASB 2005-4 'Amendments to Australian Accounting Standards' – the fair value option

AASB 2005-4 was issued in June 2005 and applies to annual reporting periods beginning on or after 1 January 2006. The Standard makes amendments to the July versions of:

- AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards';
- AASB 132 'Financial Instruments: Disclosure and Presentation';
- AASB 139 'Financial Instruments: Recognition and Measurement';
- AASB 1023 'General Insurance Contracts'; and
- AASB 1038 'Life Insurance Contracts'.

AASB 139 (July 2004) permitted an entity to designate any financial asset or financial liability at fair value with gains or losses recognised in profit or loss with the exception of equity instruments that did not have a quoted market price in an active market, and whose price could not be reliably measured. As a result of concerns raised by the prudential regulators in Europe, the IASB and thus the AASB have limited the use of this option.

AASB 2005-4 amends the Accounting Standards listed above to permit an entity to designate a financial asset or financial liability as 'at fair value through profit or loss' only when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces an accounting mismatch i.e. a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

(b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with the documented risk management or investment strategy.

In addition, an entity may designate any contract that contains one or more embedded derivatives as 'at fair value through profit or loss' unless:

(a) the embedded derivative does not significantly modify the cash flows that would otherwise be required by the contract, or

(b) the embedded derivative would be considered closely related to the host contract after little or no analysis.

Transitional provisions

Different transitional provisions apply depending on whether the amendment is adopted as a part of the first-time adoption of A-IFRS; or adopted for reporting periods commencing on or after 1 January 2006 (after having previously adopted A-IFRS).

For those entities that are adopting A-IFRS for the first time for an annual period beginning before 1 January 2006 (as is the case for most Australian entities that are required to apply A-IFRS), and elect to adopt the amendment on first-time adoption of A-IFRS; then:

(a) at the start of the first A-IFRS financial reporting period, an entity is permitted to designate any financial asset or financial liability as 'at fair value through profit or loss' provided that it qualifies in terms of the amendment and was designated as such at or before the date of transition to A-IFRS;

(b) in addition to those financial assets and financial liabilities designated at the start of the first A-IFRS financial reporting period, where the first A-IFRS financial reporting period begins before 1 September 2005 and ends before 1 September 2006, this designation needs only take place at or before 1 September 2005 and may include financial assets and financial liabilities acquired up to 1 September 2005; and

(c) an entity shall apply this amendment to its comparative information unless it elects, in terms of AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', not to restate comparative information for AASB 139.

Entities that adopt A-IFRS for the first time for an annual period beginning on or after 1 January 2006 should refer to the specific transitional provisions set out in the amendment.

If the amendment is adopted after first-time adoption of A-IFRS then entities shall:

(a) de-designate any financial asset or financial liability previously designated as 'at fair value through profit or loss' only if it no longer qualifies for such designation;

(b) not designate as 'at fair value through profit or loss' any previously recognised financial assets or financial liabilities;

(c) disclose the fair value of any financial asset or financial liability de-designated at the date of de-designation and their new classification; and

(d) restate comparative information as applicable.

Illustrative examples

The disclosure requirements amended or introduced by AASB 2005-4 are not illustrated in the model half-year report as the disclosure requirements apply only to annual financial reports. Illustrative disclosures are included in the 2006 *Consolidated Model Annual Reports* publication, available from www.deloitte.com.au.

AASB 2005-5 'Amendments to Australian Accounting Standards' – consequential amendments due to Interpretation 4 and Interpretation 5

AASB 2005-5 was issued in June 2005 and applies to annual reporting periods beginning on or after 1 January 2006. The Standard makes consequential amendments to AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' and AASB 139 'Financial Instruments: Recognition and Measurement' arising from the approval of Interpretation 4 'Determining whether an Arrangement contains a Lease' and Interpretation 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'.

The Standard:

(a) amends AASB 1 to allow a first-time adopter to determine whether an arrangement existing at the date of transition to A-IFRS contains a lease on the basis of facts and circumstances at that date – otherwise, the arrangement would have to be assessed as at its inception and subsequently reassessed as required by Interpretation 4 in the periods before transition to A-IFRS; and

(b) amends the scope of AASB 139 (revised in May 2005 through AASB 2005-1) to exclude rights to reimbursement for expenditure required to settle either provisions recognised in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' or liabilities that had been originally recognised as provisions in accordance with AASB 137, such that a contractual right to receive such reimbursement in the form of cash will be accounted for in the same way as other forms of rights to such reimbursement, rather than in accordance with AASB 139.

Illustrative examples

AASB 2005-5 does not contain any disclosure requirements.

AASB 2005-6 'Amendments to Australian Accounting Standards' – common control transactions

AASB 2005-6 was issued in June 2005 and applies to annual reporting periods beginning on or after 1 January 2006. The Standard amends AASB 3 'Business Combinations' by:

(a) removing the definition of 'contributions by owners'; and

(b) adopting the IFRS 3 'Business Combinations' scope exclusion for business combinations involving entities or businesses under common control.

Illustrative examples

An example accounting policy for business combinations involving entities or businesses under common control is illustrated in note 3 to the model half-year report, however, this is not the only appropriate accounting policy for such business combinations. Please contact your nearest Deloitte Touche Tohmatsu office for further information about other methods that may be acceptable.

AASB 2005-9 'Amendments to Australian Accounting Standards' – financial guarantee contracts

AASB 2005-9 was issued in September 2005 and applies to annual reporting periods beginning on or after 1 January 2006. The Standard makes consequential amendments to the following accounting standards:

- AASB 4 'Insurance Contracts';
- AASB 132 'Financial Instruments: Disclosure and Presentation';
- AASB 139 'Financial Instruments: Recognition and Measurement'; and
- AASB 1023 'General Insurance Contracts'.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts may have various legal forms, such as guarantees, some types of letters of credit, a credit default contract or an insurance contract. The accounting treatment does not depend on the legal form of the guarantee.

The Standard amends the accounting standards listed above to:

(a) require financial guarantee contracts issued to be included within the scope of AASB 139 (even though they may satisfy the definition of an insurance contract in AASB 4), except where the issuer has previously asserted explicitly that it regards such contracts as insurance contracts and has applied the accounting applicable to insurance contracts, in which case the issuer may elect to apply either AASB 139 and AASB 132, or AASB 1023, to such financial guarantee contracts. The issuer may make that election on a contract by contract basis, but the election for each contract is irrevocable;

(b) require, subsequent to initial recognition, financial guarantee contracts issued and commitments to provide a loan at a below-market interest rate under the scope of AASB 139 to be measured at the higher of:

  i. the amount determined in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' (i.e. the best estimate of the expenditure required to settle the obligation); and

  ii. the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with AASB 118 'Revenue'.

  This treatment applies unless:

  i. the entity designates the liability as 'at fair value through profit or loss' in accordance with the fair value option, in which case the liability is measured at fair value with gains and losses arising on re-measurement recognised in profit or loss;

  ii. the liability arises due to the transfer of a financial asset that does not result in derecognition or is accounted for using the continuing involvement approach (financial guarantee contracts only); and

(c) clarify that the scope of AASB 139 includes loan commitments that can be settled net in cash or by delivering or issuing another financial instrument (such loan commitments are derivatives), and commitments to provide a loan at a below-market interest rate. A loan commitment is not regarded as settled net merely because the loan is paid out in instalments.

Illustrative examples

AASB 2005-9 does not contain any specific amendments to the disclosure requirements in other accounting standards.

New/Revised Standards applicable to reporting periods ending 31 December 2006

AASB 2006-1 'Amendments to Australian Accounting Standards' – net investment in a foreign operation

AASB 2006-01 was issued in January 2006 and applies to annual reporting periods ending on or after 31 December 2006. Accordingly, entities preparing interim financial reports for the half-year ended 31 December 2006 must apply the requirements of this Standard in their financial statements.

AASB 2006-01 amends AASB 121 to clarify that a monetary item forming part of an entity's net investment in a foreign operation may be receivable from, or payable to, any subsidiary in the group, and that it may be denominated in any currency.

Illustrative examples

AASB 2006-1 does not contain any disclosure requirements.

New Standards applicable to reporting periods beginning 1 January 2007

AASB 101 'Presentation of Financial Statements'

The AASB made revised AASB 101 in October 2006 and applies to annual reporting periods beginning on or after 1 January 2007. The AASB made the Standard in order to progress the Board's policy of making the requirements in A-IFRS accounting standards the same as those in the International Financial Reporting Standards. The revised Standard includes some text from IAS 1 'Presentation of Financial Statements' that is not in the existing AASB 101 and has fewer additional Australian disclosure requirements than the existing AASB 101.

Significant changes to the Standard include the:

(a) removal of the Australian illustrative financial statement formats;

(b) removal of the majority of the Australian implementation guidance;

(c) removal of the requirement to disclose the reason and justification for not using the Australian currency as the presentation currency;

(d) removal of the requirement to disclose the length of the operating cycle where assets and liabilities are presented in a current/non-current format and there is an identifiable operating cycle that is greater than 12 months;

(e) removal of the explicit requirement to disclose retained earnings attributable to the parent on the face of the balance sheet;

(f) removal of the requirement to disclose the name of the entity on which there is an economic dependency and the nature of that economic dependency; and

(g) addition of the requirement to disclose information that enables users to evaluate the entity's objectives, policies and processes for managing capital.

Illustrative examples

The disclosure requirements of revised AASB 101 are not illustrated in this model half-year report as the Standard does not apply until annual reporting periods beginning on or after 1 January 2007 and then only to annual financial reports.

AASB 7 'Financial Instruments: Disclosures'

AASB 7 was issued in August 2005 and applies to annual reporting periods beginning on or after 1 January 2007. It replaces AASB 130 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure requirements specified by AASB 132 'Financial Instruments: Disclosure and Presentation'. It also results in consequential amendments to a number of other AASB standards (refer AASB 2005-10 below).

AASB 7 seeks to improve the information on financial instruments provided in an entity's financial report. It achieves this by requiring disclosure of both the significance of financial instruments to an entity's financial position and performance and the nature, extent and management of the resulting risk inherent in that exposure.

AASB 7 requires more substantial risk-related disclosures to be made. Both qualitative and quantitative risk-related disclosures are required, including minimum disclosures relating to credit, liquidity and market risk. Qualitative disclosures include a description of management's objectives, policies and processes for managing those risks while the quantitative disclosures relate to the extent to which the entity is exposed to risk.

AASB 7 is broader in scope than both AASB 130 and AASB 132, applying to all types of financial instruments of all types of entities (with some specified exceptions e.g. financial instruments relating to subsidiaries, employee benefits, and share based payments) and requires more extensive disclosures. It also does not contain the parent entity disclosure relief previously contained in AASB 130 and 132. However, AASB 7 does not replicate the presentation requirements for banks and other financial institutions contained in AASB 130.

Significant changes from existing requirements

A number of the disclosures required by AASB 7 have been taken directly from AASB 132 and AASB 130 with minor wording changes. There are several significant additional disclosures that are introduced by the Standard, namely:

(a) disclosures in respect of loans and receivables and financial liabilities classified as 'at fair value through profit or loss';
(b) reconciliations of impairment allowances where the allowance is not netted off against the financial asset;
(c) disclosure of ineffectiveness recognised in profit or loss in respect of cash flow hedges and hedges of net investments in foreign operations;
(d) disclosure of all adjustments arising from fair value hedges;
(e) the carrying amount and net gain or loss recognised for each class of financial asset;
(f) details of sensitivity analyses for each type of market risk;
(g) undiscounted liquidity analysis for all financial liabilities;
(h) present quantitative information based on the information reported internally to key management personnel; and
(i) removal of the disclosure exemption granted to parent entities where their separate financial statements are contained in the same financial report as the consolidated financial statements.

<u>Disclosures in respect of loans and receivables and financial liabilities classified as 'at fair value through profit or loss'</u>

Concerns raised by various regulators about the potential misuse of the fair value option in AASB 139 'Financial Instruments: Recognition and Measurement' indicated the need for more relevant disclosure where instruments are designated into this category. AASB 7 requires additional disclosure around the fair values.

Where a financial liability is classified as fair value through profit or loss increased disclosure is required to identify changes in the fair value of that financial liability that arose during the period and cumulatively since initial recognition of the liability. In addition to this disclosure, an entity is required to disclose the component of fair value change that is not attributable to changes in market conditions that give rise to market risk. AASB 132 required disclosure of changes not attributable to changes in the benchmark interest rate. The appendix to AASB 7 provides detailed guidance on how to calculate the amount that now needs to be disclosed.

<u>Reconciliations of impairment provisions where it is not netted off against the financial asset</u>

When financial assets are impaired by credit losses and the entity uses an allowance account rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets.

<u>Disclosure of ineffectiveness recognised in profit or loss in respect of cash flow hedges and hedges of net investments in foreign operations</u>

An entity shall disclose the ineffectiveness recognised in profit or loss that arises from cash flow hedges and from hedges of net investments in foreign operations.

<u>Disclosure of all adjustments arising from fair value hedges</u>

An entity should disclose the period movements in fair value of the hedging instrument as well as the adjustment in the period to the hedged item attributable to the hedged risk.

<u>Carrying amount and net gain or loss recognised for each class of financial asset and financial liability</u>

This disclosure is required for each class of financial asset and financial liability.

<u>Details of sensitivity analysis for each type of market risk</u>

AASB 7 provides a number of mandatory disclosures that are required to assist users identify and quantify the exposures of financial instruments to market risks.

Entities are required to disclose a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing:

(a) how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;
(b) the methods and assumptions used in preparing the sensitivity analysis; and

(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.

AASB 7 also includes a number of other requirements to enable a user to understand the exposure to market risks that are included in financial instruments.

Undiscounted liquidity analysis for all financial liabilities

Entities are required to disclose a maturity analysis showing the contractual maturity of financial liabilities in time bands that are appropriate to the entity. The amounts disclosed in that analysis will differ from the amounts included in the balance sheet as the balance sheet amounts are based on discounted cash flows

Present quantitative information based on the information reported internally to key management personnel

AASB 7 requires an entity to report information to external users based on the type of information reported internally to key management personnel.

Removal of the disclosure exemption granted to parent entities where their separate financial statements are contained in the same financial report as the consolidated financial statements

AASB 132 states that 'If a financial report contains both the separate financial statements of the parent and the consolidated financial statements of an entity the disclosures required by paragraphs 51-93, Aus94.1, and 94 and 95 need be presented only for the consolidated financial statements.'. A similar exemption has not been included in AASB 7 and therefore all entities, even those that previously took this exemption under AASB 132, will be required to comply with AASB 7 in the separate financial statements of the parent.

Illustrative examples

The disclosure requirements of AASB 7 are not illustrated in this model half-year report as the Standard does not apply until annual reporting periods beginning on or after 1 January 2007 and then only to annual financial reports. Illustrative AASB 7 disclosures are included as an appendix to the 2006 *Consolidated Model Annual Reports*, available from www.deloitte.com.au.

AASB 2005-10 'Amendments to Australian Accounting Standards' – consequential amendments due to AASB 7

As noted above, the release of AASB 7 resulted in a number of consequential amendments required to other AASB standards. AASB 2005-10 was issued in September 2005 and applies to annual reporting periods beginning on or after 1 January 2007.

AASB 2005-10 amends the following accounting standards:

- AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards';
- AASB 4 'Insurance Contracts';
- AASB 101 'Presentation of Financial Statements';
- AASB 114 'Segment Reporting';
- AASB 117 'Leases';
- AASB 132 'Financial Instruments: Disclosure and Presentation';
- AASB 133 'Earnings per Share';
- AASB 139 'Financial Instruments: Recognition and Measurement';
- AASB 1023 'General Insurance Contracts'; and
- AASB 1038 'Life Insurance Contracts'.

A number of the amendments are editorial to update references in the various accounting standards to refer to AASB 7. The key amendments to the accounting standards include:

(a) AASB 132 – the title of AASB 132 is amended to AASB 132 'Financial Instruments – Presentation' and various paragraphs in the standard and the accompanying appendix have been amended or deleted in keeping with the transfer of all disclosure requirements to AASB 7;

(b) AASB 101 – new requirements have been added to AASB 101 to require for-profit reporting entities to disclose information about its capital management, namely:
   - i. the entity's objectives, policies and processes for managing capital;
   - ii. quantitative data about what the entity regards as capital;
   - iii. any changes in i. and ii. from the previous period; and
   - iii. whether the entity has complied with any externally imposed capital requirements and if it has not complied, the consequences of such non-compliance.

(c) AASB 1 – a voluntary exemption from the requirement to provide comparative disclosures for AASB 7 is introduced; and

(d) AASB 4, AASB 1023, AASB 1038 – further disclosures about the nature and extent of risks arising from insurance contracts are required.

Illustrative examples

The revisions to the disclosure requirements of the various accounting standards as amended by AASB 2005-10 are not illustrated in this model report as the Standard does not apply until annual reporting periods beginning on or after 1 January 2007 and then only to annual financial reports. Illustrative amended AASB 101 disclosures are included as an appendix to the 2006 *Consolidated Model Annual Reports*, available from www.deloitte.com.au.

New Standards applicable to reporting periods beginning 1 July 2008

AASB 1049 'Financial Reporting of General Government Sectors by Governments'

AASB 1049 was issued in September 2006 and applies to annual reporting periods beginning on or after 1 July 2008. The Standard applies to the Australian Government and to each State and Territory Government.

AASB 1049 requires a government to prepare a financial report for its general government sectors ('GGS') in accordance with the requirements of the Standard. The GGS financial report is prepared in addition to the government's whole of government financial report. AASB 1049 amends certain requirements of other Accounting Standards for the purposes of preparing a GGS financial report; the significant differences between this Standard and other Accounting Standards include the specification of the entities to be consolidated, the accounting for investments in controlled entities in other sectors that are not consolidated, and the presentation of the GGS financial statements and notes thereto.

For further information about this Standard, please contact your nearest Deloitte Touche Tohmatsu office.

New Australian Interpretations applicable to reporting periods beginning 1 December 2005

Interpretation 6 'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'

Interpretation 6 provides guidance on the recognition, in the financial statements of producers, of liabilities for waste management under the European Union Directive on Waste Electrical and Electronic Equipment (WE&EE) in respect of sales of historical household equipment. The Interpretation does not provide guidance on measurement of such liabilities.

The European Union's Directive on WE&EE requires that the cost of waste management for electrical and electronic equipment sold to private households before 13 August 2005 (historical waste) should be borne by manufacturers that are in the market for that type of equipment during the measurement period, as defined by the individual Member States of the European Union. That is, for an entity to be required to contribute to the cost of historical waste management, they must have a market share during the measurement period. The market share, measurement period and method of computing the cost of waste management may be defined differently in the legislation of individual Member States of the European Union.

The Interpretation 6 consensus is that participation in the market during the measurement period is the obligating event for recognising the cost of historical waste. Because the obligation for historical waste is linked to participation in the market during the measurement period, rather than to production or sale of the items to be disposed of, there is no obligation unless and until a market share exists during the measurement period.

The Interpretation applies to annual reporting periods beginning on or after 1 December 2005.

Illustrative examples

Interpretation 6 does not contain any disclosure requirements.

New Australian Interpretations applicable to reporting periods beginning 1 January 2006

Interpretation 4 'Determining whether an Arrangement contains a Lease'

The Urgent Issues Group agreed that whether an arrangement is, or contains, a lease shall be determined based on the substance of the arrangement and requires an assessment of whether:

(a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset). The asset need not be explicitly identified by the contractual provisions of the arrangement. Rather, it may be implicitly specified because it is not economically feasible or practical for the supplier to fulfil the arrangement by providing use of alternative assets; and

(b) the arrangement conveys a right to use the asset. This will be the case if any of the following conditions is met:

   i. the purchaser has the ability or right to operate the asset or direct others to operate the asset (while obtaining or controlling more than an insignificant amount of the output of the asset); or

   ii. the purchaser has the ability or right to control physical access to the asset (while obtaining more than an insignificant amount of the output of the asset); or

   iii. there is only a remote possibility that parties other than the purchaser will take more than an insignificant amount of the output of the asset, and the price that the purchaser will pay is neither fixed per unit of output nor equal to the current market price at the time of delivery.

The assessment of whether an arrangement contains a lease shall be made at the inception of the arrangement, being the earlier of the date of the arrangement and the date of commitment by the parties to the principal terms of the arrangement, on the basis of all of the facts and circumstances. A reassessment of the arrangement is permitted (and indeed required) only in the event of limited changes in circumstances being:

(a) there is a change in the contractual terms, unless the change only renews or extends the arrangement;

(b) a renewal option is exercised or an extension is agreed to by the parties to the arrangement, unless the term of the renewal or extension had initially been included in the lease term in accordance with AASB 117;

(c) there is a change in the determination of whether fulfilment is dependent on a specified asset; or

(d) there is a substantial change to the asset, for example a substantial physical change to property, plant or equipment.

If an arrangement is reassessed and is determined to contain a lease (or not contain a lease), lease accounting should be applied (or should cease to apply) from the date of change in circumstances.

The Urgent Issues Group agreed that for the purpose of applying AASB 117, payments and other consideration under the arrangement are separated into those for the lease and those for other elements in the arrangement on the basis of their fair values. The minimum lease payments for the purposes of AASB 117 include only payments for the lease (i.e. for the right to use the asset) and exclude payments for other elements in the arrangement (e.g. for services and the cost of inputs). Where a purchaser determines that it is impracticable to separate the payments reliably, the Urgent Issues Group agreed that the purchaser shall:

(a) in the case of a finance lease, recognise an asset and a liability at an amount equal to the fair value of the underlying asset that was identified as the subject of the lease. Subsequently the liability shall be reduced as payments are made and an imputed finance charge on the liability recognised using the purchaser's incremental borrowing rate of interest; or

(b) in the case of an operating lease, treat all payments under the arrangement as lease payments for the purposes of complying with the disclosure requirements of AASB 117, but:
    i. disclose those payments separately from minimum lease payments of other arrangements that do not include payments for non-lease elements; and
    ii. state that the disclosed payments also include payments for non-lease elements in the arrangement.

Interpretation 4 is not required to be applied retrospectively, either on first-time adoption or later. Where the exemption from retrospective application is availed of, entities need only apply the Interpretation to arrangements existing at the start of the earliest period for which comparative information under A-IFRS is presented (the date of transition on first-time adoption). The assessment of such arrangements is based on the facts and circumstances existing at the start of that period, rather than retrospectively assessing each arrangement at the date of its inception.

The Interpretation does not provide guidance on determining whether such arrangements should be accounted for as finance or operating leases.

The Interpretation applies to annual reporting periods beginning on or after 1 January 2006.

Illustrative examples

The disclosure requirements of Interpretation 4 are not illustrated in the model half-year report as the disclosure requirements apply only to annual financial reports. Illustrative disclosures are included in the 2006 *Consolidated Model Annual Reports* publication, available from www.deloitte.com.au.

Interpretation 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'

Interpretation 5 applies to accounting in the financial statements of a contributor for interests arising from decommissioning funds where the assets are administered separately (either by being held in a separate legal entity or as segregated assets within another entity) and the contributor's right to access the assets is restricted.

The Urgent Issues Group agreed that a contributor shall recognise its obligation to pay decommissioning costs as a liability and recognise its interest in the fund separately unless the contributor is not liable to pay decommissioning costs even if the fund fails to pay. When a contributor has a potential obligation to make additional contributions, for example, in the event of the bankruptcy of another contributor, or if the value of the investments held by the fund decreases to an extent that they are insufficient to fulfill the fund's reimbursement obligations, this obligation is a contingent liability that is accounted for under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'. The contributor will recognise a liability only if it is probable that additional contributions will be made.

The Urgent Issues Group also agreed that a contributor shall determine whether it has control, joint control or significant influence over the fund and account for its interest in the fund in accordance with the appropriate of AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. In the absence of control, joint control, or significant influence, the contributor's right to reimbursement from the fund is accounted for in accordance with the rules set out in AASB 137 in respect of reimbursements. The reimbursement should be measured at the lower of the amount of the decommissioning obligation recognised, and the contributor's share of the fair value of the net assets of the fund attributable to contributors. Changes in the carrying value of the right to receive reimbursement other than contributions to and payments from the fund should be recognised in profit or loss in the period in which those changes occur.

Disclosure is required of the nature of the contributor's interest in a fund and any restrictions on access to the assets in the fund. When a contributor has an obligation to make potential additional contributions that is not recognised as a liability or when a contributor does not have control, joint control or significant influence over the fund, it shall make the disclosures of contingent liabilities and/or reimbursement required by AASB 137.

The Interpretation applies to annual reporting periods beginning on or after 1 January 2006.

Illustrative examples

The disclosure requirements of Interpretation 5 are not illustrated in the model half-year report as the disclosure requirements apply only to annual financial reports. Illustrative disclosures are included in the 2006 *Consolidated Model Annual Reports* publication, available from www.deloitte.com.au.

New Australian Interpretations applicable to reporting periods beginning 1 March 2006

Interpretation 7 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies'

AASB 129 'Financial Reporting in Hyperinflationary Economies' requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date. Comparative figures for prior periods should be restated into the same current measuring unit.

Interpretation 7 contains guidance on how an entity would restate its financial statements in the first year it identifies the existence of hyperinflation in the economy of its functional currency.

The Urgent Issues Group agreed that in the period in which the economy of an entity's functional currency becomes hyperinflationary, the entity shall apply the requirements of AASB 129 as though the economy had always been hyperinflationary. The effect of this requirement is that restatements of non-monetary items carried at historical cost are made from the dates at which those items were first recognised; for other non-monetary items the restatements are made from the dates at which revised current values for those items were established.

The Urgent Issues Group also agreed that deferred tax amounts in the opening balance sheet are determined in two stages:

(a) Deferred tax items are remeasured in accordance with AASB 112 after restating the nominal carrying amounts of the non-monetary items in the opening balance sheet by applying the measuring unit at that date.

(b) The deferred tax items remeasured in this way are restated for the change in the measuring unit from the date of the opening balance sheet to the date of the closing balance sheet.

The Interpretation is effective for annual periods beginning on or after 1 March 2006.

Illustrative examples

Interpretation 7 does not contain any disclosure requirements.

New Australian Interpretations applicable to reporting periods beginning 1 May 2006

Interpretation 8 'Scope of AASB 2'

Interpretation 8 clarifies that AASB 2 'Share-based Payment', applies to transactions in which the entity cannot specifically identify some or all of the goods or services received. The interpretation does not apply to transactions excluded from the scope of AASB 2.

The Urgent Issues Group agreed that:

(a) identifiable goods and services shall be measured in accordance with AASB 2;

(b) unidentifiable goods or services received or receivable will be measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received or receivable; and

(c) unidentifiable goods or services received are measured at the grant date. For cash-settled transactions, the liability is required to be remeasured at each reporting date.

The Interpretation is effective for annual periods beginning on or after 1 May 2006.

Illustrative examples

Interpretation 8 does not contain any disclosure requirements.

New Australian Interpretations applicable to reporting periods beginning 1 June 2006

Interpretation 9 'Reassessment of Embedded Derivatives'

The Interpretation clarifies whether an entity should reassess whether an embedded derivative needs to be separated from the host contract after the initial hybrid contract is recognised. The Interpretation concludes that reassessment is prohibited, unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

The Interpretation is effective for annual periods beginning on or after 1 June 2006.

Illustrative examples

Interpretation 9 does not contain any disclosure requirements.

New Australian Interpretations applicable to reporting periods beginning 1 November 2006

Interpretation 10 'Interim Financial Reporting and Impairment'

AASB 136 'Impairment of Assets' and AASB 139 'Financial Instruments: Recognition and Measurement' do not permit the reversal of impairment losses recognised in relation to goodwill and certain financial assets. Interpretation 10 clarifies whether impairment losses recognised in the interim period in relation to such assets should be reversed where a loss would not have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only at a subsequent balance sheet date. The Interpretation concludes that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost shall not be reversed.

The consensus decision shall not be extended by analogy to other areas of potential conflict between AASB 134 'Interim Financial Reporting' and other standards.

The Interpretation shall be applied to goodwill prospectively from the date at which an entity first applied AASB 136, and to investments in equity instruments or in financial assets carried at cost prospectively from the date at which an entity first applied the measurement criteria of AASB 139.

The Interpretation is effective for annual periods beginning on or after 1 November 2006.

Illustrative examples

Interpretation 10 does not contain any disclosure requirements.

New Australian rejected issues

Some issues that are raised for consideration by the AASB are either not added to the agenda or else are removed from the agenda when it is decided that an Interpretation will not be issued. For such issues, the AASB normally provides its reasons for rejecting the issue. While the conclusions reached in the rejected issues are of the form of non-binding guidance, they represent the AASB's decisions on the issue, and accordingly, diversity from the conclusions reached is not expected.

The following rejected issues have been placed on the AASB's website since May 2005:

Employee share loan plans (AASB 2 'Share-based Payment')

Under many such employee share loan plans, employee share purchases are facilitated by means of a loan from the issuer with recourse only to the shares. The issue that was to be considered was whether the loan should be considered part of the potential share-based payment, with the entire arrangement treated as an option under AASB 2 'Share-based Payment', or whether the loan should be accounted for separately as a financial asset.

The IFRIC concluded, and the AASB agreed, that the issue of shares using the proceeds of a loan made by the share issuer, when the loan is with recourse only to the shares, would be treated as an option grant in which options were exercised on the date or dates when the loan was repaid.

Inventory rebates and settlement discounts (AASB 102 'Inventories')

The IFRIC agreed, and the AASB concurred that:

(a) settlement discounts should be deducted from the cost of inventories; and

(b) AASB 102 'Inventories' requires only those rebates and discounts that have been received as a reduction in the purchase price of inventories to be taken into consideration in the measurement of the cost of the inventories. Rebates that specifically and genuinely refund selling expenses would not be deducted from the cost of inventories.

The AASB further agreed that:

(c) when a rebate represents a reimbursement of a specific, incremental, identifiable cost incurred by an entity in selling a supplier's products and the amount of the rebate credited or paid by the supplier exceeds the cost being reimbursed, the excess amount should be deducted from the cost of inventories;

(d) when there is a binding agreement that requires the supplier to credit or pay a rebate provided the entity completes a specified cumulative level of purchases or remains a customer for a specified period of time, the rebate should be recognised as a reduction of the cost of purchases, provided the rebate is probable and reliably measurable. The entity should measure the rebate based on the amount expected to be received in relation to the underlying transactions that have occurred during the reporting period and that result in progress by the entity toward achieving the specified requirements for receiving the rebate; and

(e) rebates that are discretionary should be recognised by the entity at the earlier of

  i. when credited or paid by the supplier; and

  ii. when the supplier becomes obligated to credit or pay them.

Scope: Australian Petroleum Resource Rent Tax (AASB 112 'Income Taxes')

AASB 112 'Income Taxes' includes within its scope, all income taxes and states that income taxes include all domestic and foreign taxes which are based on taxable profits. The IFRIC noted that this implies that not all taxes are within the scope of the Standard but because taxable profit is not the same as accounting profit, taxes do not need to be based on a figure that is exactly accounting profit to be within the scope. The IFRIC also noted that the latter point is also implied by the requirement in the Standard to disclose an explanation of the relationship between tax expense and accounting profit.

The AASB concurred with the IFRIC view, and further agreed that Australian petroleum resource rent tax (PRRT) is within the scope of AASB 112.

Capitalised software (AASB 116 'Property, Plant and Equipment', AASB 138 'Intangible Assets')

AASB 138 'Intangible Assets' states that in determining whether an asset that incorporates both intangible and tangible elements should be treated under AASB 116 'Property, Plant and Equipment' or as an intangible asset, an entity uses judgement to assess which element is more significant. It also explains that the operating system of a computer is treated as property, plant and equipment because the computer cannot operate without it, whereas computer software that is not an integral part of the related hardware is treated as an intangible asset.

Additional guidance was requested on the classification of computer software as tangible or intangible assets.

The AASB decided not to add this issue to its agenda on the grounds that the principle is clearly and appropriately stated in paragraph 4 of AASB 138, with the result that application software normally would be classified as intangible assets. However, as stated in that paragraph, judgement is required in distinguishing property, plant and equipment and intangible assets.

Leases: Recognition of contingent rentals (AASB 117 'Leases')

AASB 117 'Leases' requires lease payments under an operating lease to be recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit. The IFRIC noted that IAS 17 'Leases' is unclear on whether an estimate of contingent rentals payable/receivable under an operating lease should be included in the total lease payments/lease income to be recognised on a straight-line basis over the lease term, but that however, this has not, in general, led to contingent rentals being included in the amount to be recognised on a straight-line basis over the lease term.

The AASB concurred with the IFRIC view, and noted that the section 'Differences between AASB 117 and AASB 1008' appended to AASB 117 (July 2004) relating to this matter is now superseded.

Direct costs affecting a financial instrument's effective interest rate (AASB 118 'Revenue', AASB 139 'Financial Instruments: Recognition and Measurement')

A conflict apparently exists between AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 118 'Revenue' in relation to the costs that can be included in the carrying amount of a financial asset, and has bearing on the recognition of interest revenue via the effective interest method. AASB 139 refers to the inclusion of 'transaction costs', which are defined as incremental costs. However, the example in the Appendix to AASB 118 refers to deferring 'related direct costs' as an adjustment of the effective interest rate. Such direct costs may not be incremental.

The AASB decided not to add this project to its agenda on the grounds that:

(a) AASB 139 allows only costs that are incremental to be included in determining the effective interest rate; other costs that are not incremental are excluded, even if they are related to the origination fee; and

(b) the Appendix guidance in AASB 118 'Revenue' does not override the specific requirements of AASB 139.

Classification of long-service leave liabilities (AASB 119 'Employee Benefits', AASB 132 'Financial Instruments: Disclosure and Presentation')

The issue for consideration was whether long-term employee benefit liabilities, such as long-service leave, are financial liabilities under AASB 132 'Financial Instruments: Disclosure and Presentation' or are treated only as liabilities arising under AASB 119 'Employee Benefits'. This affects the presentation and disclosure of employee benefit liabilities in financial reports.

The IFRIC concluded, and the AASB agreed, that AASB 119 indicates that employee benefit plans include a wide range of formal and informal arrangements, and that it is therefore clear that the exclusion of employee benefit plans from AASB 132 includes all employee benefits covered by AASB 119.

Subscriber acquisition costs in the telecommunications industry

The issue for consideration was how a provider of telecommunications services should account for telephone handsets it provides free of charge or at a reduced price to customers who subscribe to service contracts.

The AASB decided not to add this project to its agenda on the grounds that the Australian requirements are clearly stated in Interpretation 1042 'Subscriber acquisition costs in the telecommunications industry', with the result that divergent practices are not expected in Australia.

Changes to the Corporations Act 2001

Corporations Regulation 2M.6.04

The Corporations Regulations 2001 were amended in June 2006 to provide relief to listed companies from having to provide disclosures about the compensation of key management personnel in both the directors' report and the financial report. Regulation 2M.6.04 allows listed companies to include the information about the compensation of key management personnel required by paragraphs Aus25.4 to Aus25.7.2 of AASB 124 'Related Party Disclosures' in the remuneration report of the directors' report instead of within the annual financial report, provided certain conditions are met.

Illustrative examples

Information about director and executive remuneration is only required in annual reports and is accordingly not illustrated in this model half-year report.

Differential reporting

The reporting entity concept

The reporting entity concept was adopted by the accounting profession in June 1992 in an attempt to reduce the reporting requirements imposed on certain entities by the application of Accounting Standards. Under this concept, 'reporting entities' are required to prepare a financial report in compliance with all Accounting Standards and Interpretations, referred to as general purpose financial reports (GPFRs). 'Non-reporting entities', however, have the option to prepare special purpose financial reports (SPFRs) in compliance with those Accounting Standards and Interpretations considered necessary to enable the financial reports to meet the special purpose needs of the users.

A 'general purpose financial report' is defined in AASB 101 'Presentation of Financial Statements' as 'a financial report intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs'. A 'special purpose financial report' is 'a financial report other than a general purpose financial report'.

Identification of reporting entities

A 'reporting entity' is defined in AASB 3 'Business Combinations' as 'an entity in respect of which it is reasonable to expect the existence of users who rely on the entity's general purpose financial report for information that will be useful to them for making and evaluating decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries'.

Preparing SPFRs under the Corporations Act 2001

General

SPFRs prepared for a financial year must include:

(a) financial statements as required by the accounting standards for the period. These comprise a balance sheet, income statement, statement of changes in equity and cash flow statement;

(b) notes to the financial statements, as required by the Corporations Regulations 2001 and Accounting Standards; and

(c) a directors' declaration.

Paragraph 20 of Miscellaneous Professional Statement APS 1 'Conformity with Accounting Standards and UIG Consensus Views', indicates that members of the Australian accounting bodies who are involved in, or are responsible for, the preparation, presentation or audit of a SPFR (except where it is reasonable to expect that the SPFR will be used solely for internal purposes, for example monthly management accounts) are to take all reasonable steps within their power to ensure that the SPFR and any audit report or accountant's statement states:

(a) that it is a SPFR;

(b) the special purpose for which the SPFR has been prepared; and

(c) the extent to which Accounting Standards and [Interpretations] have, or have not, been adopted in its preparation and presentation.

Minimum compliance requirements

The following Accounting Standards and Interpretations apply to all entities required to prepare a financial report in accordance with Part 2M.3 of the Corporations Act 2001, irrespective of whether they are reporting entities or not:

- AASB 101 'Presentation of Financial Statements';
- AASB 107 'Cash Flow Statements';
- AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors';
- AASB 1031 'Materiality'; and
- AASB 1048 'Interpretation and Application of Standards'.

Recognition and measurement requirements

In the ASIC guide 'Reporting requirements for non-reporting entities' (July 2005), the ASIC note that the Accounting Standards provide a framework for determining a consistent definition of 'financial position' and 'profit or loss'. Without such a framework the figures in financial statements would lose their meaning. Financial reports prepared under the Corporations Act 2001 must be prepared within the framework of Accounting Standards to ensure that the following requirements of the Corporations Act 2001 are met:

- the financial report gives a true and fair view (s.297);
- the financial report does not contain false or misleading information (s.1308); and
- dividends are only paid out of profits (s.254T).

Therefore the recognition and measurement requirements of all Accounting Standards and Interpretations must be applied in order to determine profit or loss and financial position. The recognition and measurement requirements of Accounting Standards and Interpretations include requirements relating to depreciation of non-current assets, impairment of goodwill, accounting for income tax, lease accounting, measurements of inventories, recognition and measurement of liabilities for employee benefits, and recognition and measurement of provisions. In addition, those Accounting Standards and Interpretations which deal with the classification of items must be applied, for example the provisions of AASB 132 'Financial Instruments: Disclosure and Presentation' concerning the classification of financial instruments as debt or equity.

The ASIC have also issued ASIC Class Order 05/639 (dated 27 July 2005) to ensure that non-reporting entities will be able to take advantage of concessions or other modifications of the recognition and measurement requirements of accounting standards that are available for reporting entities, such as concessions available under AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' and transitional provisions or other concessions available under a non-mandatory accounting standard. This relief is available provided that the non-reporting entity takes all reasonable steps to ensure that the relevant report complies with all recognition and measurement requirements as if it were an eligible reporting entity.

Disclosing entities

The Corporate Law Reform Act 1994 introduced enhanced disclosure requirements for disclosing entities, which include:

- listed entities and listed registered schemes;
- entities and registered schemes which raise funds pursuant to a prospectus;
- entities and registered schemes which offer securities other than debentures as consideration for an acquisition of shares in a target company under a takeover scheme; and
- entities whose securities are issued under a compromise or scheme of arrangement.

The following entities are exempt from the enhanced disclosure requirements of the Corporations Act 2001:

- a public authority of a State or Territory or an instrumentality or agency of the Crown in right of a State or Territory;
- a public authority of the Commonwealth or an instrumentality or agency of the Crown in right of the Commonwealth, the relevant traded debt securities of which are guaranteed by the Government of the Commonwealth; and
- an entity exempted by the Regulations or the ASIC.

Disclosing entities are required, inter alia, to comply with:

(a) The continuous disclosure requirements, which include:
- a requirement to provide information which, if generally available, would be likely to have a material effect on the price or value of the entity's securities. Listed disclosing entities must immediately make such disclosure to the Australian Stock Exchange (the ASX), while unlisted disclosing entities must make such disclosure to the ASIC as soon as practicable; and
- for listed entities, a requirement to give the ASX the information needed to correct or prevent a false market in an entity's securities where the ASX considers that there is or is likely to be a false market and asks the entity to give it information to correct or prevent a false market.

(b) The half-year reporting requirements, which include a requirement to prepare a half-year report, including:
- a directors' report and directors' declaration, in accordance with Part 2M.3 of the Corporations Act 2001;
- financial statements, as required by the Accounting Standards; and
- notes to the financial statements, as required by the Corporations Regulations 2001 and Accounting Standards.

Non-listed disclosing entities must lodge the half-year report with the ASIC within 75 days of the half-year end. Listed disclosing entities must lodge their half-year report with the ASX within 2 months of the half-year end (75 days, for mining exploration entities). The half-year report, prepared in accordance with AASB 134, must be lodged together with the information required by Appendix 4D to the listing rules.

(c) The annual reporting requirements, which require disclosing entities to prepare a financial report for the financial year in accordance with Part 2M.3 of the Corporations Act 2001. The annual financial report must be lodged with the ASIC (or ASX for listed disclosing entities) within 3 months of the financial year end.

Large proprietary companies

Preparation of financial reports

Large proprietary companies (as defined below) are required to prepare a financial report in accordance with Part 2M.3 of the Corporations Act 2001 and have the financial report audited.

Definition

A proprietary company is a large proprietary company for a financial year if it satisfies at least 2 of the following conditions:

(a) the consolidated gross operating revenue for the financial year of the company and the entities it controls (if any) is $10 million or more;

(b) the value of the consolidated gross assets at the end of the financial year of the company and the entities it controls (if any) is $5 million or more; or

(c) the company and the entities it controls (if any) have 50 or more employees at the end of the financial year.

Section 45A of the Corporations Act 2001 requires that when counting employees, part-time employees be taken into account as an appropriate fraction of a full-time equivalent. Consolidated gross operating revenue and the value of consolidated gross assets are calculated in accordance with the accounting treatment specified by Accounting Standards in force at the relevant time (even if the standards do not otherwise apply to the company).

Lodgement relief

In accordance with the former s.319(4) of the Corporations Law, which continues to apply in accordance with s.1408(6) of the Corporations Act 2001, (i.e. the 'Grandfather Clause'), large proprietary companies that were classified as 'exempt proprietary companies' as at 30 June 1994 and continue to meet the definition of 'exempt proprietary company' at all times subsequent to 30 June 1994 are relieved from the requirement to lodge a financial report with the ASIC, provided certain conditions are satisfied.

ASIC Class Order 05/638 (dated 13 July 2005), provides similar lodgement relief to large proprietary companies in which an ownership interest is held by a foreign company, provided the ownership interest does not constitute control and certain other conditions are satisfied. To take advantage of this relief, the directors of the large proprietary company must have lodged with the ASIC, within 4 months after the end of the first financial year that ended after 24 April 1997, notification of their intention to adopt Class Order 98/99 (note, Class Order 98/99 is revoked by Class Order 05/638).

Audit relief

ASIC Class Order 98/1417 (dated 13 August 1998) relieves large proprietary companies that were not audited for a financial year ending during 1993, or in any later financial year, from the audit requirements of the Corporations Act 2001 provided certain conditions are satisfied.

The relief does not apply to large proprietary companies that are:
- large 'grandfathered' proprietary companies under the former s.319(4) of the Corporations Law;
- disclosing entities;
- borrowers in relation to debentures;
- guarantors of borrowers in relation to debentures; or
- a financial services licensee.

The Class Order relieves large proprietary companies from the audit requirements of the Corporations Act 2001 for any financial year ending on or after 1 July 1998 (defined as the 'Relevant Financial Year') provided certain conditions are satisfied.

To qualify for audit relief the following conditions must be satisfied:

(a) during the period of three months before the commencement of the Relevant Financial Year and ending one month after the commencement of the financial year, all directors and all shareholders must resolve that an audit is not required and formal notification of the resolution must be lodged with the ASIC (using Form 382). Shareholders must have been provided, either in the notice of meeting or in material accompanying a circular resolution, with a statement by the directors stating whether, in their opinion, the cost of having the financial statements audited outweighs the expected benefits of the audit and setting out their reasons for that opinion, before so resolving;

(b) written notice that an audit is required has not been received;

(c) the directors' declaration for each financial year ending on or after 1 July 1998 (including the Relevant Financial Year) must include an unqualified statement that there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(d) the company must have procedures which enable all the directors to assess whether the company is able to pay its debts as and when they fall due;

(e) management accounts (incorporating for Relevant Financial Years commencing on or after 1 January 2006 an income statement, statement of changes in equity, balance sheet and cash flow statement) must be prepared on at least a quarterly basis within one month after the end of the relevant quarter. For a Relevant Financial Year that commenced on or before 31 December 2004, management accounts shall include a profit and loss statement, balance sheet and cash flow statement;

(f) the directors have resolved, at the end of each quarter and at the time the resolution is made, that total liabilities do not exceed 70% of total tangible assets (determined in accordance with accounting standards whether or not they are otherwise applicable to the company or its controlled entities, except that liabilities must include any Unapproved Subordinated Debt and may exclude Approved Subordinated Debt) and that the company was able to pay all its debts as and when they become due and payable. Where consolidated management accounts are prepared, total liabilities do not exceed 70% of total consolidated tangible assets;

(g) the directors have resolved, at the end of the Relevant Financial Year and at the time the resolution is made, total liabilities do not exceed 70% of total tangible assets (determined in accordance with accounting standards whether or not they are otherwise applicable to the company or its controlled entities, except that liabilities must include any Unapproved Subordinated Debt and may exclude Approved Subordinated Debt). If relevant, total consolidated liabilities also do not exceed 70% of total consolidated tangible assets for the company and its controlled entities;

(h) the company, and consolidated entity where consolidated financial statements are required under the Corporations Act 2001, must have made a profit from ordinary activities after related income tax expense for the Relevant Financial Year or the financial year preceding the Relevant Financial Year;

(i) where the company is party to a deed of cross guarantee for the purposes of relief to its wholly-owned controlled entities under ASIC Class Order 98/1418 the previous two conditions must also be satisfied for the closed group and those entities which are parties to the deed of cross guarantee; and

(j) the year end financial statements must be prepared by a prescribed accountant (which may be an employee of the company) in accordance with Miscellaneous Professional Statement APS 9 'Statement on Compilation of Financial Reports' and must be accompanied by a compilation report prepared in accordance with APS 9.

In addition, the company must comply with the following requirements:

(a) where a shareholder or person who is owed Approved Subordinated Debt requests a copy of the management accounts or a directors' resolution regarding the above items, the company must make these available to the requesting party;

(b) the financial report and the directors' report for the Relevant Financial Year and the immediately preceding financial year must substantially comply with Chapter 2M of the Corporations Act 2001;

(c) the company must lodge its financial report and directors' report for the Relevant Financial Year and the immediately preceding financial year with the ASIC in accordance with the requirements of the Corporations Act 2001; and

(d) the directors' report must include a statement that the financial report has not been audited, in reliance on this Class Order, and that the requirements of this Class Order have been complied with.

Small proprietary companies

Preparation of financial reports

A small proprietary company (as defined below) is not required to prepare a financial report under Part 2M.3 of the Corporations Act 2001 unless:

(a) the small proprietary company is controlled by a foreign company (for all or part of the year) and the results of the small proprietary company for the year (or part thereof, if control existed for only part of the year) are not covered by consolidated financial statements lodged with the ASIC by the registered foreign company or by an intermediate Australian parent company;

(b) 5% or more of the shareholders request that a financial report be prepared; or

(c) the ASIC requests that a financial report be prepared.

If 5% or more of the shareholders request that a financial report be prepared, a directors' report need not be prepared and the financial report need not be prepared in accordance with Accounting Standards if the shareholders' request specifies that a directors' report is not required and that Accounting Standards need not be complied with. In addition, the financial report need only be audited if the shareholders' request asks for the financial report to be audited.

If the ASIC requests that a financial report be prepared, the financial report is to be prepared in accordance with the request (i.e. the request may or may not require that the financial report be prepared in accordance with Accounting Standards or be subject to an audit).

Definition

A proprietary company is a small proprietary company for a financial year if it satisfies at least 2 of the following conditions:

(a) the consolidated gross operating revenue for the financial year of the company and the entities it controls (if any) is less than $10 million;

(b) the value of the consolidated gross assets at the end of the financial year of the company and the entities it controls (if any) is less than $5 million; or

(c) the company and the entities it controls (if any) have fewer than 50 employees at the end of the financial year.

Section 45A of the Corporations Act 2001 requires that when counting employees, part-time employees be taken into account as an appropriate fraction of a full-time equivalent. Consolidated gross operating revenue and the value of consolidated gross assets are calculated in accordance with the accounting treatment specified by Accounting Standards in force at the relevant time (even if the standards do not otherwise apply to the company).

Relief for foreign controlled small proprietary companies

Financial report preparation, audit and lodgement relief

ASIC Class Order 98/098 (dated 10 July 1998) provides relief to foreign controlled small proprietary companies that are not part of a 'large group' from the requirement to prepare, audit and lodge financial statements under Part 2M.3 of the Corporations Act 2001 (other than as required by a shareholders' request or an ASIC request) provided certain conditions are satisfied.

A 'group' is a 'large group' when, on a combined basis, the 'group' satisfies at least 2 of the following conditions for the financial year of the company in question:

(a) the combined gross operating revenue of the group for the financial year is $10 million or more;

(b) the combined value of the gross assets of the group at the end of the financial year is $5 million or more; and

(c) the group has 50 or more employees at the end of the financial year.

Where 'group' is defined to comprise:

(a) the company in question;

(b) any entity which controlled the company and which was incorporated or formed in Australia, or carries on business in Australia;

(c) any other entities ('the other entities') controlled by any foreign company which controls the company in question, which are incorporated or formed in Australia or carry on business in Australia; and

(d) any entities which are controlled by the company in question or the other entities (these entities can be Australian or foreign entities).

Combining financial statements is a process similar to consolidation except that it only includes the entities which fall within the definition of 'group'.

To take advantage of this relief, the directors must resolve to adopt the ASIC Class Order and lodge formal notification with the ASIC (using Form 384) prior to the commencement of each financial year (but no earlier than 3 months prior to the commencement of the financial year).

Audit relief

ASIC Class Order 98/1417 provides relief to foreign controlled small proprietary companies, that were not audited in 1993 or any subsequent year except for a financial year which ended after 9 December 1995 and before 24 April 1997, from the audit requirements of the Corporations Act 2001 provided certain conditions are satisfied. The Class Order relieves foreign controlled small proprietary companies from the audit requirements of the Corporations Act 2001 for any financial year ending on or after 1 July 1998 (defined as the 'Relevant Financial Year') provided certain conditions are satisfied – refer large proprietary companies 'audit relief' (page A12).

Wholly-owned subsidiaries

Directors' report

All wholly-owned subsidiaries of companies incorporated in Australia need not include the information required by s.300(10) of the Corporations Act 2001 in the directors' report.

Financial report preparation, lodgement and audit relief

ASIC Class Order 98/1418 (dated 13 August 1998) exempts certain wholly-owned subsidiaries from the requirements to prepare a financial report and directors' report, have the financial report audited, distribute the financial report, directors' report and auditors' report to members, lay the reports before an annual general meeting, lodge the reports with the ASIC, and, in certain cases, appoint an auditor.

The relief is only available where:

(a) the parent entity of the company has a financial year which ends on the same date as the financial year of the company;

(b) the company is a public company, large proprietary company or a small proprietary company to which s.292(2)(b) applies;

(c) the company is not a borrower in relation to debentures, a disclosing entity or a financial services licensee;
(d) the parent entity of the company is not a small proprietary company;
(e) except in relation to a Deed of Cross Guarantee lodged with ASIC before 1 July 2004 — a company holds office as trustee under the Deed of Cross Guarantee;
(f) except in relation to a Deed of Cross Guarantee lodged with ASIC before 1 July 2004 — if the person holding office as trustee under the Deed of Cross Guarantee is a Group Entity within the meaning of that Deed, another person that is a company holds office as alternative trustee under that Deed;
(g) the company and every other entity (if any) in the closed group is party to a deed of cross guarantee, an original of which has been lodged with the ASIC. Deeds lodged with the ASIC on or after 1 July 2004 must be accompanied by a Certificate by a lawyer as to the preparation, execution and enforceability of the Deed, and a Certificate by a registered company auditor or lawyer as to the company's satisfaction of its statutory obligations in relation to Chapter 2M of the Corporations Act 2001 for the last 3 financial years;
(h) in relation to the last 3 financial years before taking advantage of the relief and since taking advantage of the relief, the company and the auditor of the company have substantially satisfied all of their statutory obligations in relation to Chapter 2M and 2N of the Corporations Act 2001 (previously Parts 3.6 and 3.7 of the Corporations Law);
(i) the directors, of the company and each other entity that is a party to the deed of cross guarantee, sign and lodge with the ASIC a statement, that immediately prior to the execution of the deed of cross guarantee, there were reasonable grounds to believe that each entity would be able to pay its debts as and when they fall due;
(j) the directors of the company have resolved that the company should obtain the benefit of this Class Order;
(k) the company has provided the ASIC with evidence that the company is entitled to the benefit of the Class Order (or a previous Class Order); and
(l) the company has paid the necessary fee to the ASIC in respect of the perusal of that evidence and in the case of a Deed of Cross Guarantee or an Assumption Deed lodged with the ASIC before 1 July 2004. No fee is payable in respect of Deeds lodged with the ASIC on or after 1 July 2004.

The main conditions of the Class Order are:

(a) the parent entity prepares consolidated financial statements which include additional information in relation to the deed of cross guarantee and depending on the entities consolidated, include in a note to the financial statements a detailed balance sheet and income statement, opening and closing retained profits, dividends provided for or paid, and transfers to and from reserves, for those entities party to the deed of cross guarantee;
(b) the directors of the parent entity sign and lodge a statement, within 4 months of year end, that there are reasonable grounds to believe that the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee. This condition is usually satisfied by including the statement in the directors' declaration of the parent entity's financial report;
(c) the directors sign and lodge a notice, within 4 months of year end, containing (using Form 389):
    i. a statement that the company has taken advantage of the relief under this Class Order;
    ii. a short statement of the nature of the deed of cross guarantee;
    iii. a list of the parties to the deed of cross guarantee, separately identifying the parent entity and members of the wholly-owned group and the other members of the extended closed group;
    iv. details of parties added or removed from the deed of cross guarantee, or are subject to a Notice of Disposal;
    v. a statement that at or about the time of the company's reporting date the directors reassessed the advantages and disadvantages associated with the company remaining a party to the deed of cross guarantee and taking advantage of the relief and the directors resolved either that the company should continue to remain a party to the deed of cross guarantee, or seek to revoke the deed of cross guarantee, as the case may be.

True and fair view

Financial statements and notes thereto prepared to satisfy the reporting requirements of the Corporations Act 2001 must comply with AASB Accounting Standards and the Corporations Regulations 2001, even if compliance does not result in a true and fair view. Section 295(3) of the Corporations Act 2001 requires directors to provide additional information and explanations when compliance with AASB Accounting Standards and the Corporations Regulations 2001 would not give a true and fair view. This additional information and explanation should be given by way of a note to the financial statements.

A company may apply to the ASIC under s.340 of the Corporations Act 2001 for accounting and audit relief. ASIC Policy Statement 43 indicates the ASIC's interpretation of the preconditions which need to be satisfied in order to obtain relief.

Materiality

In accordance with Accounting Standard AASB 1031 'Materiality', the standards specified in other Australian Accounting Standards apply to the financial reports when information resulting from their application is material. Information is material if its 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; or
(b) affect the discharge of accountability by the management or governing body of the entity.
(c) in determining whether the amount of an item is material, the item should be compared with the more appropriate of the following base amounts:
(d) in the case of items relating to the balance sheet – equity or the appropriate asset or liability class total;

(e) in the case of items relating to the income statement – profit or loss and the appropriate income or expense amount for the current reporting period or average profit or loss and the average of the appropriate income or expense amounts for a number of reporting periods; and
(f) in the case of items relating to the cash flow statement – net cash provided by or used in the operating, investing, financing or other activities as appropriate for the current reporting period or average net cash provided by or used in the operating, investing, financing or other activities as appropriate for a number of reporting periods.

AASB 1031 specifies the following quantitative thresholds which may be used as a guide in considering the materiality of an item in the absence of evidence, or convincing argument, to the contrary:
(a) an amount equal to or greater than 10% of the appropriate base amount is presumed to be material; and
(b) an amount equal to or less than 5% of the appropriate base amount is presumed not to be material.

Rounding off of amounts

General

Where total assets of the company, registered scheme, disclosing entity or financial services licensee exceed:

$10 million	Rounding off to the nearest thousand dollars is permitted. Each page must clearly indicate where this has been done (refer ASIC-CO 98/0100 dated 10 July 1998).
$1,000 million	Rounding off to the nearest hundred thousand dollars is permitted. Each page must clearly indicate where this has been done (refer ASIC-CO 98/0100 dated 10 July 1998). These amounts should be presented in the form of a whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars, with a clear indication that the amounts are presented in millions of dollars.
$10,000 million	Rounding off to the nearest million dollars is permitted. Each page must clearly indicate where this has been done (refer ASIC-CO 98/0100 dated 10 July 1998).

However, rounding is not allowed where rounding could adversely affect decisions about the allocation of scarce resources made by users of the financial report or the discharge of accountability by management or the directors.

The relevant financial report or report must state that the company is of a kind referred to in the Class Order and that amounts in the directors' report and the financial report have been rounded in accordance with the Class Order.

Amounts rounded down to zero may be indicated by 'nil' or the equivalent thereof. In addition, an item that is rounded down to nil in the financial report for the current and comparative accounting periods may be omitted completely.

In respect of financial services licensees, a reference to 'directors' in the class order is taken to include a reference to, where the relevant entity is a financial services licensee that is a partnership, the partners of the entity, or where the relevant entity is a financial services licensee that is a natural person, the person.

Special rules for 'prescribed items'

When rounding amounts pursuant to ASIC Class Order 98/0100 it is important to remember that:
(a) where an entity rounds amounts to the nearest $100,000 or $1,000,000, the following 'prescribed items' must be rounded only to the nearest $1,000; and
(b) where a company rounds to the nearest $1,000, the following 'prescribed items' must be presented in whole dollars (i.e. the following 'prescribed items' cannot be rounded).

The 'prescribed items' are:
(a) income paid or payable to directors (as defined in AASB 1017 'Related Party Disclosures') disclosed pursuant to AASB 1017.4.2 and 4.3;
(b) prescribed benefits disclosed pursuant to AASB 1017.4.7 and 4.8;
(c) other transactions with and balances of director and director-related entities (as defined in AASB 1017) disclosed pursuant to AASB 1017.4.10, 4.12, 4.14, 4.15, 4.17 and 4.18;
(d) remuneration of executive officers disclosed pursuant to AASB 1034 'Financial Report Presentation and Disclosures' paragraphs 6.1 and 6.2;
(e) remuneration of auditors disclosed pursuant to AASB 1034.5.3;
(f) amounts relating to any equity-based compensation plans disclosed pursuant to AASB 1028 'Employee Benefits' paragraphs 6.4 to 6.9;
(g) details, values and aggregates required to be disclosed in the directors' report under s.300(1)(d) and (g), s.300(8), s.300(9), s.300(11), s.300(11B), s.300(11C), s.300(12), s.300(13)(a), s.300A(1)(c) and s.300A(1)(e) of the Corporations Act 2001;
(h) information disclosed in accordance with Regulation 2M.6.04 and Schedule 5B of the Corporations Regulations 2001;
(i) information disclosed in accordance with ASIC Class Order 06/50;
(j) any amounts disclosed pursuant to accounting standard AASB 1046 'Director and Executive Disclosures by Disclosing Entities';
(k) amounts disclosed pursuant to AASB 2 'Share-based Payment' paragraphs 44, 46 and 51;
(l) remuneration of auditors disclosed pursuant to AASB 101 'Presentation of Financial Statements' paragraphs Aus126.1 and 126.2;

(m) compensation to key management personnel disclosed pursuant to AASB 124 'Related Party Disclosures' paragraph 16 (July 2004), as amended to 19 December 2005;

(n) transactions between related parties disclosed pursuant to AASB 124.17, 18 and Aus18.1 of AASB 124 (July 2004);

(o) compensation to key management personnel and other information disclosed pursuant to AASB 124 (December 2005) paragraphs 16, Aus 25.4, Aus25.6, Aus25.7.1 to Aus25.9.2; and

(p) transactions between related parties disclosed pursuant to AASB 124.17 and 18 (December 2005).

EPS and option disclosures

In addition:

(a) earnings per share may be rounded to one tenth of one cent (disclosed pursuant to AASB 133 'Earnings per Share'); and

(b) information disclosed in the directors' report about the prices for unissued shares and options may be rounded to one cent (disclosed pursuant to s.300(6)(c), s.300(7)(d) and s.300(7)(e)).

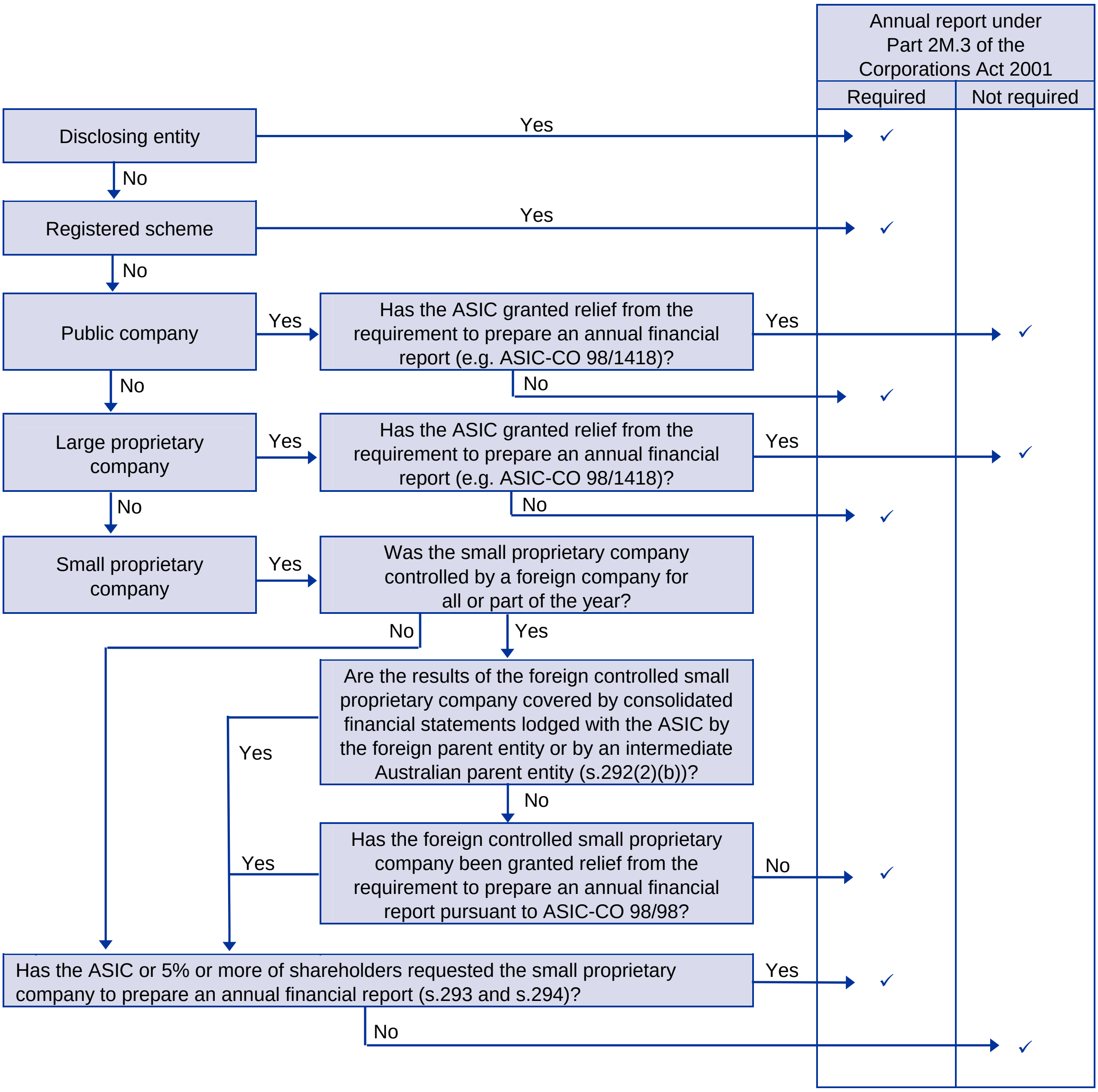
Rounding by lower amounts

Where considered appropriate, and provided certain conditions are satisfied, amounts may be rounded off to a lesser extent than that detailed above. For example, a company with total assets exceeding $10,000 million may wish to round to the nearest $1,000 or $100,000 even though it is permitted to round to the nearest $1 million.

Corporations Act 2001 reporting requirements

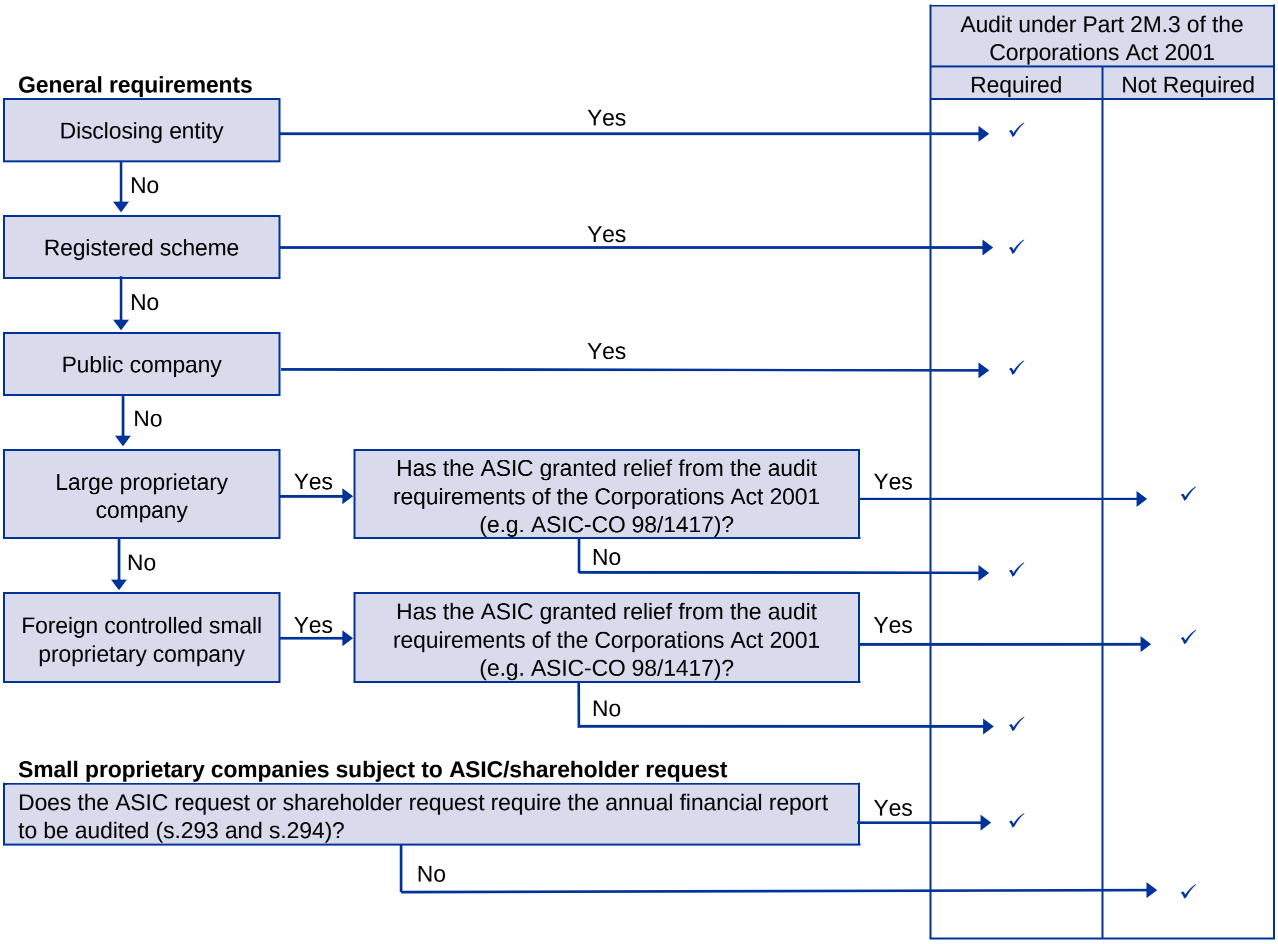
Preparation of an annual report

The following flowchart assists in determining whether an entity is required to prepare an annual report under Part 2M.3 of the Corporations Act 2001.



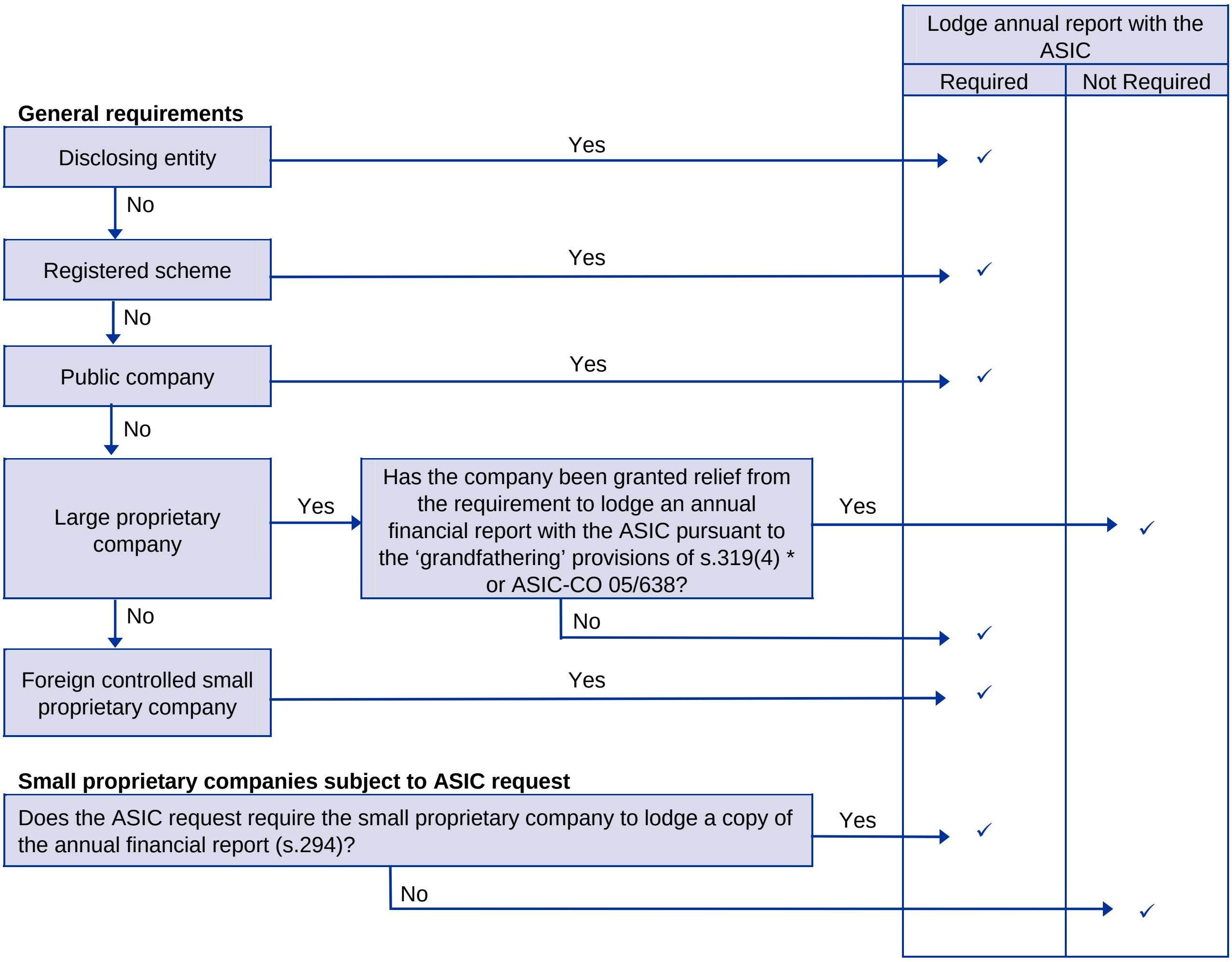
Audit of the annual financial report

Having determined that an entity is required to prepare an annual report under Part 2M.3 of the Corporations Act 2001, the following flowchart assists in determining whether the annual financial report is required to be audited under Part 2M.3 of the Corporations Act 2001.



Lodgement of the annual report with the ASIC

Having determined that an entity is required to prepare an annual report under Part 2M.3 of the Corporations Act 2001, the following flowchart assists in determining whether the annual report is required to be lodged with the ASIC.



* In accordance with the ‘grandfathering’ provisions of the former s.319(4) of the Corporations Law, which continues to apply in accordance with s.1408(6) of the Corporations Act 2001, a large proprietary company is not required to lodge an annual financial report with the ASIC provided:

- the company was an exempt proprietary company on 30 June 1994;
- the company continues to meet the definition of ‘exempt proprietary company’ (as in force at 30 June 1994) at all times since 30 June 1994;
- the company was a large proprietary company at the end of the first financial year after 9 December 1995;
- the company’s financial statements for the financial year ending during 1993 and each later financial year have been audited before the deadline; and
- within 4 months after the end of the first financial year after 9 December 1995, the company lodged with the ASIC a notice that the company has applied for the lodgement relief granted by s.319(4).

ASIC class orders

The following significant and relevant class orders have been released by the ASIC:

Release number	Date	Subject
98/96	10/07/98	Permits foreign controlled companies, registered schemes and disclosing entities to synchronise their financial year with that of their ultimate foreign parent entity where the foreign parent is required by law to synchronise the financial years of subsidiaries, provided certain conditions are satisfied.
98/98	10/07/98	Relieves foreign controlled small proprietary companies from the requirement to prepare, audit and lodge a financial report in circumstances where a financial report is not lodged by the foreign parent entity or intermediate Australian parent entity, provided certain conditions are satisfied.
98/100	10/07/98	Permits rounding off in the directors' report and financial report where total assets exceed $10 million, $1,000 million and $10,000 million.
98/101	10/07/98	Relieves public companies, registered schemes and disclosing entities from the requirement to send a full or concise financial report to shareholders where the entity cannot establish the address of a shareholder, provided certain conditions are satisfied.
98/104	10/07/98	Relieves listed entities from the requirement to lodge a copy of their financial report, directors' report and auditors' report for the financial year and half-year with the ASIC where those reports have already been lodged with the ASX. Where a concise financial report has been prepared it must be lodged with the ASX along with the full financial report.
98/106	10/07/98	Relieves disclosing entities which are regulated superannuation funds, approved deposit funds or pooled superannuation trusts from preparing and lodging annual and half-year financial reports.
98/1416	29/07/98	Relieves entities, for a half-year or financial year beginning before 1 January 2005, from the requirement to disclose comparative information in relation to an immediately preceding half-year or financial year for which such entities were not required to prepare a financial report.
98/1417	13/08/98	Relieves large proprietary companies and foreign controlled small proprietary companies from the audit requirements of the Corporations Act 2001, provided certain conditions are satisfied.
98/1418	13/08/98	Relieves wholly-owned subsidiaries from the requirement to prepare a financial report and to have that financial report audited, provided certain conditions are satisfied.
98/2016	30/10/98	Relieves entities from the disclosing entity requirements of Chapter 2M of the Corporations Act 2001 where the entity ceases to be a disclosing entity before their deadline and the directors resolve that there are no reasons to believe that the entity may become a disclosing entity before the end of the next financial year.
98/2395	24/12/98	Allows companies, registered schemes and disclosing entities to include certain information otherwise required to be disclosed in the directors' report to be transferred to a document attached to the financial report and directors' report.
99/90	11/02/99	Relieves companies, registered schemes and disclosing entities from sending full financial reports or concise reports to members who made an open-ended standing request in writing under an earlier ASIC class order to be sent neither full financial statements or a short report.
02/1432	24/12/02	Relieves registered foreign companies from the requirement to lodge financial statements with the ASIC, provided certain conditions are satisfied.
03/392	5/06/2003	Exempts companies in liquidation from the financial reporting obligations in Part 2M.3 of the Corporations Act 2001, and grants certain other externally administered companies an extension of time in which to lodge and, where applicable, distribute an upcoming financial report.
05/83	4/02/2005	Allows the auditors' independence declaration to be signed before the directors' report and the auditors' report to be signed after the directors' report, provided certain conditions are satisfied.
05/638	7/07/2005	Relieves large proprietary companies in which an ownership (but not a controlling interest) is held by a foreign company or which have an authorised trustee company as a non-beneficial member from the requirement to lodge a financial report, directors' report and auditors' report with the ASIC, provided certain conditions are satisfied.
05/639	26/07/2005	Allows non-reporting entities to take advantage of concessions or other modifications of the recognition and measurement requirements of accounting standards that are available to reporting entities, provided that the financial report complies with all recognition and measurement requirements as if it were an 'eligible reporting entity'.
05/642	29/07/2005	Permits issuers of stapled securities to include their financial statements and that consolidated or combined financial statements of the stapled group in adjacent columns in one financial report, provided certain conditions are satisfied.
05/644	29/07/2005	Permits the presentation of a pro forma balance sheet in the notes to the financial statements to explain the financial effect of material acquisitions and disposals of entities and businesses after the balance date.

Release number	Date	Subject
05/910	7/09/2005	Relieves the auditor from the requirement to make an independence declaration where the declaration would be required to set out strict liability contraventions of specific independence requirements, provided certain conditions are satisfied.
06/68	3/02/2006	Relieves certain foreign licensees (except foreign ADIs) from the requirement under Division 6 of Part 7.8 of the Corporations Act 2001 to prepare and lodge audited financial statements and keep certain financial records in relation to its financial services business.
06/441	29/06/2006	Permits registered schemes with a common responsible entity (or related responsible entities) to include their financial statements in adjacent columns in a single financial report, provided certain conditions are satisfied. Replaces ASIC Class Order 05/643.

Reporting deadlines

The following table summarises the reporting deadlines under the Corporations Act 2001 and ASX Listing Rules (where relevant).

Source reference	Requirement	Listed disclosing entity	Non-listed disclosing entity	Public company	Large proprietary company	Foreign controlled small proprietary company	Registered scheme
Half-year report							
ASX4.2A, ASX4.2A.3, ASX4.2B	Lodgement of Appendix 4D with the ASX	As soon as available (no later than when half-year reports are lodged with the ASIC, and no later than 2 months after the half-year end)[1]	n/a	n/a	n/a	n/a	n/a
ASX4.2A, ASX4.2A.1, ASX4.2B	Lodgement of the Corporations Act 2001 half-year report with the ASX	As soon as available (no later than when half-year reports are lodged with the ASIC, and no later than 2 months after the half-year end)[2]	n/a	n/a	n/a	n/a	n/a
s.320	Lodgement of the Corporations Act 2001 half-year report with the ASIC	n/a (ASIC-CO 98/0104)	Within 75 days after the half-year end	n/a	n/a	n/a	n/a
Annual financial report							
ASX4.3A, ASX4.3B	Lodgement of Appendix 4E with the ASX	As soon as available (and no later than 2 months after the year end)[3]	n/a	n/a	n/a	n/a	n/a
ASX4.5, ASX4.5.1	Lodgement of the Corporations Act 2001 annual report and concise report with the ASX	As soon as available (and no later than 3 months after the year end)	n/a	n/a	n/a	n/a	n/a
s.319	Lodgement of the Corporations Act 2001 annual financial report and concise report with the ASIC	n/a (ASIC-CO 98/0104)	Within 3 months after the year end	Within 4 months after the year end	Within 4 months after the year end	Within 4 months after the year end	Within 3 months after the year end

Source reference	Requirement	Listed disclosing entity	Non-listed disclosing entity	Public company	Large proprietary company	Foreign controlled small proprietary company	Registered scheme
ASX4.7, ASX4.7.1, s.315	Distribution of the Corporations Act 2001 annual report or concise report to the members (and to the ASX, for listed entities)[4]	Earlier of 21 days before the AGM or 4 months after the year end	Earlier of 21 days before the AGM or 4 months after the year end	Earlier of 21 days before the AGM or 4 months after the year end	Within 4 months after the year end	Within 4 months after the year end	Within 3 months after the year end
Annual general meetings							
s.250N	Hold the AGM	Within 5 months after the year end (if a public company)	Within 5 months after the year end (if a public company)	Within 5 months after the year end (if more than 1 member company)[5]	n/a	n/a	n/a

[1] Mining exploration entities are not required to provide the information set out in the Appendix 4D.
[2] The deadline for lodgement of the half-year report for mining exploration entities is 75 days after the end of the accounting period.
[3] Mining exploration entities are not required to provide the information set out in the Appendix 4E.
[4] An entity need not give the ASX the annual report if it comprises only the documents already given to the ASX under ASX Listing Rule 4.5. The entity must tell the ASX if this is the case.
[5] Note a wholly-owned public company is not required to hold an AGM under s.250N(4).

Note: Some relief is available for first time adopters of A-IFRS – refer ASX Listing Rule 4.2BA, Listing Rule 4.3BA and ASIC Class Order 05/637.

The following table summarises the reporting deadlines for half-year reporting periods ending 31 December 2006 and annual reporting periods ending 30 June 2007. Note: These reporting deadlines will be applicable to the majority of entities, however care should be taken to ensure that the dates noted below are the appropriate dates for the entity in question.

Requirement	Listed disclosing entity	Non-listed disclosing entity	Public company	Large proprietary company	Foreign controlled small proprietary company	Registered scheme
Half-year reporting period ending 31 December 2006						
Lodgement of Appendix 4D with the ASX	28 Feb 2007	n/a	n/a	n/a	n/a	n/a
Lodgement of the Corporations Act 2001 half-year report with the ASX	28 Feb 2007	n/a	n/a	n/a	n/a	n/a
Lodgement of the Corporations Act 2001 half-year report with the ASIC	n/a	16 Mar 2007	n/a	n/a	n/a	n/a
Annual reporting period ending 30 June 2007						
Lodgement of Appendix 4E with the ASX	31 Aug 2007	n/a	n/a	n/a	n/a	n/a
Lodgement of the Corporations Act 2001 annual report and concise report with the ASX	28 Sep 2007	n/a	n/a	n/a	n/a	n/a
Lodgement of the Corporations Act 2001 annual financial report and concise report with the ASIC	n/a	1 Oct 2007	31 Oct 2007	31 Oct 2007	31 Oct 2007	1 Oct 2007

Other small proprietary companies

With the exception of certain foreign controlled small proprietary companies (refer above), small proprietary companies are not required to prepare an annual financial report under Part 2M.3 of the Corporations Act 2001, unless requested to do so by either:

(a) the ASIC; or

(b) 5% or more of the shareholders of the company.

ASIC request

In the event that a small proprietary company (not otherwise required to prepare and lodge an annual financial report under Part 2M.3 of the Corporations Act 2001) is requested by the ASIC to prepare and lodge an annual financial report, the deadline for lodgement with the ASIC is the date specified in the request (s.294).

Shareholders' request

In the event that a small proprietary company (not otherwise required to prepare an annual financial report under Part 2M.3 of the Corporations Act 2001) is requested by 5% or more of the shareholders to prepare and distribute an annual financial report, the deadline for the distribution is the later of (s.315(2)):

(a) 2 months after the date on which the request is made; or

(b) 4 months after the end of the financial year.

Where a small proprietary company is required to prepare an annual financial report in accordance with a shareholders' request, a directors' report need not be prepared and that financial report is not required to be made out in accordance with Accounting Standards where the shareholders' request specifies that a directors' report is not required to be prepared and that Accounting Standards need not be complied with. In addition, the annual financial report is only required to be audited where the shareholders' request asks for an audit to be performed.

Signing the annual financial report and half-year financial report

The directors' report and directors' declaration must be prepared and signed off in time to comply with the lodgement and distribution deadlines of the Corporations Act 2001 (as detailed above).

The directors' report and directors' declaration (made out in accordance with a director's resolution) need only be signed by one director, for example, the chairman of the board. The board of directors can however choose to have more than one director sign the directors' report or directors' declaration.

Notice of members' meetings

In relation to proprietary companies and unlisted public companies, 21 days notice must be given for all members' meetings (unless a longer notice period is specified in the company's constitution). However, the Corporations Act 2001 makes provision for the members to agree to a shorter notice period, other than notice periods for members' meetings in which a resolution will be moved to appoint or remove directors, or remove the auditor of the company.

In relation to listed companies, 28 days notice must be given for all members' meetings (unless a longer notice period is specified in the company's constitution).

Accounting pronouncements

AASB Accounting Standards

The Accounting Standards are listed in numeric sequence, beginning with the IFRS-equivalent standards (AASB 1 - 99) followed by the IAS-equivalent standards (AASB 101 – 199) and the Australian-specific standards.

Reference	Title
Framework	Framework for the Preparation and Presentation of Financial Statements
AASB 1	First-Time Adoption of Australian Equivalents to International Financial Reporting Standards
AASB 2	Share-based Payment
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-Current Assets Held for Sale and Discontinued Operations
AASB 6	Exploration for and Evaluation of Mineral Resources
AASB 7	Financial Instruments: Disclosures
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Cash Flow Statements
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events After the Balance Sheet Date
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 114	Segment Reporting
AASB 116	Property, Plant and Equipment

Reference	Title
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 129	Financial Reporting in Hyperinflationary Economies
AASB 130	Disclosure in the Financial Statements of Banks and Similar Financial Institutions
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Disclosure and Presentation
AASB 133	Earnings per Share
AASB 134	Interim Financial Reporting
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1039	Concise Financial Reports
AASB 1045	Land Under Roads: Amendments to AAS 27A, AAS 29A and AAS 31A
AASB 1048	Interpretation and Application of Standards
AASB 1049	Financial Reporting of General Government Sectors by Government
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

Australian Interpretations

The Australian Interpretations are listed in numeric sequence, beginning with the IFRIC-equivalent interpretations (Interpretation 1 - 99) followed by the SIC-equivalent interpretations (Interpretation 101 – 199) and the Australian-specific interpretations.

Reference	Title
Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
Interpretation 7	Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
Interpretation 8	Scope of AASB 2
Interpretation 9	Reassessment of Embedded Derivatives
Interpretation 10	Interim Financial Reporting and Impairment
Interpretation 107	Introduction of the Euro
Interpretation 110	Government Assistance – No Specific Relation to Operating Activities
Interpretation 112	Consolidation – Special Purpose Entities
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases – Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease

Reference	Title
Interpretation 129	Disclosure – Service Concession Arrangements
Interpretation 131	Revenue – Barter Transactions Involving Advertising Services
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1001	Consolidated Financial Reports in relation to Pre-Date-of-Transition Dual Listed Company Arrangements
Interpretation 1002	Post-Date-of-Transition Stapling Arrangements
Interpretation 1013	Consolidated Financial Reports in relation to Pre-Date-Of-Transition Stapling Arrangements
Interpretation 1017	Developer and Customer Contributions for Connection to a Price-Regulated Network
Interpretation 1019	The Superannuation Contributions Surcharge
Interpretation 1030	Depreciation of Long-lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1039	Substantive Enactment of Major Tax Bills in Australia
Interpretation 1042	Subscriber Acquisition Costs in the Telecommunications Industry
Interpretation 1047	Professional Indemnity Claims Liabilities in Medical Defence Organisations
Interpretation 1052	Tax Consolidation Accounting
Interpretation 1055	Accounting for Road Earthworks

International Financial Reporting Standards

Reference	Title
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Cash Flow Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates, and Errors
IAS 10	Events After the Balance Sheet Date
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 14	Segment Reporting
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 22	Business Combinations
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings Per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures

International Financial Reporting Interpretations Committee (IFRIC) Interpretations

Reference	Title
SIC 7	Introduction of the Euro
SIC 10	Government Assistance – No Specific Relation to Operating Activities
SIC 12	Consolidation - Special Purpose Entities
SIC 13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
SIC 15	Operating Leases - Incentives
SIC 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
SIC 29	Disclosure – Service Concession Arrangements
SIC 31	Revenue – Barter Transactions Involving Advertising Services
SIC 32	Intangible Assets – Web Site Costs
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4	Determining Whether an Arrangement Contains a Lease
IFRIC 5	Rights to Interests Arising From Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reports and Impairment

Section B

Half-year financial reporting guide

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Half-year financial reporting guide

1. Half-year reporting requirements

Listed disclosing entities

Listed disclosing entities are required to prepare and lodge a half-year financial report prepared in accordance with AASB 134 'Interim Financial Reporting', together with certain additional information as required by the ASX Appendix 4D (other than for mining exploration entities).

Accordingly, in order to satisfy the half-year reporting requirements of both the ASX Listing Rules and the Corporations Act 2001 for half-years ending on or after 31 December 2006, listed disclosing entities must lodge the following documents with the ASX within two months after the half-year end:

- a directors' report (refer page C1)
- an audit or review report (refer pages C4 and C5)
- a directors' declaration (refer page C6)
- half-year financial statements and notes thereto prepared in accordance with AASB 134 (refer pages C7 to C21)
- additional information as required by the ASX Appendix 4D.

Non-listed disclosing entities

In order to satisfy the reporting requirements of the Corporations Act 2001, non-listed disclosing entities must lodge the following documents with the ASIC within 75 days after the half-year end:

- a directors' report (refer page C1)
- an audit or review report (refer pages C4 and C5)
- a directors' declaration (refer page C6)
- half-year financial statements and notes thereto prepared in accordance with AASB 134 (refer pages C7 to C21).

2. Content of a half-year financial report

2.1 Minimum components

The half-year financial report shall include, as a minimum, the following components: [AASB 134.8]

- a condensed balance sheet;
- a condensed income statement;
- a condensed statement of changes in equity showing either:
  - i. all changes in equity, or
  - ii. changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders;
- a condensed cash flow statement; and
- selected explanatory notes.

Where condensed financial statements are included in the half-year financial report, those statements must be clearly labelled as 'condensed'. [AASB 134.Aus16.4]

Where a condensed financial report is published, the condensed report shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial report and the selected explanatory notes as required by AASB 134 'Interim Financial Reporting'. Additional line items or notes shall be included if their omission would make the condensed interim financial report misleading. [AASB 134.10]

An entity follows the same format in its interim statement of changes in equity as it did in its most recent annual statement. [AASB 134.13]

For illustrative purposes, the example financial statements presented on pages C7 to C12 include all line items required to be included on the face of the annual financial statements.

2.2 Periods required to be presented

The following table outlines the reporting periods for which information must be presented in a half-year financial report: [AASB 134.20]

	Current half-year period	Current half-year end	Prior half-year period	Prior year end
Balance sheet		√		√
Income statement	√		√	
Statement of changes in equity	√		√	
Statement of recognised income and expenses	√		√	
Cash flow statement	√		√	

2.3 Entities with seasonal businesses

In addition to the periods specified by AASB 134.20, entities whose business is highly seasonal are encouraged to disclose financial information relating to the twelve-month period ended on the interim date, and comparative information on the same basis. [AASB 134.21]

2.4 Change of financial year end

AASB 134 does not discuss the circumstances where there is a change in the financial year end of the reporting entity. AASB 134.20 requires the presentation of comparative information for the income statement, statement of changes in equity, and cash flow statement for 'comparable' periods. Accordingly, in preparing the half-year financial report based on the new financial year end, the entity should present comparative information for the same half-year reporting period, which may not have been the basis for the half-year financial information previously reported.

Example

An entity with a 30 September year end, which reported half-year information to 31 March 2006, moves to a 30 June year end. It produces 'annual' accounts for the nine months ended 30 June 2006. Its half-year financial report for the financial year ending 30 June 2007 will be for the six months ended 31 December 2006.

The appropriate comparative period for the December 2006 half-year financial report is the six months ended 31 December 2005. This will enable users to compare trends over time, particularly for a seasonal business. The statements for the six months ended 31 March 2006 are not directly comparable.

If it is not practicable to restate the comparative disclosures to the new interim period basis, the comparatives for the six months ended 31 March 2006, and also the amounts for the six months ended 30 September 2005, should be presented, with disclosure that restatement to the new interim period basis was not practicable.

2.5 Presentation of parent and consolidated financial statements

A parent that prepares a half-year financial report shall include consolidated financial statements in its half-year financial report. If an entity's annual financial report included the parent's separate financial statements in addition to consolidated financial statements, AASB 134 'Interim Financial Reporting' neither requires nor prohibits the inclusion of the parent's separate financial statements in the entity's half-year financial report. [AASB134.Aus14.1, Aus14.2]

Where the entity has disposed of all of its subsidiaries during the interim period, such that it has no subsidiaries at the half-year reporting date, it should prepare its half-year financial report on a consolidated basis because it had subsidiaries at some point during the half-year reporting period. The income statement, cash flow statement and statement of changes in equity will include the impact of the subsidiaries up to the date(s) of disposal.

2.6 Materiality

In deciding how to recognise, measure, classify or disclose an item for half-year reporting purposes, materiality shall be assessed in relation to the half-year financial data. In making assessments of materiality, it shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data. [AASB 134.23]

While materiality judgements are always subjective, the overriding concern is to ensure that an interim financial report includes all of the information that is relevant to understanding the financial position and performance of the entity during the interim period. Therefore, it is inappropriate to base quantitative estimates of materiality on projected annual figures.

3. Condensed or complete half-year financial report

Where the information prescribed by AASB 134.8 is presented, the resultant financial statements are described as 'condensed'. However, entities also have the option of producing a complete financial report. Where an entity takes this alternative, the form and content of the financial report must conform to the requirements of AASB 101 'Presentation of Financial Statements' for a financial report, as well as the requirements of AASB 134. [AASB 134.7 & 9] Therefore, the measurement and disclosure requirements of all relevant Standards apply, including all measurement and disclosure requirements of AASB 134 and, in particular, the selected explanatory notes listed in AASB 134.16 (see below).

3.1 Items to appear on the face of condensed financial statements

AASB 134 requires that, for each component (balance sheet, income statement, statement of changes in equity, and cash flow statement), each of the headings and sub-totals that were included in the entity's most recent annual financial statements should be disclosed. Additional line items are required if their omission would make the condensed interim financial report misleading. [AASB 134.10]

In prescribing the minimum content, AASB 134 uses the terms 'headings' and 'sub-totals', thereby seeming to imply that not all of the line items that were presented in the most recent annual financial statements are necessarily required. Such an interpretation would do a disservice, however, to a user of the financial statements who is trying to assess trends in the interim period in relation to financial years.

Accordingly, the phrase should be interpreted, in nearly all cases, to mean the line items that were included in the entity's most recent annual financial statements. The line items on the face of most published financial statements are already highly aggregated and it would be difficult to think of a line item in the annual income statement, in particular, that would not also be appropriate in an interim income statement. For example, it would not be appropriate to begin a condensed income statement with the gross profit figure, omitting figures for revenue and cost of goods sold.

For the balance sheet, a too literal interpretation of 'each of the headings and subtotals' might lead to an interim balance sheet that presented lines only for total current assets, total non-current assets, total current liabilities, total non-current liabilities and total equity, which will generally be insufficient for trend analysis.

For the statement of changes in equity, all material movements in equity occurring in the interim period should be disclosed separately.

In the case of the cash flow statement, some condensation of the lines from the annual statement may be appropriate, but sub-totals for ‘operating’, ‘investing’ and ‘financing’ only are unlikely to be sufficient.

If a particular category of asset, liability, equity, income, expense or cash flows was so material as to require separate disclosure on the face of the financial statements in the most recent annual financial statements, such separate disclosure will generally be appropriate in the interim financial report. Further aggregation would only be anticipated where the line items in the annual statements are unusually detailed.

Under AASB 134.10, additional line items should be presented if their omission would make the condensed interim financial report misleading. Therefore, a new category of asset, liability, equity, income, expense or cash flows arising for the first time in the interim period may require presentation as an additional line item in the condensed financial statements.

3.2 Use of the term ‘condensed’

The requirements discussed in the previous section will result in the presentation of at least some statements that include all of the line items, headings and sub-totals that were presented in the most recent annual financial statements. The question then arises as to whether such statements should, in practice, be described as ‘condensed’.

Given that the notes supplementing the interim statements are limited, the presentation package taken together is condensed in comparison to what would be reported in a complete set of financial statements under AASB 101 ‘Presentation of Financial Statements’ and other Standards. In such circumstances, the balance sheet/income statement/ equity/cash flow information presented is condensed – even if the appearance of the face of the statements has not changed. These interim statements should therefore be described as ‘condensed’, since otherwise a user might infer that they constitute a complete set of financial statements under AASB 101, which they do not. A complete set of financial statements must include a full note presentation identical to the annual presentation.

4. Selected explanatory notes

AASB 134 specifies that an interim report should contain selected explanatory notes.

4.1 Required disclosures

The disclosure requirements of AASB 134 are based on the assumption that anyone reading the half-year financial report will have access to the most recent annual financial report. Therefore, not all of the supplementary notes in the annual financial report are required for interim reporting purposes, since this would result in repetition, or the reporting of relatively insignificant changes. The explanatory notes included with the interim financial information are intended to provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the last annual reporting date. [AASB 134.15]

The following table lists the minimum explanatory notes required by AASB 134. The information is generally presented on a year-to-date basis. However, the entity is also required to disclose any events or transactions that are material to an understanding of the current interim period. [AASB 134.16]

The following information should be disclosed in the notes to the interim financial report: [AASB 134.16]

- a statement that the same accounting policies and methods of computation are followed in the interim financial report as were followed in the most recent annual financial report or, if those policies or methods have been changed, a description of the nature and effect of the change;
- explanatory comments about the seasonality or cyclicality of interim operations;
- the nature and amount of items affecting assets, liabilities, equity, net income or cash flows, that are unusual because of their size, nature or incidence;
- the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year, or
- changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period;
- issuances, repurchases and repayments of debt and equity securities;
- dividends paid (aggregate or per share), separately for ordinary shares and other shares;
- for entities required to comply with AASB 114 ‘*Segment Reporting’* in their annual financial report, segment revenue and segment result for business segments or geographical segments, whichever is the entity’s primary basis of segment reporting;
- material events after the end of the interim period that have not been reflected in the interim financial statements;
- the effect of changes in the composition of the entity during the interim period, including business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructurings and discontinued operations; and
- changes in contingent liabilities or contingent assets since the last annual reporting date.

The Standard requires the entity to provide explanatory comments about the seasonality or cyclicality of interim operations under AASB 134.16(b). Discussion of changes in the business environment (such as changes in demand, market shares, prices and costs) and discussion of prospects for the full current financial year of which the interim period is a part will normally be presented as part of a management discussion and analysis or financial review, outside of the notes to the interim financial report.

AASB 134.17 provides the following examples of the kinds of disclosures that are required by paragraph 16:

- the write-down of inventories to net realisable value and the reversal of any such write-down;
- recognition of a loss arising from the impairment of property, plant, and equipment, intangible assets, or other assets, and the reversal of any such impairment loss;
- the reversal of any provisions for the costs of restructuring;
- acquisitions and disposals of items of property, plant and equipment;
- commitments for the purchase of property, plant and equipment;
- litigation settlements;
- corrections of prior period errors;
- any loan default or any breach of a loan agreement that has not been remedied on or before the balance sheet date; and
- related party transactions.

4.2 Detail required in explanatory notes

AASB 134 does not specify the level of detail for the disclosures required by AASB 134.16 and AASB 134.17. The guiding principle is that the interim disclosures should be those that are useful in understanding the changes in financial position and performance of the entity since the last annual reporting date. AASB 134.18 points out that the detailed disclosures required by other A-IFRSs are not required in an interim financial report that includes condensed financial statements and selected explanatory notes. Therefore, in general, the level of detail in interim note disclosures will be less than the level of detail in annual note disclosures. To illustrate:

- AASB 102.37 suggests that amounts of inventories at the end of a period and changes in inventories during the period are normally classified between merchandise, production supplies, materials, work in progress and finished goods. That level of detail would not normally be required in condensed interim financial statements unless it is significant to an understanding of the changes in financial position and performance of the entity since the last annual reporting date. Therefore, the disclosure of a write-down of inventories to net realisable value and the reversal of such a write-down, as required by AASB 134.17(a), will generally be made at the entity-wide level in condensed interim financial statements, rather than analysed between different classes of inventories; and
- AASB 136.126 requires disclosure of impairment losses and reversals for each class of assets. The disclosure of impairment losses and reversals required by AASB 134.17(b) will generally be made at the entity-wide level in condensed interim financial statements, rather than by class of assets, except where a particular impairment or reversal is deemed significant to an understanding of the changes in financial position and performance of the entity since the last annual reporting date.

Where business combinations have occurred during the interim period, AASB 134.16(i) requires the entity to disclose all of the details prescribed for an annual financial report in paragraphs 66 to 73 of AASB 3 ‘*Business Combinations*’.

4.3 Comparative information required for explanatory note disclosures

Comparative information is required for the explanatory note disclosures provided under AASB 134.16. Although there is no explicit requirement in this regard in AASB 134, reference should be made to AASB 101 ‘*Presentation of Financial Statements*’.

AASB 101.3 states, in part, as follows:

> *This Standard does not apply to the structure and content of condensed interim financial reports prepared under AASB 134, Interim Financial Reporting. However, paragraphs 13-41 apply to such financial reports.*

AASB 101.36 requires as follows:

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

AASB 134.16 contains no express reference to the requirement for comparative information – therefore, AASB 101.36 applies by default and comparatives are required for all numerical information, and for narrative and descriptive information to the extent that it is relevant to an understanding of the current interim period’s financial statements.

For the purposes of interim financial reports, the ‘previous period’ referred to in AASB 101.36 should be taken to mean the equivalent period. Therefore, for example, where disclosures are made under AASB 134.16 in respect of business combinations or share issues on a financial year-to-date basis, then comparative information for the equivalent year to date should be reported.

When an entity prepares a complete set of financial statements for interim reporting purposes, then all of the requirements of AASB 101 apply, and, therefore comparative information is required for the explanatory note disclosures under AASB 134.16.

4.4 Inclusion of interim period disclosures in the next annual financial report

If an item of information is deemed significant and, therefore, is disclosed in an entity's interim financial report, that item of information will not necessarily be disclosed in the entity's next annual financial report that includes the interim period in which the disclosure was made. Under AASB 134, interim period disclosures are determined based on materiality levels that are assessed in relation to the interim period financial data (see section 2.6 above). The Standard recognises that the notes to the interim financial report are intended to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the last annual reporting date. A disclosure that is useful for that purpose may not be useful in the annual financial report.

To illustrate, AASB 134.16(c) requires disclosure of the nature and amount of any item that affects assets, liabilities, equity, net income or cash flows if it is unusual because of its nature, size or incidence. For example, such an item may be unusual in size in the context of a single quarter or half-year period, but not so with respect to the full financial year.

As discussed at section 4.7 below, AASB 134.26 does require disclosure in the notes to the annual financial report where an estimate of an amount reported in an earlier interim period is changed significantly.

4.5 Inclusion of interim period disclosures in subsequent interim periods of the same financial year

If an item of information is deemed significant and, therefore, is disclosed in an entity's interim financial report for the first quarter, that item of information will not necessarily be disclosed in the interim financial reports for the subsequent quarters of the same financial year. As discussed in 2.6 above, under AASB 134, materiality is assessed in relation to each interim period's financial data. Therefore, an item that is considered material in the context of one interim period may not be material for subsequent interim periods of the same financial year. AASB 134.16 indicates that note disclosures are normally on a year-to-date basis.

For example, the explanatory notes in the interim report as of 31 December 2006 for a 30 June 2007 year-end entity that reports quarterly will cover the period 1 July 2006 to 31December 2006. An item of information that was deemed significant in the first quarter's report and, therefore, was disclosed in the notes to the interim report for the three months ending 30 September 2006, may not be significant on a 31 December six-month year-to-date basis. If that is the case, disclosure in the six-month interim report is not required.

By contrast, an item might be significant to understanding the performance of the entity for the current interim period (in the example above, the three months ended 31December 2006) but not for the year-to-date (six months ended 31 December 2006). AASB 134.16 specifically requires disclosure of such items: in addition to reporting information on a year-to-date basis, the entity is required to disclose any events or transactions that are material to an understanding of the current interim period.

4.6 Disclosure of compliance with Australian Accounting Standards

AASB 134.19 requires that, where an interim financial report has been prepared in accordance with the requirements of that Standard, that fact should be disclosed. An interim financial report should not be described as complying with Australian Accounting Standards unless it complies with all of the requirements of Australian Accounting Standards.

Therefore, an interim financial report can only be described as complying with Australian Accounting Standards if it includes a complete set of financial statements as stipulated by AASB 101 'Presentation of Financial Statements' in addition to the disclosures required by other Standards and the additional explanatory note disclosures required by AASB 134. Because condensed interim reports do not include all of the disclosures required by AASB 101 and other Standards, they do not meet this requirement. They are therefore more appropriately described as having been prepared 'in accordance with the requirements of AASB 134'.

AASB 134 clarifies that, where other Standards call for disclosures in financial statements, in that context they mean a complete set of financial statements of the type normally included in an annual financial report. Such disclosures are not required if the interim financial report includes only condensed financial statements and selected explanatory notes. [AASB 134.18]

Therefore, when presenting condensed interim financial information, the entity needs to consider compliance with Standards at two levels:

- compliance with all of the measurement rules contained in extant Standards and Interpretations (as stated in the previous paragraph, compliance with the disclosure requirements of Standards other than AASB 134 is not required); and
- compliance with the disclosure requirements and the measurement principles for interim reporting purposes specified by AASB 134.

4.7 Disclosure in annual financial reports

It is quite common that Australian entities do not prepare a separate report for the final interim period in a financial year.

In such circumstances, AASB 134 requires disclosure in the notes to the annual financial report where an estimate of an amount reported in an earlier interim period is changed significantly. The nature and amount of that change in estimate are required to be disclosed. [AASB 134.26]

This requirement is intended to provide the user of the financial statements with details of changes in estimates in the final interim period consistent with those generally required by AASB 108 'Accounting Policies, Changes in Accounting

Estimates and Errors'. The Standard does state, however, that this disclosure requirement is intended to be narrow in scope, relating only to the change in estimate, and it is not intended to introduce a general requirement to include additional interim period financial information in the entity's annual financial report. [AASB 134.27]

AASB 134.27 makes clear that, when such a change in estimate occurs and is required to be disclosed in the annual financial report, the disclosure represents additional interim period financial information. Consequently, although the disclosure is made in the annual financial report, materiality will be determined by reference to interim period financial data.

5. Accounting policies for half-year reporting

5.1 Same accounting policies as the annual financial report

The accounting policies applied in the interim financial report should be consistent with those applied in the most recent annual financial report, except for accounting policy changes made after the date of the most recent annual financial report that are to be reflected in the next annual financial report. [AASB 134.28]

Entities are required to disclose their compliance with this principle in their interim financial reports. [AASB 134.16(a)]

5.2 Changes in accounting policies

Preparers of interim financial reports in compliance with AASB 134 are required to consider any changes in accounting policies that will be applied for the next annual financial report, and to implement the changes for interim reporting purposes. Such changes will generally encompass:

- changes required by a Standard or Interpretation that will be mandatory for the annual financial report; and
- changes proposed for adoption in the annual financial report, in accordance with the requirements of AASB 108 'Accounting Policies, Changes in Accounting Policies and Errors', on the basis that they will result in the financial statements providing reliable and more relevant information.

If there has been any change in accounting policy since the most recent annual financial report, the interim report is required to include a description of the nature and effect of the change. [AASB 134.16(a)]

5.3 Restatement of previously reported interim periods

A change in accounting policy, other than one for which the transitional provisions are specified by a new or revised Standard or Interpretation, should be reflected by: [AASB 134.43]

- restating the financial statements of prior interim periods of the current financial year, and the comparable interim periods of prior financial years that will be restated in annual financial statements in accordance with AASB 108; or
- when it is impracticable to determine the cumulative effect at the beginning of the financial year of applying a new accounting policy to all prior periods, adjusting the financial statements of prior interim periods of the current financial year, and comparable interim periods of prior financial years, to apply the new accounting policy prospectively from the earliest date practicable.

AASB 134.44 states that an objective of these principles is to ensure that a single accounting policy is applied to a particular class of transactions throughout an entire financial year. That is not to say that voluntary changes in accounting policy part-way through the year are prohibited.

Such changes are permitted, provided that the conditions of AASB 108 are met. What AASB 134.44 requires is that, where a change in accounting policy is adopted at some point during the year, the amounts reported for earlier interim periods should be restated to reflect the new policy (i.e. any change in accounting policy is applied either retrospectively or, if that is not practicable, prospectively from no later than the beginning of the financial year). This avoids two different accounting policies being applied to a particular class of transactions within a single financial year – thus avoiding interim allocation difficulties and obscured operating results.

6. General principles for recognition and measurement

As discussed in section 5 above, in preparing their interim reports, entities are required to apply the accounting policies that will be applicable for their next annual financial report. The principles for recognising assets, liabilities, income and expenses for interim periods are the same as those applicable to annual financial reports.

It is not intended, however, that each interim period should be seen to stand alone as an independent period. The Standard states that the frequency of an entity's reporting (annual, half-yearly or quarterly) should not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes are made on a year-to-date basis. [AASB 134.28]

There is a degree of inconsistency in AASB 134. The requirement set out at section 5.1 above (that the same accounting policies should be applied in the interim financial report as are applied in annual financial report) represents a 'discrete period' approach to interim reporting. On the other hand, AASB 134.28's requirement that measurements for interim reporting purposes should be made on a year-to-date basis so that the frequency of the entity's reporting does not affect the measurement of its annual results represents an 'integral period' approach.

This inconsistency has led to a number of areas of potential conflict between the requirements of AASB 134 and those of other Standards applied at interim reporting dates. The Australian Accounting Standards Board has recently issued AASB Interpretation 10 that deals with one such issue (see section 8.1 below).

6.1 Overall considerations

AASB 134 does not repeat the general principles underlying the preparation of financial information that are set out in AASB 101 'Presentation of Financial Statements'. However, preparers need to refer to AASB 101 itself for clarification in this regard.

AASB 101.3 states, in part, as follows:

> *This Standard does not apply to the structure and content of condensed interim financial report prepared under AASB 134, Interim Financial Reporting. However, paragraphs 13-41 apply to such financial statements.*

Paragraphs 13 to 41 of AASB 101, which therefore apply when preparing a condensed financial report for interim purposes, deal with:

- fair presentation and compliance with IFRSs;
- going concern;
- accrual basis of accounting;
- consistency of presentation;
- materiality and aggregation;
- offsetting; and
- comparative information.

6.2 Seasonal, cyclical or occasional revenues

Revenues that are received seasonally, cyclically or occasionally within a financial year may not be anticipated or deferred as of an interim date, if anticipation or deferral would not be appropriate at the end of the financial year. [AASB 134.37]

Thus, for example, an entity engaged in retailing does not divide forecasted revenue by two to arrive at its half-year revenue figures. Instead, it reports its actual results for the six-month period. If the retailer wishes to demonstrate the cyclicality of its revenues, it may include, as additional information, revenue for the 12 months ending on the interim reporting date and comparative information for the corresponding previous 12-month period (see section 2.3 above).

6.3 Uneven costs

The rule on revenues also applies to costs. Costs that are incurred unevenly during an entity's financial year should be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year. [AASB 134.39]

A cost that does not meet the definition of an asset at the end of an interim period is not deferred in the interim balance sheet either to await future information as to whether it has met the definition of an asset, or to smooth earnings over interim periods within a financial year. [AASB 134.30(b)] Thus, when preparing an interim financial report, the entity's usual recognition and measurement practices are followed. The only costs that are capitalised are those incurred after the specific point in time at which the criteria for recognition of the particular class of asset are met. Deferral of costs as assets in an interim balance sheet in the hope that the criteria will be met before the year end is prohibited (see also section 7.6 below).

Example 6.3A

Major advertising campaign early in the financial year

An entity reports quarterly. In the first quarter of the financial year, the entity introduces new models of its products that will be sold throughout the year. At that time, it incurs a substantial cost for a major advertising campaign that will benefit sales throughout the year. Is it appropriate to spread the advertising cost over the benefit period – all four quarters of the year – or is the entire cost an expense of the first quarter?

The entire cost is recognised in the first quarter. Explanatory note disclosure may be required. AASB 138.69(c) requires that all expenditure on advertising and promotional activities should be recognised as an expense when incurred. As outlined above, a cost that does not meet the definition of an asset at the end of an interim period is not deferred, either to await future information as to whether it has met the definition of an asset or to smooth earnings over interim periods within a financial year.

Example 6.3B

Fixed costs of a manufacturer whose business is seasonal

A manufacturer's shipments of finished products are highly seasonal (shares of annual sales are respectively 20 percent, 5 percent, 10 percent, and 65 percent for the four quarters of the financial year). Manufacturing takes place more evenly throughout the year. The entity incurs substantial fixed costs, including fixed costs relating to manufacturing, selling, and general administration, and wishes to allocate all of its fixed costs to the four quarters based on each quarter's share of estimated annual sales volume.

Such an allocation is not acceptable under AASB 134. AASB 134.39 states that costs that are incurred unevenly during an entity's financial year should be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year.

In the circumstances described, the fixed costs should be split between manufacturing fixed costs and non-manufacturing fixed costs. AASB 102.12 'Inventories' requires that the cost of manufactured inventories should include a systematic allocation of fixed production overheads (i.e. fixed manufacturing costs). Because manufacturing takes place evenly throughout the year, the entity will recognise cost of goods sold expense only when sales are made and, therefore, it will achieve its objective of allocating fixed manufacturing costs to the four quarters based on sales volume.

Fixed non-manufacturing costs are, however, different. AASB 102.16 makes clear that administrative overheads that do not contribute to bringing inventories to their present location and condition and selling costs (whether variable or fixed) are excluded from the cost of inventories and are recognised as expenses in the periods in which they are incurred. Therefore, the entity must charge its fixed non-manufacturing costs to expense as incurred in each of the four quarters. As required by AASB 134.16, explanatory comments about the seasonality or cyclicality of interim operations should be disclosed in the notes to the interim financial report. In addition, AASB 134.21 encourages seasonal businesses to present 'rolling' 12-month financial statements in addition to interim period financial statements.

6.4 Use of estimates

AASB 134.41 requires that measurement procedures used in interim financial reports produce information that is reliable, with all material relevant financial information being appropriately disclosed. It nevertheless acknowledges that, while reasonable estimates are often used for both annual and interim reports, interim reports generally will require a greater use of estimation methods than annual financial reports.

Appendix C to the Standard provides a number of examples of the use of estimates at interim reporting dates, which are reproduced below.

Examples of the use of estimates for interim reporting purposes

Inventories: Full stock-taking and valuation procedures may not be required for inventories at interim dates, although they may be carried out at financial year end. It may be sufficient to make estimates at interim dates based on sales margins.

Classifications of current and non-current assets and liabilities: Entities may do a more thorough investigation for classifying assets and liabilities as current or non-current at annual reporting dates than at interim dates.

Provisions: Determination of the appropriate amount of provisions (such as provisions for warranties, environmental costs and site restoration costs) may be complex and often costly and time-consuming. Entities sometimes engage outside experts to assist in the annual calculations. Making similar estimates at interim dates often entails updating prior annual provisions, rather than engaging outside experts to do a new calculation.

Pensions: AASB 119 'Employee Benefits' requires that an entity determine the present value of defined benefit obligations and the market value of plan assets at each reporting date, and encourages entities to involve a professionally-qualified actuary in the measurement of the obligations. For interim reporting purposes, reliable information is often obtainable by extrapolation of the latest actuarial valuation.

Income taxes: Entities may calculate income tax expense and deferred income tax liability at annual dates by applying the tax rate for each individual jurisdiction to measures of income for each jurisdiction. While such precision is also desirable at interim reporting dates, it may not be achievable in all cases, and a weighted average of rates across jurisdictions or across categories of income is used if it is a reasonable approximation of the effect of using more specific rates.

Contingencies: The measurement of contingencies may involve the opinions of legal experts or other advisers. Formal reports from independent experts are sometimes obtained with respect to contingencies. Such opinions about litigation, claims, assessments, and other contingencies and uncertainties, may or may not be needed at interim dates.

Revaluations and fair value accounting: AASB 116 'Property, Plant and Equipment' allows an entity to choose as its accounting policy the revaluation model whereby items of property, plant and equipment are revalued to fair value. Similarly, AASB 140 'Investment Property' requires an entity to determine the fair value of investment property. For those measurements, an entity may rely on professionally qualified valuers at annual reporting dates, though not at interim reporting dates.

Intercompany reconciliations: Some intercompany balances that are reconciled on a detailed level in preparing consolidated financial statements at financial year end might be reconciled at a less detailed level in preparing consolidated financial statements at an interim date.

Specialised industries: Because of complexity, costliness and time, interim period measurements in specialised industries might be less precise than at financial year end. An example would be the calculation of insurance reserves by insurance companies.

6.5 Changes in estimates

As an illustration of the impact of changes in estimates, AASB 134 considers the rules for recognising and measuring losses from inventory write-downs, restructurings or impairments. The principles to be followed in an interim period are the same as those for annual periods. If such items are recognised and measured in, say, the first quarter of a financial year and the estimate changes in the second quarter of the ear, the original estimate is adjusted in the second interim period, either by accrual of an additional amount or by reversal of the previously recognised amount. [AASB 134.30(a)]

If changes in estimates arise, the results of previous interim periods of the current year are not retrospectively adjusted. However, the nature and amount of any significant changes in estimates must be disclosed either: [AASB 134.16(d), 26 & 35]

- in the annual report, if there has been no subsequent interim period financial report that has disclosed the change in estimate (see section 4.7 above); or
- in the following interim period financial report of the same year.

Changes in estimates should also be disclosed in the corresponding interim report for the following year, so that the comparative figures (which are not restated) will not be misleading.

7. Applying the recognition and measurement principles

Appendix B to AASB 134 contains a number of detailed examples to illustrate the application of the recognition and measurement principles discussed in the previous sections. These are reproduced below, together with a number of additional examples developed to illustrate important points.

7.1 Employer payroll taxes and insurance contributions

If employer payroll taxes or contributions to government-sponsored insurance funds are assessed on an annual basis, the employer's related expense is recognised in interim periods using an estimated average annual effective payroll tax or contribution rate, even though a large portion of the payments may be made early in the annual financial year. A common example is an employer payroll tax or insurance contribution that is imposed up to a certain maximum level of earnings per employee. For higher income employees, the maximum income is reached before the end of the annual reporting period, and the employer makes no further payments through the end of each annual reporting period. [AASB 134.B1]

7.2 Major planned periodic maintenance or overhaul

The cost of a planned major periodic maintenance or overhaul or other seasonal expenditure that is expected to occur late in the annual financial period is not anticipated for interim reporting purposes, unless an event has caused the entity to have a legal or constructive obligation. The mere intention or necessity to incur expenditure related to the future is not sufficient to give rise to an obligation. [AASB 134.B2]

7.3 Provisions

A provision is recognised when an entity has no realistic alternative but to make a transfer of economic benefits as a result of an event that has created a legal or constructive obligation. The amount of the obligation is adjusted upward or downward, with a corresponding loss or gain recognised in the income statement, if the entity's best estimate of the amount of the obligation changes. [AASB 134.B3]

AASB 134 requires that an entity apply the same criteria for recognising and measuring a provision at an interim date as it would at the end of its annual reporting period. The existence or non-existence of an obligation to transfer benefits is not a function of the length of the reporting period. It is a question of fact. [AASB 134.B4]

7.4 Year-end bonuses

The nature of year-end bonuses varies widely. Some are earned simply by continued employment during a time period. Some bonuses are earned based on a monthly, quarterly, or annual measure of operating result. They may be purely discretionary, contractual, or based on years of historical precedent. [AASB 134.B5]

A bonus is anticipated for interim reporting purposes if, and only if: [AASB 134.B6]

- the bonus is a legal obligation, or past practice would make the bonus a constructive obligation and the entity has no realistic alternative but to make the payments; and
- a reliable estimate of the obligation can be made.

AASB 119 'Employee Benefits' provides guidance on the application of the recognition rules to year-end bonuses.

7.5 Contingent lease payments

Contingent lease payments can be an example of a legal or constructive obligation that is recognised as a liability. If a lease provides for contingent payments based on the lessee achieving a certain level of annual sales, an obligation can arise in the interim period of the annual reporting period before the required annual level of sales has been achieved, if that required level of sales is expected to be achieved and the entity, therefore, has no realistic alternative but to make the future lease payment. [AASB 134.B7]

7.6 Intangible assets

Entities are required to apply the definition and recognition criteria for an intangible asset in the same way in an interim period as in an annual period. Costs incurred before the recognition criteria for an intangible asset are met are recognised as an expense. Costs incurred after the specific point in time at which the criteria are met are recognised as part of the cost of an intangible asset. 'Deferring' costs as assets in an interim balance sheet in the hope that the recognition criteria will be met later in the annual reporting period is not justified. [AASB 134.B8]

Example 7.6

Development costs that meet the AASB 138 capitalisation criteria midway in an interim period

An entity engaged in the pharmaceutical sector, with a June year end, reports quarterly. Throughout 2006/07, its research department is engaged in a major drug development project. Development costs incurred in 2006/07, by quarter, are as follows:

First quarter	$100
Second quarter	$100
Third quarter:	
1 January to 28 February	$80
1 March to 31 March	$60
Fourth quarter	$150

The entity publishes its half-year report on 15 February, and the $200 of development costs incurred during the first and second quarters are charged to expense. On 1 March, the research department determines that the criteria set out in AASB 138 for capitalising the development costs as an intangible asset have been met.

AASB 138 provides that asset recognition (cost capitalisation) begins at the point in time at which the recognition criteria are met, not at the start of the financial reporting period in which those criteria are met. Therefore, the following amounts are reported in the interim reports for the second half of the financial year, and in the annual report at 30 June 2007:

		31 March $	30 June $
Asset recognised in the balance sheet		60	210
	3 months ended 31 March $	9 months ended 31 March $	12 months ended 30 June $
Development costs charged to expense	80	280	280

7.7 Pensions

The pension cost for an interim period is calculated on an annual reporting period-to-date basis by using the actuarially-determined pension cost rate at the end of the prior annual reporting period, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events. [AASB 134.B9]

7.8 Vacations, holidays, and other short-term compensated absences

Accumulating compensated absences are those that are carried forward and can be used in future periods if the current period's entitlement is not used in full. AASB 119 'Employee Benefits' requires that an entity measure the expected cost of and obligation for accumulating compensated absences at the amount the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date. That principle is also applied at interim reporting dates. Conversely, an entity recognises no expense or liability for non-accumulating compensated absences at an interim reporting date, just as it recognises none at an annual reporting date. [AASB 134.B10]

<u>Example 7.8</u>

Vacation accruals at interim dates

An entity reports quarterly. Its financial year end is 30 June. Holiday entitlement accumulates with employment over the year, but any unused entitlement cannot be carried forward past 30 June. Most of the entity's employees take a substantial portion of their annual leave in January or February. Should an appropriate portion of employees' salaries during the January/February vacation period be accrued in the first and second quarter interim financial statements?

Yes, if the employees' vacation days are earned (accumulated) through service during the first and second quarters. Vacations are a form of short-term compensated absence as defined in AASB 119. AASB 119.11 requires that the expected cost of short-term accumulating compensated absences be recognised when the employees render service that increases their entitlement to future compensated absences. This principle is applied at both annual and interim financial reporting dates.

7.9 Other planned but irregularly occurring costs

An entity's budget may include certain costs expected to be incurred irregularly during the annual reporting period, such as charitable contributions and employee training costs. Those costs generally are discretionary, even though they are planned and tend to recur from year to year. Recognising an obligation at an interim financial reporting date for such costs that have not yet been incurred generally is not consistent with the definition of a liability. [AASB 134.B11]

7.10 Contractual or anticipated purchase price changes

Volume rebates or discounts and other contractual changes in the prices of raw materials, labour, or other purchased goods and services are anticipated in interim periods, by both the payer and the recipient, if it is probable that they have been earned or will take effect. Thus, contractual rebates and discounts are anticipated, but discretionary rebates and discounts are not anticipated, because the definitions of asset and liability (requiring control over resources to be received, or an obligation to pay out resources) would not be met. [AASB 134.B23]

7.11 Depreciation and amortisation

Depreciation and amortisation charges for an interim period are based only on assets owned during that interim period. They should not take into account asset acquisitions or disposals planned for later in the annual reporting period. [AASB 134.B24]

7.12 Inventories

7.12.1 Measurement of inventories – general

Inventories are measured for interim financial reporting using the same principles as at the end of the annual reporting period. AASB 102 'Inventories' establishes standards for recognising and measuring inventories. Inventories pose particular problems at any financial reporting date because of the need to determine inventory quantities, costs, and net realisable values. Nonetheless, the same measurement principles are applied for inventories at interim dates. To save cost and time, entities often use estimates to measure inventories at interim dates to a greater extent than at annual reporting dates. The following sections set out examples of how to apply the net realisable value test at an interim date and how to treat manufacturing variances at interim dates. [AASB 134.B25]

7.12.2 Net realisable value of inventories

The net realisable value of inventories is determined by reference to selling prices and related costs to complete and dispose at interim dates. [AASB 134.B26]

An entity should reverse a write-down to net realisable value in a subsequent reporting period only if it would be appropriate to do so at the end of each annual reporting period. [AASB 134.B26]

7.12.3 Interim period manufacturing cost variances

Price, efficiency, spending and volume variances of a manufacturing entity are recognised in income at interim reporting dates to the same extent that those variances are recognised in income at the end of an annual reporting period. Deferral of variances that are expected to be absorbed by the year end is not appropriate because it could result in reporting inventory at the interim date at more or less than its portion of the actual cost of manufacture. [AASB 134.B28]

7.13 Foreign currency translation gains and losses

Foreign currency translation gains and losses are measured for interim financial reporting using the same principles as at the end of each annual reporting period. [AASB 134.B29] AASB 121 'The Effects of Changes in Foreign Exchange Rates' specifies how to translate the financial reports for foreign operations into the presentation currency, including guidelines for using average or closing foreign exchange rates and guidelines for including the resulting adjustments in profit or loss or in equity. Consistent with AASB 121, the actual average and closing rates for the interim period are used. Entities do not anticipate changes in foreign exchange rates in the remainder of the current annual reporting period when translating foreign operations at an interim date. [AASB 134.B30]

If AASB 121 requires that translation adjustments be recognised as income or as expenses in the period in which they arise, that principle is applied during each interim period. Entities do not defer some foreign currency translation adjustments at an interim date if the adjustment is expected to reverse before the end of each annual reporting period. [AASB 134.B31]

7.14 Interim financial reporting in hyperinflationary economies

Interim financial reports in hyperinflationary economies are prepared using the same principles as at the end of an annual reporting period. AASB 129 'Financial Reporting in Hyperinflationary Economies' requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and the gain or loss on the net monetary position is included in net income. Also, comparative financial data reported for prior periods is restated to the current measuring unit. [AASB 134.B32 & B33]

Entities are required to follow the same principles at interim dates, thereby presenting all interim data in the measuring unit as of the end of the interim period, with the resulting gain or loss on the net monetary position included in the interim period's net income. Entities should not annualise the recognition of the gain or loss. Nor do they use an estimated annual inflation rate in preparing an interim financial report in a hyperinflationary economy. [AASB 134.B34]

7.15 Capitalisation of borrowing costs in interim periods

Example 7.15

An entity follows the alternative treatment under AASB 123 'Borrowing Costs', and capitalises borrowing costs directly attributable to the construction of qualifying assets. The entity funds its asset construction with general borrowings, rather than project-specific borrowings. Further, it uses general borrowings for purposes other than construction, so the amount of borrowings in any period is not necessarily related to the amount of construction during that period. The entity reports quarterly.

AASB 123.17 requires that the capitalisation rate for general borrowings be the weighted average of borrowing costs on borrowings outstanding during the period. For interim reporting purposes, the reference to 'period' in AASB 123.17 should be interpreted to mean the annual reporting period-to-date period, not each individual quarter so that, in accordance with AASB 134.28 and AASB 134.36, the amount of borrowing costs capitalised is 'trued-up' each quarter on a year-to-date basis.

8. Impairment of assets

AASB 136 'Impairment of Assets' requires that an impairment loss be recognised if the recoverable amount of an asset has declined below its carrying amount. AASB 134 requires that an entity apply the same impairment testing, recognition and reversal criteria at an interim date as it would at the end of its annual reporting period. That does not mean, however, that an entity must necessarily make a detailed impairment calculation at the end of each interim period. Rather, an entity will review for indications of significant impairment since the end of the most recent annual reporting period to determine whether such a calculation is needed. [AASB 134.B35 & B36]

8.1 AASB Interpretation 10 'Interim Financial Reporting and Impairment'

AASB Interpretation 10 'Interim Financial Reporting and Impairment' was issued in September 2006, effective for annual reporting periods beginning on or after 1 November 2006.

The Interpretation deals specifically with an area of conflict between AASB 134's general principle that the frequency of an entity's reporting (annual, half-yearly or quarterly) should not affect the measurement of its annual results [AASB 134.28] and the rules in AASB 136 'Impairment of Assets' and AASB 139 'Financial Instruments: Recognition and Measurement' regarding reversals of impairment for certain classes of assets, as follows:

- AASB 136.124 states that 'An impairment loss recognised for goodwill shall not be reversed in a subsequent period';
- AASB 139.69 states that 'Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for sale shall not be reversed through profit or loss'; and
- AASB 139.66 requires that impairment losses for financial assets carried at cost (such as an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured) should not be reversed.

The conflict is best illustrated by considering the example of Entity A and Entity B, which each hold the same equity investment with the same acquisition cost. Entity A prepares quarterly interim financial reports whilst Entity B prepares half-yearly financial reports. The entities have the same annual reporting date. If there was a significant decline in the fair value of the equity instrument below its cost in the first quarter, Entity A would recognise an impairment loss in its first quarter interim financial report. However, if the fair value of the equity instrument subsequently recovered, so that by the half-year date there had not been a significant decline in fair value below cost, Entity B would not recognise an impairment loss in its half-yearly financial statements if it tested for impairment only at its external reporting date. Therefore, unless Entity A reversed the impairment loss that had been recognised in an earlier interim period, the frequency of reporting would affect the measurement of its annual results when compared with Entity B's approach.

The question addressed in the Interpretation is whether AASB 134 requires impairment losses recognised in an interim period on goodwill and investments in equity instruments and financial assets carried at cost to be reversed or not reversed if a loss would not have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only at a subsequent reporting date.

The consensus in the Interpretation is that an entity should not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in an equity instrument or a financial asset carried at cost. Essentially, the IFRIC (and also the AASB) has concluded that the prohibitions on reversals of recognised impairment losses on goodwill in AASB 136 and on investments in equity instruments and financial assets carried at cost in AASB 139 should take precedence over the more general statement in AASB 134 regarding the frequency of an entity's reporting not affecting the measurement of its annual results.

8.2 Other areas of potential conflict

There are a number of other areas where similar conflicts may arise, for example:

- the revaluation of assets under AASB 116 'Property, Plant and Equipment', AASB 138 'Intangible Assets' and AASB 140 'Investment Property'; and
- the reassessment of certain liabilities under AASB 119 'Employee Benefits' and AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

The consensus in Interpretation 10 cannot be extended by analogy to other areas of potential conflict between AASB 134 and other standards.

9. Measuring half-year income tax expense

9.1 Use of estimated annual rate

The half-year income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, i.e. the estimated average annual effective income tax rate applied to the pre-tax income of the half-year. [AASB 134.B12]

This is consistent with the basic principle set out in AASB 134.28 that the same accounting recognition and measurement principles should be applied in a half-year financial report as are applied in annual financial report. Income taxes are assessed on an annual basis. Half-year income tax expense is calculated by applying to a half-year's pre-tax income the tax rate that would be applicable to total annual earnings. [AASB 134.B13]

To the extent practicable, a separate estimated average annual effective income tax rate is determined for each tax jurisdiction and applied individually to the half-year pre-tax income of each jurisdiction. Similarly, if different income tax rates apply to different categories of income (such as capital gains or income earned in particular industries), to the extent practicable, a separate rate is applied to each individual category of half-year pre-tax income. While that degree of precision is desirable, it may not be achievable in all cases and a weighted average of rates across jurisdictions or across categories of income is used if it is a reasonable approximation of the effect of using more specific rates. [AASB 134.B14]

9.2 Impact of progressive tax rates

The estimated average annual effective income tax rate will reflect a blend of the progressive tax rate structure expected to be applicable to the full annual reporting period's earnings, including enacted or substantively enacted changes in the income tax rates scheduled to take effect later in the annual reporting period. [AASB 134.B13]

9.3 Change in estimate of annual tax rate

When preparing the tax estimate to be included in an interim period, the tax expense is based on the best estimate of the weighted average annual income tax rate expected for the full annual reporting period. Therefore, as for other changes in estimates, amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period if the estimate of the annual income tax rate changes. [AASB 134.30(c)] The estimated average annual income tax rate would be re-estimated on an annual reporting period-to-date basis, consistent with AASB 134.28.

The nature and amount of any significant changes in the estimated tax rate should be disclosed either: [AASB 134.16(d), 26 & 35]

- in the annual report, if there has been no subsequent interim period financial report that has disclosed the change in estimate (see section 4.7 above); or
- in the following interim period financial report of the same year.

9.4 Difference in annual reporting period and tax year

If the financial reporting year and the income tax year differ, the income tax expense for the half-year of that annual reporting period is measured using separate weighted average estimated effective tax rates for each of the income tax years applied to the portion of pre-tax income earned in each of those income tax years. [AASB 134.B17]

9.5 Tax credits

Some tax jurisdictions give taxpayers credits against the tax payable based on amounts of capital expenditure, exports, research and development expenditure, or other bases. Anticipated tax benefits of this type for the annual reporting period are generally reflected in computing the estimated annual effective income tax rate, because those credits are granted and calculated on an annual basis under most tax laws and regulations. On the other hand, tax benefits that relate to a one-time event are recognised in computing income tax expense in that half-year, in the same way that special tax rates applicable to particular categories of income are not blended into a single effective annual tax rate. Moreover, in some jurisdictions, tax benefits or credits that are reported on the income tax return, including those related to capital expenditure and levels of exports, are more similar to a government grant and are recognised in the half-year in which they arise. [AASB 134.B19]

9.6 Tax loss and tax credit carrybacks and carryforwards

The benefits of a tax loss carryback are reflected in the half-year in which the related tax loss occurs. AASB 112 'Income Taxes' provides that 'the benefit relating to a tax loss that can be carried back to recover current tax of a previous period should be recognised as an asset'. A corresponding reduction of tax expense or increase of tax income is also recognised. [AASB 134.B20]

AASB 112 also provides that 'a deferred tax asset should be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised'. Detailed criteria are specified for the purpose of assessing the availability of future taxable profit against which the unused tax losses and credits can be utilised. [AASB 134.B21]

For half-year reporting purposes, the criteria for recognition of deferred tax assets are applied at the end of each half-year and, if they are met, the effect of the tax loss carryforward is reflected in the computation of the estimated average annual effective income tax rate. [AASB 134.B21]

Tax loss carryforward at interim reporting date

The tax effect of losses that arise in the early portion of the annual reporting period should be recognised only when the tax benefits are expected to be realised either during the current year or as a deferred tax asset at the end of the annual reporting period. For the purpose of applying this guidance, an established seasonal pattern of loss in the early interim periods followed by income in later interim periods is generally sufficient to support a conclusion that realisation of the tax benefit from the early losses is probable. Recognition of the tax benefit of losses incurred in early interim periods will generally not occur in those interim periods if available evidence indicates that income is not expected in later interim periods.

If the tax benefits of losses that are incurred in early interim periods of the annual reporting period are not recognised in those interim periods, no income tax expense will be provided on income generated in later interim periods until the tax effects of the previous losses are offset.

The tax effect of a deferred tax asset expected to be recognised at the end of an annual reporting period for deductible temporary differences and carryforwards that originate during the current annual reporting period should be spread throughout the annual reporting period by an adjustment to the annual effective tax rate.

<u>Example 9.6A</u>

Recognition of deferred tax assets at interim reporting dates

Assume that during the first quarter of an annual reporting period ending 30 June 2007, an entity, operating in a tax jurisdiction with a 50 percent tax rate, generates a tax credit of $4,000 (i.e. sufficient to cover taxable profits of $8,000) that, under tax law, will expire at the end of the financial year ending 30 June 2008. At the end of the first quarter of the financial year ending 30 June 2007, available evidence about the future indicates that taxable income of $2,000 and $4,000 will be generated during the financial year ending 30 June 2007 and 2008, respectively. Therefore, the entity expects to utilise $1,000 ($2,000 x 50 percent) of the tax credit to offset tax on its year ending 30 June 2007 taxable income, and $2,000 ($4,000 x 50 percent) to offset tax on its year ending 30 June 2008 income. It expects to recognise a deferred tax asset in its balance sheet at the end of the financial year ending 30 June 2007 of $2,000 (relating to the tax relief available in 2007/08), and the balance of $1,000 will not be recognised due to the low likelihood of its realisation.

Because the tax credit is generated during the current year, the tax consequence of the $2,000 deferred tax asset expected to be recognised at the end of the financial year ending 30 June 2007 is applied ratably to each of the interim periods during that financial year.

Therefore, if profits arise on a straight line basis through the financial year ending 30 June 2007, a benefit for income taxes of $500 [$2,000 x 1/4] will be recognised during the first interim period. Assuming the estimates about the future do not change during the remainder of the year, the tax benefit of the remaining $1,500 ($2,000 – $500) of net deferred tax asset will be recognised ratably over the pre-tax accounting income generated in the later interim periods of the financial year ending 30 June 2007.

9.7 Change in estimate as to recoverability of tax loss carryforward

<u>Example 9.7</u>

Change in estimate as to recoverability of tax loss carryforward

An entity operates in a tax jurisdiction with a 50 percent tax rate. In the financial year ending 30 June 2006, the entity incurs tax losses of $50,000, which can be carried forward to offset against future taxable profits until the end of the financial year ending 30 June 2008. At 30 June 2006, the entity estimates that $40,000 of the losses can be recovered against profits for the year ending 30 June 2007 (budgeted profit $15,000) and year ending 30 June 2008 (budgeted profit $25,000), and therefore recognises a deferred tax asset of $20,000 ($40,000 x 50 percent) in its annual financial report for 30 June 2006.

At the end of the first quarter of the financial year ending 30 June 2007, actual year to date profits and anticipations for the remainder of the year are in line with budget. However, the budgeted profit for the year ending 30 June 2008 is revised downward to $20,000. Therefore, the carrying amount of the deferred tax asset at the end of the financial year ending 30 June 2007 should be reduced by $2,500 ($5,000 at 50 percent). The effect of this reduction is spread throughout the year as part of the computation of the annual effective tax rate.

Therefore, in quarter 1 of the financial year ending 30 June 2007, assuming taxable profits of $6,000 out of estimated annual profits of $15,000, the income tax expense for the quarter is estimated as follows:

Estimated effective annual tax rate:	[($15,000 x 0.50) + $2,500] /$15,000 = 66.7%
Tax expense in Quarter 1:	$6,000 x 66.7% = $4,000

Section C
Consolidated model half-year report

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About the model half-year report

Purpose

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

- Provisions of the Corporations Act 2001; and
- Accounting Standard AASB 134 'Interim Financial Reporting'.

Where appropriate, this model also adopts the classification criteria and other guidance contained in Accounting Standard AASB 101 'Presentation of Financial Statements'.

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 half-year reporting requirements of the Corporations Act 2001. Inquiries regarding specialised industries (e.g. life insurance companies, credit unions, etc.) should be directed to an industry specialist in your nearest Deloitte Touche Tohmatsu office.

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 Interpretations are pre-requisites for the preparation of financial reports.

Source references

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

Abbreviations used in this model are as follows:

s.	Section of the Corporations Act 2001.
Reg	Regulation of the Corporations Regulations 2001.
AASB	Accounting Standard issued by the Australian Accounting Standards Board.
Int	Interpretation issued by the Australian Accounting Standards Board.
ASA	Australian Auditing Standard issued by the Auditing and Assurance Standards Board.
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.
ASX	Australian Stock Exchange Limited Listing Rules.

DTT Interim Limited

ACN 123 456 789

Half-year report for the half-year ended 31 December 2006

Source reference

Directors' report

ASIC-CO 98/2395 Information required by s.306 may be transferred to a document attached to the directors' report and half-year financial report where a clear cross reference to the pages containing the excluded information exists and certain conditions are satisfied. Where the information is transferred to the half-year financial report it will be subject to audit or review.

s.1308(7) Where the directors' report contains information in addition to that required by the Corporations Act 2001, the information will be regarded as part of the directors' report for the purposes of s.1308 'False or misleading statements'.

The directors of DTT Interim Limited submit herewith the financial report for the half-year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

s.306(1)(b) The names of the directors of the company during or since the end of the half-year are:

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

s.306(1)(b) The above named directors held office during and since the end of the half-year except for:

- Mr W.K. Flinders – resigned 20 July 2006
- Ms S.M. Saunders – appointed 1 August 2006
- Ms L.A. Lochert – appointed 31 July 2006 and resigned 3 January 2007

Review of operations

s.306(1)(a) 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 no guidance on the contents of this review.

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

Recommended contents of the review of operations include:

(a) overview:
   i. objectives of the consolidated entity and how they are achieved within the specific operating environment and industry within which the consolidated entity operates;
   ii. performance and indicators used by management; and
   iii. dynamics of the consolidated entity and the main opportunities and threats that may have a major effect on results regardless of whether they were significant in the period under review;

(b) review of operations:
   i. operating results of the consolidated entity by main business activity including a comparison to prior periods and any projections published by the company and its controlled entities. Consideration should be given to unusual or infrequent events or transactions, including material acquisitions or disposals, major sources of revenues and expenses, and changes in factors which affect the results; and
   ii. overall return attributable to shareholders in terms of dividends, and increase in shareholder funds. Consideration should be given to the company's distribution policy (including the extent of franking), other forms of shareholder returns, for example, dividend reinvestment plans or shareholder privileges, and movements in the company's share price;

(c) details of investments for future performance, including the current and planned future level of capital expenditure, major projects and expected benefits;

(d) review of financial conditions:
   i. capital structure of the company including capital funding and treasury policies and objectives;
   ii. liquidity and funding as at year end including restrictions on funds transfer, covenants entered into and the maturity profile of borrowings;
   iii. resources available to the consolidated entity not reflected in the balance sheet;
   iv. cash generated from operations and other sources of cash flows during the period; and

Source reference

v. impact of legislation and other external requirements having a material effect on the financial condition in the reporting period or expected to have a material effect on the financial condition in future periods; and

(e) risk management and corporate governance practices.

Auditor's independence declaration

s.306(2) The auditor's independence declaration is included on page C3 of the half-year report.

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

True and fair view

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

(a) set out the directors' reasons for forming the opinion that the inclusion of that additional information was necessary to give a true and fair view required by s.305; and

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

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 half-year financial report are rounded, that fact must be disclosed in the financial report or the directors' report.

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

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

On behalf of the Directors

(Signature)
C.J. Chambers
Director
Melbourne, 16 February 2007

Source reference

Auditor's independence declaration to the members of DTT Interim Limited

The Board of Directors
DTT Interim Limited
167 Admin Ave
MELBOURNE VIC 3000

16 February 2007

Dear Sirs,

DTT Interim Limited

s.306(2), s.307C, ASIC-CO 98/2395

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

As lead audit partner for the review *[or audit, where an audit was conducted]* of the financial statements of DTT Interim Limited for the half-year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review *[or audit, where an audit was conducted]*; and

(ii) any applicable code of professional conduct in relation to the review *[or audit, where an audit was conducted]*.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

T.L. Green
Partner
Chartered Accountants
Melbourne, 16 February 2007

ASIC CO 05/910

ASIC Class Order 05/910 grants an exemption for an auditor from the requirement to make an independence declaration under s307C where the declaration would be required to set out details of any contraventions of s.324CE(2), s.324CF(2) or s.324CG(2) of the Corporations Act 2001, provided certain conditions are met.

ASIC CO 05/83

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

Source reference

Independent audit report / review report to the members of DTT Interim Limited

Where the financial report for a half-year ended 31 December 2006 is subject to audit, an audit report shall be prepared by the auditor in accordance with Australian Auditing Standards

Where the financial report for a half-year ended 31 December 2006 is subject to review, a review report shall be prepared by the auditor in accordance with Australian Auditing Standards

Force of law

'Force of law' Australian Auditing Standards (ASAs) apply to audits and reviews of financial reports for periods commencing on or after 1 July 2006.

Audit of half-year financial report

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

- s.307(a), 309(1) — whether the financial report for the half-year 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), 309(5B) — if the financial report for the half-year includes additional information under s.303(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.305; 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 half-year 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.

Review of the half-year financial report

s.309(4) — The auditor who reviews the financial report for a half-year must report to members on whether the auditor became aware of any matter in the course of the review that makes the auditor believe that the financial report does not comply with the Corporations Act 2001.

Qualified audit opinions and review statements

s.309(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 half-year financial report. If it is not practicable to quantify the effect fully, the report must say why.

Source reference	
	Duty to report
s.309(3)(a)	The auditor is required to report any defect or irregularity in the half-year financial report.
s.309(5A)	The audit report must include any statements or disclosures required by the auditing standards.
	Duty to inform
s.311(1), (2), (3)	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)(c), (2)(c), (3)(d)	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.
	Auditor's independence declaration
s.307C(3)	If an audit firm or audit company conducts an audit or review of the financial report for a half-year the lead auditor must give the directors of the company, registered scheme or disclosing entity a written declaration that, to the best of the lead auditor's knowledge and belief, there have been: (i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit or review; and (ii) no contraventions of any applicable code of professional conduct in relation to the audit or review; or a written declaration that, to the best of the lead auditor's knowledge and belief, the only contraventions of: (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit or review; or (ii) any applicable code of professional conduct in relation to the audit or review; are those contraventions details of which are set out in the declaration.
s.307C(1)	Similar requirements apply to individual auditors, where an individual auditor is engaged to conduct an audit or review of a half-year financial report.

Source reference

Directors' declaration

The directors declare that:

s.303(4)(c) (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

s.303(4)(d) (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors

(Signature)
C.J. Chambers
Director

Melbourne, 16 February 2007

Condensed consolidated income statement for the half-year ended 31 December 2006

(Alt 1: example of expenses disclosed by function)

	Note	Consolidated Half-year ended 31 Dec 2006 $'000	Consolidated Half-year ended 31 Dec 2005 $'000
Continuing operations			
Revenue from sale of goods		102,315	114,936
Cost of sales		(63,691)	(69,930)
Gross profit		38,624	45,006
Other revenue		2,151	1,081
Other income		1,261	510
Share of profits of associates and jointly controlled entities accounted for using the equity method		593	795
Distribution expenses		(2,544)	(2,300)
Marketing expenses		(1,646)	(786)
Occupancy expenses		(1,064)	(1,100)
Administration expenses		(6,167)	(7,562)
Finance costs		(2,895)	(3,698)
Other expenses		(7,614)	(9,412)
Profit before tax		20,699	22,534
Income tax expense		(7,233)	(7,400)
Profit for the period from continuing operations		13,466	15,134
Discontinued operations			
Profit for the period from discontinued operations		-	-
Profit for the period		13,466	15,134
Attributable to:			
Equity holders of the parent		11,466	13,752
Minority interest		2,000	1,382
		13,466	15,134
Earnings per share			
From continuing and discontinued operations:			
Basic (cents per share)		53.7	64.8
Diluted (cents per share)		48.3	58.6
From continuing operations:			
Basic (cents per share)		53.7	64.8
Diluted (cents per share)		48.3	58.6

Notes to the financial statements are included on pages C13 to C21.

Source references: AASB134.9, 10, 11, Aus14.1, Aus14.2, 16.4 and 20(b)

Condensed consolidated income statement for the half-year ended 31 December 2006

(Alt 2: example of expenses disclosed by nature)

	Note	Consolidated Half-year ended 31 Dec 2006 $'000	Consolidated Half-year ended 31 Dec 2005 $'000
Continuing operations			
Revenue		104,466	116,017
Other income		1,261	510
Share of profits of associates and jointly controlled entities accounted for using the equity method		593	795
Changes in inventories of finished goods and work in progress		(3,561)	(3,235)
Raw materials and consumables used		(57,554)	(65,419)
Employee benefits expense		(7,189)	(7,720)
Depreciation and amortisation expense		(7,590)	(8,675)
Finance costs		(2,895)	(3,698)
Impairment of non-current assets		-	-
Consulting expense		(1,498)	(610)
Other expenses		(5,334)	(5,431)
Profit before tax		20,699	22,534
Income tax expense		(7,233)	(7,400)
Profit for the period from continuing operations		13,466	15,134
Discontinued operations			
Profit for the period from discontinued operations		-	-
Profit for the period		13,466	15,134
Attributable to:			
Equity holders of the parent		11,466	13,752
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From continuing operations:			
Basic (cents per share)		53.7	64.8
Diluted (cents per share)		48.3	58.6

Notes to the financial statements are included on pages C13 to C21.

Source references: AASB134.9, 10, 11, Aus14.1, Aus14.2, 16.4 and 20(b)

Condensed consolidated balance sheet as at 31 December 2006

	Note	Consolidated 31 December 2006 $'000	Consolidated 30 June 2006 $'000
Current assets			
Cash and cash equivalents		18,179	19,778
Trade and other receivables		17,566	17,197
Other financial assets		9,840	8,841
Inventories		28,390	30,352
Current tax assets		-	60
Other		-	-
		73,975	76,228
Non-current assets classified as held for sale		-	-
Total current assets		73,975	76,228
Non-current assets			
Investments accounted for using the equity method		7,862	7,269
Other financial assets		8,410	7,612
Property, plant and equipment		137,546	134,461
Investment property		136	132
Deferred tax assets		-	-
Goodwill		24,060	24,060
Other intangible assets		10,532	11,325
Other		-	-
Total non-current assets		188,546	184,859
Total assets		262,521	261,087
Current liabilities			
Trade and other payables		15,947	15,990
Borrowings		32,465	37,422
Other financial liabilities		36	78
Current tax payables		2,567	5,868
Provisions		3,074	3,247
Other		90	95
		54,179	62,700
Liabilities directly associated with non-current assets classified as held for sale		-	-
Total current liabilities		54,179	62,700
Non-current liabilities			
Borrowings		25,000	25,822
Other financial liabilities		311	256
Deferred tax liabilities		4,142	3,693
Provisions		2,068	2,326
Other		225	270
Total non-current liabilities		31,746	32,367
Total liabilities		85,925	95,067
Net assets		176,596	166,020
Equity			
Issued capital		48,973	48,672
Reserves		2,615	1,909
Retained earnings		103,003	95,434
		154,591	146,015
Amounts recognised directly in equity relating to non-current assets classified as held for sale		-	-
Parent entity interest		154,591	146,015
Minority interest		22,005	20,005
Total equity		176,596	166,020

Notes to the financial statements are included on pages C13 to C21.

Source references: AASB134.9, 10, 16.4 and 20(a)

Condensed consolidated statement of recognised income and expense for the half-year ended 31 December 2006

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

	Note	Consolidated	
		Half-year ended 31 Dec 2006 $'000	Half-year ended 31 Dec 2005 $'000
Gain/(loss) on property revaluation		-	400
Increase/(decrease) arising from a change in existing decommissioning, restoration or similar liabilities		-	-
Gain/(loss) on available-for-sale investments taken to equity		626	451
Gain/(loss) on cash flow hedges taken to equity		511	257
Exchange differences arising on translation of foreign operations		125	274
Actuarial gain/(loss) on defined benefit plans		-	-
Other [describe]		-	-
Income tax on items taken directly to equity		(341)	(332)
Net income/(expense) recognised directly in equity		921	1,050
Transfers (net of any related tax):			
Transfer to profit or loss on sale of available-for-sale investments		-	79
Transfer to profit or loss from equity on cash flow hedges		(115)	(75)
Transfer to initial carrying amount of non-financial hedged item on cash flow hedges		(131)	(148)
Transfer to profit or loss on disposal of foreign operation		-	-
Profit for the period		13,466	15,134
Total recognised income and expense for the period		14,141	16,040
Attributable to:			
Equity holders of the parent		12,141	14,658
Minority interests		2,000	1,382
		14,141	16,040
Effects of changes in accounting policy:			
Attributable to equity holders of the parent			
- increase/(decrease) in retained earnings at the beginning of the period		-	(21)
- [describe]		-	-
Attributable to minority interests		-	-
		-	(21)
Effects of corrections of errors:			
Attributable to equity holders of the parent			
- increase/(decrease) in retained earnings at the beginning of the period		-	-
Attributable to minority interests		-	-
		-	-

Notes to the financial statements are included on pages C13 to C21.

Source references: AASB134.9, 10, 16.4 and 20(c)

An alternative method of presentation, which also discloses transactions with equity holders as equity holders, is illustrated on the next page.

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

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2006

(Alt 2: Presentation of a statement of changes in equity)

	Share capital $'000	Asset revaluation reserve $'000	Investments revaluation reserve $'000	Equity-settled employee benefits reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Attributable to equity holders of the parent $'000	Minority interest $'000	Total $'000
Balance at 1 Jul 2005	48,672	30	149	250	179	(10)	74,414	123,684	17,242	140,926
Effects of changes in accounting policies:										
Effect of changes in the accounting for financial guarantee contracts	-	-	-	-	-	-	(21)	(21)	-	(21)
As restated	48,672	30	149	250	179	(10)	74,393	123,663	17,242	140,905
Gain/(loss) on revaluation of property	-	400	-	-	-	-	-	400	-	400
Increase/(decrease) arising from a change in existing decommissioning, restoration or similar liabilities	-	-	-	-	-	-	-	-	-	-
Gain/(loss) on available-for-sale investments	-	-	451	-	-	-	-	451	-	451
Gain/(loss) on cash flow hedges	-	-	-	-	257	-	-	257	-	257
Exchange differences arising on translation of foreign operations	-	-	-	-	-	274	-	274	-	274
Related income tax	-	(120)	(135)	-	(77)	-	-	(332)	-	(332)
Net income recognised directly in equity	-	280	316	-	180	274	-	1,050	-	1,050
Transfers (net of any related tax):										
Transfer to profit or loss on cash flow hedges	-	-	-	-	(75)	-	-	(75)	-	(75)
Transfer to initial carrying amount of non-financial hedged item on cash flow hedges	-	-	-	-	(148)	-	-	(148)	-	(148)
Transfer to profit or loss on sale of available-for-sale investments	-	-	79	-	-	-	-	79	-	79
Profit for the period	-	-	-	-	-	-	13,752	13,752	1,382	15,134
Total recognised income and expense	-	280	395	-	(43)	274	13,752	14,658	1,382	16,040
Recognition of share-based payments	-	-	-	161	-	-	-	161	-	161
Transfer to retained earnings	-	(154)	-	-	-	-	154	-	-	-
Payment of dividends	-	-	-	-	-	-	(3,800)	(3,800)	-	(3,800)
Balance at 31 Dec 2005	48,672	156	544	411	136	264	84,499	134,682	18,624	153,306
Balance at 1 Jul 2006	48,672	208	548	588	232	333	95,434	146,015	20,005	166,020
Gain/(loss) on available-for-sale investments	-	-	626	-	-	-	-	626	-	626
Gain on cash flow hedges	-	-	-	-	511	-	-	511	-	511
Exchange differences arising on translation of foreign operations	-	-	-	-	-	125	-	125	-	125
Related income tax	-	-	(188)	-	(153)	-	-	(341)	-	(341)
Net income recognised directly in equity	-	-	438	-	358	125	-	921	-	921
Transfers (net of any related tax):										
Transfer to profit or loss on cash flow hedges	-	-	-	-	(115)	-	-	(115)	-	(115)
Transfer to initial carrying amount of non-financial hedged item on cash flow hedges	-	-	-	-	(131)	-	-	(131)	-	(131)
Profit for the period	-	-	-	-	-	-	11,466	11,466	2,000	13,466
Total recognised income and expense	-	-	438	-	112	125	11,466	12,141	2,000	14,141
Recognition of share-based payments	-	-	-	192	-	-	-	192	-	192
Issue of shares under share option plan	140	-	-	-	-	-	-	140	-	140
Transfer from equity-settled employee benefits reserve	161	-	-	(161)	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	-	(3,897)	(3,897)	-	(3,897)
Balance at 31 Dec 2006	48,973	208	986	619	344	458	103,003	154,591	22,005	176,596

Notes to the financial statements are included on pages C13 to C21.

Source references: AASB134.9, 10, 16.4 and 20(c)

Condensed consolidated cash flow statement for the half-year ended 31 December 2006

	Note	Consolidated Half-year ended 31 Dec 2006 $'000	Consolidated Half-year ended 31 Dec 2005 $'000
Cash flows from operating activities			
Receipts from customers		104,497	115,823
Payments to suppliers and employees		(74,133)	(83,894)
Interest and other costs of finance paid		(2,855)	(3,658)
Income tax paid		(9,451)	(9,000)
Net cash provided by operating activities		18,058	19,271
Cash flows from investing activities			
Payment for investment securities		(7,721)	(7,118)
Proceeds on sale of investment securities		6,841	200
Interest received		421	535
Dividends received		90	90
Proceeds from repayment of related party loans		-	-
Amounts advanced to related parties		-	-
Payment for property, plant and equipment		(10,000)	(8,871)
Proceeds from sale of property, plant and equipment		618	6,013
Payment for intangible assets		(150)	-
Development costs paid		(200)	(352)
Proceeds from sale of businesses		-	-
Payment for businesses		-	-
Net cash used in by investing activities		(10,101)	(9,503)
Cash flows from financing activities			
Proceeds from issues of equity securities		140	-
Payment for share issue costs		-	-
Payment for share buy-back:			
- members of the parent entity		-	-
- minority interests		-	-
Proceeds from issue of debt securities		14,000	-
Payment for debt issue costs		(595)	-
Proceeds from borrowings		8,238	12,123
Repayment of borrowings		(27,422)	(16,716)
Dividends paid:			
- members of the parent entity		(3,897)	(3,800)
- minority interests		-	-
Net cash used in financing activities		(9,536)	(8,393)
Net (decrease)/increase in cash and cash equivalents		(1,579)	1,375
Cash and cash equivalents at the beginning of the period		19,400	15,260
Effects of exchange rate changes on the balance of cash held in foreign currencies		(20)	(35)
Cash and cash equivalents at the end of the period		17,801	16,600

Notes to the financial statements are included on pages C13 to C21.

Source references: AASB134.9, 10, 16.4 and 20(d)

Source reference

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

AASB134.Aus16.3, Aus16.4, 19

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

Basis of preparation

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

ASIC-CO 98/0100

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

AASB134.16(a)

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 30 June 2006, other than as detailed below.

Adoption of new and revised Accounting Standards

AASB134.16(a)

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

AASB134.43

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

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

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

AASB134.44

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

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- investments as at fair value through profit or loss (AASB 2005-04 'Amendments to Australian Accounting Standards');
- financial guarantee contracts (AASB 2005-09 'Amendments to Australian Accounting Standards'); and
- rights to cash reimbursement for expenditure required to settle a provision (AASB 2005-5 'Amendments to Australian Accounting Standards).

The adoption of these new and revised Standards and Interpretations has also resulted in a change to the Group's accounting policies in relation to business combinations involving entities under common control.

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

Source reference

1. Significant accounting policies (cont'd)

AASB134.16(a)

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

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

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

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

The impact of this reclassification is that, in the Group's financial statements, profit for the half-year ended 31 December 2005 decreased by $5 thousand (net of tax) and gains recognised in the investments revaluation reserve for the half-year ended 31 December 2005 increased by $5 thousand (net of tax) from that which was reported in the 2005 half-year financial report. Profits for the half-year ended 31 December 2006 are $8 thousand lower than had the previous classification continued to apply.

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

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

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

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

AASB134.16(a)

Accounting for financial guarantee contracts

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

The changes introduced by AASB 2005-9 are applied by the Group with effect from the beginning of the comparative reporting period presented in this financial report (i.e., with effect from 1 July 2005). The Group is party to a financial guarantee contract where an entity in the Group has provided a financial guarantee to a bank in respect of an entity external to the DTT Interim Limited group. The application of these amendments results in such financial guarantee contracts now being recognised and measured at the higher of the best estimate of the expenditure required to settle the obligation and the amount initially recognised less, where appropriate, cumulative amortisation.

Source reference

1. Significant accounting policies (cont'd)

The impact of this change in accounting policy in the consolidated financial statements at the beginning of the comparative period is that a liability of $30 thousand and the associated deferred tax asset of $9 thousand was recognised for the financial guarantee contracts, adjusted against opening retained earnings. Profit for the half-year ended 31 December 2005 is $8 thousand higher under the new policy and financial liabilities as at 31 December 2005 higher by $18 thousand from that which was reported in the 2005 half-year financial report. Profits for the half-year ended 31 December 2006 are $4 thousand lower under the new accounting policy as a result of movements in the fair value of the financial liabilities recognised.

AASB134.16(a)

Accounting for business combinations involving entities or businesses under common control

The AASB released AASB 2005-6 'Amendments to Australian Accounting Standards' in June 2006. AASB 2005-6 amends AASB 3 'Business Combinations' by removing business combinations involving entities or business under common control from its scope. The effect of the scope amendment is that there is no longer any explicit guidance under Accounting Standards as to how to account for these types of business combinations.

Due to the requirements of AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' permitting the non-restatement of pre-transition business combinations, the amendment has no effect on the financial statements of the company or Group for the current or prior reporting periods. However, future transactions involving entities under common control will be affected because the entity will effectively have an accounting policy choice as to how to account for these transactions.

The Group has determined that in the separate financial statements of the company, future intra-group transactions ('common control transactions') will be accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference will be recognised as a contribution by or distribution to equity participants by the transacting entities.

A number of accounting policy choices are available to entities for the accounting of business combinations involving entities or businesses under common control. Where such business combinations have not occurred, an entity may not have yet decided on the accounting policy that will be adopted.

AASB134.16(a)

Accounting for rights to reimbursement

Where an entity has received a right to reimbursement for expenditure required to settle a present or former provision in the form of cash and has presently accounted for such right in accordance with AASB 139, the following wording may be adopted (amended as appropriate):

The AASB released AASB 2005-5 'Amendments to Australian Accounting Standards' in June 2005. The amendment arose in the context of rights to receive reimbursement subject to Interpretation 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds' and amends AASB 139 'Financial Instruments: Recognition and Measurement' to exclude rights to reimbursement for expenditure required to settle a present or former provision recognised in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'. The effect of the scope amendment is that a contractual right to receive such reimbursement in the form of cash will be accounted for in the same manner as other forms of rights to such reimbursements (i.e., non-cash rights), rather than as an available-for-sale financial asset.

The changes introduced by AASB 2005-5 are applied by the Group with effect from the beginning of the comparative reporting period presented in this financial report (i.e., with effect from 1 July 2005). The application of these amendments results in such rights to reimbursements that were previously classified by the Group as available-for-sale financial assets (measured at fair value with changes in fair value recognised directly in equity) being now accounted for in accordance with the requirements of AASB 137 (measured at the best estimate of expenditure required to settle the obligation with changes in the carrying amount recognised in profit or loss for the period).

The impact of this change in accounting policy is that retained earnings as at 1 July 2005 increased/decreased by $x thousand, the investments revaluation reserve as at 1 July 2005 increased/decreased by $x thousand, profit for the half-year ended 31 December 2005 increased/decreased by $x thousand and gains/losses recognised in the investments revaluation reserve for the half-year ended 31 December 2005 increased/decreased by $x thousand from that which was reported in the 2005 half-year financial report. Profits for the half-year ended 31 December 2006 are $x thousand higher/lower than had the previous accounting policy continued to apply.

Source reference

1. Significant accounting policies (cont'd)

Other changes in accounting policies

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

(a) AASB 2005-1 'Amendments to Australian Accounting Standards', which allows certain intragroup forecast transactions to qualify for hedge accounting;
(b) Interpretation 4 'Determining whether an Asset Contains a Lease', which clarifies whether an arrangement is, or contains a lease;
(c) Interpretation 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds', which specifies the accounting that should be applied in the financial statements of a contributor to such funds;
(d) Interpretation 6 'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment', which specifies the timing for the recognition of liabilities for waste management;
(e) Interpretation 1002 'Post-Date-of-Transition Stapling Arrangements', which specifies the accounting treatment for post-date-of-transition stapling arrangements; and
(f) AASB 119 'Employee Benefits' (December 2004), which introduces two additional options for recognising actuarial gains and losses and provides additional guidance on the accounting for group plans.

2. Segment information

This illustrative example of the disclosure of 'primary' segment information has been presented on the basis that DTT Interim 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.

AASB134.16(g) The following is an analysis of the revenue and results for the period, analysed by business segment, DTT Interim Limited's primary basis of segmentation.

	Segment revenue		Segment result	
	Half-year ended		Half-year ended	
	31 Dec 2006 $'000	31 Dec 2005 $'000	31 Dec 2006 $'000	31 Dec 2005 $'000
Continuing operations				
Widgets	39,233	40,884	13,948	13,761
Bicycles	21,309	24,576	4,387	5,172
Construction	14,445	14,345	4,436	5,782
Toys	26,427	33,681	2,103	1,740
Other	1,417	1,657	505	492
	102,831	115,143	25,379	26,947
Discontinued operations				
[describe]	-	-	-	-
	102,831	115,143	25,379	26,947
Eliminations	(1,752)	(936)	-	-
Unallocated	3,387	1,810	(4,680)	(4,413)
Consolidated revenue	104,466	116,017		
Profit before income tax expense			20,699	22,534
Income tax expense			(7,233)	(7,400)
Profit for the period			13,466	15,134

Source reference

3. Results for the period

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

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

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

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

4. Revisions of accounting estimates

AASB134.16(d) During the half-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 half-year by $4 thousand, and for the next 4 financial years, by the following amounts:

	Financial years $'000
2007	9
2008	7
2009	4
2010	2

5. Dividends

	Half-year ended 31 Dec 2006		Half-year ended 31 Dec 2005	
	Cents per share	Total $'000	Cents per share	Total $'000
AASB134.16(f), Aus16.2(a)(i) **Recognised amounts**				
Fully paid ordinary shares				
Final dividend	19.36	3,897	18.88	3,800
	19.36	3,897	18.88	3,800
AASB134.Aus16.2(a)(ii) **Unrecognised amounts**				
Fully paid ordinary shares				
Interim dividend	17.85	2,618	12.71	2,559

AASB134.Aus16.2(b) An entity shall disclose in the notes to the financial statements the amount of any cumulative preference dividends not recognised.

6. Issuances, repurchases and repayments of equity securities

AASB134.16(e) During the half-year reporting period, DTT Interim Limited issued 140,000 ordinary shares for $140 thousand on exercise of 140,000 share options issued under its executive share option plan. As a result of this share issue, $161 thousand was transferred from the equity-settled employee benefits reserve of $161 thousand to issued capital. There were no other movements in the ordinary shares capital or other issued share capital of the company in the current or prior half-year reporting period.

AASB134.16(e) DTT Interim Limited issued 160,000 share options (2005: 140,000) over ordinary shares under its executive share option plan during the half-year reporting period. These share options had a fair value at grant date of $1.20 per share option (2005: $1.15).

Source reference

7. Contingencies and commitments

AASB134.16(j)

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

8. Subsequent events

AASB134.16(h), Aus16.1

The notes to the financial statements shall disclose information about material events subsequent to the end of the half-year reporting period that have not been reflected in the half-year financial statements, if material and if not disclosed elsewhere in the half-year financial report. An indication, where possible, of the financial effect of each such event shall be disclosed.
Further guidance concerning the disclosure of subsequent events is contained in Accounting Standard AASB 110 'Events after the Balance Sheet Date'.

9. Acquisitions and disposals

AASB134.16(i)

The notes to the financial statements shall disclose the effect of changes in the composition of the entity during the half-year reporting period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations, if material and if not disclosed elsewhere in the half-year financial report.

AASB134.16(i)

Discontinued operation

On 31 October 2006, the Group disposed of DTT Corporation Limited, which carried out its bicycle manufacturing operations. The proceeds of the disposal of $x,xxx thousand were received in cash.

The profit (loss) for the period from the discontinued operation is analysed as follows:

	4 months ended 31 Oct 2006 $'000	6 months ended 31 Dec 2005 $'000
Profit of bicycle manufacturing operations for the period	-	-
Gain on disposal of bicycle manufacturing operations	-	-
	-	-

	4 months ended 31 Oct 2006 $'000	6 months ended 31 Dec 2005 $'000
The following were the results of the bicycle business for the period:		
Revenue	-	-
Operating expenses	-	-
Finance costs	-	-
Profit before income tax	-	-
Income tax expense	-	-
Profit after income tax	-	-

	31 Oct 2006 $'000
The net assets of DTT Corporation Limited at the date of disposal were as follows:	
Net assets disposed of	-
Attributable goodwill	-
	-
Gain on disposal	-
Total consideration	-
Satisfied by cash, and net cash inflow arising on disposal	-

Source reference

9. Acquisitions and disposals (cont'd)

Acquisition of new subsidiary

AASB134.16(i)
AASB3.67(a)-(d)

On 1 November 2006, the Group acquired 100% of issued share capital of DTT Finance Pty Limited for cash consideration of $x,xxx thousand. DTT Finance Pty Limited's principal activity is the arrangement of credit facilities. This transaction has been accounted for using the acquisition method of accounting.

AASB3.67(f)

The net assets acquired in the business combination, and the goodwill arising, are as follows:

	Acquiree's carrying amount before business combination $'000	Fair value adjustments $'000	Fair value $'000
Net assets acquired:			
Cash and cash equivalents	-	-	-
Trade and other receivables	-	-	-
Property, plant and equipment	-	-	-
Trade and other payables	-	-	-
Deferred tax liabilities	-	-	-
Contingent liabilities	-	-	-
	-	-	-
Goodwill arising on acquisition			-
Total consideration, satisfied by cash			-

AASB3.69

The initial accounting for the acquisition of DTT Finance Pty Limited ('DTT Finance'') has only been provisionally determined at reporting date. DTT Finance became wholly owned on acquisition and has joined the company's tax-consolidated group. For tax purposes, the tax values of DTT Finance's assets are required to be reset based on market values and other factors. At the date of finalisation of this report, the necessary market valuations and other calculations had not been finalised and the adjustment to deferred tax liabilities and goodwill noted above has therefore only been provisionally determined based on the directors' best estimate of the likely tax values. The market valuations obtained for tax purposes may also impact the recognised fair values of the other assets acquired as part of the business combination.

AASB3.67(h)

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire DTT Finance. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of DTT Finance. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

The Group also acquired the customer lists and customer relationships of DTT Finance Pty Limited as part of the acquisition. These assets were not able to be reliably measured and separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

AASB3.67(i)

Included in the net profit for the period is $x,xxx thousand attributable to the additional business generated by DTT Finance Pty Limited.

AASB3.70

Had the business combinations been effected at 1 July 2006, the revenue of the Group would be $x,xxx thousand, and net profit $x,xxx thousand. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

Because the information is prepared on a pro-forma basis, Deloitte encourage the inclusion of additional disclosure in the notes to the financial statements to alert users of the financial statements to the nature of the disclosures. This disclosure, in material cases, may include some narrative information about the manner in which the pro-forma information has been prepared.
The following illustrative paragraph should be adapted to each entity's circumstances:

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

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

Source reference

9. Acquisitions and disposals (cont'd)

Business combinations

AASB3.66, 67, AASB134.16(i)

In the case of business combinations, the entity shall disclose information that enables users of the half-year financial report to evaluate the nature and financial effect of business combinations that were effected during the half-year reporting period, and after the half-year reporting date but before the half-year financial report is authorised for issue.

To give effect to this principle, the acquirer shall disclose the following information for each business combination. The information may be disclosed in aggregate for those business combinations effected during the period that are individually immaterial.

(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;

(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. If such disclosure would be impractical, that fact shall be disclosed, together with an explanation of why this is the case;

(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;

(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 such disclosure would be impractical, that fact shall be disclosed, together with an explanation of why this is the case;

AASB134.16(i), AASB3.71

For business combinations effected after the half-year reporting date but before the half-year financial report is authorised for issue, the acquirer shall disclose the above information unless such disclosure would be impractical. If disclosure of any of this information would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.

AASB134.16(i), AASB3.69

If the initial accounting for a business combination that was effected during the period was determined only provisionally, that fact shall be disclosed together with an explanation of why this is the case;

AASB134.16(i), AASB3.70

The acquirer shall also disclose:

(i) 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. If such disclosure would be impractical, that fact shall be disclosed, together with an explanation of why this is the case; and

(ii) 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 such disclosure would be impractical, that fact shall be disclosed, together with an explanation of why this is the case

AASB134.16(i), AASB3.72-73

An acquirer shall disclose information that enables users of the half-year 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 half-year reporting period or in previous periods. To give effect to this principle, the acquirer shall also disclose:

(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;

Source reference

9. Acquisitions and disposals (cont'd)

(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 AASB 108 'Changes in Accounting Policies, 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 in accordance with AASB 3 'Business Combinations'.

10. Disclosure of additional information

AASB134.16 An entity shall disclose any events or transactions that are material to an understanding of the current half-year reporting period.

AASB134.Aus18.1 Voluntary disclosures in addition to the minimum required by AASB 134 'Interim Financial Reporting', if dealt with by other applicable Accounting Standards, shall be made in a manner consistent with those Standards.

Section D
Presentation and disclosure checklist

This checklist may be used to assist in considering compliance with the presentation and disclosure requirements of AASB 134 ‘Interim Financial Reporting’. It is not a substitute for your understanding of AASB 134 and the exercise of your judgment.

You are presumed to have a thorough understanding of AASB 134 and should refer to the text of the standard, as necessary, in considering particular items in this checklist. The items in this checklist are referenced to the applicable sections of the standard.

Note that:

- this checklist is not suitable for use in assessing presentation and disclosure in the first half-year financial report that is prepared in accordance with Australian equivalents to International Financial Reporting Standards;
- where an entity elects to present a complete financial report, the form and content of that report shall conform to the requirements of AASB 101 ‘Presentation of Financial Statements’ for a financial report; and
- even where a condensed half-year financial report is prepared, certain requirements of AASB 101 apply. The sections applicable to condensed half-year financial reports, as set out in AASB 101.3 deal with:
  - fair presentation and compliance with A-IFRS;
  - going concern;
  - accrual basis of accounting;
  - consistency of presentation;
  - materiality and aggregation;
  - offsetting; and
  - comparative information.

  These have not been incorporated into the checklist.

Please note that while every effort has been made to ensure that this checklist is complete in terms of the presentation and disclosure requirements of AASB 134, users will inevitably be required to exercise professional judgment based on specific circumstances. This checklist is merely an enabling tool that does not address such judgmental issues. Users of this checklist are advised to consult their professional advisors in that regard.

Australian Accounting Standards and Interpretations are constantly changing. It is the responsibility of users of this checklist to maintain current knowledge of Australian Accounting Standards and Interpretations which may impact the content of this checklist.

The detailed presentation and disclosure points generally require a "Yes", "No" or "N/A" response. Depending on the response, you may need to take further action.

Reference	Presentation/disclosure requirement	Yes/ No/ N/A
	Minimum components of an interim financial report	
AASB 134.6	Note: AASB 134 defines the minimum content of an interim financial report as including condensed financial statements and selected explanatory notes. The interim financial report is intended to provide an update on the latest annual financial report. Accordingly, it focuses on new activities, events, and circumstances and does not duplicate information previously reported.	
	An interim financial report shall include, at a minimum, the following components:	
AASB 134.8(a)	a) a condensed balance sheet;	
AASB 134.8(b)	b) a condensed income statement;	
AASB 134.8(c)	c) a condensed statement of changes in equity showing either:	
	i) all changes in equity; or	
	ii) changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders.	
AASB 134.8(d)	d) a condensed cash flow statement; and	
AASB 134.8(e)	e) selected explanatory notes.	
	Form and content of interim financial reports	
AASB134.Aus16.3	The interim financial report shall prominently display an explicit statement that the interim financial report is to be read in conjunction with the most recent annual financial report.	
AASB 134.9	If an entity publishes a complete financial report as its interim financial report, the form and content of that report shall conform to the requirements of AASB 101 'Presentation of Financial Statements' for a financial report.	
AASB 134.10	If an entity publishes a condensed financial report as its interim financial report, that condensed report shall include, at a minimum, each of the headings and subtotals that were included in the entity's most recent annual financial report and the selected explanatory notes as required by AASB 134.	
AASB134.Aus16.4	Where the entity includes condensed financial statements in its interim financial report, those condensed statements shall be clearly labelled as such.	
AASB134.Aus16.4	Where the interim financial report does not include notes of the type normally included in an annual financial report, that fact shall be disclosed in the notes in the interim financial report.	
AASB 134.10	Additional line items or notes shall be included if their omission would make the condensed interim financial report misleading.	
AASB 134.7	Note: Where the entity has opted to publish a complete financial report for the interim period, the recognition and measurement guidance in AASB 134 applies to those complete financial reports, and such reports should include all of the disclosures required by AASB 134 (particularly the selected note disclosures in paragraph 16 of AASB 134) as well as those required by other Australian Accounting Standards.	
AASB 134.11	Basic and diluted earnings per share shall be presented on the face of the income statement, complete or condensed, for the interim period.	
AASB 134.13	An entity follows the same format in its interim statement of changes in equity as it did in the entity's most recent annual financial statements.	
AASB 134.13	Note: AASB 101 requires a statement of changes in equity to be presented as a separate component of an entity's financial report, and permits information about changes in equity arising from transactions with equity holders acting in their capacity as equity holders (including distributions to equity holders) to be shown either on the face of that statement or in the notes.	
AASB 134.Aus14.1	A parent that prepares an interim financial report shall include consolidated financial statements in its interim financial report.	
AASB 134.Aus14.2	Note: If an entity's annual financial report included the parent's separate financial statements in addition to consolidated financial statements, AASB 134 neither requires nor prohibits the inclusion of the parent's separate financial statements in the entity's interim financial report.	

Reference	Presentation/disclosure requirement	Yes/ No/ N/A
	Selected explanatory notes	
AASB 134.15	Note: A user of an entity's interim financial report will also have access to the most recent annual financial report of that entity. It is unnecessary, therefore, for the notes in an interim financial report to provide relatively insignificant updates to the information that was already reported in the notes in the most recent annual report. At an interim date, an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the last annual reporting date is more useful.	
	An entity shall include the following information, as a minimum, in the notes in the interim financial report, if material and if not disclosed elsewhere in the interim financial report:	
AASB 134.16(a)	a) a statement that the same accounting policies and methods of computation are followed in the interim financial report as compared with the most recent annual financial report or, if those policies or methods have been changed, a description of the nature and effect of the change;	
AASB 134.16(b)	b) explanatory comments about the seasonality or cyclicality of interim operations;	
AASB 134.16(c)	c) the nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size, or incidence;	
AASB 134.16(d)	d) the nature and amount of changes in estimates of amounts reported in prior interim periods of the current annual reporting period or changes in estimates of amounts reported in prior annual reporting periods, if those changes have a material effect in the current interim period;	
AASB 134.16(e)	e) issuances, repurchases, and repayments of debt and equity securities;	
AASB 134.16(f)	f) dividends paid (aggregate or per share) separately for ordinary shares and other shares;	
AASB 134.16(g)	g) segment revenue and segment result for business segments or geographical segments, whichever is the entity's primary basis of segment reporting;	
AASB 134.16(g)	Note: Disclosure of segment data is required in an entity's interim financial report only if AASB 114 'Segment Reporting' requires that entity to disclose segment data in its annual financial report.	
AASB 134.16(h)	h) material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;	
AASB134.Aus16.1	An indication, where possible, of the financial effect of each event shall be disclosed.	
AASB 134.16(i)	i) the effect of changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations; and	
AASB 134.16(i)	Note: In the case of business combinations, the entity shall disclose the information required to be disclosed under paragraphs 66 to 73 of AASB 3, Business Combinations.	
AASB 134.16(j)	j) changes in contingent liabilities or contingent assets since the last annual balance sheet date.	
AASB 134.16	The explanatory notes outlined above (paragraph 16 of AASB 134) shall normally be reported on an annual reporting period-to-date basis.	
AASB 134.16	Notwithstanding that the explanatory notes outlined above (paragraph 16 of AASB 134) are normally reported on an annual reporting period-to-date basis, the entity shall also disclose any events or transactions that are material to an understanding of the current interim period.	
	The entity shall disclose in the same manner that disclosures in paragraph 16 of AASB 134 (refer above) are made:	
AASB 134.Aus16.2(a)	a) the amount in aggregate or per share of dividends that were: i) either recognised as distributions to equity holders; or ii) proposed or declared before the interim financial report was authorised for issue but not recognised as a distribution to equity holders; and	
AASB 134.Aus16.2(b)	b) the amount of any cumulative preference dividends not recognised.	

Reference	Presentation/disclosure requirement	Yes/ No/ N/A
	Notes:	
AASB 134.17	1) Examples of the kinds of disclosures that are required by paragraph 16 of AASB 134 are set out below. Other Australian Accounting Standards provide guidance regarding disclosures for many of these items: • the write-down of inventories to net realisable value and the reversal of such a write-down; • recognition of a loss from the impairment of property, plant, and equipment, intangible assets, or other assets, and the reversal of such an impairment loss; • the reversal of any provisions for the costs of restructuring; • acquisitions and disposals of items of property, plant, and equipment; • commitments for the purchase of property, plant, and equipment; • litigation settlements; • corrections of prior period errors; • any loan default or breach of a loan agreement that has not been remedied on or before the reporting date; and • related party transactions.	
AASB 134.18	2) Other Australian Accounting Standards specify disclosures that should be made in a financial report. In that context, financial report means a complete financial report of the type normally included in an annual financial report and sometimes included in other reports. Except as required by paragraph 16(i) (business combinations - see above), the disclosures required by those other Australian Accounting Standards are not required if an entity's interim financial report includes only condensed financial statements and selected explanatory notes rather than a complete financial report.	
AASB 134.Aus18.1	3) Voluntary disclosures in addition to the minimum required by AASB 134, if dealt with by other applicable Australian Accounting Standards, shall be made in a manner consistent with those Standards.	
	Disclosure of compliance with AASB 134	
AASB 134.19	If an entity's interim financial report is in compliance with AASB 134, that fact shall be disclosed.	
AASB 134.19	Note: An interim financial report shall not be described as complying with Australian Accounting Standards unless it complies with all of the requirements of each applicable Australian Accounting Standard.	
	Periods for which interim financial reports are required to be presented Interim reports shall include interim financial statements (condensed or complete) for periods as follows:	
AASB 134.20(a)	a) balance sheet as of the end of the current interim period and a comparative balance sheet as of the end of the immediately preceding annual reporting period;	
AASB 134.20(b)	b) income statements for the current interim period and cumulatively for the current annual reporting period to date, with comparative income statements for the comparable interim periods (current and annual reporting period-to-date) of the immediately preceding annual reporting period;	
AASB 134.20(c)	c) statement showing changes in equity cumulatively for the current annual reporting period to date, with a comparative statement for the comparable annual reporting period-to-date period of the immediately preceding annual reporting period; and	
AASB 134.20(d)	d) cash flow statement cumulatively for the current annual reporting period to date, with a comparative statement for the comparable annual reporting period-to-date period of the immediately preceding annual reporting period.	
	Note: Appendix A to AASB 134 illustrates the periods required to be presented by an entity that reports half-yearly and an entity that reports quarterly.	
AASB 134.21	Entities whose business is highly seasonal are <u>encouraged</u> (but not required) to report financial information for the twelve months ending on the interim reporting date, and comparative information for the prior twelve-month period.	

Reference	Presentation/disclosure requirement	Yes/ No/ N/A
AASB 134.21	Note: If such information is reported, on the basis that it may be useful to users of the interim financial report, it is in addition to the information required in paragraph 20 of AASB 134 (see above).	
	Materiality	
AASB 134.23	In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period financial data.	
	Notes:	
AASB 134.23	1) In making assessments of materiality, it should be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data.	
AASB 134.24	2) In deciding whether an item is material, its nature and amount usually need to be evaluated together. AASB 1031 ‘Materiality’, provides guidance on the role of materiality in making judgments in the preparation and presentation of financial reports. AASB 101 ’Presentation of Financial Statements’ and AASB 108 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ define an item as material if its omission or misstatement could influence the economic decisions of users of the financial report. AASB 101 requires separate disclosure of material items, including (for example) discontinued operations, and AASB 108 requires disclosure of changes in accounting estimates, errors and changes in accounting policies.	
AASB 134.25	3) While judgement is always required in assessing materiality, AASB 134 bases the recognition and disclosure decision on data for the interim period by itself for reasons of understandability of the interim figures. Thus, for example, unusual items, changes in accounting policies or estimates, and errors are recognised and disclosed on the basis of materiality in relation to interim period data to avoid misleading inferences that might result from non-disclosure. The overriding goal is to ensure that an interim financial report includes all information that is relevant to understanding an entity’s financial position and performance during the interim period.	
	Disclosure in annual financial reports	
AASB 134.26	If an estimate of an amount reported in an interim period changed significantly during the final interim period of the annual reporting period but a separate financial report is not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note in the annual financial report for that annual reporting period.	
AASB 134.27	Note: AASB 108 ‘Accounting Policies, Changes in Accounting Estimates and Errors’, requires disclosure of the nature and (if practicable) the amount of a change in estimate that either has a material effect in the current period or is expected to have a material effect in subsequent periods. Paragraph 16(d) of AASB 134 requires similar disclosure in an interim financial report. Examples include changes in estimate in the final interim period relating to inventory write-downs, restructurings, or impairment losses that were reported in an earlier interim period of the annual reporting period. The disclosure required by paragraph 26 of AASB 134 is consistent with AASB 108. Except for information required by paragraph Aus27.1 of AASB 134, an entity is not required to include additional interim period financial information in its annual financial report.	
AASB 134.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.	
AASB 134.Aus27.2	Notes:	
	1) Paragraph 16(a) of AASB 134 (refer above) prescribes disclosures of a change in accounting policy in an interim period. In the absence of the requirement in paragraph Aus27.1 of AASB 134, the financial effect of the change in accounting policy in the final current interim period on previous interim financial reports of the annual reporting period may not be reported to users.	

Reference	Presentation/disclosure requirement	Yes/ No/ N/A
	2) If the entity does not prepare interim financial reports other than for the first half-year, the requirements of paragraph Aus27.1 of AASB 134 apply where there is a change in accounting policy between the first half-year reporting date and the annual reporting date.	
	Restatement of previously reported interim periods	
AASB 134.43	A change in accounting policy (other than one for which the transition is specified by a new Australian Accounting Standard) shall be reflected by: a) restating the financial statements of 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.	
AASB 134.44	Note: One objective of the preceding principle is to ensure that a single accounting policy is applied to a particular class of transactions throughout an entire annual reporting period. Under AASB 108, a change in accounting policy is reflected by retrospective application, with restatement of prior period financial data as far back as is practicable. However, if the cumulative amount of the adjustment relating to prior annual reporting period is impracticable to determine, then under AASB 108 the new policy is applied prospectively from the earliest date practicable. The effect of the principle in paragraph 43 of AASB 134 (see above) is to require that within the current annual reporting period any change in accounting policy is applied either retrospectively or, if that is not practicable, prospectively, from no later than the beginning of the annual reporting period.	

Our Signals

Recruit and retain the best – our people are talented, enthusiastic, self-starters, team players who are bursting with potential. They are people with whom we have a lifetime association.

Talk straight – when we talk, it's open, regular, honest, constructive two-way communication between our people and our clients.

Empower and trust – we encourage a sense of ownership and pride by giving responsibility and delegating authority.

Continuously grow and improve – we have an environment that respects the individual, rewards achievements, welcomes change and encourages a lifetime of learning – with ourselves and our clients.

Aim to be famous – we aim to reach for the stars – and beyond. To be thought leaders, showcasing our clients and our team's talent and expertise.

Play to win-think globally – winning is our stated objective. It is also our state of mind.

Have fun and celebrate – there is never a wrong time to celebrate and have fun – recognising, appreciating, acknowledging and learning from the experiences and success shared between our client and Deloitte teams.

Our culture – our essence

Culture at Deloitte does not just happen – we work at it.

It's the sum total of the actions of our people, it's the way we treat others – it's the way we behave. Our seven Signals embody these values. Our passion for teamwork and exceptional client service is our point of difference.

At Deloitte, we live and breathe our culture.

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- Employer of Choice for Women citation for the fifth year in a row by the EOWA (Equal Opportunity for Women in the Workplace Agency) Business Achievement Awards (Feb 2006)
- voted the World's 'Best Securitisation Accounting Firm' for the eighth year running in the international Securitisation Report' (Jan 2006)
- named number one non-investment banking firm for global corporate reorganisation by 'The Deal' (Dec 2005)
- rated as a 'Leader' in ERM Consulting achieving the highest overall score in the evaluation. (Oct 2005) *

  * Enterprise Risk Management – Oct 2005
- EOWA Business Achievement Awards (Sept 2005)
  Deloitte CEO, Giam Swiegers: winner of 'Leading CEO for the Advancement of Women' in the Australian Government's EOWA Business Achievement Awards
- winner of the 'Most Innovative Firm' in BRW–St George Client Choice Awards (Mar 2005)
- Accounting Services Special Award, CFO Magazine Awards (Aug 2004)
- voted #1 globally as the top transfer pricing network in the world by Euromoney's 2004 edition of the 'Expert Guide to the World's Leading Transfer Pricing Advisers' (Feb 2004)
- ranked #1 by Asia Insurance Review in recognition of Trowbridge Deloitte's outstanding standard of services. 'Service Provider of the Year' (Oct 2003)
- ranked #2 in annual list of 'Top 100 accounting firms', by BRW (July 2003)
- voted #1 in Euromoney's 'World's Leading Tax Advisers' Guide (2002)
- ranked #2 overall in the 2002 International Tax Review Survey (2002).

Contact us

Deloitte
180 Lonsdale Street
Melbourne, Victoria
Australia

Tel: +61 (0) 3 9208 7000
Fax: +61 (0) 3 9208 7001
www.deloitte.com.au