

**CAMBRIDGE GULF LIMITED  
AND CONTROLLED ENTITIES**

**ABN: 16026785781**

**Financial Report For The Year Ended  
30 June 2010**

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**CAMBRIDGE GULF LIMITED ABN: 16026785781 AND CONTROLLED ENTITIES  
DIRECTORS' REPORT**

Your directors present their report, together with the financial statements of the Group, being the Company and its controlled entities for the financial year ended 30 June 2010.

As reported in the 31 December 2009 half yearly summary the group has not been immune to the GFC. Our trading partners and customers have all experienced production declines which in turn has affected our bottom line. During this period of austerity the Board determined not to seek contributing financial support from Shareholders, as many other companies have. Instead Board and management have concentrated on reviewing current operations, renegotiating more favourable supply contracts, paying down debt and improving the balance sheet. The 30 June reporting period also marks the end of the three year cross subsidy phase with ORDCO which will result in future positive cash savings for the business.

#### **Principal Activities and Significant Changes in Nature of Activities**

The principal activities of the consolidated group during the financial year were:

- Importation and wholesaling of diesel fuel
- Management of the Wyndham port
- Manufacturing and fabrication of steel framed houses and sheds
- Agricultural retail outlet in Katherine NT
- Management services to the Ord River District Co-operative

The following significant changes in the nature of the principle activities occurred during the financial year:

- the consolidated group ceased its activities in the retailing of agricultural merchandise in Katherine NT by closing the division;
- There were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

#### **Operating Results and Review of Operations for the year**

##### **Operating Results**

The Consolidated profit of the group amounted to **\$974,515** after providing for income tax. This represents a 4.13% decrease on the result reported for the year ended 30th June 2009. The accounts for 2008-2009 have been restated to accurately record the impairment of the Wyndham Assets. The assets at Barytes road Wyndham which are leased to Ord River District Co-operative (ORDCO) for a pepper corn rent were incorrectly reintroduced to the accounts in 2008-2009. The assets which are impaired are the sugar storage shed, fertiliser storage shed and the molasses tank. As part of the demerger process it was the wish of the members that the newly formed co-operative (ORDCO) have a long term pepper corn rent over these assets. In keeping with AASB 136 "Impairment of Assets" Cambridge Gulf Limited has continued to impair these assets in recognition of the fair value of these assets.

##### **Review of Operations**

###### **(i) CGL Fuel Pty Ltd**

A review of the fuel supply arrangement was undertaken and has resulted in a more appropriate supplier margin structure that will ensure profitability at the lower demands currently being experienced

###### **(ii) CGL Wyndham port**

CGL purchased two new tractors that are more suitable for the cartage of nickel concentrate. These tractors are providing an additional income stream for CGL. Improvements in the handling of nickel concentrate have continued through the year. Storage and cartage trials have now been completed and will see a new purpose built nickel concentrate shed being proposed to be constructed on CGL's freehold land in 2010/11. The subsidised Coastal Shipping Service has been extended for a further two years and the contract has been awarded to Jebbens. A more favourable lease contract for CGL's live export yards has been developed with National Livestock Solutions who have commenced a series of upgrades to improve the condition, capacity and the level of service provided. Issues with the Indonesian permit system have adversely impacted on the live export numbers through all Australian ports at the end of 2009/10 and into the beginning of 2010/11.

###### **(iii) CGL Steel Pty Ltd**

CGL purchased the Kimberley Steel property and have undertaken a number of modifications to increase the factory's capacity. Kimberley Steel employs six indigenous workers including one apprentice. The business has secured a number of significant East Kimberley Development projects that will be undertaken in 2010/11.

##### **Financial Position**

The net assets of the consolidated group have increased by \$1,198,702 from 30 June 2009 to \$10,230,481 in 2010. This increase is largely due to the following factors:

- Continued profitability and efficiency gains made by the group;
- Accelerated debt reduction
- Purchase of the land and buildings at 2 Cocus Way, Kununurra (CGL Steel Pty Ltd t/a Kimberley Steel).

The consolidated groups strong financial position has enabled the group to repay \$1,052,317 of its borrowings to the National Australia Bank while maintaining a healthy working capital ratio. The groups working capital, being current assets divided by current liabilities, has improved from 1.24 in 2009 to 1.61 in 2010.

The directors believe the group is in a strong and stable financial position to expand and grow its current operations.

##### **Significant Changes in State of Affairs**

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

CGL ceased providing management services to ORDCO at 30<sup>th</sup> June 2010. In accordance with the Management Services Agreement, ORDCO reviewed the arrangement and determined that it is more appropriate for them to employ their own management and administration team from July 2010.

CGL Fuel has secured the contract to supply diesel to Leighton's for the first phase of the Ord Expansion Project. The demand is estimated to be 2 million litres. CGL will supply diesel to the Kimberley Metal Group (KMG) for the establishment of their Ridges Iron Project mine site 170kms south of Wyndham and their stockpiling area adjacent to the Wyndham Port. Once these sites are established, KMG will be seeking formal submissions for the supply of fuel for their mining, cartage and shiploading operation which is projected to be 7 million litres a year.

##### **Dividends Paid or Recommended**

The Directors are unable to recommend the payment of a dividend for the financial year ended 30th June 2010 due to banking covenant constraints.

##### **After Balance Date Events**

CGL Steel Pty Ltd purchased a second hand truck and hiab on the 27th August 2010.

CGL Fuel has won the annual tender to wholesale and administer bulk diesel fuel to the Argyle Diamond Mine in its own right.

**CAMBRIDGE GULF LIMITED ABN: 16026785781 AND CONTROLLED ENTITIES  
DIRECTORS' REPORT**

**Information on Directors**

Mr Lindsay A Innes	—	Chairperson, Non-executive Director
Qualifications	—	GAICD
Experience	—	Director and Chairman of the Ord Irrigation Asset Mutual Co-operative since 2005, served as a Director the Perth Market Authority (2000-2002) Founding Director Ord Irrigation Co-operative (1996 -2009), since 2001, Chairman since September 2003.
Interest in Shares	—	155,080
Dr Gabriele Bloecker	—	Non-executive Director
Qualifications	—	(Dr. Sc.agr)
Experience	—	Appointed Director of Cambridge Gulf in November 2007. Founding Director of East Kimberley Co-Ltd in 2006. Chair of Ord River District Co-operative since 2006.
Interest in Shares	—	285,772
Mr Robert J Boshammer	—	Non-executive Director and Deputy Chairperson
Qualifications	—	B.Ag (Hons)
Experience	—	Director of Rural Industries Research and Development Council (2002-2008), current directorships Odeum Produce and Ord Canegrowers. Director since 2002.
Interest in Shares	—	156,767
Mr Paul A Mock	—	Non-executive Director
Qualifications	—	B.Bus (Agric) (Hons), GAICD
Experience	—	Director of Ord River District Co-operative since 2006, Chairperson of Ord River Canegrowers Pty Ltd 2007 and Chairperson of Kununurra Youth CARE council. Director since 2004.
Interest in Shares	—	110,026
Mr Darryl W Smith	—	Non-executive Director.
Qualifications	—	
Experience	—	Director of Ord Irrigation Co-operative since 2001 and appointed Director of CGL in September 2002. Retired from CGL directorship December 2009.
Interest in Shares	—	150,398
Mrs Judith A Hughes	—	Non-executive Director
Qualifications	—	GAICD
Experience	—	School Business Manager for Halls Creek DHS and a member of Kununurra DHS Council.
Interest in Shares	—	181,121

Interest in shares and options is an interest held by directors and related parties as per Sec 228 of the Corporations act.

**Company Secretary**

The following person held the position of company secretary at the end of the financial year:

Yale J Bolto— B.Bus, Certified Practising Accountant (CPA), Certificated Member of Chartered Secretaries Australia. Yale was appointed company secretary January 2009. The board would like to thank Jo Cullimore for her services as Company Secretary of Cambridge Gulf Limited.

**Meetings of Directors**

During the financial year, 13 meetings of directors were held.

Attendances by each director during the year were as follows:

Director	Board Meetings	
	Directors' Meetings	
	Number eligible to attend	Number attended
Mr Lindsay A Innes	13	13
Dr Gabriele Bloecker	13	12
Mr Robert J Boshammer	13	9
Mr Paul A Mock	13	8
Mr Darryl W Smith	6	6
Mrs Judith A Hughes	7	6

**Indemnifying Officers**

During the year the consolidated entity has paid premiums to insure Directors and Officers against proceedings arising out of their conduct while acting in the capacity of Director / Officer for the company.

**Proceedings on Behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

**Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2010 has been received.

**CAMBRIDGE GULF LIMITED ABN: 16026785781 AND CONTROLLED ENTITIES  
DIRECTORS' REPORT**

**Shareholder Returns**

	2006	2007	2008	2009	2010
Net Profit	\$ 2,569,513	\$ 3,777,505	\$ 854,162	\$ 1,016,529	\$ 974,515
Basic EPS	\$ 0.98	\$ 1.79	\$ 0.40	\$ 0.48	\$ 0.46
Ordinary dividends paid	*580,822	\$ 1,265,810	\$ 433,033	\$ 316,452	\$ -
Preference dividends paid	\$ 152,325.00	\$ -	\$ -	\$ -	\$ -
Dividends per ordinary share	*0.28	\$ 0.60	\$ 0.21	\$ 0.15	\$ -
Dividends per preference share	\$ 0.30	\$ -	\$ -	\$ -	\$ -
Net equity based share price	\$ 5.06	\$ 6.21	\$ 4.18	\$ 4.28	\$ 4.85
Return on capital employed	19.35%	28.84%	9.69%	11.26%	9.53%

\* Inclusive of dividends paid on share repurchases of \$87,241

The table above includes co-operative results for 2006 and 2007.

All dividends were fully franked

This Report of the Directors', is signed in accordance with a resolution of the Board of Directors.

  
.....  
Mr Lindsay A Innes

Dated: 26/10/2010

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF  
CAMBRIDGE GULF LTD**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

- i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

  
UHY HAINES NORTON  
CHARTERED ACCOUNTANTS



DAVID TOMASI  
PARTNER

26 October 2010

Perth, WA

**CAMBRIDGE GULF LIMITED ABN: 16026785781  
AND CONTROLLED ENTITIES  
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2010**

	Note	Consolidated Group 2010 \$	2009 \$
<b>Continuing operations</b>			
<b>Revenue</b>	2	54,748,219	92,545,102
Other income	2	77,759	21,428
Changes in inventories		(6,220,532)	(2,658,110)
Cost of Sales		(40,890,708)	(81,782,710)
Employee benefits expense		(3,747,301)	(3,705,096)
Depreciation and amortisation expense		(380,635)	(342,093)
Finance costs		(510,000)	(658,580)
Other expenses		(1,542,328)	(1,872,247)
<b>Profit before income tax</b>	3	1,534,473	1,547,694
Income tax expense	4	(429,351)	(489,288)
<b>Profit from continuing operations</b>		1,105,122	1,058,406
<b>Discontinued operations</b>			
Profit/(loss) for the year from discontinued operations after tax	5	(130,607)	(41,889)
<b>Profit for the year</b>	3	<u>974,515</u>	<u>1,016,516</u>

**CAMBRIDGE GULF LIMITED ABN: 16026785781  
AND CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR  
ENDED 30 JUNE 2010**

	Note	Consolidated Group 2010 \$	2009 \$
<b>Profit for the year</b>		974,515	1,016,516
<b>Other comprehensive income:</b>			
Net gain on revaluation of land and buildings		-	-
Net gain on revaluation of stock options		-	-
Net gain on revaluation of financial assets		-	-
Effective portion of gain on cash flow hedges		-	-
Share of other comprehensive income of associates and joint ventures		-	-
Exchange differences on translating foreign controlled entities		-	-
Realised loss on sale of investments		-	-
Realised loss on settlement of cash flow hedges		-	-
<b>Other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive income for the year</b>		<u>974,515</u>	<u>1,016,516</u>
Total comprehensive income attributable to:			
Members of the parent entity			
Non-controlling interest			
		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

<b>Other comprehensive income:</b>			
Net gain on revaluation of land and buildings		-	-
Net gain on revaluation of stock options		-	-
Net gain on revaluation of financial assets		-	-
Effective portion of gain on cash flow hedges		-	-
Share of other comprehensive income of associates and joint ventures		-	-
Exchange differences on translating foreign controlled entities		-	-
Realised loss on sale of investments		-	-
Realised loss on settlement of cash flow hedges		-	-
<b>Other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive income for the year</b>		<u>974,515</u>	<u>1,016,516</u>

**CAMBRIDGE GULF LIMITED ABN: 16026785781  
AND CONTROLLED ENTITIES  
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010**

	Note	Consolidated Group 2010 \$	2009 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	1,122,573	797,852
Trade and other receivables	9	4,761,520	4,400,922
Inventories	10	4,037,413	10,450,371
Other financial assets	11	1,062,408	817,528
Other assets	15	108,371	327,630
<b>TOTAL CURRENT ASSETS</b>		<u>11,092,285</u>	<u>16,794,303</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	4,637,925	3,111,610
Deferred tax assets	18	110,317	195,115
Intangible assets	14	2,440,000	2,440,000
<b>TOTAL NON-CURRENT ASSETS</b>		<u>7,188,242</u>	<u>5,746,725</u>
<b>TOTAL ASSETS</b>		<u>18,280,526</u>	<u>22,541,028</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	1,061,766	9,805,976
Borrowings	17	6,199,184	3,150,000
Short-term provisions	19	789,096	553,273
<b>TOTAL CURRENT LIABILITIES</b>		<u>8,050,045</u>	<u>13,509,249</u>
<b>TOTAL LIABILITIES</b>		<u>8,050,045</u>	<u>13,509,249</u>
<b>NET ASSETS</b>		<u>10,230,481</u>	<u>9,031,779</u>
<b>EQUITY</b>			
Issued capital	20	4,543,903	4,543,903
Reserves	27	2,095,877	1,871,690
Retained earnings		3,590,701	2,616,186
<b>TOTAL EQUITY</b>		<u>10,230,481</u>	<u>9,031,779</u>

The accompanying notes form part of these financial statements.



**CAMBRIDGE GULF LIMITED ABN: 16026785781  
AND CONTROLLED ENTITIES**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010**

	<u>Share Capital</u>							Total
	Note	Ordinary	Retained Earnings	Capital Profits Reserve	Asset Revaluation Reserve	Foreign Currency Translation Reserve	General Reserve	
<b>Consolidated Group</b>								
<b>Balance at 1 July 2008</b>		\$ 4,543,903	\$ 1,916,122	\$ -	\$ 514,979	\$ -	\$ 1,836,093	\$ 8,811,097
Revaluation adjustment on listed shares					(522,786)			(522,786)
Foreign currency translation reserve					43,404			43,404
Profit attributable to equity shareholders			1,016,516					1,016,516
<b>Sub-total</b>		4,543,903	2,932,638	-	35,597	-	1,836,093	9,348,231
Dividends paid or provided for	7		(316,452)					(316,452)
<b>Balance at 30 June 2009</b>		4,543,903	2,616,186	-	35,597	-	1,836,093	9,031,779
<b>Balance at 1 July 2009</b>		4,543,903	2,616,186	-	35,597	-	1,836,093	9,031,779
Revaluation adjustment on listed shares					224,187			224,187
Foreign currency translation reserve								
Profit attributable to equity shareholders								
<b>Sub-total</b>		4,543,903	3,590,701	-	259,784	-	1,836,093	974,515
Dividends paid or provided for	7		-					-
<b>Balance at 30 June 2010</b>		4,543,903	3,590,701	-	259,784	-	1,836,093	10,230,481

The accompanying notes form part of these financial statements.

**CAMBRIDGE GULF LIMITED ABN: 16026785781  
AND CONTROLLED ENTITIES  
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010**

	Note	Consolidated Group 2010 \$	2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		61,000,173	108,195,049
Dividends received		42,926	63,896
Interest received		22,904	26,420
Payments to suppliers and employees		(60,701,341)	(96,148,801)
Finance costs		(510,000)	(658,580)
Income tax paid		(390,191)	(958,188)
Net cash provided by/(used in) operating activities	23	<u>(535,530)</u>	<u>10,519,795</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(2,081,949)	(418,572)
Purchase of available-for-sale investments		-	(2,440,000)
Investment in listed shares		-	(60,111)
Net cash provided by/(used in) investing activities		<u>(2,081,949)</u>	<u>(2,918,683)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		1,300,000	3,000,000
Dividends paid by parent entity		(105,484)	(210,968)
Repayment of Bills of Exchange		(1,052,317)	(650,000)
Advance Bills of exchange		-	(1,240,000)
Net cash provided by/(used in) financing activities		<u>142,199</u>	<u>899,032</u>
Net increase(decrease) in cash held		<u>(2,475,280)</u>	<u>8,500,144</u>
Cash and cash equivalents at beginning of financial year	8	<u>(2,148)</u>	<u>(8,502,292)</u>
Cash and cash equivalents at end of financial year	8	<u>(2,477,427)</u>	<u>(2,148)</u>

The accompanying notes form part of these financial statements.

**CAMBRIDGE GULF LIMITED ABN: 16026785781  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

This financial report includes the consolidated financial statements and notes of Cambridge Gulf Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Cambridge Gulf Limited as an individual parent entity ('Parent Entity').

**Note 1 Summary of Significant Accounting Policies**

**Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**(a) Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Cambridge Gulf Limited at the end of the reporting period. A controlled entity is any entity over which Cambridge Gulf Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

**Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer note 1(i)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

**(b) Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.