

Example AIFRS Company Pty Limited
(Formerly known as Example General Purpose Pty Limited)
ABN 12 345 678 901

Annual Report - 30 June 2007

Example AIFRS Company Pty Limited
(Formerly known as Example General Purpose Pty Limited)
Directors' report
30 June 2007

The directors present their report on the company for the year ended 30 June 2007.

Directors

The following persons were directors of the company during the financial year and up to the date of this report:

Anthony Example
Brad Example
Christina Example
Daniel Example (resigned on 5 July 2007)
Elizabeth Example (appointed on 22 June 2007)

Principal activities

During the financial year the principal continuing activities of the company consisted of:

- furniture manufacturing
- furniture retailing
- furniture distribution

The furniture distribution division was significantly enhanced during the year with the acquisition of the Freightaway business.

Dividends

Dividends paid to members during the financial year were as follows:

	2007	2006
	\$'000	\$'000
Final ordinary dividend for the year ended 30 June 2007 of 6.86 cents (2006: 3.91 cents) per fully paid share paid on 25 June 2007	823	460
Interim ordinary dividend for the year ended 30 June 2007 of 4.00 cents (2006: 3.00 cents) per fully paid share paid on 19 December 2006	<u>480</u>	<u>353</u>
	<u><u>1,303</u></u>	<u><u>813</u></u>

Review of operations

The directors' are pleased with the performance of the company, with the net profit after income tax expense of \$1,134,000 for the year ended 30 June 2007 an increase of 17% on the prior year and representing a 7% return on net assets. The financial position of the company is very strong with excellent liquidity and a large asset based which is being fully utilised.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect the company's operations in future financial years, the results of those operations in future financial years, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation

The company is not subject to any environment regulation under Commonwealth or State law.

Example AIFRS Company Pty Limited
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Financial report
For the year ended 30 June 2007

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General information

This financial report covers Example AIFRS Company Pty Limited as an individual entity. The financial report is presented in Australian currency.

Example AIFRS Company Pty Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Registered office

10th floor

Universal Administration Building

12 Highland Street

Sydney NSW 2000

Principal place of business

5th floor

Example Business Centre

247 Edward Street

Sydney NSW 2000

A description of the nature of the company's operations and its principal activities is included in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 14 August 2007.

Example AIFRS Company Pty Limited
(Formerly known as Example General Purpose Pty Limited)
Income statement
For the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Revenue from continuing operating activities	4	27,766	26,262
Share of net profits of associates accounted for using the equity method	5	636	531
Other income	6	117	12
Expenses			
Changes in inventories of finished goods and work in progress		(87)	(124)
Raw materials and consumables used		(9,682)	(8,992)
Employee benefits expense		(12,352)	(11,893)
Depreciation and amortisation expense		(1,602)	(1,847)
Impairment of assets		(200)	-
Other expenses		(2,432)	(2,172)
Finance costs	7	<u>(375)</u>	<u>(341)</u>
Net profit before income tax expense		1,789	1,436
Income tax expense	8	<u>(655)</u>	<u>(464)</u>
Net profit after income tax expense attributable to members of Example AIFRS Company Pty Limited		<u><u>1,134</u></u>	<u><u>972</u></u>

The above income statement should be read in conjunction with the accompanying notes

Example AIFRS Company Pty Limited
(Formerly known as Example General Purpose Pty Limited)
Balance sheet
As at 30 June 2007

	Note	2007 \$'000	2006 \$'000
Current assets			
Cash and cash equivalents	9	1,152	1,852
Trade and other receivables	10	2,722	2,520
Inventories	11	2,441	2,697
Other financial assets at fair value through profit or loss	12	50	-
Other	13	581	430
		<u>6,946</u>	<u>7,499</u>
Non-current assets classified as held for sale	14	690	-
Total current assets		<u>7,636</u>	<u>7,499</u>
Non-current assets			
Receivables	15	55	55
Investments accounted for using the equity method	16	3,593	2,957
Available for sale financial assets	17	45	-
Held to maturity investments	18	600	-
Investment property	19	940	950
Property, plant and equipment	20	8,409	9,856
Intangibles	21	1,424	1,489
Deferred tax	22	428	317
Other	23	719	779
Total non-current assets		<u>16,213</u>	<u>16,403</u>
Total assets		<u>23,849</u>	<u>23,902</u>
Current liabilities			
Trade and other payables	24	1,463	1,619
Borrowings	25	954	681
Income tax	26	413	313
Provisions	27	896	638
Other	28	373	259
		<u>4,099</u>	<u>3,510</u>
Liabilities directly associated with assets classified as held for sale	29	250	-
Total current liabilities		<u>4,349</u>	<u>3,510</u>
Non-current liabilities			
Borrowings	30	2,286	3,280
Deferred tax	31	990	994
Provisions	32	111	86
Total non-current liabilities		<u>3,387</u>	<u>4,360</u>
Total liabilities		<u>7,736</u>	<u>7,870</u>
Net assets		<u>16,113</u>	<u>16,032</u>
Equity			
Contributed equity	33	12,000	11,750
Reserves	34	2,665	2,515
Retained profits	35	1,448	1,767
Total equity		<u>16,113</u>	<u>16,032</u>

The above balance sheet should be read in conjunction with the accompanying notes

Example AIFRS Company Pty Limited
(Formerly known as Example General Purpose Pty Limited)
Statement of changes in equity
For the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Total equity at the beginning of the financial year		16,032	14,573
Contributions of equity, net of transaction costs	33	250	250
Gain on the revaluation of land and buildings, net of tax	34	-	1,050
Net profit after income tax expense		1,134	972
Dividends paid	36	<u>(1,303)</u>	<u>(813)</u>
Total equity at the end of the financial year		<u><u>16,113</u></u>	<u><u>16,032</u></u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Example AIFRS Company Pty Limited
(Formerly known as Example General Purpose Pty Limited)
Cash flow statement
For the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		30,200	28,915
Payments to suppliers (inclusive of goods and services tax)		<u>(26,833)</u>	<u>(25,815)</u>
		3,367	3,100
Dividends received		19	17
Interest received		5	8
Other revenue		134	54
Interest and other finance costs paid		(375)	(341)
Income taxes paid		<u>(670)</u>	<u>(453)</u>
Net cash inflow/(outflow) from operating activities	48	<u>2,480</u>	<u>2,385</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	44	(800)	-
Payments for property, plant and equipment	20	(236)	(204)
Payments for investments		(875)	-
Proceeds from sale of property, plant and equipment		430	117
Proceeds from sale of investments		<u>75</u>	<u>-</u>
Net cash inflow/(outflow) from investing activities		<u>(1,406)</u>	<u>(87)</u>
Cash flows from financing activities			
Dividends paid	36	(1,303)	(813)
Repayment of borrowings		<u>(728)</u>	<u>(1,027)</u>
Net cash inflow/(outflow) from financing activities		<u>(2,031)</u>	<u>(1,840)</u>
Net increase/(decrease) in cash and cash equivalents		(957)	458
Cash and cash equivalents at the beginning of the financial year		<u>1,749</u>	<u>1,291</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>792</u></u>	<u><u>1,749</u></u>
Financing arrangements	30		
Non-cash investing and financing activities	49		

The above cash flow statement should be read in conjunction with the accompanying notes

Example AIFRS Company Pty Limited
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Notes to the financial statements
30 June 2007

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the company financial report conforms with International Financial Reporting Standards (IFRSs).

Historical cost convention

This financial report has been prepared under the historical cost convention, as modified where applicable by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment property and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of this financial report in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial report, are disclosed in note 2.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Sales revenue is recognised at the point of sale. Amounts disclosed as revenue are net of returns and discounts.

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on the current year's taxable income based on the current company tax rate of 30% adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial report, and to unused tax losses where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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Trade receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement by no more than 30 days.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists and in any event when the debt is more than 90 days overdue.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Joint ventures

Interests in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in the income statement, and the share of the movements in equity is recognised in the balance sheet.

Investments and other financial assets

Investments and other financial assets are stated at the lower of their carrying amount and fair value less costs to sell. The fair values of quoted investments are based on current bid prices. For unlisted investments, the company establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Investment property

Investment property is held for long-term rental yields and is carried at fair value.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited to the revaluation reserve in shareholders' equity.

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight line and diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The cost of improvements to or on leasehold properties is depreciated over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

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Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs.

The leased asset is depreciated on a straight line basis over the term of the lease, or where it is likely that the company will obtain ownership of the asset, the life of the asset.

Other operating lease payments are charged to the income statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Intangible assets

Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Research and development

Research and development is capitalised when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. Capitalised research and development is amortised on a straight line basis over the period of their expected benefit.

Website

Significant costs associated with website costs are deferred and amortised on a straight line basis over the period of their expected benefit.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight line basis over the period of their expected benefit.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of current payables.

Finance costs

Finance costs are recognised as expenses in the period in which they are incurred. Finance costs include interest on:

- the bank overdraft
- short term and long term borrowings
- finance leases

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Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised other payables and provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in provisions and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Share-based payments

Share-based compensation benefits are provided to employees. The fair value of options granted is recognised as an expense with a corresponding increase in contributed equity.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included in other receivables or other payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flows.

Rounding of amounts

The company is of a kind referred to in Class 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding-off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The company's assessment of the impact of these new standards and interpretations are set out below.

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards (and consequential amendments to other standards resulting from its issue)

Effective for annual reporting periods beginning on or after 1 January 2007 and the company has not adopted the standards early. Application of these standards will not affect any of the amounts recognised in the financial report, but will impact the type of information disclosed in financial instruments.

AASB 8 Operating Segments

Effective for annual reporting periods beginning on or after 1 January 2009 and the company has not adopted the standards early. Application of this standard will not affect any of the amounts recognised in the financial report, but will impact the type of information disclosed in the segment information.

Note 2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the company and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

Critical judgements in applying the company's accounting policies

The company has recognised revenue amounting to \$452,000 for the sale of furniture to Finest Furniture during the year ended 30 June 2007. This was a designer range of furniture that was manufactured to Finest Furniture's design specifications. The buyer offers its customers a 10 year quality guarantee on the furniture that is supported by a legal obligation by Example AIFRS Company Pty Limited to remedy any manufacturing defects. The company is confident that the quality of the furniture is superior enough to not incur substantial rework, repairs or replacement.

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Note 3. Segment information

Primary reporting - business segments

The company is organised into three operating divisions: furniture manufacturing, furniture retailing and furniture distribution. These divisions are the basis on which the company reports its primary segment information. The principal products and services of each of these divisions are as follows:

Furniture manufacturing the manufacture and wholesaling of furniture in Australia
Furniture retailing the retailing of furniture in Australia
Furniture distribution the freight and cartage of furniture to customers in Australia

	Furniture manufacture \$'000	Furniture retailing \$'000	Furniture distribution \$'000	Intersegment eliminations / unallocated \$'000	Total \$'000
2007					
Sales to external customers	8,167	18,263	1,247	-	27,677
Intersegment sales	13,268	-	879	(14,147)	-
Total sales revenue	21,435	18,263	2,126	(14,147)	27,677
Share of net profits of associates	636	-	-	-	636
Other income	18	27	72	89	206
Total segment revenue	22,089	18,290	2,198	(14,058)	28,519
Segment result	1,421	257	83	-	1,761
Unallocated revenue less unallocated expenses					28
Net profit before income tax					1,789
Income tax expense					(655)
Net profit after income tax expense					1,134
Segment assets	14,380	6,695	1,890	(1,263)	21,702
Unallocated assets					2,147
Total assets					23,849
Segment liabilities	4,896	2,179	521	(1,263)	6,333
Unallocated liabilities					1,403
Total liabilities					7,736
Investments in associates	3,593	-	-	-	3,593
Acquisition of non-current segment assets	106	130	1,029	645	1,910
Depreciation and amortisation	534	757	311	-	1,602
Impairment of assets	-	200	-	-	200
Other non-cash expenses	45	28	16	-	89

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Note 3. Segment information (continued)

	Furniture manufacture \$'000	Furniture retailing \$'000	Furniture distribution \$'000	Intersegment eliminations / unallocated \$'000	Total \$'000
2006					
Sales to external customers	7,726	17,629	830	-	26,185
Intersegment sales	13,080	-	852	(13,932)	-
Total sales revenue	20,806	17,629	1,682	(13,932)	26,185
Share of net profits of associates	531	-	-	-	531
Other income	4	8	-	77	89
Total segment revenue	21,341	17,637	1,682	(13,855)	26,805
Segment result	1,150	226	25	-	1,401
Unallocated revenue less unallocated expenses					35
Net profit before income tax					1,436
Income tax expense					(464)
Net profit after income tax expense					972
Segment assets	16,007	7,049	971	(1,466)	22,561
Unallocated assets					1,341
Total assets					23,902
Segment liabilities	5,148	2,334	547	(1,466)	6,563
Unallocated liabilities					1,307
Total liabilities					7,870
Investments in associates	2,957	-	-	-	2,957
Acquisition of non-current segment assets	96	108	82	-	286
Depreciation and amortisation	529	1,047	271	-	1,847
Other non-cash expenses	42	16	9	-	67

Secondary reporting - geographical segments

The company only operates in one geographical segment being Australia.

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Note 4. Revenue

	2007	2006
	\$'000	\$'000
From continuing operations		
<i>Sales revenue</i>		
Sale of goods	26,430	25,355
Services	1,247	830
	<u>27,677</u>	<u>26,185</u>
<i>Other revenue</i>		
Dividends received	22	15
Interest received	5	8
Rent received	54	49
Other revenue	8	5
	<u>89</u>	<u>77</u>
Revenue from continuing operations	<u>27,766</u>	<u>26,262</u>

Note 5. Share of net profits of associates accounted for using the equity method

	2007	2006
	\$'000	\$'000
Share of profit - joint ventures	<u>636</u>	<u>531</u>
Share of net profits of associates accounted for using the equity method	<u>636</u>	<u>531</u>

Note 6. Other income

	2007	2006
	\$'000	\$'000
Net gain on sale of property, plant and equipment	45	12
Insurance recoveries	72	-
Other income	<u>117</u>	<u>12</u>

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Note 7. Expenses

	2007	2006
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of sales	9,560	9,582
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>375</u>	<u>341</u>
Finance costs expensed	<u>375</u>	<u>341</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>681</u>	<u>652</u>
Total rental expense relating to operating leases	<u>681</u>	<u>652</u>
<i>Defined contribution superannuation expense</i>		
Defined contribution superannuation expense	942	903
<i>Research and development</i>		
Research and development	61	48

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Note 8. Income tax expense

	2007	2006
	\$'000	\$'000
<i>Income tax expense</i>		
Current tax	764	504
Deferred tax	(115)	(43)
Under/(over) provision in prior years	6	3
	<u>655</u>	<u>464</u>
Aggregate income tax expense		
Deferred income tax expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 22)	(111)	(26)
(Decrease)/increase in deferred tax liabilities (note 31)	(4)	(17)
	<u>(115)</u>	<u>(43)</u>
<i>Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Net profit before income tax expense	1,789	1,436
Tax at the Australian tax rate of 30%	537	431
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	14	14
Entertainment expenses	37	18
Impairment of goodwill	60	-
Tax offset for franked dividends	(6)	(5)
Sundry items	7	3
	<u>649</u>	<u>461</u>
Under/(over) provision in prior years	6	3
Income tax expense	<u>655</u>	<u>464</u>

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Note 9. Current assets - cash and cash equivalents

	2007	2006
	\$'000	\$'000
Cash on hand	14	18
Cash at bank	738	1,384
Cash on deposit	400	450
	<u>1,152</u>	<u>1,852</u>

Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:

Balances as above	1,152	1,852
Bank overdraft (note 25)	<u>(360)</u>	<u>(103)</u>
Balance as per cash flow statement	<u>792</u>	<u>1,749</u>

Note 10. Current assets - trade and other receivables

	2007	2006
	\$'000	\$'000
Trade receivables	2,818	2,551
Less: Provision for doubtful debts	<u>(125)</u>	<u>(50)</u>
	<u>2,693</u>	<u>2,501</u>
Other receivables	21	14
Dividends receivable	<u>8</u>	<u>5</u>
	<u>2,722</u>	<u>2,520</u>

Note 11. Current assets - inventories

	2007	2006
	\$'000	\$'000
Raw materials - at cost	1,037	1,206
Work in progress - at cost	544	584
Finished goods - at cost	<u>860</u>	<u>907</u>
	<u>2,441</u>	<u>2,697</u>

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Note 12. Current assets - other financial assets at fair value through profit or loss

	2007	2006
	\$'000	\$'000
Ordinary shares	50	-

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	-	-
Additions	125	-
Disposals	(75)	-
Closing fair value	50	-

Note 13. Current assets - other

	2007	2006
	\$'000	\$'000
Accrued income	385	270
Prepayments	106	85
Security deposits	90	75
	581	430

Note 14. Current assets - non-current assets classified as held for sale

	2007	2006
	\$'000	\$'000
Shares in company	90	-
Land	600	-
	690	-

Note 15. Non-current assets - receivables

	2007	2006
	\$'000	\$'000
Other receivables	55	55

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Note 16. Non-current assets - investments accounted for using the equity method

	2007	2006
	\$'000	\$'000
Investment in joint venture	3,593	2,957

Refer to note 45 for detailed information on interests in joint ventures.

Note 17. Non-current assets - available for sale financial assets

	2007	2006
	\$'000	\$'000
Ordinary shares	45	-

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	-	-
Additions	45	-
Closing fair value	45	-

Note 18. Non-current assets - held to maturity investments

	2007	2006
	\$'000	\$'000
Debentures	600	-

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	-	-
Additions	600	-
Closing fair value	600	-

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Note 19. Non-current assets - investment property

	2007	2006
	\$'000	\$'000
Investment property - at independent valuation	950	950
Less: Accumulated depreciation	(10)	-
	<u>940</u>	<u>950</u>
	<u>940</u>	<u>950</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	950	800
Revaluation increments	-	150
Depreciation expense	(10)	-
	<u>940</u>	<u>950</u>
Closing fair value	<u>940</u>	<u>950</u>

Valuations of investment property

The investment properties were revalued on 30 June 2006 based on independent assessments by a member of the Australian Property Institute.

Note 20. Non-current assets - property, plant and equipment

	2007	2006
	\$'000	\$'000
Land and buildings - at independent valuation	6,000	6,600
Less: Accumulated depreciation	(63)	-
	<u>5,937</u>	<u>6,600</u>
Leasehold improvements - at cost	1,230	1,230
Less: Accumulated depreciation	(823)	(655)
	<u>407</u>	<u>575</u>
Plant and equipment - at cost	5,473	4,992
Less: Accumulated depreciation	(3,751)	(2,736)
	<u>1,722</u>	<u>2,256</u>
Plant and equipment under lease	573	573
Less: Accumulated depreciation	(230)	(148)
	<u>343</u>	<u>425</u>
	<u>8,409</u>	<u>9,856</u>

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Note 20. Non-current assets - property, plant and equipment (continued)

Reconciliations

Reconciliations of the fair values at the beginning and end of the current and previous financial year are set out below:

	Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Plant under lease \$'000	Total \$'000
Balance 1 July 2005	5,250	810	3,534	449	10,043
Additions	-	-	204	82	286
Disposals	-	-	(105)	-	(105)
Revaluation increments	1,350	-	-	-	1,350
Depreciation expense	-	(235)	(1,377)	(106)	(1,718)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance 30 June 2006	6,600	575	2,256	425	9,856
Additions	-	-	236	-	236
Additions through business combinations (note 44)	-	-	765	-	765
Classified as held for sale (note 14)	(600)	-	-	-	(600)
Disposals	-	-	(385)	-	(385)
Depreciation expense	(63)	(168)	(1,150)	(82)	(1,463)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance 30 June 2007	<u>5,937</u>	<u>407</u>	<u>1,722</u>	<u>343</u>	<u>8,409</u>

Valuations of land and buildings

The land and buildings were revalued on 30 June 2006 based on independent assessments by a member of the Australian Property Institute.

Note 21. Non-current assets - intangibles

	2007 \$'000	2006 \$'000
Goodwill - at cost	1,164	900
Less: Impairment	(200)	-
	<hr/>	<hr/>
	964	900
Research and development - at cost	455	455
Less: Accumulated amortisation	(225)	(180)
	<hr/>	<hr/>
	230	275
Website - at cost	122	122
Less: Accumulated amortisation	(36)	(24)
	<hr/>	<hr/>
	86	98
Patents and trademarks - at cost	360	360
Less: Accumulated amortisation	(216)	(144)
	<hr/>	<hr/>
	144	216
	<hr/>	<hr/>
	<u>1,424</u>	<u>1,489</u>

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Note 21. Non-current assets - intangibles (continued)

Reconciliations

Reconciliations of the fair values at the beginning and end of the current and previous financial year are set out below:

	Goodwill \$'000	Research and development \$'000	Website \$'000	Patents and trademarks \$'000	Total \$'000
Balance 1 July 2005	900	320	110	288	1,618
Amortisation expense	-	(45)	(12)	(72)	(129)
Balance 30 June 2006	900	275	98	216	1,489
Additions through business combinations (note 44)	264	-	-	-	264
Impairment of assets	(200)	-	-	-	(200)
Amortisation expense	-	(45)	(12)	(72)	(129)
Balance 30 June 2007	<u>964</u>	<u>230</u>	<u>86</u>	<u>144</u>	<u>1,424</u>

Goodwill at cost relates to the retail division of \$900,000 and the distribution division of \$264,000.

The goodwill on the retail division has been tested and an impairment of \$200,000 has been applied, due to the expected long-term effects of interest rates and current consumer debt affecting future sales.

The goodwill on the distribution division has been tested and is considered to be at fair value, given forecast organic growth of 11% is expected in the next financial year.

Note 22. Non-current assets - deferred tax

	2007 \$'000	2006 \$'000
<i>The balance comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Employee benefits	190	167
Finance leases	13	21
Provision for legal claims	11	-
Provision for repairs and maintenance	32	-
Provision for warranties	70	51
Accrued expenses	85	58
Income received in advance	27	20
Deferred tax asset	<u>428</u>	<u>317</u>
<i>Movements:</i>		
Opening balance	317	291
Credited/(charged) to the income statement (note 8)	111	26
Closing balance	<u>428</u>	<u>317</u>

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Note 23. Non-current assets - other

	2007	2006
	\$'000	\$'000
Deferred expenses	284	344
Security deposits	435	435
	<u>719</u>	<u>779</u>

Note 24. Current liabilities - trade and other payables

	2007	2006
	\$'000	\$'000
Trade payables	1,183	1,357
Other payables	280	262
	<u>1,463</u>	<u>1,619</u>

Note 25. Current liabilities - borrowings

	2007	2006
	\$'000	\$'000
Bank overdraft	360	103
Bank loans	500	500
Lease liability	94	78
	<u>954</u>	<u>681</u>

Refer to note 30 for further information.

Note 26. Current liabilities - income tax

	2007	2006
	\$'000	\$'000
Provision for income tax	<u>413</u>	<u>313</u>

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Note 27. Current liabilities - provisions

	2007	2006
	\$'000	\$'000
Provisions - employee benefits	523	469
Provisions - legal claims	35	-
Provisions - repairs and maintenance	105	-
Provisions - warranties	233	169
	<u>896</u>	<u>638</u>

Legal claims

The provision represents a claim by a customer of the retailing division. This claim is expected to be settled in the next financial year and the outcome of this claim is not expected to exceed the amount provided for, based on independent legal advice.

Repairs and maintenance

The provision represents likely expenses to repair the roof of the building owned by the company, which was commenced before the end of the financial year and is due for completion during the next financial year.

Warranties

This provision represents manufacturing warranties on products sold prior to balance date and are still under warranty at balance date.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Legal claims \$'000	Repairs and maintenance \$'000	Warranties \$'000	Total \$'000
2007				
Carrying amount at the start of the year	-	-	169	169
Additional provisions recognised	35	105	78	218
Unused amounts reversed	-	-	(14)	(14)
	<u>35</u>	<u>105</u>	<u>233</u>	<u>373</u>

Note 28. Current liabilities - other

	2007	2006
	\$'000	\$'000
Accrued expenses	283	194
Income received in advance	90	65
	<u>373</u>	<u>259</u>

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Note 29. Current liabilities - liabilities directly associated with assets classified as held for sale

	2007	2006
	\$'000	\$'000
Bank loans	250	-

Note 30. Non-current liabilities - borrowings

	2007	2006
	\$'000	\$'000
Bank loans	2,100	3,000
Lease liability	186	280
	<u>2,286</u>	<u>3,280</u>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2007	2006
	\$'000	\$'000
Bank overdraft	360	103
Bank loans	2,850	3,500
Lease liability	280	358
	<u>3,490</u>	<u>3,961</u>

Assets pledged as security

The bank overdraft and loans are secured by first mortgages over the company's land and buildings.

The lease liabilities are effectively secured as the rights to the leased assets recognised in the balance sheet revert to the lessor in the event of default.

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Note 30. Non-current liabilities - borrowings (continued)

Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	2007	2006
	\$'000	\$'000
Total facilities		
Bank overdraft	500	500
Bank loans	4,000	4,000
	<u>4,500</u>	<u>4,500</u>
Used at balance date		
Bank overdraft	360	103
Bank loans	2,850	3,500
	<u>3,210</u>	<u>3,603</u>
Unused at balance date		
Bank overdraft	140	397
Bank loans	1,150	500
	<u>1,290</u>	<u>897</u>

Note 31. Non-current liabilities - deferred tax

	2007	2006
	\$'000	\$'000
<i>The balance comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Financial assets at fair value through profit or loss	4	-
Prepayments	32	26
Research and development	69	83
	<u>105</u>	<u>109</u>
Amounts recognised in equity:		
Revaluation of property, plant and equipment	885	885
	<u>885</u>	<u>885</u>
Deferred tax liability	<u>990</u>	<u>994</u>
<i>Movements:</i>		
Opening balance	994	561
Charged/(credited) to the income statement (note 8)	(4)	(17)
Charged/(credited) to equity (note 34)	-	450
Closing balance	<u>990</u>	<u>994</u>

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Note 32. Non-current liabilities - provisions

	2007	2006
	\$'000	\$'000
Provisions - employee benefits	<u>111</u>	<u>86</u>

Note 33. Equity - contributed

	2007	2006	2007	2006
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>12,000,000</u>	<u>11,750,000</u>	<u>12,000</u>	<u>11,750</u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$'000
Balance	1 July 2005	11,500,000		11,500
Issue of shares to key management personnel	4 July 2005	<u>250,000</u>	\$1.00	<u>250</u>
Balance	30 June 2006	11,750,000		11,750
Issue of shares to key management personnel	3 July 2006	<u>250,000</u>	\$1.00	<u>250</u>
Balance	30 June 2007	<u>12,000,000</u>		<u>12,000</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

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Note 34. Equity - reserves

	2007	2006
	\$'000	\$'000
Asset revaluation reserve	2,065	2,065
General reserve	600	450
	<u>2,665</u>	<u>2,515</u>

	Asset revaluation \$'000	General \$'000	Total \$'000
Balance 1 July 2005	1,015	450	1,465
Revaluation - gross	1,500	-	1,500
Deferred tax	(450)	-	(450)
	<u>2,065</u>	<u>450</u>	<u>2,515</u>
Balance 30 June 2006	2,065	450	2,515
Transfer from retained profits	-	150	150
	<u>-</u>	<u>150</u>	<u>150</u>
Balance 30 June 2007	<u>2,065</u>	<u>600</u>	<u>2,665</u>

Asset revaluation reserve

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

General reserve

The general reserve is used from time to time to transfer profits from retained profits. There is no policy of regular transfer.

Note 35. Equity - retained profits

	2007	2006
	\$'000	\$'000
Retained profits at the beginning of the financial year	1,767	1,608
Net profit after income tax expense	1,134	972
Dividends paid (note 36)	(1,303)	(813)
Transfer to general reserve	(150)	-
	<u>1,448</u>	<u>1,767</u>
Retained profits at the end of the financial year	<u>1,448</u>	<u>1,767</u>

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Note 36. Equity - dividends

	2007	2006
	\$'000	\$'000
Final ordinary dividend for the year ended 30 June 2007 of 6.86 cents (2006: 3.91 cents) per fully paid share paid on 25 June 2007	823	460
Interim ordinary dividend for the year ended 30 June 2007 of 4.00 cents (2006: 3.00 cents) per fully paid share paid on 19 December 2006	<u>480</u>	<u>353</u>
	<u><u>1,303</u></u>	<u><u>813</u></u>
Franking credits available for subsequent financial years based on a tax rate of 30%	<u><u>870</u></u>	<u><u>938</u></u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking credits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 37. Financial instruments

Financial risk management objectives

The company's activities exposes it to a variety of financial risk: credit risk, liquidity risk and cash flow interest rate risk.

The company is not exposed to market risk (including foreign exchange risk).

Market risk

The company has not undertaken transactions in foreign currencies and therefore has not been exposed to foreign exchange risk. No forward foreign exchange contracts have been entered into.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has a strict code of credit and obtains guarantees where appropriate to mitigate credit risk. There is potential credit risk with Austore Limited, a major customer, however this listed company has a Standard and Poor's A- credit rating so the likelihood of default is remote.

The company is dependent on Austore Limited for a significant volume of revenue. During the year ended 30 June 2007 approximately 25% (2006: 31%) of the company's revenue was derived from sales to Austore Limited through the manufacturing and distribution divisions.

Liquidity risk

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

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Note 37. Financial instruments (continued)

Interest rate risk management

The company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the company by maintaining an appropriate mix between fixed and floating rate borrowings.

The following tables detail the company's exposure to interest rate risk at the end of the current and previous financial year:

2007	Floating		Fixed interest rate		Non-interest bearing	Total
	interest rate	1 year or less	Over 1 to 2	Over 2 to 3		
	\$'000	\$'000	years	years	\$'000	\$'000
Cash on hand	-	-	-	-	14	14
Cash at bank	738	-	-	-	-	738
Cash on deposit	-	400	-	-	-	400
Trade receivables	-	-	-	-	2,693	2,693
Other receivables	55	-	-	-	29	84
	<u>793</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>2,736</u>	<u>3,929</u>
Weighted average interest rate	3.65%	4.85%				
Trade payables	-	-	-	-	1,183	1,183
Other payables	-	-	-	-	280	280
Bank overdraft	360	-	-	-	-	360
Bank loans	250	2,100	500	-	-	2,850
Lease liability	-	86	194	-	-	280
	<u>610</u>	<u>2,186</u>	<u>694</u>	<u>-</u>	<u>1,463</u>	<u>4,953</u>
Weighted average interest rate	8.62%	7.35%	7.54%			

2006	Floating		Fixed interest rate		Non-interest bearing	Total
	interest rate	1 year or less	Over 1 to 2	Over 2 to 3		
	\$'000	\$'000	years	years	\$'000	\$'000
Cash on hand	-	-	-	-	18	18
Cash at bank	1,384	-	-	-	-	1,384
Cash on deposit	-	450	-	-	-	450
Trade receivables	-	-	-	-	2,501	2,501
Other receivables	55	-	-	-	19	74
	<u>1,439</u>	<u>450</u>	<u>-</u>	<u>-</u>	<u>2,538</u>	<u>4,427</u>
Weighted average interest rate	3.30%	4.65%				
Trade payables	-	-	-	-	1,357	1,357
Other payables	-	-	-	-	262	262
Bank overdraft	103	-	-	-	-	103
Bank loans	-	3,000	-	500	-	3,500
Lease liability	-	88	76	194	-	358
	<u>103</u>	<u>3,088</u>	<u>76</u>	<u>694</u>	<u>1,619</u>	<u>5,580</u>
Weighted average interest rate	9.25%	6.80%	6.95%	7.54%		

Fair value of financial instruments

The carrying amounts of financial instruments reflect their fair value.

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Note 38. Key management personnel disclosures

Directors

The following persons were directors of the company during the financial year:

Anthony Example	Chairman - non-executive
Brad Example	Managing director
Christina Example	Finance director
Daniel Example	Non-executive director
Elizabeth Example (appointed on 22 June 2007)	Non-executive director

Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, during the financial year:

Fabian Example	Manager - manufacturing
Grace Example	Manager - retail and distribution

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2007	2006
	\$	\$
Short-term employee benefits	459,683	421,834
Post-employment benefits	41,371	37,965
Other long-term benefits	20,832	16,352
Termination benefits	-	8,320
Share-based payments	250,000	250,000
	<u>771,886</u>	<u>734,471</u>

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Note 38. Key management personnel disclosures (continued)

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
2007					
<i>Ordinary shares</i>					
Anthony Example	610,000	-	-	-	610,000
Brad Example	2,045,000	180,000	25,000	-	2,250,000
Christina Example	490,000	40,000	-	-	530,000
Daniel Example	150,000	-	-	(50,000)	100,000
Elizabeth Example	-	-	40,000	-	40,000
Fabian Example	30,000	15,000	-	(10,000)	35,000
Grace Example	25,000	15,000	-	(20,000)	20,000
	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
2006					
<i>Ordinary shares</i>					
Anthony Example	600,000	10,000	-	-	610,000
Brad Example	1,850,000	150,000	45,000	-	2,045,000
Christina Example	450,000	40,000	-	-	490,000
Daniel Example	160,000	-	-	(10,000)	150,000
Fabian Example	25,000	25,000	-	(20,000)	30,000
Grace Example	15,000	25,000	-	(15,000)	25,000

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Note 39. Remuneration of auditors

During the year the following fees were paid or payable for services provided by Accounting Firm 123, the auditor of the company:

	2007	2006
	\$	\$
Audit or review of the financial report	45,200	42,500
IFRS accounting services	1,500	1,300
Preparation of the tax return	6,800	6,400
Due diligence	18,920	-
Internal controls and best practice consulting review	6,000	-
	<u>78,420</u>	<u>50,200</u>

Note 40. Contingent assets

The company will be paid a success premium of up to \$300,000 by FurnDesign Joint Venture Partnership, which it holds a 35% interest, if the rights to a furniture manufacturing process are sold to a Korean based company. The likelihood of this proceeding cannot be reliably measured at this stage.

Note 41. Contingent liabilities

A guarantee has been provided to a supplier's creditor that in the event of default, the company will pay the outstanding balance owing within 7 days of notification. This was required as the supplier is one of only two specialist fine lathe operators in Australia and had insufficient assets to satisfy the creditors credit criteria. The event of default is unlikely and the maximum exposure to the company is \$50,000.

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Note 42. Commitments for expenditure

	2007	2006
	\$'000	\$'000
<i>Capital commitments - Investment property</i>		
Committed at reporting date but not recognised as liabilities, payable:		
Within one year	25	-
One to five years	60	85
	<u>85</u>	<u>85</u>
<i>Capital commitments - Property, plant and equipment</i>		
Committed at reporting date but not recognised as liabilities, payable:		
Within one year	195	140
One to five years	765	720
More than five years	310	255
	<u>1,270</u>	<u>1,115</u>
<i>Capital commitments - Intangible assets</i>		
Committed at reporting date but not recognised as liabilities, payable:		
Within one year	120	-
One to five years	280	-
	<u>400</u>	<u>-</u>
<i>Lease commitments - operating</i>		
Committed at reporting date but not recognised as liabilities, payable:		
Within one year	734	712
One to five years	3,631	2,864
More than five years	617	1,119
	<u>4,982</u>	<u>4,695</u>
<i>Lease commitments - finance</i>		
Committed at reporting date and recognised as liabilities, payable:		
Within one year	116	106
One to five years	207	323
Total commitment	323	429
Less: Future finance charges	<u>(43)</u>	<u>(71)</u>
Net commitment recognised as liabilities	<u>280</u>	<u>358</u>
Representing:		
Lease liability - current (note 25)	94	78
Lease liability - non-current (note 30)	<u>186</u>	<u>280</u>
	<u>280</u>	<u>358</u>

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Note 43. Related party transactions

Parent entities

The company has no parent entities.

Key management personnel

Disclosures relating to key management personnel are set out in note 38.

Transactions with related parties

The following transactions occurred with related parties:

	2007	2006
	\$	\$
Sale of goods and services:		
Sale of goods to key management personnel	23,742	15,108
Payment for goods and services:		
Payment for services from joint venture	683,904	578,823

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2007	2006
	\$	\$
Current receivables:		
Trade receivables from key management personnel	5,630	9,764
Current payables:		
Trade payables to joint venture	59,382	45,720

Loans to/from related parties

There are no loans to or from related parties at the reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

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Note 44. Business combinations

On 3 July 2006 the company acquired the business of Freightaway for \$800,000. This is a freight business and operates in the furniture distribution division of the company. The acquired business contributed revenues of \$385,000 and net profit of \$62,000 to the company for the year ended 30 June 2007.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Trade receivables	85	45
Prepayments	12	12
Plant and equipment	977	765
Trade payables	(214)	(214)
Employee benefits	(72)	(72)
	<hr/>	<hr/>
Net assets acquired	788	536
Goodwill		<hr/> 264
		<hr/>
Total purchase consideration		<hr/> <hr/> 800
	2007	2006
	\$'000	\$'000
Outflow of cash to acquire business, net of cash acquired:		
Total purchase consideration	<hr/> 800	<hr/> -
	<hr/>	<hr/>
Outflow of cash	<hr/> <hr/> 800	<hr/> <hr/> -

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Note 45. Interests in joint ventures

The company has a 35% interest in the FurnDesign Joint Venture Partnership, which operates in Australia and its principal activity is furniture design.

The interest in the FurnDesign Joint Venture Partnership is accounted for in the company financial report using the equity method of accounting.

Information relating to the joint venture partnership is set out below.

	2007	2006
	\$'000	\$'000
<i>Share of assets and liabilities</i>		
Current assets	1,073	986
Non-current assets	3,526	3,198
Total assets	<u>4,599</u>	<u>4,184</u>
Current liabilities	291	362
Non-current liabilities	715	865
Total liabilities	<u>1,006</u>	<u>1,227</u>
Net assets	<u>3,593</u>	<u>2,957</u>
<i>Share of revenue, expenses and results</i>		
Revenue	7,119	6,725
Expenses	6,483	6,194
Net profit before income tax expense	<u>636</u>	<u>531</u>

Note 46. Economic dependency

The company is dependent on Austore Limited for a significant volume of revenue. During the year ended 30 June 2007 approximately 25% (2006: 28%) of the company's revenue was derived from sales to Austore Limited through the manufacturing and distribution divisions.

Note 47. Events occurring after balance date

No matter or circumstance has arisen since 30 June 2007 that has significantly affected, or may significantly affect the company's operations in future financial years, the results of those operations in future financial years, or the company's state of affairs in future financial years.

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Note 48. Reconciliation of net profit after income tax to net cash flows from operating activities

	2007	2006
	\$'000	\$'000
Net profit after income tax expense	1,134	972
Depreciation and amortisation	1,602	1,847
Impairment of goodwill	200	-
Net loss/(profit) on sale of non-current assets	(45)	(12)
Share of profit - joint ventures - non-cash	(636)	(531)
Issue of shares to key management personnel	250	250
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(157)	(105)
(Increase)/decrease in inventories	256	109
(Increase)/decrease in deferred tax assets	(111)	(26)
(Increase)/decrease in accrued income	(115)	(45)
(Increase)/decrease in prepayments	(9)	10
(Increase)/decrease in other operating assets	60	(25)
Increase/(decrease) in trade and other payables	(370)	(219)
Increase/(decrease) in provision for income tax	100	54
Increase/(decrease) in deferred tax liabilities	(4)	(17)
Increase/(decrease) in employee benefits	7	21
Increase/(decrease) in other provisions	204	45
Increase/(decrease) in other operating liabilities	114	57
Net cash inflow from operating activities	<u>2,480</u>	<u>2,385</u>

Note 49. Non-cash investing and financing activities

	2007	2006
	\$'000	\$'000
Acquisition of plant and equipment by means of finance leases	<u>-</u>	<u>82</u>

Note 50. Share-based payments

On 3 July 2006, 250,000 shares were issued to key management personnel at an issue price of \$1.00 per share and a total transactional value of \$250,000 as identified in the key management personnel disclosures (note 38).

Example AIFRS Company Pty Limited
(Formerly known as Example General Purpose Pty Limited)
Independent auditor's report to the members of Example AIFRS Company Pty Limited

Report on the financial report

We have audited the accompanying financial report of Example AIFRS Company Pty Limited (the company), which comprises the balance sheet as at 30 June 2007 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

