

Example AIFRS Consolidated Pty Limited
(Formerly known as Example Consolidated Pty Limited)
ABN 12 345 678 901

Annual Report - 30 June 2007

Example AIFRS Consolidated Pty Limited
(Formerly known as Example Consolidated Pty Limited)
Directors' report
30 June 2007

The directors present their report on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Example AIFRS Consolidated Pty Limited and the entities it controlled for the year ended 30 June 2007.

Directors

The following persons were directors of Example AIFRS Consolidated Pty Limited during the financial year and up to the date of this report:

Anthony Example
Brad Example
Christina Example
Daniel Example
Elizabeth Example (resigned on 18 December 2006)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- clothing manufacturing
- clothing wholesaling
- clothing distribution

The clothing distribution division was significantly enhanced during the year with the acquisition of the Freightline business.

Dividends - Example AIFRS Consolidated Pty Limited

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 11 cents (2006: 10 cents) per fully paid share paid on 25 June 2007	5,500	5,000
Interim ordinary dividend for the year ended 30 June 2007 of 7 cents (2006: 5 cents) per fully paid share paid on 19 December 2006	<u>3,500</u>	<u>2,500</u>
	<u><u>9,000</u></u>	<u><u>7,500</u></u>

Review of operations

The operating profit for the consolidated entity after providing for income tax amounted to \$11,573,000 (2006: \$8,165,000). This is an increase of \$3,408,000 (42%) from the previous year and represents a 15.4% return on net assets.

All three of the consolidated entity's divisions improved their net result. The manufacturing division profit significantly increased due to the re-engineering of its processes which have resulted in increased production and a reduction in defects. The wholesaling division had a 7.6% increase in sales largely from higher margin products. The distribution division benefited greatly from the integration of acquired Freightline business which saw its existing administrative function better utilised.

The financial position of the consolidated entity is very strong with excellent liquidity and a large asset base which is being fully utilised. The consolidated entity is expecting to reduce its bank borrowings significantly during the year ended 30 June 2008 from current cash on deposit and future earnings, without reducing its dividend payments.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity 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 consolidated entity's operations in future financial years, the results of those operations in future financial years, or the consolidated entity's state of affairs in future financial years.

Example AIFRS Consolidated Pty Limited
(Formerly known as Example Consolidated Pty Limited)
Financial report
For the year ended 30 June 2007

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General information

This financial report covers both Example AIFRS Consolidated Pty Limited as an individual entity and the consolidated entity consisting of Example AIFRS Consolidated Pty Limited and its subsidiaries. The financial report is presented in Australian currency.

Example AIFRS Consolidated 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 consolidated entity'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 Consolidated Pty Limited
(Formerly known as Example Consolidated Pty Limited)
Income statement
For the year ended 30 June 2007

	Note	Consolidated		Parent entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue from continuing operating activities	4	225,542	206,877	12,857	10,418
Share of net profits of associates accounted for using the equity method	5	2,294	1,901	-	-
Other income	6	286	43	160	-
Expenses					
Changes in inventories of finished goods and work in progress		(2,130)	(574)	-	-
Raw materials and consumables used		(70,171)	(65,576)	-	-
Employee benefits expense		(107,757)	(100,882)	(341)	(318)
Depreciation and amortisation expense		(9,431)	(10,177)	(5)	(5)
Impairment of assets		(250)	-	-	-
Other expenses		(20,583)	(18,186)	(354)	(291)
Finance costs	7	(1,120)	(1,725)	(325)	(173)
Net profit before income tax expense		16,680	11,701	11,992	9,631
Income tax expense	8	(5,107)	(3,536)	(24)	(26)
Net profit after income tax expense		11,573	8,165	11,968	9,605
Profit attributable to minority interest		(625)	(372)	-	-
Net profit after income tax expense attributable to members of Example AIFRS Consolidated Pty Limited		<u>10,948</u>	<u>7,793</u>	<u>11,968</u>	<u>9,605</u>

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

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

	Note	Consolidated		Parent entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current assets					
Cash and cash equivalents	9	6,473	5,535	2,209	1,673
Trade and other receivables	10	10,288	6,590	8	5
Inventories	11	19,763	21,525	-	-
Other	12	1,592	1,397	24	15
		<u>38,116</u>	<u>35,047</u>	<u>2,241</u>	<u>1,693</u>
Non-current assets classified as held for sale	13	3,060	-	3,060	-
Total current assets		<u>41,176</u>	<u>35,047</u>	<u>5,301</u>	<u>1,693</u>
Non-current assets					
Receivables	14	98	98	65	65
Investments accounted for using the equity method	15	18,355	16,061	-	-
Other financial assets	16	-	-	72,000	72,000
Property, plant and equipment	17	44,874	51,255	5,500	8,500
Intangibles	18	6,245	5,811	30	35
Deferred tax	19	4,245	4,014	87	47
Other	20	630	723	-	-
Total non-current assets		<u>74,447</u>	<u>77,962</u>	<u>77,682</u>	<u>80,647</u>
Total assets		<u>115,623</u>	<u>113,009</u>	<u>82,983</u>	<u>82,340</u>
Current liabilities					
Trade and other payables	21	7,330	8,437	56	36
Borrowings	22	3,057	2,306	-	-
Income tax	23	2,687	1,781	2,687	1,781
Provisions	24	5,924	5,491	160	42
Other	25	1,707	1,532	74	61
		<u>20,705</u>	<u>19,547</u>	<u>2,977</u>	<u>1,920</u>
Liabilities directly associated with assets classified as held for sale	26	1,000	-	1,000	-
Total current liabilities		<u>21,705</u>	<u>19,547</u>	<u>3,977</u>	<u>1,920</u>
Non-current liabilities					
Borrowings	27	10,412	12,219	21,778	26,165
Deferred tax	28	1,816	1,828	232	230
Provisions	29	6,315	5,963	56	53
Total non-current liabilities		<u>18,543</u>	<u>20,010</u>	<u>22,066</u>	<u>26,448</u>
Total liabilities		<u>40,248</u>	<u>39,557</u>	<u>26,043</u>	<u>28,368</u>
Net assets		<u>75,375</u>	<u>73,452</u>	<u>56,940</u>	<u>53,972</u>
Equity					
Contributed equity	30	50,000	50,000	50,000	50,000
Reserves	31	3,645	3,495	1,125	975
Retained profits	32	15,373	13,575	5,815	2,997
Parent entity interest		69,018	67,070	56,940	53,972
Minority interest	33	6,357	6,382	-	-
Total equity		<u>75,375</u>	<u>73,452</u>	<u>56,940</u>	<u>53,972</u>

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

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

	Note	Consolidated		Parent entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Total equity at the beginning of the financial year		73,452	71,937	53,972	51,517
Gain on the revaluation of land and buildings, net of tax	31	-	1,400	-	350
Dividends paid to minority interest in subsidiaries		(650)	(550)	-	-
Net profit after income tax expense		11,573	8,165	11,968	9,605
Dividends paid	34	(9,000)	(7,500)	(9,000)	(7,500)
Total equity at the end of the financial year		75,375	73,452	56,940	53,972

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

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

	Note	Consolidated		Parent entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		244,332	226,902	921	856
Payments to suppliers (inclusive of GST)		(221,730)	(205,771)	(634)	(672)
		22,602	21,131	287	184
Dividends received		-	-	11,920	9,550
Interest received		276	194	91	87
Other revenue		196	25	166	3
Interest and other finance costs paid		(1,120)	(1,725)	(325)	(173)
Income taxes paid		(4,444)	(3,623)	(4,444)	(3,623)
Net cash inflow/(outflow) from operating activities	46	17,510	16,002	7,695	6,028
Cash flows from investing activities					
Payment for purchase of business, net of cash acquired	42	(3,797)	(62)	-	-
Payments for property, plant and equipment	17	(4,950)	(874)	-	-
Payments for investments		(107)	-	(60)	-
Proceeds from sale of property, plant and equipment		1,988	983	-	-
Net cash inflow/(outflow) from investing activities		(6,866)	47	(60)	-
Cash flows from financing activities					
Proceeds from borrowings		1,250	-	1,901	648
Dividends paid	34	(9,650)	(8,050)	(9,000)	(7,500)
Repayment of borrowings		(669)	(7,506)	-	-
Net cash inflow/(outflow) from financing activities		(9,069)	(15,556)	(7,099)	(6,852)
Net increase/(decrease) in cash and cash equivalents		1,575	493	536	(824)
Cash and cash equivalents at the beginning of the financial year		4,898	4,405	1,673	2,497
Cash and cash equivalents at the end of the financial year	9	6,473	4,898	2,209	1,673
Financing arrangements	27				
Non-cash investing and financing activities	47				

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

Example AIFRS Consolidated Pty Limited
(Formerly known as Example Consolidated Pty Limited)
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 consolidated entity 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 consolidated entity'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.

Principles of consolidation

The consolidated financial report incorporate the assets and liabilities of all subsidiaries of Example AIFRS Consolidated Pty Limited ('company' or 'parent entity') as at 30 June 2007 and the results of all subsidiaries for the year then ended. Example AIFRS Consolidated Pty Limited and its subsidiaries together are referred to in this financial report as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between company's in the consolidated entity are eliminated.

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Interests in associates and joint ventures, where applicable, are accounted for using the equity method.

Minority interests in the results and equity of subsidiaries are shown separately in the income statement and balance sheet of the consolidated entity.

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.

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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.

Example AIFRS Consolidated Pty Limited and its Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Example AIFRS Consolidated Pty Limited is responsible for recognising the current tax assets and liabilities for the tax consolidated group. The group notified the Australian Taxation Office on 12 July 2005 that it had formed an income tax consolidated group to apply from 1 July 2005. The tax consolidated group has entered a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their tax payable.

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.

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.

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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 consolidated entity 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.

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.

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 consolidated entity 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.

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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 reliability. 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 consolidated entity 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

Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable the consolidated entity 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.

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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.

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.

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 consolidated entity's and the parent entity'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 group 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 group 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.

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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 consolidated entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The consolidated entity 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 consolidated entity 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 consolidated entity's accounting policies

The consolidated entity has recognised revenue amounting to \$1,908,000 for the sale of ARA licensed rugby jerseys to Sports Clothing Warehouse during the year ended 30 June 2007. These jerseys were designed to be durable enough to wear at the highest level and were manufactured to Sports Clothing Warehouse's design specifications. The buyer offers its customers a 2 year durability guarantee on the jersey's that is supported by a legal obligation by Example AIFRS Consolidated Pty Limited to replace any defective garments. The consolidated entity is confident that the quality of the clothing is superior enough to not incur substantial replacements.

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Note 3. Segment information

Primary reporting - business segments

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

Clothing manufacturing the manufacturing of clothing in Australia
Clothing wholesaling the wholesaling of clothing in Australia
Clothing distribution the freight and cartage of clothing to retailers in Australia

	Clothing manufacture \$'000	Clothing wholesaling \$'000	Clothing distribution \$'000	Intersegment eliminations / unallocated \$'000	Consolidated \$'000
2007					
Sales to external customers	13,232	207,307	4,689	-	225,228
Intersegment sales	100,009	-	1,453	(101,462)	-
Total sales revenue	113,241	207,307	6,142	(101,462)	225,228
Share of net profits of associates	2,294	-	-	-	2,294
Other income	163	146	32	259	600
Total segment revenue	115,698	207,453	6,174	(101,203)	228,122
Segment result	8,944	7,160	504	-	16,608
Unallocated revenue less unallocated expenses					72
Net profit before income tax					16,680
Income tax expense					(5,107)
Net profit after income tax expense					11,573
Segment assets	73,213	33,984	6,061	(8,618)	104,640
Unallocated assets					10,983
Total assets					115,623
Segment liabilities	22,184	16,459	3,458	(8,618)	33,483
Unallocated liabilities					6,765
Total liabilities					40,248
Investments in associates	18,355	-	-	-	18,355
Acquisition of non-current segment assets	1,500	2,413	4,683	-	8,596
Depreciation and amortisation	5,688	2,751	987	5	9,431
Impairment of assets	-	250	-	-	250

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Note 3. Segment information (continued)

	Clothing manufacture \$'000	Clothing wholesaling \$'000	Clothing distribution \$'000	Intersegment eliminations / unallocated \$'000	Consolidated \$'000
2006					
Sales to external customers	12,169	192,702	1,787	-	206,658
Intersegment sales	95,712	-	1,404	(97,116)	-
Total sales revenue	107,881	192,702	3,191	(97,116)	206,658
Share of net profits of associates	1,901	-	-	-	1,901
Other income	100	54	18	90	262
Total segment revenue	109,882	192,756	3,209	(97,026)	208,821
Segment result	5,331	6,277	12	-	11,620
Unallocated revenue less unallocated expenses					81
Net profit before income tax					11,701
Income tax expense					(3,536)
Net profit after income tax expense					8,165
Segment assets	77,527	30,371	3,645	(8,874)	102,669
Unallocated assets					10,340
Total assets					113,009
Segment liabilities	22,976	18,895	857	(8,874)	33,854
Unallocated liabilities					5,703
Total liabilities					39,557
Investments in associates	16,061	-	-	-	16,061
Acquisition of non-current segment assets	-	874	1,290	-	2,164
Depreciation and amortisation	6,704	3,018	450	5	10,177

Secondary reporting - geographical segments

The consolidated entity only operates in one geographical segment being Australia.

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Note 4. Revenue

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
From continuing operations				
<i>Sales revenue</i>				
Sale of goods	219,701	204,093	-	-
Services	5,527	2,565	838	778
	<u>225,228</u>	<u>206,658</u>	<u>838</u>	<u>778</u>
<i>Other revenue</i>				
Dividends received	-	-	11,920	9,550
Interest received	278	194	93	87
Other revenue	36	25	6	3
	<u>314</u>	<u>219</u>	<u>12,019</u>	<u>9,640</u>
Revenue from continuing operations	<u>225,542</u>	<u>206,877</u>	<u>12,857</u>	<u>10,418</u>

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

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Share of profit - joint ventures	<u>2,294</u>	<u>1,901</u>	<u>-</u>	<u>-</u>
Share of net profits of associates accounted for using the equity method	<u>2,294</u>	<u>1,901</u>	<u>-</u>	<u>-</u>

Note 6. Other income

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Net gain on sale of property, plant and equipment	126	43	-	-
Insurance recoveries	160	-	160	-
Other income	<u>286</u>	<u>43</u>	<u>160</u>	<u>-</u>

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Note 7. Expenses

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Profit before income tax includes the following specific expenses:				
<i>Cost of sales</i>				
Cost of sales	136,362	125,647	-	-
<i>Finance costs</i>				
Interest and finance charges paid/payable	1,120	1,725	325	173
Finance costs expensed	1,120	1,725	325	173
<i>Rental expense relating to operating leases</i>				
Minimum lease payments	12,688	12,254	-	-
Total rental expense relating to operating leases	12,688	12,254	-	-
<i>Defined contribution superannuation expense</i>				
Defined contribution superannuation expense	7,758	7,264	28	26
<i>Research and development</i>				
Research and development	71	53	-	-

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Note 8. Income tax expense

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<i>Income tax expense</i>				
Current tax	5,350	3,814	62	30
Deferred tax	(243)	(278)	(38)	(4)
	<u>5,107</u>	<u>3,536</u>	<u>24</u>	<u>26</u>
Aggregate income tax expense				
Deferred income tax expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (note 19)	(231)	(238)	(40)	(5)
(Decrease)/increase in deferred tax liabilities (note 28)	(12)	(40)	2	1
	<u>(243)</u>	<u>(278)</u>	<u>(38)</u>	<u>(4)</u>
<i>Numerical reconciliation of income tax expense to prima facie tax payable</i>				
Net profit before income tax expense	16,680	11,701	11,992	9,631
Tax at the Australian tax rate of 30%	5,004	3,510	3,598	2,889
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Entertainment expenses	24	21	2	2
Impairment of goodwill	75	-	-	-
Non-taxable dividends	-	-	(3,576)	(2,865)
Sundry items	4	5	-	-
	<u>4</u>	<u>5</u>	<u>-</u>	<u>-</u>
Income tax expense	<u>5,107</u>	<u>3,536</u>	<u>24</u>	<u>26</u>

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Note 9. Current assets - cash and cash equivalents

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash on hand	62	57	-	-
Cash at bank	5,011	3,278	809	473
Cash on deposit	1,400	2,200	1,400	1,200
	<u>6,473</u>	<u>5,535</u>	<u>2,209</u>	<u>1,673</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	6,473	5,535	2,209	1,673
Bank overdraft (note 22)	-	(637)	-	-
Balance as per cash flow statement	<u>6,473</u>	<u>4,898</u>	<u>2,209</u>	<u>1,673</u>

Note 10. Current assets - trade and other receivables

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade receivables	10,292	6,591	-	-
Less: Provision for doubtful debts	(38)	(25)	-	-
	<u>10,254</u>	<u>6,566</u>	<u>-</u>	<u>-</u>
Other receivables	30	22	4	3
Interest receivable	4	2	4	2
	<u>10,288</u>	<u>6,590</u>	<u>8</u>	<u>5</u>

Note 11. Current assets - inventories

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Raw materials - at cost	3,409	3,041	-	-
Work in progress - at cost	8,020	8,717	-	-
Finished goods - at cost	8,334	9,767	-	-
	<u>19,763</u>	<u>21,525</u>	<u>-</u>	<u>-</u>

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Note 12. Current assets - other

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Accrued income	1,003	926	-	-
Prepayments	504	379	24	15
Deferred expenses	52	74	-	-
Security deposits	33	18	-	-
	<u>1,592</u>	<u>1,397</u>	<u>24</u>	<u>15</u>

Note 13. Current assets - non-current assets classified as held for sale

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Shares in company	60	-	60	-
Land	3,000	-	3,000	-
	<u>3,060</u>	<u>-</u>	<u>3,060</u>	<u>-</u>

Note 14. Non-current assets - receivables

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Other receivables	<u>98</u>	<u>98</u>	<u>65</u>	<u>65</u>

Note 15. Non-current assets - investments accounted for using the equity method

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Investment in joint venture	<u>18,355</u>	<u>16,061</u>	<u>-</u>	<u>-</u>

Refer to note 44 for detailed information on interests in joint ventures.

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Note 16. Non-current assets - other financial assets

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Shares in subsidiaries (note 43)	-	-	72,000	72,000

Note 17. Non-current assets - property, plant and equipment

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Land and buildings - at independent valuation	20,500	23,500	5,500	8,500
	<u>20,500</u>	<u>23,500</u>	<u>5,500</u>	<u>8,500</u>
Leasehold improvements - at cost	16,793	13,593	-	-
Less: Accumulated depreciation	(9,201)	(6,561)	-	-
	<u>7,592</u>	<u>7,032</u>	<u>-</u>	<u>-</u>
Plant and equipment - at cost	42,804	40,181	-	-
Less: Accumulated depreciation	(28,077)	(22,023)	-	-
	<u>14,727</u>	<u>18,158</u>	<u>-</u>	<u>-</u>
Plant and equipment under lease	3,092	3,092	-	-
Less: Accumulated depreciation	(1,037)	(527)	-	-
	<u>2,055</u>	<u>2,565</u>	<u>-</u>	<u>-</u>
	<u>44,874</u>	<u>51,255</u>	<u>5,500</u>	<u>8,500</u>

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Note 17. 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:

	Land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Plant under lease \$'000	Consolidated \$'000
Consolidated					
Balance 1 July 2005	21,500	8,973	25,981	1,572	58,026
Additions	-	-	874	1,290	2,164
Disposals	-	-	(940)	-	(940)
Revaluation increments	2,000	-	-	-	2,000
Depreciation expense	-	(1,941)	(7,757)	(297)	(9,995)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance 30 June 2006	23,500	7,032	18,158	2,565	51,255
Additions	-	3,200	1,750	-	4,950
Additions through business combinations (note 42)	-	-	2,780	-	2,780
Classified as held for sale (note 13)	(3,000)	-	-	-	(3,000)
Disposals	-	-	(1,862)	-	(1,862)
Depreciation expense	-	(2,640)	(6,099)	(510)	(9,249)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance 30 June 2007	<u>20,500</u>	<u>7,592</u>	<u>14,727</u>	<u>2,055</u>	<u>44,874</u>
	Land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Plant under lease \$'000	Parent \$'000
Parent entity					
Balance 1 July 2005	8,000	-	-	-	8,000
Revaluation increments	500	-	-	-	500
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance 30 June 2006	8,500	-	-	-	8,500
Classified as held for sale (note 38)	(3,000)	-	-	-	(3,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance 30 June 2007	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,500</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.

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Note 18. Non-current assets - intangibles

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Goodwill - at cost	5,616	4,750	-	-
Less: Impairment	(250)	-	-	-
	<u>5,366</u>	<u>4,750</u>	<u>-</u>	<u>-</u>
Research and development - at cost	1,604	1,604	-	-
Less: Accumulated amortisation	(803)	(642)	-	-
	<u>801</u>	<u>962</u>	<u>-</u>	<u>-</u>
Website - at cost	50	50	50	50
Less: Accumulated amortisation	(20)	(15)	(20)	(15)
	<u>30</u>	<u>35</u>	<u>30</u>	<u>35</u>
Patents and trademarks - at cost	160	160	-	-
Less: Accumulated amortisation	(112)	(96)	-	-
	<u>48</u>	<u>64</u>	<u>-</u>	<u>-</u>
	<u>6,245</u>	<u>5,811</u>	<u>30</u>	<u>35</u>

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	Consolidated \$'000
Consolidated					
Balance 1 July 2005	4,750	1,123	40	80	5,993
Amortisation expense	-	(161)	(5)	(16)	(182)
Balance 30 June 2006	4,750	962	35	64	5,811
Additions through business combinations (note 42)	866	-	-	-	866
Impairment of assets	(250)	-	-	-	(250)
Amortisation expense	-	(161)	(5)	(16)	(182)
Balance 30 June 2007	<u>5,366</u>	<u>801</u>	<u>30</u>	<u>48</u>	<u>6,245</u>
	Goodwill \$'000	Research and development \$'000	Website \$'000	Patents and trademarks \$'000	Parent \$'000
Parent entity					
Balance 1 July 2005	-	-	40	-	40
Amortisation expense	-	-	(5)	-	(5)
Balance 30 June 2006	-	-	35	-	35
Amortisation expense	-	-	(5)	-	(5)
Balance 30 June 2007	<u>-</u>	<u>-</u>	<u>30</u>	<u>-</u>	<u>30</u>

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Note 18. Non-current assets - intangibles (continued)

Goodwill at cost relates to the wholesaling division of \$4,750,000 and the distribution division of \$866,000.

The goodwill on the wholesaling division has been tested and an impairment of \$250,000 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 9% is expected in the next financial year.

Note 19. Non-current assets - deferred tax

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<i>The balance comprises temporary differences attributable to:</i>				
Amounts recognised in profit or loss:				
Employee benefits	2,926	2,850	30	29
Finance leases	60	117	-	-
Provision for legal claims	9	-	-	-
Provision for repairs and maintenance	257	161	35	-
Provision for warranties	481	426	-	-
Accrued expenses	393	310	22	18
Income received in advance	119	150	-	-
	<u>4,245</u>	<u>4,014</u>	<u>87</u>	<u>47</u>
Deferred tax asset				
	<u>4,245</u>	<u>4,014</u>	<u>87</u>	<u>47</u>
<i>Movements:</i>				
Opening balance	4,014	3,776	47	42
Credited/(charged) to the income statement (note 8)	231	238	40	5
	<u>4,245</u>	<u>4,014</u>	<u>87</u>	<u>47</u>

Note 20. Non-current assets - other

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Deferred expenses	170	295	-	-
Security deposits	460	428	-	-
	<u>630</u>	<u>723</u>	<u>-</u>	<u>-</u>

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Note 21. Current liabilities - trade and other payables

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Trade payables	6,364	7,640	40	26
Other payables	966	797	16	10
	<u>7,330</u>	<u>8,437</u>	<u>56</u>	<u>36</u>

Note 22. Current liabilities - borrowings

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Bank overdraft	-	637	-	-
Bank loans	2,250	1,000	-	-
Lease liability	807	669	-	-
	<u>3,057</u>	<u>2,306</u>	<u>-</u>	<u>-</u>

Refer to note 27 for further information.

Note 23. Current liabilities - income tax

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Provision for income tax	<u>2,687</u>	<u>1,781</u>	<u>2,687</u>	<u>1,781</u>

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Note 24. Current liabilities - provisions

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Provisions - employee benefits	4,177	4,072	45	42
Provisions - legal claims	30	-	-	-
Provisions - repairs and maintenance	115	-	115	-
Provisions - warranties	1,602	1,419	-	-
	<u>5,924</u>	<u>5,491</u>	<u>160</u>	<u>42</u>

Legal claims

The provision represents a claim by a customer of the wholesaling 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 consolidated entity, 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	Consolidated \$'000
Consolidated - 2007				
Carrying amount at the start of the year	-	-	1,419	1,419
Additional provisions recognised	30	115	206	351
Unused amounts reversed	-	-	(23)	(23)
	<u>30</u>	<u>115</u>	<u>1,602</u>	<u>1,747</u>
	Legal claims \$'000	Repairs and maintenance \$'000	Warranties \$'000	Parent \$'000
Parent entity - 2007				
Carrying amount at the start of the year	-	-	-	-
Additional provisions recognised	-	115	-	115
	<u>-</u>	<u>115</u>	<u>-</u>	<u>115</u>
Carrying amount at the end of the year	-	115	-	115

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Note 25. Current liabilities - other

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Accrued expenses	1,310	1,033	74	61
Income received in advance	397	499	-	-
	<u>1,707</u>	<u>1,532</u>	<u>74</u>	<u>61</u>

Note 26. Current liabilities - liabilities directly associated with assets classified as held for sale

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Bank loans	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>

Note 27. Non-current liabilities - borrowings

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Bank loans	9,500	10,500	2,500	3,500
Loan from subsidiaries	-	-	19,278	22,665
Lease liability	912	1,719	-	-
	<u>10,412</u>	<u>12,219</u>	<u>21,778</u>	<u>26,165</u>

Total secured liabilities

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

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Bank overdraft	-	637	-	-
Bank loans	12,750	11,500	3,500	3,500
Lease liability	1,719	2,388	-	-
	<u>14,469</u>	<u>14,525</u>	<u>3,500</u>	<u>3,500</u>

Assets pledged as security

The bank overdraft and loans are secured by first mortgages over the consolidated entity'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 27. Non-current liabilities - borrowings (continued)

Financing arrangements

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

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Total facilities				
Bank overdraft	1,000	1,000	-	-
Bank loans	15,000	12,000	5,000	5,000
	<u>16,000</u>	<u>13,000</u>	<u>5,000</u>	<u>5,000</u>
Used at balance date				
Bank overdraft	-	637	-	-
Bank loans	12,750	11,500	3,500	3,500
	<u>12,750</u>	<u>12,137</u>	<u>3,500</u>	<u>3,500</u>
Unused at balance date				
Bank overdraft	1,000	363	-	-
Bank loans	2,250	500	1,500	1,500
	<u>3,250</u>	<u>863</u>	<u>1,500</u>	<u>1,500</u>

Note 28. Non-current liabilities - deferred tax

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000

The balance comprises temporary differences attributable to:

Amounts recognised in profit or loss:

Prepayments	151	114	7	5
Research and development	240	289	-	-
	<u>391</u>	<u>403</u>	<u>7</u>	<u>5</u>

Amounts recognised in equity:

Revaluation of property, plant and equipment	1,425	1,425	225	225
	<u>1,425</u>	<u>1,425</u>	<u>225</u>	<u>225</u>

Deferred tax liability

	<u>1,816</u>	<u>1,828</u>	<u>232</u>	<u>230</u>
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Movements:

Opening balance	1,828	1,268	230	79
Charged/(credited) to the income statement (note 8)	(12)	(40)	2	1
Charged/(credited) to equity (note 31)	-	600	-	150
Closing balance	<u>1,816</u>	<u>1,828</u>	<u>232</u>	<u>230</u>

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Note 29. Non-current liabilities - provisions

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Provisions - employee benefits	5,575	5,428	56	53
Provisions - repairs and maintenance	740	535	-	-
	<u>6,315</u>	<u>5,963</u>	<u>56</u>	<u>53</u>

Repairs and maintenance

The provision represents likely expenses to make good the premises leased by the consolidated entity.

Movements in provisions

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

	Repairs and maintenance \$'000	Consolidated \$'000
Consolidated - 2007		
Carrying amount at the start of the year	535	535
Additional provisions recognised	<u>205</u>	<u>205</u>
Carrying amount at the end of the year	<u>740</u>	<u>740</u>

Note 30. Equity - contributed

	Parent entity		Parent entity	
	2007	2006	2007	2006
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>50,000,000</u>	<u>50,000,000</u>	<u>50,000</u>	<u>50,000</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 31. Equity - reserves

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Asset revaluation reserve	3,045	3,045	525	525
General reserve	600	450	600	450
	<u>3,645</u>	<u>3,495</u>	<u>1,125</u>	<u>975</u>
		Asset revaluation \$'000	General \$'000	Total \$'000
Consolidated				
Balance 1 July 2005		1,645	450	2,095
Revaluation - gross		2,000	-	2,000
Deferred tax		(600)	-	(600)
		<u>3,045</u>	<u>450</u>	<u>3,495</u>
Balance 30 June 2006		3,045	450	3,495
Transfer from retained profits		-	150	150
		<u>-</u>	<u>150</u>	<u>150</u>
Balance 30 June 2007		<u>3,045</u>	<u>600</u>	<u>3,645</u>
		Asset revaluation \$'000	General \$'000	Total \$'000
Parent entity				
Balance 1 July 2005		175	450	625
Revaluation - gross		500	-	500
Deferred tax		(150)	-	(150)
		<u>525</u>	<u>450</u>	<u>975</u>
Balance 30 June 2006		525	450	975
Transfer from retained profits		-	150	150
		<u>-</u>	<u>150</u>	<u>150</u>
Balance 30 June 2007		<u>525</u>	<u>600</u>	<u>1,125</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.

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Note 32. Equity - retained profits

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Retained profits at the beginning of the financial year	13,575	13,282	2,997	892
Net profit after income tax expense	10,948	7,793	11,968	9,605
Dividends paid (note 34)	(9,000)	(7,500)	(9,000)	(7,500)
Transfer to general reserve	(150)	-	(150)	-
	<u>15,373</u>	<u>13,575</u>	<u>5,815</u>	<u>2,997</u>
Retained profits at the end of the financial year	<u>15,373</u>	<u>13,575</u>	<u>5,815</u>	<u>2,997</u>

Note 33. Equity - minority interest

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Share capital	5,000	5,000	-	-
Reserves	280	280	-	-
Retained profits	1,077	1,102	-	-
	<u>6,357</u>	<u>6,382</u>	<u>-</u>	<u>-</u>
	<u>6,357</u>	<u>6,382</u>	<u>-</u>	<u>-</u>

Note 34. Equity - dividends

	Parent entity	
	2007	2006
	\$'000	\$'000
Final ordinary dividend for the year ended 30 June 2007 of 11 cents (2006: 10 cents) per fully paid share paid on 25 June 2007	5,500	5,000
Interim ordinary dividend for the year ended 30 June 2007 of 7 cents (2006: 5 cents) per fully paid share paid on 19 December 2006	<u>3,500</u>	<u>2,500</u>
	<u>9,000</u>	<u>7,500</u>
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>2,730</u>	<u>1,516</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

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Note 35. Financial instruments

Financial risk management objectives

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

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

Market risk

The consolidated entity 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 consolidated entity. The consolidated entity has a strict code of credit and obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheets and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated entity.

Liquidity risk

The consolidated entity 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 35. Financial instruments (continued)

Interest rate risk management

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

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

2007	Floating interest rate		Fixed interest rate		Non-interest bearing	Total
	\$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000		
Cash on hand	-	-	-	-	62	62
Cash at bank	5,011	-	-	-	-	5,011
Cash on deposit	-	1,400	-	-	-	1,400
Trade receivables	-	-	-	-	10,254	10,254
Other receivables	-	-	-	-	132	132
	<u>5,011</u>	<u>1,400</u>	<u>-</u>	<u>-</u>	<u>10,448</u>	<u>16,859</u>
Weighted average interest rate	3.50%	4.85%				
Trade payables	-	-	-	-	6,364	6,364
Other payables	-	-	-	-	966	966
Bank loans	1,000	2,250	9,500	-	-	12,750
Lease liability	-	312	1,407	-	-	1,719
	<u>1,000</u>	<u>2,562</u>	<u>10,907</u>	<u>-</u>	<u>7,330</u>	<u>21,799</u>
Weighted average interest rate	7.84%	7.73%	7.49%			

2006	Floating interest rate		Fixed interest rate		Non-interest bearing	Total
	\$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000		
Cash on hand	-	-	-	-	57	57
Cash at bank	3,278	-	-	-	-	3,278
Cash on deposit	-	2,200	-	-	-	2,200
Trade receivables	-	-	-	-	6,566	6,566
Other receivables	-	-	-	-	122	122
	<u>3,278</u>	<u>2,200</u>	<u>-</u>	<u>-</u>	<u>6,745</u>	<u>12,223</u>
Weighted average interest rate	3.25%	4.60%				
Trade payables	-	-	-	-	7,640	7,640
Other payables	-	-	-	-	797	797
Bank overdraft	637	-	-	-	-	637
Bank loans	-	1,000	-	10,500	-	11,500
Lease liability	-	304	552	1,532	-	2,388
	<u>637</u>	<u>1,304</u>	<u>552</u>	<u>12,032</u>	<u>8,437</u>	<u>22,962</u>
Weighted average interest rate	9.25%	7.61%	7.95%	7.48%		

Fair value of financial instruments

The carrying amounts of financial instruments reflect their fair value.

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Note 36. Key management personnel disclosures

Directors

The following persons were directors of Example AIFRS Consolidated Pty Limited during the financial year:

Anthony Example	Chairman - non-executive
Brad Example	Managing director
Christina Example	Finance director
Daniel Example	Non-executive director
Elizabeth Example (resigned on 18 December 2006)	Non-executive director

Other key management personnel

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

Fabian Example	General manager - manufacturing
Grace Example	General manager - wholesaling and distribution

Compensation

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

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	470,528	444,489	312,508	291,884
Post-employment benefits	42,348	40,004	28,126	26,270
	<u>512,876</u>	<u>484,493</u>	<u>340,634</u>	<u>318,154</u>

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Note 37. 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, and its related practices:

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<i>Audit services - Accounting Firm 123</i>				
Audit or review of the financial report	98,000	92,000	98,000	92,000
	<u>98,000</u>	<u>92,000</u>	<u>98,000</u>	<u>92,000</u>
<i>Other services - Accounting Firm 123</i>				
IFRS accounting services	3,500	3,000	3,500	3,000
Preparation of the tax return	5,950	5,600	5,950	5,600
	<u>9,450</u>	<u>8,600</u>	<u>9,450</u>	<u>8,600</u>
	<u>107,450</u>	<u>100,600</u>	<u>107,450</u>	<u>100,600</u>
<i>Audit services - related practices</i>				
Audit or review of the financial report	-	6,000	-	6,000
	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
<i>Other services - related practices</i>				
Due diligence	-	12,400	-	-
Internal controls and best practice consulting review	16,400	31,920	-	-
	<u>16,400</u>	<u>44,320</u>	<u>-</u>	<u>-</u>
	<u>16,400</u>	<u>50,320</u>	<u>-</u>	<u>6,000</u>

Note 38. Contingent assets

Example Cloman Pty Limited, a subsidiary, will be paid a success premium of up to \$1,200,000 by Clothing Concepts Joint Venture Partnership, which it holds a 35% interest, if the rights to a clothing manufacturing process are sold to a Korean based company. The likelihood of this proceeding cannot be reliably measured at this stage.

Note 39. Contingent liabilities

A guarantee has been provided to a supplier's creditor that in the event of default, the consolidated entity will pay the outstanding balance owing within 7 days of notification. This was required as the supplier is one of only two specialist screen print 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 consolidated entity is \$150,000.

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Note 40. Commitments for expenditure

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<i>Capital commitments - Property, plant and equipment</i>				
Committed at reporting date but not recognised as liabilities, payable:				
Within one year	125	90	-	-
One to five years	415	450	-	-
More than five years	340	185	-	-
	<u>880</u>	<u>725</u>	<u>-</u>	<u>-</u>
<i>Lease commitments - operating</i>				
Committed at reporting date but not recognised as liabilities, payable:				
Within one year	12,941	12,384	-	-
One to five years	57,856	55,364	-	-
More than five years	32,980	48,413	-	-
	<u>103,777</u>	<u>116,161</u>	<u>-</u>	<u>-</u>
<i>Lease commitments - finance</i>				
Committed at reporting date and recognised as liabilities, payable:				
Within one year	938	859	-	-
One to five years	980	1,918	-	-
Total commitment	1,918	2,777	-	-
Less: Future finance charges	(199)	(389)	-	-
Net commitment recognised as liabilities	<u>1,719</u>	<u>2,388</u>	<u>-</u>	<u>-</u>
Representing:				
Lease liability - current (note 22)	807	669	-	-
Lease liability - non-current (note 27)	912	1,719	-	-
	<u>1,719</u>	<u>2,388</u>	<u>-</u>	<u>-</u>

Example AIFRS Consolidated Pty Limited
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Note 41. Related party transactions

Parent entities

The parent entity within the consolidated entity is Example AIFRS Consolidated Pty Limited, which is also the ultimate Australian parent entity. The ultimate parent entity is Example Corporation (incorporated in the United States of America) which at 30 June 2007 owns 100% (2006: 100%) of the issued ordinary shares of Example AIFRS Consolidated Pty Limited.

Subsidiaries

Interests in subsidiaries are set out in note 43.

Key management personnel

Disclosures relating to key management personnel are set out in note 36.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Other income:				
Dividends received from subsidiaries	-	-	11,920,000	9,550,000
Payment for goods and services:				
Payment for services from joint venture	1,698,664	1,617,493	-	-

Receivable from and payable to related parties

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

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Current payables:				
Trade payables to joint venture	180,667	172,938	-	-

Loans to/from related parties

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

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Non-current borrowings:				
Loan from subsidiaries	-	-	19,277,809	22,665,248

Terms and conditions

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

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Note 42. Business combinations

On 3 July 2006 Example Clodist Pty Limited, a subsidiary, acquired the business of Freightline for \$3,862,000. This is a freight business and operates in the clothing distribution division of the consolidated entity. The acquired business contributed revenues of \$2,611,000 and net profit of \$456,000 to the consolidated entity for the year ended 30 June 2007.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Cash equivalents	3	3
Trade receivables	538	456
Prepayments	43	43
Plant and equipment	3,484	2,780
Trade payables	(196)	(196)
Employee benefits	(90)	(90)
	<u>3,782</u>	<u>2,996</u>
Net assets acquired		866
Goodwill		<u>3,862</u>
Total purchase consideration		<u><u>3,862</u></u>
Representing:		
Cash paid to vendor		3,800
Direct costs paid relating to the acquisition		<u>62</u>
		<u><u>3,862</u></u>

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Outflow of cash to acquire business, net of cash acquired:				
Total purchase consideration	3,862	-	-	-
Add: payments made for future period acquisition	-	62	-	-
Less: cash equivalents	(3)	-	-	-
Less: payments made in prior periods	(62)	-	-	-
	<u>3,797</u>	<u>62</u>	<u>-</u>	<u>-</u>
Outflow of cash	<u><u>3,797</u></u>	<u><u>62</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Example AIFRS Consolidated Pty Limited
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Note 43. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Equity holding		Parent entity	
		2007 %	2006 %	2007 \$'000	2006 \$'000
Example Cloman Pty Limited	Australia	90.00	90.00	45,000	45,000
Example Clowhole Pty Limited	Australia	100.00	100.00	23,000	23,000
Example Clodist Pty Limited	Australia	100.00	100.00	4,000	4,000
				<u>72,000</u>	<u>72,000</u>

Note 44. Interests in joint ventures

The consolidated entity has a 35% interest in the Clothing Concepts Joint Venture Partnership, which operates in Australia and its principal activity is clothing design.

The interest in the Clothing Concepts Joint Venture Partnership is accounted for in the consolidated entity financial report using the equity method of accounting.

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

	Consolidated		Parent entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>Share of assets and liabilities</i>				
Current assets	5,074	4,691	-	-
Non-current assets	35,911	34,692	-	-
Total assets	<u>40,985</u>	<u>39,383</u>	-	-
Current liabilities	2,143	2,314	-	-
Non-current liabilities	20,487	21,008	-	-
Total liabilities	<u>22,630</u>	<u>23,322</u>	-	-
Net assets	<u>18,355</u>	<u>16,061</u>	-	-
<i>Share of revenue, expenses and results</i>				
Revenue	19,198	17,141	-	-
Expenses	16,904	15,240	-	-
Net profit before income tax expense	<u>2,294</u>	<u>1,901</u>	-	-

Example AIFRS Consolidated Pty Limited
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Note 45. Events occurring after balance date

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

Note 46. Reconciliation of net profit after income tax to net cash flows from operating activities

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Net profit after income tax expense	11,573	8,165	11,968	9,605
Depreciation and amortisation	9,431	10,177	5	5
Impairment of goodwill	250	-	-	-
Net loss/(profit) on sale of non-current assets	(126)	(43)	-	-
Share of profit - joint ventures - non-cash	(2,294)	(1,901)	-	-
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	(3,242)	(422)	(3)	(1)
(Increase)/decrease in inventories	1,762	463	-	-
(Increase)/decrease in deferred tax assets	(231)	(238)	(40)	(5)
(Increase)/decrease in accrued income	(77)	(72)	-	-
(Increase)/decrease in prepayments	(82)	(134)	(9)	(4)
(Increase)/decrease in other operating assets	147	67	-	-
Increase/(decrease) in trade and other payables	(1,303)	(794)	(5,268)	(3,781)
Increase/(decrease) in provision for income tax	906	191	906	191
Increase/(decrease) in deferred tax liabilities	(12)	(40)	2	1
Increase/(decrease) in employee benefits	162	304	6	3
Increase/(decrease) in other provisions	533	112	115	-
Increase/(decrease) in other operating liabilities	113	167	13	14
Net cash inflow from operating activities	<u>17,510</u>	<u>16,002</u>	<u>7,695</u>	<u>6,028</u>

Note 47. Non-cash investing and financing activities

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Acquisition of plant and equipment by means of finance leases	<u>-</u>	<u>1,290</u>	<u>-</u>	<u>-</u>

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

Report on the financial report

We have audited the accompanying financial report of Example AIFRS Consolidated Pty Limited, 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 for both Example AIFRS Consolidated Pty Limited (the company) and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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.

Example AIFRS Consolidated Pty Limited
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Independent auditor's report to the members of Example AIFRS Consolidated Pty Limited (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion on the financial report

In our opinion, the financial report of Example AIFRS Consolidated Pty Limited is in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date, and
- complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Accounting Firm 123
Chartered Accountants

Matthew Smith
Partner

Dated this day of 2007
Parramatta