

Example Medium Company Pty Limited

Trading as Everyday Furniture

ABN 12 345 678 901

Financial Statements - 30 June 2007

Example Medium Company Pty Limited
Income statement
For the year ended 30 June 2007

	2007	2006
	\$	\$
Revenue from operating activities		
Sales - living room furniture	4,123,783	3,909,471
Sales - bedroom furniture	2,384,901	2,293,177
Sales - other furniture	1,736,234	1,543,919
Sales - accessories	1,295,932	1,083,745
	<u>9,540,850</u>	<u>8,830,312</u>
Less: Cost of goods sold		
Opening raw materials	92,073	87,233
Opening work in progress	153,488	258,372
Opening finished goods	593,821	492,023
Purchases - living room furniture	907,232	879,631
Purchases - bedroom furniture	453,131	440,290
Purchases - other furniture	303,841	276,361
Purchases - accessories	254,308	229,790
Payroll tax	155,887	137,267
Salaries and wages	2,601,792	2,396,520
Superannuation	234,210	204,141
Workers compensation insurance	14,020	13,878
	<u>5,763,803</u>	<u>5,415,506</u>
Closing raw materials	98,210	92,073
Closing work in progress	192,034	153,488
Closing finished goods	405,398	593,821
Cost of goods sold	<u>5,068,161</u>	<u>4,576,124</u>
Gross profit	<u>4,472,689</u>	<u>4,254,188</u>
Add: Income		
Commission received	102,843	76,392
Foreign exchange gain	-	23,834
Share of profit - joint ventures	104,622	76,390
	<u>207,465</u>	<u>176,616</u>
Less: Expenses		
Accounting fees	25,320	21,290
Administration costs	12,039	9,023
Advertising and promotion	138,244	123,822
Amortisation	182,787	195,687
Bad debts	54,823	10,395
Bank charges - general	5,632	7,823
Cleaning	8,364	6,520
Commissions paid	76,489	63,521
Computer expenses	14,582	9,022
Conferences and seminars	4,300	-
Consulting fees	192,384	172,830
Debt collection	24,921	9,036
Depreciation	509,598	476,356
Directors fees	200,000	200,000
Donations	10,000	17,500
Doubtful debts	19,680	3,450
Electricity	34,921	37,210
Entertainment - deductible	1,920	2,732
Entertainment - non-deductible	2,392	4,372

Compiled without audit or review - refer to the accountants compilation report

Example Medium Company Pty Limited
Income statement
For the year ended 30 June 2007

	2007	2006
	\$	\$
Filing fees	212	212
Fines and penalties	-	600
Foreign exchange loss	19,273	-
Freight and cartage	394,821	365,255
Fringe benefits tax	11,093	10,283
General expenses	2,039	5,632
Hire of plant and equipment	3,821	2,932
Impairment of assets - goodwill	78,400	-
Insurance	16,534	15,362
Interest paid - bank	158,932	148,321
Internet	7,362	6,528
Land tax	82,100	76,300
Legal costs	9,203	6,521
Licences, permits and fees	24,500	20,000
Loss on sale of property, plant and equipment	21,834	-
Motor vehicle expenses	86,146	82,012
Payroll tax	35,386	28,115
Postage	8,392	7,827
Printing and stationary	159,322	145,525
Protective clothing	3,821	2,015
Rates	14,392	13,482
Repairs and maintenance	2,831	14,721
Research and development	109,273	102,374
Salaries and wages	590,591	490,854
Security	6,784	6,538
Staff amenities	7,362	5,423
Staff training and welfare	10,900	5,630
Superannuation	53,164	41,812
Telephone	45,728	39,283
Travelling costs	108,932	73,622
Uniforms	4,823	3,903
Waste disposal	7,346	7,632
Website costs	3,200	2,945
Workers compensation insurance	3,182	2,842
	<u>3,610,095</u>	<u>3,105,090</u>
Net profit before income tax expense	1,070,059	1,325,714
Income tax expense	<u>403,574</u>	<u>461,969</u>
Net profit after income tax expense	<u><u>666,485</u></u>	<u><u>863,745</u></u>

Example Medium Company Pty Limited
Balance sheet
As at 30 June 2007

	Note	2007 \$	2006 \$
Current assets			
Cash and cash equivalents	2	400	64,450
Trade and other receivables	3	1,874,724	1,193,270
Inventories	4	695,642	839,382
Other	5	12,232	8,887
Total current assets		<u>2,582,998</u>	<u>2,105,989</u>
Non-current assets			
Receivables	6	1,300,000	-
Investments	7	604,823	437,622
Property, plant and equipment	8	8,847,431	8,957,942
Intangibles	9	355,604	616,791
Total non-current assets		<u>11,107,858</u>	<u>10,012,355</u>
Total assets		<u>13,690,856</u>	<u>12,118,344</u>
Current liabilities			
Trade and other payables	10	376,137	374,107
Borrowings	11	2,732,185	1,650,000
Income tax	12	23,840	12,983
Provisions	13	135,436	122,363
Other	14	371,262	293,710
Total current liabilities		<u>3,638,860</u>	<u>2,453,163</u>
Non-current liabilities			
Borrowings	15	5,049,548	5,045,382
Provisions	16	23,842	19,273
Total non-current liabilities		<u>5,073,390</u>	<u>5,064,655</u>
Total liabilities		<u>8,712,250</u>	<u>7,517,818</u>
Net assets		<u>4,978,606</u>	<u>4,600,526</u>
Equity			
Contributed equity	17	1,000,000	1,000,000
Reserves	18	2,453,994	2,442,399
Retained profits	19	1,524,612	1,158,127
Total equity		<u>4,978,606</u>	<u>4,600,526</u>

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

Note 1. Significant accounting policies

Basis of accounting

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial reports.

This is a special purpose financial report that has been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute a financial report to the members; and to enable compliance with the Income Tax Assessment Act 1936. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members.

The financial report has been prepared in accordance with applicable Accounting Standards and Urgent Issues Group Consensus Views with the exception of the disclosure requirements in the following:

AASB 7	Financial Instruments: Disclosures
AASB 107	Cash Flow Statements
AASB 110	Events after the Balance Sheet Date
AASB 112	Income Taxes
AASB 114	Segment Reporting
AASB 117	Leases
AASB 119	Employee Benefits
AASB 124	Related Party Disclosures
AASB 132	Financial Instruments: Presentation
AASB 139	Financial Instruments: Recognition and Measurement

In the opinion of the directors, compliance with these standards would have placed unreasonable burden upon the company for a comparably minor benefit.

The financial report is prepared in accordance with the historical cost convention and do not take into account changing monetary values. The accrual and going concern basis have been adopted. Comparative information is reclassified where appropriate to enhance comparability.

The following is a summary of the significant accounting policies adopted in the preparation of these financial statements. Unless otherwise stated, these accounting policies are consistent with those of the previous year.

Acquisition of assets

The cost method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Revenue recognition

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.

Receivables

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

Collectibility of trade receivables 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

Inventory is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

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

Depreciation of property, plant and equipment

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.

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 and amortised on a straight line basis over the period during which the benefits are expected to arise.

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.

Formation costs

Costs in relation to the formation of the entity are capitalised as an asset. These costs are not subsequently amortised.

Trade and other payables

These amounts represent liabilities for goods and services provided to the 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
- hire purchases

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 BAS receivable or BAS payable.

Rounding of amounts

Amounts in the financial report have been rounded off to the nearest dollar.

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

Note 2. Current assets - cash and cash equivalents

	2007	2006
	\$	\$
Cash on hand	400	400
Cash at bank	-	64,050
	<u>400</u>	<u>64,450</u>
	<u><u>400</u></u>	<u><u>64,450</u></u>

Note 3. Current assets - trade and other receivables

	2007	2006
	\$	\$
Trade receivables	1,648,322	1,254,723
Less: Provision for doubtful debts	(82,416)	(62,736)
	<u>1,565,906</u>	<u>1,191,987</u>
Other receivables	3,818	1,283
Receivable from Example Wholesale Pty Limited	200,000	-
Receivable from Example Distribution Pty Limited	75,000	-
Receivable from Example Retail Pty Limited	<u>30,000</u>	<u>-</u>
	<u>1,874,724</u>	<u>1,193,270</u>
	<u><u>1,874,724</u></u>	<u><u>1,193,270</u></u>

Note 4. Current assets - inventories

	2007	2006
	\$	\$
Raw materials	98,210	92,073
Work in progress	192,034	153,488
Finished goods	<u>405,398</u>	<u>593,821</u>
	<u>695,642</u>	<u>839,382</u>
	<u><u>695,642</u></u>	<u><u>839,382</u></u>

Note 5. Current assets - other

	2007	2006
	\$	\$
Prepayments - insurance	4,832	3,487
Security deposits	5,400	5,400
Other deposits	<u>2,000</u>	<u>-</u>
	<u>12,232</u>	<u>8,887</u>
	<u><u>12,232</u></u>	<u><u>8,887</u></u>

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

Note 6. Non-current assets - receivables

	2007	2006
	\$	\$
Receivable from Example Investments Pty Limited	<u>1,300,000</u>	<u>-</u>

Note 7. Non-current assets - investments

	2007	2006
	\$	\$
Investment in Timbermill Joint Venture	<u>604,823</u>	<u>437,622</u>

Note 8. Non-current assets - property, plant and equipment

	2007	2006
	\$	\$
Land and buildings - at independent valuation	<u>6,500,000</u>	<u>6,500,000</u>
	<u>6,500,000</u>	<u>6,500,000</u>
Plant and equipment - at cost	2,910,374	2,739,044
Less: Accumulated depreciation	<u>(1,062,598)</u>	<u>(736,520)</u>
	<u>1,847,776</u>	<u>2,002,524</u>
Fixtures and fittings - at cost	98,302	98,302
Less: Accumulated depreciation	<u>(45,572)</u>	<u>(32,389)</u>
	<u>52,730</u>	<u>65,913</u>
Motor vehicles - at cost	920,374	738,940
Less: Accumulated depreciation	<u>(497,576)</u>	<u>(374,723)</u>
	<u>422,798</u>	<u>364,217</u>
Office equipment - at cost	65,384	54,662
Less: Accumulated depreciation	<u>(41,257)</u>	<u>(29,374)</u>
	<u>24,127</u>	<u>25,288</u>
	<u>8,847,431</u>	<u>8,957,942</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	8,957,942	9,354,015
Additions	422,999	80,283
Disposals	(23,912)	-
Depreciation expense	<u>(509,598)</u>	<u>(476,356)</u>
Closing fair value	<u>8,847,431</u>	<u>8,957,942</u>

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

Note 9. Non-current assets - intangibles

	2007	2006
	\$	\$
Goodwill - at cost	129,000	129,000
Less: Accumulated amortisation	(50,600)	(50,600)
Less: Impairment	(78,400)	-
	<u>-</u>	<u>78,400</u>
Research and development - at cost	903,745	903,745
Less: Accumulated amortisation	(563,489)	(382,740)
	<u>340,256</u>	<u>521,005</u>
Website - at cost	20,384	20,384
Less: Accumulated amortisation	(5,986)	(3,948)
	<u>14,398</u>	<u>16,436</u>
Patents and trademarks - at cost	59,300	59,300
Less: Accumulated amortisation	(59,300)	(59,300)
	<u>-</u>	<u>-</u>
Formation costs	950	950
	<u>950</u>	<u>950</u>
	<u>355,604</u>	<u>616,791</u>

Note 10. Current liabilities - trade and other payables

	2007	2006
	\$	\$
Trade payables	277,763	290,362
BAS payable	98,374	83,745
	<u>376,137</u>	<u>374,107</u>

Note 11. Current liabilities - borrowings

	2007	2006
	\$	\$
Bank overdraft	282,185	-
Loan - Example Treasury Pty Limited	2,000,000	1,200,000
Loan - Example Holdings Pty Limited	450,000	450,000
	<u>2,732,185</u>	<u>1,650,000</u>

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

Note 12. Current liabilities - income tax

	2007	2006
	\$	\$
Provision for income tax	23,840	12,983

Note 13. Current liabilities - provisions

	2007	2006
	\$	\$
Provisions - annual leave	80,343	72,937
Provisions - fringe benefits tax	13,827	12,380
Provisions - payroll tax	13,822	12,382
Provisions - superannuation	23,621	21,832
Provisions - workers compensation	3,823	2,832
	<u>135,436</u>	<u>122,363</u>

Note 14. Current liabilities - other

	2007	2006
	\$	\$
Income received in advance	371,262	293,710

Note 15. Non-current liabilities - borrowings

	2007	2006
	\$	\$
Loan - Australian Bank Limited	2,000,000	2,000,000
Loan - Example Capital Pty Limited	3,000,000	3,000,000
Hire purchase	49,548	45,382
	<u>5,049,548</u>	<u>5,045,382</u>

Note 16. Non-current liabilities - provisions

	2007	2006
	\$	\$
Provisions - long service leave	23,842	19,273

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

Note 17. Equity - contributed

	2007	2006
	\$	\$
Ordinary shares of \$1.00 each - fully paid	500,000	500,000
Preference shares of \$1.00 each - fully paid	250,000	250,000
A Class shares of \$1.00 each - fully paid	250,000	250,000
	<u>1,000,000</u>	<u>1,000,000</u>

Note 18. Equity - reserves

	2007	2006
	\$	\$
Asset revaluation reserve	2,430,000	2,430,000
Foreign currency reserve	23,994	12,399
	<u>2,453,994</u>	<u>2,442,399</u>

Note 19. Equity - retained profits

	2007	2006
	\$	\$
Retained profits at the beginning of the financial year	1,158,127	569,382
Net profit after income tax expense	666,485	863,745
Dividends paid	(300,000)	(275,000)
	<u>1,524,612</u>	<u>1,158,127</u>

