

21 September 2007

Company Announcements Platform
Australian Securities Exchange Limited

Annual Financial Report

In accordance with Listing Rule 4.5.1, please find attached Futuris Annual Financial Report for the year ended 30 June 2007.

Sonya Furey
Company Secretary

FUTURiS

The future
is now.
Tomorrow's
challenge
is today's
opportunity.

Futuris Corporation Limited

ABN 34 004 336 636

Annual General Meeting

The 2007 annual general meeting of Futuris Corporation Limited will be held on Tuesday 23 October at the Adelaide Festival Centre commencing at 9.30am Central Standard Time. A formal notice of meeting has been mailed to shareholders. Additional copies can be obtained from the Company's registered office or down loaded from its website at www.futuris.com.au

Terms and Abbreviations

This report uses terms and abbreviations relevant to the Company's activities and financial accounts. The terms "the Company", "Futuris Corporation" and "Futuris" are used in this report to refer to Futuris Corporation Limited and or its subsidiaries. The terms "the year" and "2007" refer to the twelve months ended 30 June 2007 unless otherwise stated. Similarly, references to 2006 or 2008 refer to the twelve months to 30 June of that year. Unless otherwise specified, the term "30 June" refers to 30 June 2007.

Annual Report

This publication is one of two documents published by Futuris to report on the Company's performance in the year to 30 June 2007:

- the Annual Review provides an overview of the Company, discussion of its results and a Concise Report. It also includes a Directors' Report and Auditor's Report.
- the Annual Financial Report provides a complete set of financial statements for the year.

The Concise Report does not, and cannot be expected to, provide as full an understanding of the financial performance and position and financing and investing activities of the consolidated entity as the complete set of financial statements contained in the Annual Financial Report.

Shareholders may elect to receive either or both of the reports free of charge upon request.

Shareholders wishing to arrange or alter the mailing of these reports can do so by notifying the Company's share registry (at the address provided in the Company Directory on the inside back cover of this report) or by contacting the Company on 61 (0)8 8425 4999.

Copies of either the Annual Review or the Annual Financial report can be down loaded from our website at www.futuris.com.au.



Annual Financial Report 30 June 2007

Contents

Income Statement	2
Balance Sheet	3
Cash Flow Statement	4
Statement of Changes in Equity	5
Notes to the Financial Statements	8
Directors' Declaration	84
Independent Audit Report	85

Income Statement for the year ended 30 June 2007

		Consolidated		Parent	
	Note	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Continuing operations					
Sales revenue	3	3,090,792	3,176,844	-	-
Cost of sales		(2,278,243)	(2,342,463)	-	
Other revenues	3	67,752	44,443	238,337	135,329
Other expenses	3	(794,067)	(797,421)	(238,782)	(22,116)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	12	41,205	49,187	1,043	(945)
Profit/(loss) on sale of non current assets	3	6,218	7,273	3,370	-
Profit/(loss) before net finance costs and income tax expense		133,657	137,863	3,968	112,268
Interest revenue	3	13,905	20,210	30,752	30,388
Finance costs	3	(54,003)	(59,171)	(37,051)	(45,710)
Profit/(loss) from continuing operations before income tax expense		93,559	98,902	(2,331)	96,946
Income tax (expense)/benefit	4	(11,610)	(16,234)	74,231	13,009
Profit/(loss) from continuing operations after income tax expense		81,949	82,668	71,900	109,955
Net profit of discontinued operations and gain on disposal of discontinued operations, net of tax	43	21,535	13,747	-	-
Net profit/(loss) for the year		103,484	96,415	71,900	109,955
Attributable to:					
Minority interest		2,769	8,976	-	-
Members of the parent	24	100,715	87,439	71,900	109,955
Reported Operations					
Basic earnings per share (cents per share)	37	13.86¢	13.06¢		
Diluted earnings per share (cents per share)	37	12.95¢	12.82¢		
Continuing Operations					
Basic earnings per share (cents per share)	37	10.90¢	11.01¢		
Diluted earnings per share (cents per share)	37	10.43¢	11.02¢		
Discontinued Operations					
Basic earnings per share (cents per share)	37	2.96¢	2.05¢		
Diluted earnings per share (cents per share)	37	2.52¢	1.80¢		

The accompanying notes form an integral part of this income statement.

Balance Sheet as at 30 June 2007

		Consolidated		Parent	
	Note	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Current Assets					
Cash and cash equivalents	27	244,310	537,521	-	-
Trade and other receivables	5	633,465	594,566	1,547,913	1,397,867
Livestock	6	55,121	71,898	-	-
Inventories	8	357,978	451,454	-	-
Derivative financial instruments	10	3,031	5,096	-	-
Held for trading financial assets	9	-	20,341	-	20,156
Other	16	112,581	107,574	-	145
Total Current Assets		1,406,486	1,788,450	1,547,913	1,418,168
Non Current Assets					
Receivables	5	190,310	153,647	5,229	6,089
Forestry	7	21,421	17,164	-	-
Inventories	8	1,638	33,814	-	-
Other financial assets	11	38,736	5,662	204,592	216,109
Investments in associates and joint ventures	12	576,150	598,819	93,639	86,695
Property, plant and equipment	13	220,448	198,345	308	250
Investment properties	14	248,257	192,591	-	-
Intangibles	15	288,323	270,641	-	-
Deferred tax assets	4	79,813	76,675	5,785	2,841
Other	16	26,853	25,646	-	-
Total Non Current Assets		1,691,949	1,573,004	309,553	311,984
Total Assets		3,098,435	3,361,454	1,857,466	1,730,152
Current Liabilities					
Trade and other payables	17	889,567	985,757	437,319	238,808
Interest bearing loans and borrowings	18	214,204	235,413	116,481	132,092
Current tax payable	4	61,341	26,100	21,437	17,189
Provisions	19	204,455	193,231	7,000	2,500
Total Current Liabilities		1,369,567	1,440,501	582,237	390,589
Non Current Liabilities					
Interest bearing loans and borrowings	18	354,466	474,962	343,176	457,257
Derivative financial instruments	10	41,731	30,881	40,589	29,158
Deferred tax liabilities	4	57,865	102,441	8,191	-
Provisions	19	88,309	84,744	-	-
Total Non Current Liabilities		542,371	693,028	391,956	486,415
Total Liabilities		1,911,938	2,133,529	974,193	877,004
Net Assets		1,186,497	1,227,925	883,273	853,148
Equity					
Contributed equity	20	608,493	577,717	608,493	577,717
Convertible notes - equity portion	21	54,263	57,384	54,263	57,384
Hybrid equity	22	145,151	145,151	145,151	145,151
Reserves	23	(22,408)	63,843	4,355	(487)
Retained earnings	24	392,959	371,367	71,011	73,383
Total Parent Entity Interest in Equity		1,178,458	1,215,462	883,273	853,148
Minority interest	26	8,039	12,463	-	-
Total Equity		1,186,497	1,227,925	883,273	853,148

The accompanying notes form an integral part of this balance sheet.

Cash Flow Statement for the year ended 30 June 2007

	Note	Consolidated		Parent	
		2007	2006	2007	2006
		\$000	\$000	\$000	\$000
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash Flows from Operating Activities					
Receipts from customers		8,858,049	8,876,564	-	-
Payments to suppliers and employees		(8,785,525)	(8,727,061)	(22,068)	(27,631)
Dividends received		33,843	26,276	11,630	11,800
Interest received		13,979	20,210	3,794	1,581
Interest and other costs of finance paid		(54,003)	(60,110)	(32,759)	(49,514)
GST (paid)/refunded		(18,580)	(11,690)	14,056	6,573
Income taxes (paid)/refunded		4,915	(22,531)	84,040	15,518
Other operating inflows		32,347	25,698	(2,978)	280
Net operating cash flows	27(a)	85,025	127,356	55,715	(41,393)
Cash Flows from Investing Activities					
Payment for property, plant and equipment		(105,147)	(137,689)	(80)	(43)
Payment for investments		(77,013)	(70,324)	(5,500)	(24,318)
Payment for design and development		(6,252)	(7,385)	-	-
Proceeds from sale of property, plant and equipment		9,921	29,168	24	-
Proceeds from sale of investments		26,642	2,647	(185,741)	-
Loans to controlled entities		-	-	283,054	(245,995)
Loans to associated entities		(22,932)	(26,924)	11,229	-
Repayment of loans by related parties		597	-	-	-
Loans to growers		(4,909)	(2,811)	-	-
Loans repaid by growers		3,567	20,233	-	-
Loans to employees		-	(10,991)	-	(278)
Payment for minority interests in controlled entity		(136,222)	(42,659)	-	-
Payment for controlled entities, net of cash acquired	41(a)	-	(5,416)	-	-
Proceeds from disposal of controlled entity	41(b)	120,959	1,556	-	-
Net investing cash flows		(190,789)	(250,595)	102,986	(270,634)
Cash Flows from Financing Activities					
Proceeds from issue of shares and other equity		2,570	265,762	21,845	257,381
Proceeds from borrowings		95,904	175,269	-	100,000
Repayment of borrowings		(212,042)	(92,568)	(103,767)	-
Proceeds from leasing		636	3,521	-	-
Principal repayments of lease liabilities		(2,784)	(1,763)	-	-
Dividends paid		(71,731)	(69,457)	(74,272)	(59,006)
Proceeds from rights issue by controlled entity (net)		-	14,193	-	-
Net financing cash flows		(187,447)	294,957	(156,194)	298,375
Net increase/(decrease) in cash held		(293,211)	171,718	2,507	(13,652)
Cash/(overdraft) at the beginning of the financial year		537,521	365,803	(36,165)	(22,513)
Cash/(overdraft) at the end of the financial year	27(b)	244,310	537,521	(33,658)	(36,165)

The accompanying notes form an integral part of this cash flow statement.

Statement of Changes in Equity year ended 30 June 2007

Consolidated (\$'000)	Issued Capital	Convertible Notes	Reserves	Hybrid Equity	Retained Earnings	Minority Interest	Total Equity
As at 1 July 2006	577,717	57,384	63,843	145,151	371,367	12,463	1,227,925
Currency translation differences	-	-	(4,151)	-	-	-	(4,151)
Cash flow hedge reserve	-	-	2,140	-	-	-	2,140
Acquisition of minority interests in controlled entity	-	-	-	-	-	(5,273)	(5,273)
Partnership profits	-	-	-	-	-	(1,920)	(1,920)
Total income and expense for the period recognised directly in equity	-	-	(2,011)	-	-	(7,193)	(9,204)
Profit for year	-	-	-	-	100,715	2,769	103,484
Total income and expense for the period	-	-	(2,011)	-	100,715	(4,424)	94,280
Attributable to:							
Equity holders of the parent							91,511
Minority Interest							2,769
Equity Transactions:							
Issue of share capital,							
employee share plan	11,542	-	-	-	-	-	11,542
Exercise of options	2,571	-	-	-	-	-	2,571
Cost of share based payments	-	-	3,726	-	-	-	3,726
Shares vested to employees (net)	-	-	(6,937)	-	-	-	(6,937)
Scrip consideration	2,984	-	-	-	-	-	2,984
Dividend Reinvestment Plan	5,793	-	-	-	-	-	5,793
Dividends to shareholders	-	-	-	-	(65,393)	-	(65,393)
Hybrid Equity Distribution	-	-	-	-	(8,879)	-	(8,879)
Convertible notes converted	7,886	(3,121)	-	-	-	-	4,765
Fair value revaluations of associate's land and buildings (Note 2 (a))	-	-	(85,880)	-	-	-	(85,880)
Recognition of share of reserve for losses in associate	-	-	4,851	-	(4,851)	-	-
As at 30 June 2007	608,493	54,263	(22,408)	145,151	392,959	8,039	1,186,497

The accompanying notes form an integral part of this statement of changes in equity.

Statement of Changes in Equity year ended 30 June 2007 (continued)

Consolidated (\$'000)	Issued Capital	Convertible Notes	Reserves	Hybrid Equity	Retained Earnings	Minority Interest	Total Equity
As at 1 July 2005	454,420	54,576	46,616	-	355,081	121,627	1,032,320
Currency translation differences	-	-	3,670	-	-	-	3,670
Cash flow hedge reserve	-	-	(5,396)	-	-	-	(5,396)
Partnership profits	-	-	-	-	-	1,288	1,288
Total income and expenses for the period recognised directly in equity	-	-	(1,726)	-	-	1,288	(438)
Profit for year	-	-	-	-	87,439	8,976	96,415
Total income and expense for the period	-	-	(1,726)	-	87,439	10,264	95,977
Attributable to:							
Equity holders of the parent							87,001
Minority interest							8,976
Equity transactions:							
Issue of share capital	-	-	-	-	-	14,193	14,193
Exercise of options	5,646	-	-	-	-	-	5,646
Cost of share based payments	-	-	5,035	-	-	-	5,035
Shares vested to employees (net)	-	-	(5,059)	-	-	-	(5,059)
Share placement	112,000	-	-	-	-	-	112,000
Share placement direct costs	(2,729)	-	-	-	-	-	(2,729)
Issue of Hybrid Equity	-	-	-	150,000	-	-	150,000
Hybrid equity direct costs	-	-	-	(4,849)	-	-	(4,849)
Scrip consideration	5,694	-	-	-	-	-	5,694
Dividend Reinvestment Plan	2,686	-	-	-	-	-	2,686
Dividends to shareholders	-	-	-	-	(70,307)	-	(70,307)
Hybrid Equity Distribution	-	-	-	-	(1,836)	-	(1,836)
Fair value revaluations of associate's land and buildings	-	-	24,237	-	-	-	24,237
Fair value revaluations of livestock carrier	-	-	(4,270)	-	-	-	(4,270)
Convertible notes reissued	-	2,808	-	-	-	-	2,808
Acquisition of minority interests in controlled entity	-	-	-	-	-	(133,621)	(133,621)
Recognition of share of reserve for losses in associate	-	-	(990)	-	990	-	-
As at 30 June 2006	577,717	57,384	63,843	145,151	371,367	12,463	1,227,925

The accompanying notes form an integral part of this statement of changes in equity.

Statement of Changes in Equity year ended 30 June 2007 (continued)

Parent (\$000)	Issued Capital	Convertible Notes	Reserves	Hybrid Equity	Retained Earnings	Total Equity
As at 1 July 2006	577,717	57,384	(487)	145,151	73,383	853,148
Currency translation differences	-	-	(113)	-	-	(113)
Cash flow hedge reserve	-	-	3,651	-	-	3,651
Total income and expenses for the period recognised directly in equity	-	-	3,538	-	-	3,538
Profit for year	-	-	-	-	71,900	71,900
Total income and expense for the period	-	-	3,538	-	71,900	75,438
Attributable to:						
Equity holders of the parent						75,438
Minority interest						-
Equity transactions:						
Issue of share capital, employee share plan	11,542	-	-	-	-	11,542
Exercise of options	2,571	-	-	-	-	2,571
Cost of share based payments	-	-	1,963	-	-	1,963
Shares vested to employees (net)	-	-	(659)	-	-	(659)
Scrip consideration	2,984	-	-	-	-	2,984
Dividend Reinvestment Plan	5,793	-	-	-	-	5,793
Dividends to shareholders	-	-	-	-	(65,393)	(65,393)
Hybrid Equity Distribution	-	-	-	-	(8,879)	(8,879)
Convertible notes converted	7,886	(3,121)	-	-	-	4,765
As at 30 June 2007	608,493	54,263	4,355	145,151	71,011	883,273
As at 1 July 2005	454,420	54,576	4,090	-	25,120	538,206
Currency translation differences	-	-	39	-	-	39
Cash flow hedge reserve	-	-	(5,396)	-	-	(5,396)
Total income and expenses for the period recognised directly in equity	-	-	(5,357)	-	-	(5,357)
Profit for year	-	-	-	-	109,955	109,955
Total income and expense for the period	-	-	(5,357)	-	109,955	104,598
Attributable to:						
Equity holders of the parent						104,598
Minority interest						-
Equity transactions:						
Exercise of options	5,646	-	-	-	-	5,646
Cost of share based payments	-	-	1,068	-	-	1,068
Shares vested to employees (net)	-	-	(288)	-	-	(288)
Share Placement	112,000	-	-	-	-	112,000
Share Placement direct costs	(2,729)	-	-	-	-	(2,729)
Issue of Hybrid Equity	-	-	-	150,000	-	150,000
Hybrid equity direct costs	-	-	-	(4,849)	-	(4,849)
Scrip Consideration	5,694	-	-	-	-	5,694
Dividend Reinvestment Plan	2,686	-	-	-	-	2,686
Dividends to shareholders	-	-	-	-	(59,856)	(59,856)
Hybrid Equity Distribution	-	-	-	-	(1,836)	(1,836)
Convertible notes reissued	-	2,808	-	-	-	2,808
As at 30 June 2006	577,717	57,384	(487)	145,151	73,383	853,148

The accompanying notes form an integral part of this statement of changes in equity.

Notes to the Financial Statements for the year ended 30 June 2007

Note 1 Corporate Information

The financial report of Futuris Corporation Limited for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 6 September 2007.

Futuris Corporation Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in Note 31.

Note 2 Statement of Significant Accounting Policies

(a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

This report has been prepared on a historical cost basis, except for investment properties, valuation of livestock carrier, derivative financial instruments and available for sale financial assets that have been measured at fair value, and biological assets that are measured at fair value less estimated point of sale costs. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

The accounting policies and disclosures are consistent with those of the previous financial year, except for the following change:

Change in recognition of land

To 30 June 2006, land revaluations recognised by Australian Agricultural Company Limited ("AA Co"), an associate, were also recognised by Futuris, through Futuris taking up its percentage ownership share of the revaluations through the Asset Revaluation Reserve. From 1 July 2006, Futuris has revised its land valuation policy, whereby all land that is used for the purposes of production or supply of goods is recognised at cost. Therefore in the Futuris accounts, adjustments have been made to the value reported by AA Co for land revaluations. Accordingly, asset revaluations made by AA Co will no longer be taken up by Futuris and all revaluations previously taken up, will be reversed. The effect is a reduction in the Asset Revaluation Reserve of \$85,880,000, a reduction in the Deferred Tax Liability balance of \$36,806,000 and a reduction in the investment in AA Co of \$122,686,000. Prior year comparatives have not been restated.

As a result of this adjustment there is no change to reported net income.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Except for the amendments to AASB 101 *Presentation of Financial Statements* and AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*, which the Group has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2007. These are outlined in the table below.

Reference	Title	Summary	Application date for standard	Impact on Group financial report	Application date for group
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 7 <i>Financial Instruments: Disclosures</i>	1 January 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1 July 2007

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application date for standard	Impact on Group financial report	Application date for group
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 <i>AASB 2 - Group and Treasury Share Transactions</i> .	1 March 2007	This is consistent with the Group's existing accounting policies for share-based payments, so the standard is not expected to have any impact on the Group's financial report.	1 July 2007
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 <i>Service Concession Arrangements</i> .	1 January 2007	The Group currently has no service concession arrangements or public-private-partnerships (PPP), so the standard is not expected to have any impact on the Group's financial report.	1 July 2007
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 <i>Operating Segments</i> .	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the standard is expected to have an impact on the Group's segment disclosures as segment information included in internal management reports is more detailed than that currently reported under AASB 114 Segment Reporting.	1 July 2009
AASB 2007-5	Amendments to Australian Accounting Standard - Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]	This Standard makes amendments to AASB 102 <i>Inventories</i> .	1 July 2007	This amendment only relates to Not-for-Profit Entities and as such is not expected to have any impact on the Group's financial report.	1 July 2007
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of revisions to AASB 123 <i>Borrowing Costs</i> .	1 January 2009	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standards for wording errors, discrepancies and inconsistencies.	1 July 2007	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the Group's financial report.	1 July 2007

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application date for standard	Impact on Group financial report	Application date for group
AASB 7	Financial Instruments: Disclosures	New standard replacing disclosure requirements of AASB 130 <i>Disclosures in the Financial Statements of Banks and Similar Financial Institutions</i> and AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> .	1 January 2007	Refer to AASB 2005-10 above.	1 July 2007
AASB 8	Operating Segments	New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 July 2009
AASB 123 (amended)	Borrowing Costs	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 January 2009	Refer to AASB 2007-6 above.	1 July 2009
AASB Interpretation 10	Interim Financial Reporting and Impairment	Addresses an inconsistency between AASB 134 <i>Interim Financial Reporting</i> and the impairment requirements relating to goodwill in AASB 136 <i>Impairment of Assets</i> and equity instruments classified as available for sale in AASB 139 <i>Financial Instruments: Recognition and Measurement</i> .	1 November 2006	The prohibitions on reversing impairment losses in AASB 136 and AASB 139, which are to take precedence over the more general statement in AASB 134, are not expected to have any impact on the Group's financial report.	1 July 2007
AASB Interpretation 11	Group and Treasury Share Transactions	Addresses whether certain types of share-based payment transactions with employees (or other suppliers of good and services) should be accounted for as equity-settled or as cash-settled transactions under AASB 2 <i>Share-based Payment</i> . It also specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent.	1 March 2007	Refer to AASB 2007-1 above.	1 July 2007
AASB Interpretation 12	Service Concession Arrangements	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset - not as property, plant and equipment.	1 January 2008	Refer to AASB 2007-2 above.	1 July 2008

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the parent entity, Futuris Corporation Limited, and its controlled entities, referred to collectively throughout these financial statements as the "Group".

All inter-entity balances and transactions have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Financial statements of foreign controlled entities presented in accordance with overseas accounting principles are, for consolidation purposes, adjusted to comply with Group policy and generally accepted accounting principles in Australia.

(d) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount are discussed in note 2(r).

Share based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using both an external valuer for certain instruments and internally with a trinomial model, refer further to information on share based payments transactions at note 2(x) and note 39.

(e) Cash and cash equivalents

For the purposes of the cash flow statement and balance sheet, cash includes cash on hand and in banks and money market investments, net of outstanding bank overdrafts.

(f) Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first in, first out basis, and comprises the cost of purchase including costs of bringing the inventories to sale location. In the case of manufactured goods, direct materials, direct labour costs, variable overhead and a portion of fixed overhead costs allocated on the basis of normal operating capacity are included.

Freehold property held by the property segment of the Group for development and resale is valued at the lower of cost and net realisable value.

Borrowing costs that are directly attributable to property held for development and resale which are considered qualifying assets, are capitalised as part of the cost of those assets.

Where commodity inventories are acquired principally for the purpose of selling in the near term and generating a profit, such commodities are measured at fair value less costs to sell with changes in fair value less costs to sell recognised in the income statement.

Livestock and forestry, which are considered to be agricultural activities, are measured at fair value less estimated point of sale costs, with market value increments or decrements included in the net profit.

(h) Livestock

The Group holds biological assets in the form of livestock, primarily beef cattle and sheep. These assets are measured at fair value, which has been determined based upon livestock prices at balance date, less point of sale costs.

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(i) Forestry

The Group has interests in forestry plantations through plantation areas established and maintained on its own account and interests in the forestry managed investment schemes, which have reverted to the consolidated entity as a result of default by an original grower and forfeiture of their plantation interest. Forestry plantations owned by the Group are valued at each reporting date at fair value and increments and decrements in fair value are recognised in the income statement in the financial period in which they occur.

Fair value is determined as follows:

- Up until the time at which the initial inventory of the plantation is conducted (expected to be between four to six years) by applying historical costs; and
- After initial inventory and up until harvest of the timber - anticipated fair value less estimated point of sale costs.

As there is no active and liquid market for immature forestry plantations, fair value less estimated point of sales costs is based on forecast plantation growth and yields and forecast of the net present values of future net cash flows from harvest and costs of maintaining plantations to maturity.

(j) Investments and other financial assets

Financial assets are classified as either financial assets at fair value through the profit or loss, loans and receivables, held to maturity investments, or available for sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value. In the case of investments not at fair value through profit or loss they include directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss based on quoted market bid prices at the close of business on the balance date.

(ii) Held to maturity investments

Non derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Investments that are held for an undefined period are not included in this classification. Held to maturity investments are subsequently measured at amortised cost.

For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available for sale investments

Available for sale investments are those non derivative financial assets that are designated as available for sale or are not classified as any of the preceding categories. After initial recognition available for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity, until the investment is derecognised or deemed to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of similar instruments, or discounted cash flow analysis.

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(k) Investment in associates

Interests in associated entities are brought to account using the equity method. Associates are entities over which the Group has significant influence and that are neither subsidiaries or joint ventures. Under this method, the investment in associates is initially recognised at cost. Subsequently the investment is carried at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value and adjusted for any differences in accounting policies. The consolidated income statement reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

(l) Investment in joint ventures

Interests in joint venture entities are accounted for by applying the equity method of accounting. The Group identifies joint venture entities where the Group is in a position of joint control over the entity. Investments in joint venture entities are carried at the equity accounted amount less any impairment in value.

(m) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses, except for the livestock carrier, which is independently valued. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

Property, plant and equipment, excluding freehold land and assets under construction, are depreciated over their useful economic lives as follows:

	Life	Method
Buildings	50 years	Straight line
Leasehold improvements	Lease term	Straight line
Plant and equipment - owned	3 to 10 years	Straight line
Plant and equipment - leased	Lease term	Straight line
Livestock carrier	10 years	Straight line

The useful lives are consistent with those of the prior year.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(n) Investment properties

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognised when they have either been disposed of or, when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the income statement in the period of derecognition.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

(o) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised but is reviewed annually for impairment, or more frequently if there is any indication that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash generating units expected to benefit from the combination's synergies. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than a segment based on either the Group's primary or secondary reporting format determined in accordance with AASB114 Segment Reporting.

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(p) Intangible assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight line basis over their useful lives (5-20 years).

Brand names, which are considered to have an indefinite life, are not amortised but are regularly tested for impairment. Expenditure incurred in developing, maintaining or enhancing brand names is expensed in the year in which it is incurred.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

(q) Design and development

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured and the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised from the commencement of commercial production on a straight-line basis over the period of the expected benefit, which is over a 3 year period. These development costs are Automotive related and primarily represent engineering costs incurred in developing products under awarded contracts.

(r) Impairment

Non-financial assets

The carrying values of all assets, other than inventories and deferred tax assets, are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Assumptions used by the Group in basing its cash flow projections when determining the value in use are to use the budgeted results for the following three years, after which a growth rate was added, and discounted based on an appropriate weighted average cost of capital.

Impairment for goodwill is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the fair value of the assets acquired is less than the cost of acquisition the difference is recognised directly in the income statement. Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained. Impairment losses for goodwill are not subsequently reversed.

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(r) Impairment (continued)

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Financial Assets

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on financial assets carried at cost (because its fair value cannot be reliably measured) the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(s) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that remain unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(t) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Certain subsidiaries are affected by warranty claims. Claims are covered by a provision for warranty, which has been calculated based on past experience of the level of repairs and returns.

Where subsidiaries have entered into leasing arrangements that require the leased asset to be returned at the end of the lease term in its original condition an estimate is made of the costs of restoration or dismantling of any improvements and a provision is raised.

A provision for dividend is not recognised as a liability unless the dividends are declared, on or before, reporting date.

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(u) Provisions (continued)

Provisions for restructuring or termination benefits are only recognised when a detailed plan has been approved and the restructuring or termination benefits have either commenced or been publicly announced, or when firm contracts have been entered into.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(v) Provision for employee entitlements

(i) Wages, salaries, and annual leave

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

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and 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. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(w) Pensions and other post employment benefits

The Group maintains an Australian-based superannuation fund comprising both an accumulation section and a defined benefits section. The defined benefits section of the fund has been closed since December 1996 and all employees after that date must join the accumulation section.

With respect to the accumulation section of the fund, employees are entitled to accumulated benefits on retirement, resignation, disability or death. During the year, Group contributions are paid in accordance with legislative requirements, the fund's rules and employee salary packages. Employees may also contribute to the fund. The assets of the accumulation section of the fund are sufficient to satisfy all benefits that would be vested in the event of termination.

With respect to the defined benefit section of the fund, relevant Group entities are obliged to contribute to the fund as set out in the Trust Deed and in accordance with legal requirements. During the year, superannuation entitlements are paid in accordance with legislative requirements at levels necessary to ensure that there are sufficient assets to meet the liabilities determined by actuarial valuations undertaken at regular intervals not exceeding three years. Member contributions are at a set rate.

The Group's subsidiary, BWK AG, also maintains a defined benefit fund, referred to as provision for pensions. This provision is calculated by applying the projected unit credit method. This calculation is based on no growth in the fund, an interest rate for accounting purposes of 4.5% as well as mortality tables provided by an independent actuary in 2005.

Actuarial gains and losses for the defined benefits section of the fund are recognised in the income statement.

(x) Share based payment

The Group provides benefits to employees in the form of share-based payment transactions, which may include shares or rights over shares (equity-settled transaction such as options).

There are currently two share based plans in place to provide these benefits:

- (i) Employee Share Option Plan (ESOP), which provides benefits to senior executives; and
- (ii) Employee Share Loan Plan (ESLP), which provides benefits to all employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a trinomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Futuris Corporation Limited (market conditions). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(x) Share based payment (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired; and
- (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Shares in the Group re-acquired on market and held by the Employee Share Plan at the reporting date are classified in reserves.

(y) Convertible notes

The component of the convertible non-cumulative redeemable notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of issue costs.

On the issue of the convertible redeemable notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of issue costs. The value of the conversion option is not changed in subsequent years.

The corresponding mandatory coupon payments on those notes are charged as interest expense in the income statement.

Issue costs are apportioned between the liability and equity components of the non-cumulative redeemable convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(z) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are included in equity as a deduction, net of tax, from the proceeds.

(aa) Hybrid notes

Hybrid notes are classified as equity. Incremental costs directly attributable to the issue of the Hybrid notes are included in equity as a deduction, net of tax, from the proceeds. Distributions to note holders are made quarterly at the discretion of Directors.

(ab) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options, dilutive convertible notes and dilutive hybrid notes).

(ac) Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Rendering of services - non insurance related

Where the contract can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the Group and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(ac) Revenue (continued)

Interest and dividend income

Dividend revenue is recognised when the shareholder's right to receive the payment is established. Interest revenue is recognised as it accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Forestry revenue

Revenue from the provision of forestry services is recognised by reference to the financial period during which the relevant services are provided. Any unearned portion of these fees at financial year end is brought to account in the balance sheet as a liability and recognised in subsequent periods.

(ad) Borrowing costs

Borrowing costs are recognised as an expense when incurred, unless attributable to qualifying assets in which case they are capitalised against the asset (refer note 2(g)).

(ae) Construction contracts

Profit is recognised on construction contracts in proportion to the stage of completion when it is probable that the economic benefits arising from the contracts will flow to the Group, the costs attributable to the contract to date can be clearly identified, and when the costs to complete the contract can be reliably estimated.

Stage of completion is determined based on engineering determinations. Any material losses on construction contracts are brought to account as soon as they are considered probable.

The Group has now disposed of its Property division as at 30 June 2007.

(af) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

(ag) General insurance activities

Significant accounting estimates and assumptions

The ultimate liability arising from claims made under insurance contracts

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Group.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available. IBNR claims may often not be apparent to the insured until many years after the events giving rise to the claims have happened. The liability class of business will typically display greater variations between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. For the short tail classes, claims are typically reported soon after the claim event and hence tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims, the Group uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(ag) General insurance activities (continued)

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- Changes in Group processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods;
- Changes in the legal environment;
- The effects of inflation;
- Changes in the mix of business;
- The impact of large losses; and
- Movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the current cost of notified but not paid claims. In estimating the cost of these the Group has regard to the claim circumstances as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in the previous period.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible the Group adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims liability at year end are detailed in Note 28.

Assets Arising from Reinsurance Contracts

Assets arising from reinsurance contracts are also computed using the above methods. In addition, the recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that the Group may not receive amounts due to it and these amounts can be reliably measured.

Accounting policies in relation to general insurance activities are as follows:

Premium Revenue

Direct premium comprises amounts charged to the policyholder, excluding amounts collected on behalf of third parties, principally stamp duties. The earned portion of premiums received and receivable, including unclosed business, is recognised as revenue. Premium is treated as earned from the date of attachment of risk.

The pattern of recognition over the policy or indemnity periods is based on time, which is considered to closely approximate the pattern of risks underwritten. Unearned premium is determined for direct business based on the 365 day method.

Unexpired Risk Liability

The adequacy of the unearned premium liability in respect of each class of business is assessed by considering current estimates of all expected future cash flows relating to future claims covered by current insurance contracts.

If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs, then the unearned premium liability is deemed to be deficient.

The entire deficiency is recognised immediately in the income statement both gross and net of reinsurance. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability.

The test for unearned premium liability is performed at the level of a portfolio of contracts that are subject to broadly similar risks and are managed together as a single portfolio.

Outwards Reinsurance Premiums

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated at the reporting date as a prepayment.

Reinsurance commission revenue is recognised over the term of the underlying insurance policy or indemnity period, consistent with the terms of the on-going treaty arrangements.

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(ag) General insurance activities (continued)

Outstanding Claims Liability

Claims incurred expense and a liability for outstanding claims are recognised in respect of direct business. The liability covers claims incurred but not yet paid and incurred but not reported claims. Claims outstanding are assessed by reviewing individual claim files and estimating unnotified claims and settlement costs using statistics based on past experience and trends.

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under general insurance contracts issued by the Group, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include those in relation to claims reported but not yet paid; claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and anticipated claims handling costs.

Claims handling cost include costs that can be associated directly with individual claims, such as legal and other professional fees, and costs that can only be indirectly associated with individual claims, such as claims administration costs.

The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate. This risk margin increases the probability that the net liability is adequately provided for to a 90% confidence level.

Reinsurance and Other Recoveries Receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, IBNR and unexpired risk liabilities are recognised as revenue.

Reinsurance and other recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

Acquisition Costs

A portion of acquisition costs relating to unearned premium revenue is deferred in recognition that it represents future benefits to the organisation. Deferred acquisition costs are measured at the lower of cost and recoverable amount. A write-down to recoverable amount is recognised where the present value of expected future claims (including settlement costs) in relation to business written to the reporting date exceeds related unearned premiums. Deferred acquisition costs are amortised over the period expected to benefit from the expenditure.

Assets Backing General Insurance Liabilities

The Group has determined that all assets are held to back general insurance liabilities on the basis that all assets are valued at fair value in the balance sheet.

The following policies apply to assets held to back general insurance liabilities:

Financial Assets

Financial assets are designated at fair value through profit or loss. Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant unrealised profits and losses recognised in the income statement.

Details of fair values of different types of assets are listed below:

- Cash assets and bank overdrafts are carried at face value of the amounts deposited or drawn. The carrying amount of cash assets and bank overdrafts approximate their fair value.
- Fixed interest securities are initially recognised at cost and the subsequent fair value is taken as the quoted bid price of the instrument at the balance sheet date.
- Unlisted fixed interest securities are recorded at amounts based on valuations using rates of interest equivalent to the yields obtainable on comparable investments at balance date.

Receivables

Amounts due from policyholders and intermediaries are initially recognised at face value, being the amounts due. They are subsequently measured at fair value which is approximated by taking the initially recognised amount and reducing it for impairment as appropriate.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The discount is calculated using a risk free rate. The impairment charge is recognised in the income statement.

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(ag) General insurance activities (continued)

Actuarial assumptions and methods

Short-Tail Classes

With short-tail classes, there is not a significant delay between the occurrence of the claim and the claim being paid out by the Group. The costs of claims notified to the Group at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications.

Liability

Claims estimates for the Group's liability business are derived from analysis of the results of several different actuarial methods. Ultimate numbers of claims are projected based on the past reporting patterns. Payments experience is analysed based on averages paid per claim incurred and averages paid per claim finalised. Historic case estimate development is also used to develop a model of future payments. The resulting average claim sizes from these models are analysed, along with the loss ratios and other statistics, in order to determine a final estimate of outstanding claims.

Claims inflation is incorporated into the resulting projected payments, either explicitly or implicitly, to allow for both general economic inflation as well as any superimposed inflation detected in the modelling of payments experience. Superimposed inflation arises from non-economic factors such as developments of legal precedent.

Projected payments are discounted to allow for the time value of money. The liability class of business is also subject to the emergence of new types of latent claims, but no specific allowance is included for this as at the balance sheet date.

The following assumptions have been made in determining the outstanding claims liabilities:

	2007 Short-Tail	2006 Short-Tail	2007 Liability	2006 Liability
Discount Rate	6.5%	6.0%	6.5%	6.0%
Discount Mean Term (Years)	0.35	0.31	2.55	2.57
Claims Handling Expense Ratio	5.0%	5.0%	6.0%	6.0%
Ultimate Gross Loss Ratio Latest Accident Year	73%	80%	47%	47%

Process Used to Determine Assumptions

A description of the processes used to determine these assumptions is provided below:

- *Average Weighted Term to Settlement*
The average weighted term to settlement is calculated separately by class of business based on historic settlement patterns.
- *Expense Rate*
Claims handling expenses are calculated by reference to past experience of claims handling costs as a percentage of past payments.
- *Discount Rate*
Discount rates derived from market yields on Commonwealth Government securities as at the balance date have been adopted.

Sensitivity Analysis - Insurance Contracts

(i) Summary

The Group conducts sensitivity analyses to quantify the exposure to risk of changes in the underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed below.

The movement in any key variable will impact the performance and equity of the Group. The tables below describe how a change in each assumption will affect the insurance liabilities and show an analysis of the sensitivity of the level of liabilities to changes in these assumptions net of reinsurance.

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(ag) General insurance activities (continued)

Variable	Impact on Current Year Results of Movement in Variable
Average Weighted Term to Settlement	A decrease in the average term to settlement rates would lead to more claims being paid sooner than anticipated. Expected payment patterns are used in determining the outstanding claims liability. An increase or decrease in the average weighted term would have an opposing impact on the liabilities.
Expense Rate	An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on the liabilities.
Discount Rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on total claims expense.

(ii) Impact of Changes In Key Variables 30 June 2007

Variable	Change in Variable	Net Outstanding Claims Liabilities Increase/(Decrease)
Total Portfolio		\$'000
Recognised Amounts per the Financial Statements (note 28)		85,425
Discount Rate	+1.0% p.a.	(1,036)
	-1.0% p.a.	1,079
Discount Mean Term (Years)	+0.5 years	(2,648)
	-0.5 years	2,733
Claims Handling Expense Rate	+1.0%	1,573
	-1.0%	(1,573)

The reconciliation of the movement in outstanding claims liabilities and the claims development table have been presented on a net of reinsurance and other recovery basis to give the most meaningful insight into the impact on the income statement.

Insurance contracts - risk management policies and procedures

The financial condition and operation of the Group are affected by a number of key risks including insurance risk, interest rate risk, currency risk, credit risk, market risk, liquidity risk, financial risk, compliance risk and operational risk.

Objectives in Managing Risks Arising from Insurance Contracts and Policies for Mitigating those Risks

The Group has the objective to control insurance risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition and movements in asset values. Short-term variability is, to some extent, a feature of insurance business.

In accordance with Prudential Standards GPS220 Risk Management for General Insurers and GPS230 Reinsurance Arrangements for General Insurers issued by the Australian Prudential Regulation Authority (APRA), the Group's insurance businesses have developed, implemented and maintained a sound and prudent Risk Management Strategy (RMS) and Reinsurance Management Strategy (REMS).

The RMS and REMS identify the policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Group. Annually, the Group's insurance businesses certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Group has systems in place to ensure compliance with legislative and prudential requirements and that the Group's insurance businesses have satisfied itself as to the compliance with RMS and REMS.

The RMS and REMS have been approved by both the Board of Elders Insurance Limited and APRA. Key aspects of the processes established in the RMS to mitigate risks include:

- The maintenance and use of sophisticated management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- Actuarial models, using information from the management information systems, are used to calculate premiums and monitor claims patterns. Past experience and statistical methods are used as part of the process.
- Documented procedures are followed for underwriting and accepting insurance risks.

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(ag) General insurance activities (continued)

- Natural disasters such as bushfires are more challenging to manage. The Group monitors exposure to such risks through special modelling techniques involving the collation of data on weather patterns which support decisions on limiting exposure.
- Reinsurance is used to limit the Group's exposure. When selecting a reinsurer, the Group only consider those companies that provide high security using rating information from the public domain or gathered through internal investigations.
- In order to limit concentrations of credit risk in purchasing reinsurance the Group has regard to existing reinsurance assets and seeks to limit excess exposure to any single reinsurer or group of related reinsurers.
- The mix of assets in which the Group invests is driven by the nature and term of the insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match the maturity dates of assets with the expected pattern of claim payments.

Terms and Conditions of Insurance Business

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by the Group. The majority of direct insurance contracts written are entered into on a standard form basis. There are no special terms and conditions that have a material impact on the financial statements.

Concentration of Insurance Risk

The Group's exposure to concentrations of insurance risk is mitigated by a diversified portfolio. Specific processes for monitoring identified key concentrations are set out below.

Risk	Source of Concentration	Risk Management Measures
Natural Catastrophes	Properties concentrated in regions that are subject to: • Earthquakes • Bushfires • Cyclones • Hail Storms	The Group's underwriting strategy requires individual risk premiums to be differentiated in order to reflect the higher loss frequency in particular geographical areas. The Group has modelled aggregated risk by postcode using commercially available catastrophe models. The Group's exposure data across the Australian portfolio encompasses all fire risks. Based on the probable maximum loss per the models, the Group purchases catastrophe reinsurance cover to limit exposure to any single event.

(ah) Income tax

Income tax disclosed in the income statement comprises of current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at balance date, and any adjustments to tax payable in respect of previous years.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(ah) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(ai) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(aj) Foreign currency translation

Both the functional and presentation currency of Futuris Corporation Limited and its Australian subsidiaries is Australian dollars (AUD).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of overseas subsidiaries are translated into the presentation currency of Futuris Corporation Limited at the rate of exchange ruling at the balance sheet date, and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(ak) Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to foreign exchange, commodity price and interest rate risks. Such derivative financial instruments are stated at fair value.

The fair value of derivative financial instruments is determined by reference to quoted market prices. Where a quoted market price is not available, the fair value is the estimated amount the consolidated entity would receive or pay to terminate the derivative financial instrument taking into account available market information.

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(ak) Derivative financial instruments (continued)

The gain or loss arising from changes in fair value is recognised immediately in the income statement, unless the derivative qualifies for hedge accounting, in which case the accounting treatment is set out below.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges which meet the conditions for special hedge accounting, any gain or loss from re-measuring the hedging instrument at fair value is recognised immediately in the income statement.

Any gain or loss attributable to the hedged risk on re-measurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

(al) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Notes to the Financial Statements for the year ended 30 June 2007

Note 2 Statement of Significant Accounting Policies (continued)

(am) 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 combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and calculation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(an) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured 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. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) 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 (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

Notes to the Financial Statements for the year ended 30 June 2007

Note 3 Revenue and Expenses

Note 3	Revenue and Expenses	Consolidated		Parent	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
	Note				
Sales revenue:					
Continuing operations					
		1,862,986	2,207,591	-	-
		450,542	377,301	-	-
		540,238	389,330	-	-
		-	504	-	-
	28	182,254	164,202	-	-
		54,772	37,916	-	-
		3,090,792	3,176,844	-	-
	43	137,719	178,974	-	-
		3,228,511	3,355,818	-	-
Other revenue:					
Continuing operations					
		15,025	10,224	3,799	10,790
		-	-	221,850	117,366
		404	259	327	-
		52,323	33,960	12,361	7,173
		67,752	44,443	238,337	135,329
	43	331	2,095	-	-
		68,083	46,538	238,337	135,329
Interest revenue:					
Continuing operations					
		-	-	30,121	28,645
		389	398	10	163
		13,516	19,812	621	1,580
		13,905	20,210	30,752	30,388
	43	74	-	-	-
		13,979	20,210	30,752	30,388
Other expenses:					
Continuing operations					
		418,239	412,514	-	-
		26,100	34,742	-	-
		11,692	13,052	1,247	972
		101,985	106,677	20,624	18,395
		165,680	150,148	-	-
		70,371	80,288	216,911	2,749
		794,067	797,421	238,782	22,116
	43	8,474	8,513	-	-
		802,541	805,934	238,782	22,116
Depreciation and amortisation:					
		29,593	26,579	33	31
		1,563	1,518	-	-
		4,576	7,863	-	-
		1,857	767	-	-
		37,589	36,727	33	31

Notes to the Financial Statements for the year ended 30 June 2007

Note 3 Revenue and Expenses (continued)

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Finance costs:				
Interest expense - other persons	58,347	65,635	35,125	43,761
Interest expense - controlled entities	-	-	-	250
Finance lease charges	727	875	-	-
Other finance costs	2,296	2,759	1,926	1,699
	61,370	69,269	37,051	45,710
Less borrowing costs capitalised (note 2(g))	(7,367)	(10,098)	-	-
	54,003	59,171	37,051	45,710
Specific net gains and (expenses):				
Profit on sale of non current assets				
- Property, plant and equipment	2,993	4,230	-	-
- Profit on sale of investments	3,225	1,622	3,370	-
- Profit on sale of controlled entity	-	1,421	-	-
	6,218	7,273	3,370	-
Telecommunications bid and establishment costs	(9,566)	-	-	-
Caversham sale	8,920	-	(76,952)	-
Hi-Fert acquisition benefit	-	10,400	-	-
Redundancies and restructuring costs - Automotive	-	(8,800)	-	-
Write down of Westralia Property Trust (share of equity loss)	-	(1,931)	-	-
	(646)	(331)	(76,952)	-
Employee benefit expense				
- Wages and salaries	(277,774)	(273,551)	(5,318)	(5,304)
- Post employment benefits including superannuation	(25,005)	(26,713)	(244)	(512)
- Workers compensation	(5,173)	(4,866)	(117)	(55)
- Share based payments	(4,212)	(3,371)	(770)	(73)
	(312,164)	(308,501)	(6,449)	(5,944)
Impairment losses	(7,714)	-	-	-
Impairment reversals	7,445	-	-	-
	(269)	-	-	-
Discount on acquisitions - gain	4,100	-	-	-
Redundancies and restructuring costs	(11,732)	-	-	-
Research and development costs charged directly to expenses	-	(200)	-	-
Operating leases - minimum lease payments	(60,151)	(60,299)	(796)	(972)
Foreign exchange net gains/(losses)	(436)	1,444	-	-
Provision for doubtful debts and bad debts written off	1,315	(978)	-	-

Notes to the Financial Statements for the year ended 30 June 2007

Note 4 Income Tax

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000

(a) Major components of income tax expense are:

Income Statement

Current income tax

Current income tax charge/(benefit)	15,812	6,609	(66,304)	(7,850)
Reconciliation to tax returns	(5,877)	(4,312)	(5,177)	(6,156)

Deferred income tax

Origination and reversal of temporary differences	10,610	19,149	(2,750)	997
Income tax expense/(benefit) reported in income statement	20,545	21,446	(74,231)	(13,009)

Statement of Changes in Equity

Deferred income tax

Net loss on revaluation of cash flow hedges	(2,624)	(2,319)	(2,624)	(2,319)
Net gain on revaluation of land & buildings	-	8,558	-	-
Net gain on fair value revaluations of associate's land and buildings (Note 2 (a))	(36,806)	-	-	-
Income tax expense/(benefit) reported in equity	(39,430)	6,239	(2,624)	(2,319)

(b) A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

Accounting profit/(loss) before tax from:

- Continuing Operations	93,559	98,902	(2,331)	96,946
- Discontinuing Operations	30,470	18,959	-	-
Total Accounting profit/(loss) before tax	124,029	117,861	(2,331)	96,946

Income tax expense/(benefit) at 30% (2006: 30%)	37,209	35,358	(699)	29,084
Reconciliation to tax returns	(5,877)	(4,312)	(5,177)	(6,156)
Share of associate (profits)/losses	(8,405)	(14,756)	(3,526)	284
Non assessable (profits)/losses	(2,636)	-	-	378
Non deductible depreciation and amortisation	993	601	-	31
Non deductible other expenses	248	1,032	32	1,155
Concessional deductions	(500)	(140)	-	-
Non assessable dividends	-	-	(66,555)	(35,210)
Employee Share Plan	1,577	880	713	-
Other	(2,064)	2,783	981	(2,575)
Income tax expense/(benefit) as reported in income statement	20,545	21,446	(74,231)	(13,009)

Aggregate Income tax expense is attributable to:

- Continuing Operations	11,610	16,234	(74,231)	(13,009)
- Discontinuing Operations	8,935	5,212	-	-
	20,545	21,446	(74,231)	(13,009)

Current tax payable	61,341	26,100	21,437	17,189
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Notes to the Financial Statements for the year ended 30 June 2007

Note 4 Income Tax (continued)

	Balance Sheet		Income Statement	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Deferred income tax at 30 June relates to the following:				
Consolidated				
<i>Deferred income tax liabilities</i>				
Revaluations of investment properties to fair value	(4,508)	(326)	-	346
Revaluations of associate's assets	-	(36,756)	-	-
Revaluations of foreign exchange contracts (cash flow hedges) to fair value	(2,089)	2,438	1,903	(119)
Deferred expenses	(742)	(11,503)	(575)	9,532
Shares in associated entities	(3,748)	(3,849)	(101)	3,849
Exchange rates to fair value	(3,957)	(1,032)	2,925	882
Non-assessable accrued income	(7,948)	(19,061)	(9,320)	10,653
Forestry assets (standing timber)	(4,010)	(1,913)	2,097	104
Plant and equipment temporary differences	(5,532)	(7,505)	4,077	6,980
Prepayments	(170)	4,155	4,325	(4,280)
Research and development	(12,192)	(10,599)	1,593	(2,479)
Other debtors	-	(5,309)	(1,328)	5,145
Other	(12,969)	(11,181)	2,380	4,884
Gross deferred income tax liabilities	(57,865)	(102,441)	7,976	35,497
<i>Deferred income tax assets</i>				
Losses available to offset against future taxable income	20,972	23,226	2,254	(4,171)
Provision for employee entitlements	16,685	19,128	2,443	1,134
Other provisions	15,585	16,106	521	(9,515)
Forestry product investment income	12,068	11,545	(523)	4,492
Accrued expenditure	1,107	1,621	514	(355)
Deferred borrowing costs	1,156	1,141	(15)	(1,141)
Other capitalised expenses	2,065	1,056	(1,009)	(431)
Other	10,175	2,852	(1,551)	(6,361)
Gross deferred income tax assets	79,813	76,675	2,634	(16,348)
Deferred income tax charge			10,610	19,149
Parent				
<i>Deferred income tax liabilities</i>				
Unrealised gain on financial instruments	(2,383)	-	2,383	-
Other debtors	1,095	-	(1,095)	-
Shares in associated entities	284	-	(284)	-
Other	(7,187)	-	(2,568)	-
Gross deferred income tax liabilities	(8,191)	-	(1,564)	-
<i>Deferred income tax assets</i>				
Accrued expenditure	(468)	26	494	(26)
Deferred borrowing costs	1,156	1,314	158	(478)
Prepayments	1,374	1,565	191	1,565
Other debtors	-	(64)	(64)	(64)
Provisions	2,100	-	(2,100)	-
Other	1,623	-	135	-
Gross deferred income tax assets	5,785	2,841	(1,186)	997
Deferred income tax charge			(2,750)	997

Notes to the Financial Statements for the year ended 30 June 2007

Note 4 Income Tax (continued)

Estimated deferred tax assets attributable to tax losses not recognised in the financial statements of \$14,644,000 (2006: \$34,524,000) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

At 30 June 2007, there is no recognised or unrecognised deferred income tax liability (2006: \$Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or joint venture, as the Group has no liability for additional taxation should these amounts be remitted.

Tax Consolidation

Futuris and its 100% owned subsidiaries are in a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to wholly owned subsidiaries.

Wholly owned Australian subsidiaries are required to make contributions to the head entity for tax liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidations. The contributions are calculated as a percentage of taxable income as if each subsidiary is a stand alone entity. Contributions are payable following payment of the liabilities by Futuris. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense or benefit.

In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or upon leaving the Group.

The head entity of the tax consolidated group is Futuris Corporation Limited.

Note 5 Receivables

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Current				
Trade debtors (a)	415,036	448,121	-	-
Allowance for doubtful debts	(11,082)	(12,895)	-	-
	403,954	435,226	-	-
Amounts receivable from:				
- controlled entities	-	-	1,502,079	1,395,933
- associated entities	30,416	33,764	914	-
	30,416	33,764	1,502,993	1,395,933
Finance debtors	842	1,344	-	-
Provision for doubtful debts	-	-	-	-
	842	1,344	-	-
Reinsurance and other recoveries receivable	60,182	58,116	-	-
Deferred settlements	74,163	-	-	-
Other receivables	66,546	67,911	44,920	1,934
Allowance for non-recovery	(2,638)	(1,795)	-	-
	63,908	66,116	44,920	1,934
	633,465	594,566	1,547,913	1,397,867
Non Current				
Reinsurance and other recoveries receivable	31,081	27,287	-	-
Deferred settlements	31,772	20,630	-	-
Other receivables	91,821	73,676	-	-
Allowance for non recovery	-	(1,065)	-	-
	91,821	72,611	-	-
Amounts receivable from associated entities	35,636	33,119	5,229	6,089
	190,310	153,647	5,229	6,089

(a) Included in trade debtors is \$106,353,000 (2006: \$95,147,000) which is subject to credit insurance with various terms and conditions.

Notes to the Financial Statements for the year ended 30 June 2007

Note 5 Receivables (continued)

Trade receivables are non interest bearing and are generally on 30 to 90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. A provision recovery of \$1,430,000 (2006: allowance of \$517,000) has been recognised in the Income statement for the current year for specific debtors for which such evidence exists. These amounts have been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received.

For terms and conditions relating to related party receivables refer to note 36.

Details regarding the effective interest rate and credit risk of non-current receivables is disclosed in note 38.

Note 6 Livestock

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Fair value at start of the period (note 2(h))	71,898	61,400	-	-
Purchases during the year	220,777	288,223	-	-
Cost of sales during the year	(235,192)	(281,413)	-	-
Fair value increment/(decrement) in period	(2,362)	3,688	-	-
Fair value at the end of the period	55,121	71,898	-	-

At balance date 50,546 head of beef cattle (2006: 60,316) and 1,465 sheep (2006: nil) are included in livestock.

Note 7 Forestry

Fair value at start of the period (note 2(i))	17,164	13,940	-	-
Purchases during the year	1,172	1,371	-	-
Costs incurred in respect of forestry plantations	1,448	311	-	-
Harvest	-	(1,640)	-	-
Fair value increment/(decrement) in period	1,637	3,182	-	-
Fair value at the end of the period	21,421	17,164	-	-

Physical quantity of forestry plantations at the end of the year of 6,295 hectares (2006: 5,294).

Note 8 Inventories

Current				
Raw materials and bulk stores - at net realisable value	76,223	49,809	-	-
Work in progress - at cost	37,745	184,031	-	-
Finished goods - at net realisable value	217,080	200,665	-	-
- at fair value less cost to sell (i)	26,930	16,949	-	-
	244,010	217,614	-	-
	357,978	451,454	-	-
Non Current				
Properties held for development - at cost	1,638	33,814	-	-

(i) The Group's commodities are measured at fair value less costs to sell.

Inventory write-downs recognised as an expense totalled \$213,000 (2006: \$Nil) for the Group and \$Nil for the parent entity (2006: \$Nil).

Notes to the Financial Statements for the year ended 30 June 2007

Note 9 Held for Trading Financial Assets

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Listed shares, at fair value	-	20,341	-	20,156

Note 10 Derivative Financial Instruments

Asset				
Forward exchange contracts	3,031	4,694	-	-
Interest rate swaps	-	402	-	-
	3,031	5,096	-	-
Liability				
Forward exchange contracts	41,731	30,881	40,589	29,158

For financial risk management policies of the Group, refer to note 38.

Note 11 Other Financial Assets

Unlisted investments - available for sale:				
Other entities, at cost *	38,736	5,662	60	60
Controlled entities, at cost	-	-	212,847	224,364
Provision for diminution	-	-	(8,315)	(8,315)
	38,736	5,662	204,592	216,109

* These investments are measured at cost as fair value cannot be reliably measured, due to the equity instruments not being traded in a liquid market environment.

Note 12 Interests in Associates and Joint Ventures

Associates				
- listed	297,163	356,159	-	-
- unlisted	149,490	124,897	2,319	1,045
	446,653	481,056	2,319	1,045
Joint ventures				
- unlisted	129,497	117,763	91,320	85,650
	576,150	598,819	93,639	86,695

Notes to the Financial Statements for the year ended 30 June 2007

Note 12 Interests in Associates and Joint Ventures (continued)

(a) Interests In Associates

(i) Details of material interests in associated entities are as follows:

Name of Associate	Principal activity of Associate	Balance date of Associate	Ownership Interest		Consolidated Entity Investment	
			2007 %	2006 %	2007 \$000	2006 \$000
Air International Thermal (US) Holdings Inc (1)	Automotive	31 Dec	35	35	2,740	2,351
Air International Thermal (Belgium) NC (2)	Automotive	31 Dec	35	35	-	-
Futuris Automotive Interiors (Anhui) Company Ltd	Automotive	31 Dec	70	-	14,586	-
Amcom Ltd	Telecommunications	30 Jun	49	30	44,474	14,791
Australian Agricultural Company Ltd	Beef production	31 Dec	43	43	130,158	257,244
AWH Pty Ltd (formerly Australian Wool Handlers Pty Ltd)	Wool processing	30 Jun	50	50	38,287	37,885
Forest Enterprises Australia Ltd	Forestry	30 Jun	31	27	85,473	50,272
Hi-Fert Pty Ltd	Fertiliser	30 Jun	50	50	62,619	66,416
Westralia Property Trust Ltd	Property Management	30 Jun	49	49	21,378	20,571
Webster Ltd	Agribusiness	30 Jun	27	25	15,721	13,281
Other - non strategic investments					31,217	18,245
					446,653	481,056

All associates other than (1) & (2) are Australian resident companies.

Air International Thermal (US) Holdings Inc is incorporated in the USA and Air International Thermal (Belgium) NC is incorporated in Belgium.

Futuris Automotive Interiors (Anhui) Company Ltd is considered a jointly controlled entity due to the control provided in the shareholders' agreement to the minority parties.

There were no impairment losses relating to any investments in associates.

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
(ii) Share of associates' profit or loss				
Revenue	832,466	1,031,219	7,022	6,447
Profit before income tax	31,621	42,868	681	(1,128)
Income tax (expense)/benefit	(6,777)	(8,554)	362	183
Profit after income tax	24,844	34,314	1,043	(945)
Outside minority equity interests	(1,503)	(603)	-	-
Share of net results of associates	23,341	33,711	1,043	(945)

Notes to the Financial Statements for the year ended 30 June 2007

Note 12 Interests in Associates and Joint Ventures (continued)

(a) Interests In Associates (continued)

	Consolidated		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
(iii) Share of associates' balance sheet				
Current assets	389,012	318,287	2,899	3,513
Non-current assets	751,904	578,743	711	1,375
	1,140,916	897,030	3,610	4,888
Current liabilities	253,339	192,762	583	703
Non-current liabilities	303,350	263,046	65	3,140
	556,689	455,808	648	3,843
Net assets	584,227	441,222	2,962	1,045

(iv) Commitments and contingent liabilities

Share of associates' capital expenditure commitments (contracted)	2,644	281	-	-
Share of associates' operating lease commitments	56,146	77,637	-	-
Share of associates' contingent liabilities	1,414	-	-	-

(b) Interests in Joint Ventures

The Group holds a 50% interest in Elders Rural Bank Limited whose principal activity is the provision of rural financial services. Elders Rural Bank Limited is controlled jointly by the parent entity and Bendigo Bank Limited. As Elders Rural Bank Limited is jointly controlled, the assets, liabilities and result of Elders Rural Bank Limited are not consolidated by the Group.

	Consolidated	
	2007	2006
	\$000	\$000
(i) Summary of balance sheet of Elders Rural Bank Limited		
Finance receivables	3,240,992	2,840,359
Other assets	529,834	472,793
Total assets	3,770,826	3,313,152
Finance deposits	3,230,799	2,892,456
Other liabilities	281,525	189,795
Total liabilities	3,512,324	3,082,251
Net assets	258,502	230,901
Share of net assets	129,251	115,450
(ii) Summary of share of profit of Elders Rural Bank Limited		
Profit before income tax	25,888	22,436
Tax expense	(7,761)	(6,360)
	18,127	16,076
Timing variance in origination fees recognised, due to dissimilar accounting policies	(263)	(600)
Share of net results	17,864	15,476
(iii) Share of commitments and contingent liabilities	20	237

Notes to the Financial Statements for the year ended 30 June 2007

Note 13 Property, Plant and Equipment

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
<i>Freehold land - cost</i>	15,141	10,767	-	-
<i>Buildings</i>				
Cost	29,741	18,689	11	11
Accumulated depreciation and impairment	(4,277)	(3,956)	-	-
	25,464	14,733	11	11
<i>Leasehold improvements</i>				
Cost	30,713	27,352	174	145
Accumulated amortisation and impairment	(12,889)	(11,273)	(149)	(143)
	17,824	16,079	25	2
<i>Plant and equipment (owned)</i>				
Cost	376,514	361,634	842	869
Accumulated depreciation and impairment	(256,437)	(255,261)	(570)	(632)
	120,077	106,373	272	237
<i>Plant and equipment (leased)</i>				
Cost	11,599	11,676	-	-
Accumulated amortisation and impairment	(3,474)	(1,945)	-	-
	8,125	9,731	-	-
<i>Livestock Carrier</i>				
Cost	27,142	26,089	-	-
Accumulated depreciation and impairment	(5,966)	(556)	-	-
	21,176	25,533	-	-
<i>Assets under construction - cost</i>	12,641	15,129	-	-
Total property, plant and equipment	220,448	198,345	308	250

Refer to note 18 for interest bearing liabilities secured by property, plant and equipment.

Notes to the Financial Statements for the year ended 30 June 2007

Note 13 Property, Plant and Equipment (continued)

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
<i>Freehold land</i>				
Carrying amount at beginning of year	10,767	11,620	-	-
Additions	3,859	5,772	-	-
Disposals	(257)	(5,144)	-	-
Transfers	772	(1,481)	-	-
Carrying amount at end of year	15,141	10,767	-	-
<i>Buildings</i>				
Carrying amount at beginning of year	14,733	17,665	11	11
Additions	9,403	1,457	-	-
Disposals	(678)	(3,646)	-	-
Depreciation	(1,376)	(1,237)	-	-
Impairment	(400)	-	-	-
Exchange fluctuation	1,530	4,066	-	-
Transfers	2,252	(3,572)	-	-
Carrying amount at end of year	25,464	14,733	11	11
<i>Leasehold improvements</i>				
Carrying amount at beginning of year	16,079	16,536	2	3
Additions	4,536	4,018	28	1
Disposals	(130)	(33)	-	-
Amortisation	(2,252)	(1,893)	(5)	(2)
Transfers	(409)	(2,549)	-	-
Carrying amount at end of year	17,824	16,079	25	2
<i>Plant and equipment</i>				
Carrying amount at beginning of year	106,373	92,840	237	224
Additions	24,469	21,120	115	42
Acquisition through entity acquired	-	127	-	-
Disposals	(13,727)	(6,044)	(52)	-
Depreciation	(23,590)	(22,886)	(28)	(29)
Reversal of impairment/(impairment)	6,458	(1,494)	-	-
Transfers to Investment properties	(2,666)	-	-	-
Transfers	25,985	20,737	-	-
Exchange fluctuation	(3,225)	1,973	-	-
Carrying amount at end of year	120,077	106,373	272	237
<i>Leased plant and equipment</i>				
Carrying amount at beginning of year	9,731	9,968	-	-
Additions	388	5,886	-	-
Disposals	(26)	(220)	-	-
Transfers	(405)	(4,378)	-	-
Amortisation	(1,563)	(1,525)	-	-
Carrying amount at end of year	8,125	9,731	-	-

Notes to the Financial Statements for the year ended 30 June 2007

Note 13 Property, Plant and Equipment (continued)

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
<i>Livestock Carrier</i>				
Carrying amount at beginning of year	25,533	30,002	-	-
Additions	1,053	1,189	-	-
Depreciation	(2,375)	(556)	-	-
Impairment	(3,035)	-	-	-
Disposals	-	(5,102)	-	-
Carrying amount at end of year	21,176	25,533	-	-
<i>Assets under construction</i>				
Carrying amount at beginning of year	15,129	18,901	-	-
Additions	14,436	7,997	-	-
Disposals	(1,150)	-	-	-
Exchange fluctuation	(19)	-	-	-
Transfers	(15,755)	(11,769)	-	-
Carrying amount at end of year	12,641	15,129	-	-

The Directors have assessed the valuation of land, building and leasehold improvements on the basis of the open market value of the assets exchanged between a knowledgeable buyer and seller.

The aggregate fair value ascribed by Directors is not materially different to the current recorded carrying values at cost.

Note 14 Investment Properties

<i>Land and buildings held for investment</i>				
Directors Valuation	248,257	192,591	-	-
<i>Land and buildings held for investment - at fair value</i>				
Carrying amount at beginning of year	192,591	101,140	-	-
Transfer from other property, plant, equipment	2,666	-	-	-
Fair value adjustments, net	15,025	(627)	-	-
Acquisition of investment properties	47,003	117,921	-	-
Disposal of investment properties	(3,540)	(26,190)	-	-
Foreign exchange variation	(5,488)	347	-	-
Carrying amount at end of year	248,257	192,591	-	-

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation, in accordance with Australian Valuation Standards.

Plantations are initially measured at cost, including transaction costs. When sub-leases are granted under managed investment schemes to Growers, the basis of valuation is changed to fair value. The following basis is used to assess fair value at each balance date:

- current market value of land is assessed;
- land price increases estimated to year after harvest at 2% (2006: 0.5%) real increase;
- expected future receivables from rental income are assessed;
- cash flows are discounted at 9%.

Land and buildings are stated at fair value, which has been determined based on valuations performed by Robert C Spiess as at 30 June 2006. Robert C Spiess are independent, certified property valuers and developers.

Notes to the Financial Statements for the year ended 30 June 2007

Note 15 Intangibles

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Patents, trade marks and licences - (gross carrying amount)	16,254	10,475	-	-
Accumulated amortisation and impairment	(7,011)	(1,137)	-	-
Net carrying amount	9,243	9,338	-	-
Goodwill - (gross carrying amount)	206,199	201,922	-	-
Accumulated impairment	(9,501)	(3,502)	-	-
Net carrying amount	196,698	198,420	-	-
Brand names - (gross carrying amount)	60,400	60,400	-	-
Development costs, rent roll & other - (gross carrying amount)	22,714	2,748	-	-
Accumulated amortisation and impairment	(732)	(265)	-	-
Net carrying amount	21,982	2,483	-	-
Total intangibles	288,323	270,641	-	-

Reconciliation of movement:

Patents, trade marks and licences

As at 1 July	9,338	7,165	-	-
Additions	3,427	2,695	-	-
Disposal /Transfers	(1,956)	(21)	-	-
Amortisation/Impairment	(1,566)	(501)	-	-
As at 30 June	9,243	9,338	-	-

Goodwill

As at 1 July	198,420	147,925	-	-
Acquisition of subsidiary	-	25,881	-	-
Additions	2,457	26,682	-	-
Impairment	(3,311)	(1,166)	-	-
Disposal /Transfers	(868)	(902)	-	-
As at 30 June	196,698	198,420	-	-

Brand names

As at 1 July	60,400	60,400	-	-
As at 30 June	60,400	60,400	-	-

Development costs, rent rolls and other

As at 1 July	2,483	539	-	-
Additions	20,476	2,209	-	-
Disposal /Transfers	(686)	-	-	-
Amortisation/Impairment	(291)	(265)	-	-
As at 30 June	21,982	2,483	-	-

Refer Note 2 (o) and (p) for the accounting policy in relation to goodwill and other intangible assets.

Goodwill acquired through business combinations and acquisitions has been allocated to the respective cash generating unit (CGU) for impairment testing based on a value in use calculation.

The discount rate applied to the cash flow projections is 14.1% pre-tax (2006: 13.6%).

Notes to the Financial Statements for the year ended 30 June 2007

Note 16 Other Assets

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Current				
Insurance deferred acquisition costs	25,373	20,780	-	-
Reinsurance premium ceded	67,616	64,929	-	-
Deferred expenses	3,744	6,483	-	-
Prepayments	15,848	15,382	-	145
	112,581	107,574	-	145
Non Current				
Deferred design and development expenditure				
- as at 1 July	59,153	53,257	-	-
- current period costs	5,783	5,896	-	-
	64,936	59,153	-	-
Accumulated amortisation	(38,083)	(33,507)	-	-
	26,853	25,646	-	-

Note 17 Payables

Current				
Trade creditors (i)	486,837	450,862	-	-
Other creditors and accruals	186,288	324,225	11,818	136,296
Unearned insurance premium	168,443	162,292	-	-
Unearned forestry income	47,999	48,378	-	-
Loans from controlled entities (ii)	-	-	425,501	102,512
	889,567	985,757	437,319	238,808

(i) Trade and other creditors are non interest bearing and are normally settled on 30 day terms.

(ii) Loans from controlled entities are interest bearing based on commercial rates and repayable on demand.

Note 18 Interest Bearing Liabilities

Current				
Bank overdraft	-	-	33,658	36,165
Secured loans (a)	28,749	130,896	-	-
Unsecured loans	99,057	3,940	-	-
Lease liabilities (b)	3,575	4,650	-	-
Unsecured notes - November 2006 (e)	-	95,927	-	95,927
Convertible notes (c) (d)	82,823	-	82,823	-
	214,204	235,413	116,481	132,092
Non Current				
Secured loans (a)	6,298	9,638	-	-
Unsecured loans	100,000	102,002	100,000	100,000
Lease liabilities (b)	4,992	6,065	-	-
Convertible notes (c) (d)	-	87,588	-	87,588
Unsecured notes (e)				
- November 2009	53,233	59,032	53,233	59,032
- November 2014	33,271	36,895	33,271	36,895
- May 2015	156,672	173,742	156,672	173,742
	354,466	474,962	343,176	457,257

Notes to the Financial Statements for the year ended 30 June 2007

Note 18 Interest Bearing Liabilities (continued)

- (a) Secured loans are secured by various fixed and floating charges over the assets of the controlled entities concerned.
- (b) Lease liabilities are secured by a charge over the leased assets.
- (c) 62,500,000 subordinated unsecured redeemable convertible notes were issued during the 2000 year. These notes have a face value of \$2.40 each and bear interest at a coupon of 7% per annum. Interest is payable six monthly in arrears and is due for payment on 1 January and 1 July each year through, until and including, the redemption date of 31 December 2007. The notes are convertible into fully paid ordinary shares of the Company on a 1 for 1.01695 basis at predetermined periods over the term of the note. Ordinary shares issued upon conversion of the notes do not rank for any dividends declared out of profits in respect of any period, which ends on or before the conversion date. The convertible notes will participate in any rights issued by the Company and bonus issues will accrue. Since issue, 5,380,835 of the notes have been converted to equity.
- (d) With the adoption of AASB139 Financial Instruments: Recognition and Measurement and AASB 132 Financial Instruments: Disclosure and Presentation from 1 July 2005 the convertible notes are disclosed with both a liability and equity component. Refer note 2 (y).
- (e) Unsecured notes are issued in the United States of America financial markets and are denominated in United States dollars. The notes have been swapped into Australian dollars as noted in Note 38(f). Terms of maturity vary between November 2009 and May 2015 and interest rates vary between 6% and 7.5%. The notes can be repaid at an earlier date by agreement with the respective note holders.
- (f) Financing arrangements

The Group has access to the following financing facilities with a number of financial institutions.

	Consolidated			Parent		
	Accessible \$000	Drawn \$000	Unused \$000	Accessible \$000	Drawn \$000	Unused \$000
2007						
Multi-option facility	913,229	574,112	339,117	850,000	278,404	571,596
2006						
Multi-option facility	838,829	295,233	543,596	600,000	124,904	475,096

- \$475m (2006: \$450m) of the facilities are provided on a rolling three year evergreen basis with annual review and are subject to compliance with various banking covenants.
- \$275m (2006: \$50m) of the facilities are provided on a 365 day basis with ability to refresh (current maturity December 2006) and subject to compliance with various banking covenants. A further \$100m is available for leasing, contingent instruments, and other facilities.
- \$100m (2006: \$100m) of the facilities are provided on a five year bullet basis with ability to refresh (current maturity December 2010) and subject to compliance with various banking covenants.
- In 2006, Integrated Tree Cropping (ITC), a wholly owned subsidiary, had facilities of \$160m available. In 2007 these facilities were cancelled as ITC is now funded through Futuris group facilities.
- \$45.8m (2006: \$78.8m) being the balance of the facilities are provided to controlled entities on varying terms.

Note 19 Provisions

	Consolidated	Parent
	2007 \$000	2007 \$000
<i>Employee entitlements (a)</i>		
As at 1 July	78,925	-
Arising during year	17,893	-
Utilised	(25,847)	-
Unused amounts reversed	979	-
Discount rate adjustment	(638)	-
As at 30 June	71,312	-

Notes to the Financial Statements for the year ended 30 June 2007

Note 19 Provisions (continued)

	Consolidated	Parent
	2007 \$000	2007 \$000
<i>Insurance claims (b)</i>		
As at 1 July	165,724	-
Arising during year	213,296	-
Utilised	(193,975)	-
Discount rate adjustment	(688)	-
As at 30 June	184,357	-
<i>Warranty (f)</i>		
As at 1 July	7,279	-
Arising during year	6,643	-
Utilised	(6,368)	-
Unused amounts reversed	(1,496)	-
Discount rate adjustment	(61)	-
As at 30 June	5,997	-
<i>Restructuring (c)</i>		
As at 1 July	816	-
Arising during year	4,207	-
Utilised	(212)	-
Unused amounts reversed	-	-
As at 30 June	4,811	-
<i>Redundancy (d)</i>		
As at 1 July	-	-
Arising during year	2,319	-
Utilised	-	-
Unused amounts reversed	-	-
As at 30 June	2,319	-
<i>Make good provision (e)</i>		
As at 1 July	5,008	-
Arising during year	36	-
Utilised	-	-
Discount rate adjustment	488	-
As at 30 June	5,532	-
<i>Other</i>		
As at 1 July	20,223	2,500
Arising during year	21,517	7,000
Utilised	(22,571)	(2,500)
Unused amounts reversed	(626)	-
Discount rate adjustment	(107)	-
As at 30 June	18,436	7,000
Total Current	204,455	7,000
Total Non Current	88,309	-
	292,764	7,000

Notes to the Financial Statements for the year ended 30 June 2007

Note 19 Provisions (continued)

- (a) All employee entitlements for parent entity employees are recognised in a controlled entity's balance sheet.
- (b) The weighted average term to settlement from balance date of outstanding claims is expected to be less than 12 months. Refer to note 28 for more details about Insurance activities for the Group.
- (c) A restructuring provision was recognised on acquisition of the BWK Group and relates to expenditure associated with plant closures.
- (d) A redundancy provision was recognised by the Group in relation to business acquisitions, in accordance with AASB 3 Business Combinations.
- (e) A make good provision is recorded at the commencement of a lease or operation being the present value of restoration obligations, while the cost of future restoration is capitalised as part of the asset. The capitalised cost is depreciated over the life of the lease or project and the provision is decreased as the discounting of the liability unwinds.
- (f) A provision is recognised for expected warranty claims on products sold during the last five years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years of the balance sheet date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the two-year warranty period for all products sold.

Note 20 Contributed Equity

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Issued and paid up capital				
735,640,128 ordinary shares (2006: 720,911,089)	608,493	577,717	608,493	577,717
Movements during year:	2007		2006	
	Number	\$000	Number	\$000
Opening balance	720,911,089	577,717	663,243,696	454,420
Conversion of options	1,670,000	2,571	3,910,000	5,646
Share placement, net of costs	-	-	50,000,000	109,271
Scrip consideration	1,326,335	2,984	2,530,790	5,694
Issued capital, employee share plan	5,451,257	11,542	-	-
Dividend reinvestment plan	2,939,852	5,793	1,226,603	2,686
Convertible notes converted	3,341,595	7,886	-	-
Closing balance	735,640,128	608,493	720,911,089	577,717

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

Note 21 Convertible Notes

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Issued	54,263	57,384	54,263	57,384

Refer to note 18 for terms and conditions of convertibles notes.

Note 22 Hybrid Equity

Issued and fully paid up	145,151	145,151	145,151	145,151
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1,500,000 perpetual, subordinated, convertible unsecured notes ("Hybrids") were issued in April 2006 at \$100 each. If the Board resolves to pay them, distributions will be paid quarterly in arrears on 31 March, 30 June, 30 September and 31 December each year. Distributions are frankable. Until 30 June 2011 (the first remarketing date) the distribution rate will be the 3 month bank bill swap rate plus a margin of 2.20% pa. On a remarketing date, Futuris has discretion to either redeem the Hybrid for cash or convert the Hybrid into ordinary shares. Alternatively, Futuris can accept a one-off step up of 250 bps in margin or pursue a remarketing process to set a new margin.

Notes to the Financial Statements for the year ended 30 June 2007

Note 23 Reserves

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
<i>Asset revaluation reserve</i>				
Opening balance	85,880	65,912	-	-
Change in recognition of land policy (note 2(a))	(85,880)	-	-	-
Fair value revaluations of associate's land and buildings (net of tax)	-	24,238	-	-
Fair value revaluations of plant and equipment (net of tax)	-	(4,270)	-	-
Closing balance	-	85,880	-	-
<i>Employee equity benefits reserve</i>				
Opening balance	(21,569)	(21,545)	1,122	342
Current year share option expense	2,419	1,906	1,912	995
Current year share plan expense	1,307	3,129	51	73
Other share plan transfers	(6,937)	(5,059)	(659)	(288)
Closing balance	(24,780)	(21,569)	2,426	1,122
<i>Foreign currency translation reserve</i>				
Opening balance	(4,211)	(7,881)	39	-
Currency translation differences	(4,151)	3,670	(113)	39
Closing balance	(8,362)	(4,211)	(74)	39
<i>Net unrealised gains reserve</i>				
Opening balance	(1,648)	-	(1,648)	-
Application of AASB 132 and 139	-	3,748	-	3,748
Cash flow hedge reserve	2,140	(5,396)	3,651	(5,396)
Closing balance	492	(1,648)	2,003	(1,648)
<i>Share of reserve for losses in joint venture</i>				
Opening balance	5,391	6,381	-	-
Current year movement	4,851	(990)	-	-
Closing balance	10,242	5,391	-	-
Total Reserves	(22,408)	63,843	4,355	(487)

Nature and purpose of reserves:

Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of assets held at fair value by the Group or its associates and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity. This reserve has been reversed in the current year. Details of this reversal can be found at note 2 (a).

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

Net unrealised gains reserve

This reserve records fair value changes on available-for-sale investments and the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Employee equity benefits reserve

This reserve is used to record the value of equity benefits (both options and share loans) provided to employees and Directors as part of their remuneration.

Share of reserve for losses in joint venture

Elders Rural Bank (ERB) has APRA reporting requirements for a general provision for credit losses to be recognised directly in equity. The Group therefore is required to recognise the proportionate interest in ERB's reserve for credit losses directly in equity.

Notes to the Financial Statements for the year ended 30 June 2007

Note 24 Retained Earnings

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Retained earnings at the beginning of the financial year	371,367	351,397	73,383	22,743
Application of AASB 132 and AASB 139, 1 July 2005	-	3,684	-	2,377
Net profit attributable to members	100,715	87,439	71,900	109,955
Dividends provided for or paid	(74,272)	(72,143)	(74,272)	(61,692)
Movements in equity (refer to Statement of Changes in Equity)	(4,851)	990	-	-
Retained earnings at the end of the financial year	392,959	371,367	71,011	73,383

Note 25 Dividends

a) Dividends proposed

Fully franked dividend of 5.5¢ per share (2006: 5¢ per share, fully franked)	40,463	36,046	40,463	36,046
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This final dividend was declared by Directors after year end and is payable on 24 October 2007.

b) Dividends paid during the year

Current year interim				
- fully franked dividend of 4¢ per share (2006: 4¢ per share, partly franked)	29,233	26,656	29,233	26,656
Previous year final				
- fully franked dividend of 5¢ per share (2006: 5¢ per share, fully franked)	36,160	33,200	36,160	33,200
Hybrid distribution fully franked	8,879	1,836	8,879	1,836
	74,272	61,692	74,272	61,692

Subsidiary Equity dividends on ordinary shares:

Dividends paid to external parties during the year

- Fully franked dividend of 5¢ per share paid or provided for as at 30 June 2006	-	10,451	-	-
	74,272	72,143	74,272	61,692

c) Franking credit balance

The franked portions of the dividends recommended after 30 June 2007 will be out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2007.

	Parent 2007 \$000	Parent 2006 \$000
Franking credits available for subsequent financial years based on tax rate of 30% (2006: 30%)	33,956	30,597

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

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date;
- (d) franking credits that may be prevented from being distributed in subsequent financial years; and
- (e) franking credits that have been added to the Parent due to the acquisition of Integrated Tree Cropping Ltd.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of:

(17,313)	(15,448)
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Notes to the Financial Statements for the year ended 30 June 2007

Note 26 Minority Interests

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Minority interests comprise interests in the following items:				
Contributed equity	7,275	10,338	-	-
Retained earnings	764	2,125	-	-
	8,039	12,463	-	-

Note 27 Notes to the Cash Flow Statement

(a) Reconciliation of net profit /(loss) after tax to net cash flows from operations

Profit/(loss) after income tax expense	103,484	96,415	71,900	109,955
Depreciation and amortisation	37,589	36,727	33	31
Share of associates and joint venture (profit)/loss	(41,205)	(49,187)	(1,043)	945
Dividends from associates	33,843	26,017	11,630	11,800
Dividend from controlled entities	-	-	(221,850)	(117,366)
Interest income from controlled entities	-	-	(30,121)	(28,645)
Fair value adjustments to financial assets	(15,025)	(11,867)	-	(8,485)
Impairment of assets	269	6,289	-	-
Movement in provision for:				
- doubtful debts	(2,035)	(1,737)	-	-
- employee entitlements	4,102	10,902	-	-
- redundancy provision	-	(454)	-	-
- other provisions	7,372	632	(126)	-
Deferred tax asset	(3,138)	(15,065)	(3,402)	32,434
Deferred income tax	(7,770)	41,963	6,023	(21,057)
Provision for tax	35,241	(5,497)	4,248	(18,522)
Net profit on sale of non-current assets	(6,218)	(5,852)	(3,370)	-
Net profit on sale of controlled entity	(8,920)	(1,421)	212,911	-
Cost of share based payments	3,726	5,035	1,963	1,068
Other non cash items	(13,055)	(5,171)	-	-
Operational cash flow generated	128,260	127,729	48,796	(37,842)

Change in operating assets and liabilities net of effects of acquisitions and disposals of entities and the consolidation of controlled entities:

- (Increase)/decrease in receivables and other assets	(30,230)	(50,493)	1,380	(18,155)
- (Increase)/decrease in inventories	(21,145)	71,372	-	5,297
- Increase/(decrease) in payables and accruals	8,140	(21,252)	5,539	9,307
Net cash flows from operating activities	85,025	127,356	55,715	(41,393)

(b) Non cash financing and investing activities

During the financial year the following non-cash transactions occurred. These transactions are not reflected in the cash flow statement:

- the issue of 2,939,852 ordinary shares for the value of \$5.8m under the terms of the dividend reinvestment plan (2006: 1,226,603 ordinary shares for \$2.7m).
- receivables of \$20.5m were settled by way of conversion into an equity interest in 2007.

Notes to the Financial Statements for the year ended 30 June 2007

Note 27 Notes to the Cash Flow Statement (continued)

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Cash And Cash Equivalents				
Cash at bank and in hand	243,878	532,940	-	-
Short-term deposits	432	4,581	-	-
	244,310	537,521	-	-
Bank overdraft (note 18)	-	-	(33,658)	(36,165)
	244,310	537,521	(33,658)	(36,165)

Cash at year end includes \$176,979,000 (2006: \$171,458,000) of insurance cash, the use of which is subject to restrictions in accordance with the Insurance Act and the Insurance (Agents and Brokers) Act. Cash also includes \$6,160,000 (2006: \$11,020,000) of cash held in trust on behalf of certain controlled entities.

Note 28 Results of Insurance Activities

The summary of financial position below reflects the contribution to the Group of the general insurance activities of Elders Insurance Limited (EIL). EIL is a wholly owned entity of the parent entity and is subject to prudential supervision by the Australian Prudential Regulatory Authority.

Profit from ordinary activities includes the following results from general insurance activities:

Direct premium revenue	316,488	300,881	-	-
Outward reinsurance premiums	(134,234)	(136,679)	-	-
	182,254	164,202	-	-
Claims expense	(235,901)	(242,923)	-	-
Reinsurance and other recoveries	121,629	135,135	-	-
Claims handling costs	(6,020)	(5,491)	-	-
Net claims incurred (a)	(120,292)	(113,279)	-	-
Underwriting expenses				
- Amortisation of deferred acquisition costs	(53,747)	(23,982)	-	-
- Recurring acquisition costs	(14,156)	(11,124)	-	-
- Other underwriting costs	(2,883)	(6,543)	-	-
	(70,786)	(41,649)	-	-
Other underwriting revenue	33,107	34,946	-	-
Net underwriting result	24,283	44,220	-	-
Investment revenue	10,733	9,335	-	-
General and administration expenses	(11,312)	(29,815)	-	-
Profit from ordinary activities before income tax	23,704	23,740	-	-
Income tax (expense)	(7,130)	(7,188)	-	-
Net profit	16,574	16,552	-	-

Notes to the Financial Statements for the year ended 30 June 2007

Note 28 Results of Insurance Activities (continued)

(a) Net claims incurred comprises:

	2007			2006		
	Current Year \$000	Prior Year \$000	Total \$000	Current Year \$000	Prior Year \$000	Total \$000
Gross claims incurred and related expenses - undiscounted	(256,333)	12,168	(244,165)	(267,833)	14,644	(253,189)
Reinsurance and other recoveries - undiscounted	131,426	(9,251)	122,175	148,521	(10,969)	137,551
Net claims incurred - undiscounted	(124,907)	2,917	(121,990)	(119,312)	3,675	(115,638)
Discount and discount movement - gross claims	7,310	(5,067)	2,243	7,088	(2,313)	4,775
Discount and discount movement - reinsurance and other recoveries	(3,377)	2,832	(545)	(3,784)	1,367	(2,416)
Net discount movement	3,933	(2,235)	1,698	3,304	(946)	2,358
Total direct claims incurred	(120,974)	682	(120,292)	(116,008)	2,729	(113,279)

Process for Determining Risk Margin

The overall risk margin was determined allowing for diversification between different APRA business classes and the relative uncertainty of the outstanding claims estimate for each class. Uncertainty was analysed for each class taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of underlying data used in the models, the general insurance environment and the impact of legislative reform.

The assumptions regarding uncertainty for each class were applied to the net central estimates and the results were aggregated, allowing for diversification in order to arrive at an overall provision which is intended to have a 90% probability of sufficiency.

Risk Margins Applied (Net of Diversification)

	2007 %	2006 %
Long Tail Classes	25.7	25.7
Short Tail Classes	13.3	14.1
Overall Margin Allowing for Diversification	18.7	19.2

	Consolidated	
	2007 \$000	2006 \$000
Outstanding Claim Liabilities		
Central Estimate	160,824	143,285
Risk Margin	30,941	28,031
Claims Handling Costs	8,134	7,707
	199,899	179,023
Discount to Present Value	(15,543)	(13,299)
Liability For Outstanding Claims	184,356	165,724
Current	122,581	112,766
Non-Current	61,775	52,958
Total Outstanding Claims	184,356	165,724

Notes to the Financial Statements for the year ended 30 June 2007

Note 28 Results of Insurance Activities (continued)

Reconciliation of Movement in Net Discounted Outstanding Claims Liability

	Consolidated	
	2007 \$000	2006 \$000
At 1 July	72,928	63,848
Increase in Net Claims Incurred Current Accident Year	120,974	114,252
Movements in Prior Year Claims Provision		
- Discount	(273)	(220)
- Risk Margin	-	383
- Other Movements in Prior Year	(409)	(2,893)
Incurred Claims Recognised in the Income Statement	120,292	111,522
Net Claim Payments	107,795	102,442
At 30 June	85,425	72,928

Note 29 Expenditure Commitments

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Lease Commitments				
<i>Finance leases:</i>				
- not later than one year	3,972	4,881	-	-
- later than one year but not later than five years	5,717	4,633	-	-
- later than five years	208	3,196	-	-
Minimum lease payments	9,897	12,710	-	-
Future finance charges	(1,330)	(1,995)	-	-
Lease liabilities	8,567	10,715	-	-
Disclosed in the financial statements as:				
- current (note 18)	3,575	4,650	-	-
- non current (note 18)	4,992	6,065	-	-
	8,567	10,715	-	-
<i>Operating leases:</i>				
- not later than one year	62,327	62,244	4,093	4,039
- later than one year but not later than five years	162,786	158,146	22,481	21,763
- later than five years	132,971	142,381	15,467	20,277
	358,084	362,771	42,041	46,079

The Group has finance leases and hire purchase contracts for various items of plant and machinery with a carrying amount of \$8,125,000 (2006: \$9,729,000). These lease contracts expire within 1 to 4 years. The leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

The Group leases the majority of its branch networks and capital city properties under operating leases. The lease commitments comprise base amounts adjusted where necessary for escalation clauses primarily based on inflation rates. Leases generally provide the Group with a right of renewal at the end of the lease term. The extent of lease commitments is a factor that is considered in the calculation of certain borrowing covenants.

Capital Expenditure Commitments

Capital expenditure contracted for but not otherwise provided for in these accounts:

- not later than one year	30,505	45,723	-	-
- later than one year but not later than five years	-	1,861	-	-
- over five years	-	-	-	-
	30,505	47,584	-	-

Notes to the Financial Statements for the year ended 30 June 2007

Note 30 Contingent Liabilities

	Consolidated		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Contingent liabilities at balance date, not otherwise provided for in these financial statements, are as follows:				
Claims lodged for damages resulting from the use of products or services	2,982	2,272	-	-
Discounted Trade Bills	1,250	409	-	-
Guarantees issued to third parties arising in the normal course of business	66,451	40,572	66,451	32,572
	70,683	43,253	66,451	32,572

Unquantifiable contingent liabilities

- (a) The Group has contingent obligations in respect of leased premises, which have been sub-let to associated entities.
- (b) The Group has provided a guarantee for the performance of an associated entity under a lease agreement.
- (c) Benefits are payable under service agreements with executive directors and officers of the Group under certain circumstances such as termination or achievement of prescribed performance hurdles.

Other contingent liabilities

Taxation

During the year the Group received amended assessments denying capital losses previously utilised. The capital losses in dispute arose from the sale of the goodwill and other intangibles associated with the Elders wool handling business in 1998. The Group is of the opinion that no provisioning is required in respect of the amended assessments.

The Group has previously advised of the audit by the Australian Taxation Office (ATO) of the tax treatment of the sale of the Building Products Division in October 1997, for which amended assessments were issued. The Group objected to the amended assessments. The Group has also successfully challenged the validity of one of the assessments in the Full Federal Court of Australia. The ATO have filed an application for leave to the High Court of Australia on the matter. At 30 June 2007, the provision for taxation is sufficient to cover any anticipated payments under the assessments, should the ATO be ultimately successful.

The Group's tax returns for 2002 and 2003 are being audited as part of the ATO's large business audit program. Except as disclosed above, no other amended assessment have been received.

Other guarantees

- (a) As disclosed in Note 34, the parent entity has entered into a Deed of Cross Guarantee with certain controlled entities. The effect of this Deed is that Futuris Corporation Limited and each of these controlled entities has guaranteed to pay any deficiency of any of the companies party to the Deed in the event of any of those companies being wound up.
- (b) The parent entity and certain entities in the Group are parties to various guarantees and indemnities pursuant to bank facilities and operating lease facilities extended to the Group and commitments under the convertible and unsecured notes.

Note 31 Segment Information

The Group is organised and managed separately according to the nature of the products and services provided. The consolidated entity comprises the following distinguishable components; Rural Services, Financial Services, Forestry, Automotive Components, Property and Investment & Other.

Rural Services include the provision of a range of agricultural products and services through a common distribution channel and its associate Australian Agricultural Company Ltd (2006: Rural Services included Financial Services as one segment, comparatives have been restated to reflect this change).

Financial Services include the provision of a range of financial services through a common distribution channel and its associate Elders Rural Bank (2006: Financial Services was included in Rural Services as one segment, comparatives have been restated to reflect this change).

Forestry includes the Group's interests in forestry plantations and processing.

Automotive Components include the manufacturing and sales of Automotive components of which the key components are seating, heating ventilating and air-conditioning systems (2006: includes the Rail and Bus division).

Property includes the sale and development of land and commercial developments (2006: included an equity interest in a listed property trust now recognised in Investment & Other). During the 2007 fiscal year, the Property division was sold.

The Investment & Other segment includes the general investment activities not associated with the other business segments and the administrative corporate office activities, this includes the Rail and Bus division for 2007 (2006: included in Automotive components).

Segment results have been determined on a consolidated basis and represent the earnings before corporate net borrowing costs and income tax expense.

The Group operates predominantly within Australia. All other geographical operations are not material to the financial statements.

Notes to the Financial Statements for the year ended 30 June 2007

Note 31 Segment Information (continued)

Business Segments

	Rural Services	Financial Services	Forestry	Automotive Components	Property	Investment & Other	Total
2007	\$000	\$000	\$000	\$000	\$000	\$000	\$000
External sales	2,309,531	203,961	173,850	329,871	137,719	73,579	3,228,511
Other revenue	29,281	12,272	20,575	16,334	407	18,331	97,200
Share of net profit (loss) of associates	12,844	17,864	6,365	(1,242)	-	5,374	41,205
Total revenue	2,351,656	234,097	200,790	344,963	138,126	97,284	3,366,916
Underlying EBIT	56,289	27,192	56,929	9,520	21,476	(6,707)	164,699
Significant items	-	-	-	-	8,920	(9,566)	(646)
Segment Result	56,289	27,192	56,929	9,520	30,396	(16,273)	164,053
Earnings before interest, tax, depreciation & amortisation	71,501	27,259	61,899	27,752	30,450	(17,219)	201,642
Depreciation & amortisation	(15,212)	(67)	(4,970)	(18,232)	(54)	946	(37,589)
Segment Result	56,289	27,192	56,929	9,520	30,396	(16,273)	164,053
Corporate net interest expense							(40,024)
Profit from ordinary activities before tax							124,029
Segment assets	1,134,287	615,490	672,106	197,639	-	337,346	2,956,868
Unallocated assets (including tax assets)	-	-	-	-	-	-	141,567
Segment liabilities	566,807	390,662	81,165	82,428	-	62,412	1,183,474
Unallocated liabilities (including tax liabilities)	-	-	-	-	-	-	728,464
Carrying value of equity investments	274,431	129,497	85,526	18,354	-	68,342	576,150
Acquisition of property, plant & equipment, intangible assets and other non current assets, including design and development	39,768	2,688	93,180	38,148	-	6,244	180,028
Non cash expenses other than depreciation and amortisation	(2,262)	-	612	(7,732)	9	(197)	(9,570)
Profit/(loss) on sale of investments	(146)	-	-	-	-	3,371	3,225

Notes to the Financial Statements for the year ended 30 June 2007

Note 31 Segment Information (continued)

Business Segments

2006	Rural Services \$000	Financial Services \$000	Forestry \$000	Automotive Components \$000	Property \$000	Investment & Other \$000	Total \$000
External sales	2,364,538	185,672	159,239	457,225	189,144	-	3,355,818
Other revenue	36,602	10,674	3,881	16,717	1,263	9,511	78,648
Share of net profit (loss) of associates	25,883	15,476	5,500	4,717	(1,444)	(945)	49,187
Total revenue	2,427,023	211,822	168,620	478,659	188,963	8,566	3,483,653
Underlying EBIT	59,691	26,939	39,922	20,758	18,230	(8,387)	157,153
Significant items	6,100	-	-	(4,500)	(1,931)	-	(331)
Segment Result	65,791	26,939	39,922	16,258	16,299	(8,387)	156,822
Earnings before interest, tax, depreciation & amortisation	77,347	28,854	43,480	35,761	16,463	(8,356)	193,549
Depreciation & amortisation	(11,556)	(1,915)	(3,558)	(19,503)	(164)	(31)	(36,727)
Segment Result	65,791	26,939	39,922	16,258	16,299	(8,387)	156,822
Corporate net interest expense							(38,961)
Profit from ordinary activities before tax							117,861
Segment assets	1,212,803	663,136	512,578	216,388	257,684	55,901	2,918,490
Unallocated assets (including tax assets)	-	-	-	-	-	-	442,964
Segment liabilities	517,586	387,788	91,484	108,091	16,900	133,294	1,255,143
Unallocated liabilities (including tax liabilities)	-	-	-	-	-	-	878,386
Carrying value of equity investments	390,322	133,888	50,372	2,621	20,571	1,045	598,819
Acquisition of property, plant & equipment, intangible assets and other non current assets, including design and development	30,361	2,873	104,884	18,169	-	43	156,330
Non cash expenses other than depreciation and amortisation	4,973	(165)	22	3,121	1,088	1,065	10,104
Profit on sale of investments	784	-	-	-	-	2,259	3,043

Notes to the Financial Statements for the year ended 30 June 2007

Note 32 **Supplementary Statement of Net Debt by Segment**

	Rural Services \$000	Financial Services \$000	Forestry \$000	Automotive Components \$000	Property \$000	Investment & Other \$000	Total \$000
2007							
Earnings before interest & tax	56,289	27,192	56,929	9,520	30,396	(16,273)	164,053
Depreciation and amortisation	15,212	67	4,970	17,142	54	144	37,589
Equity accounted earnings	(12,844)	(17,864)	(6,365)	1,345	-	(5,477)	(41,205)
Dividends received from associates	20,430	11,630	1,235	-	-	548	33,843
Profit/loss on sale of property, plant & equipment	(3,736)	4	(276)	1,015	-	-	(2,993)
Profit on sale of investments	146	-	-	-	-	(3,371)	(3,225)
Profit on sale of controlled entities	-	-	-	-	(8,920)	-	(8,920)
Profit on sale of investment properties	-	-	(235)	-	-	-	(235)
Discount on acquisition	-	-	(1,600)	(2,500)	-	-	(4,100)
Interest (net)	(4,307)	12,272	683	82	(74)	(48,680)	(40,024)
Tax (paid)/refund	2,968	(5,864)	504	(2,756)	-	10,063	4,915
Share based payments	2,625	149	588	626	40	(302)	3,726
Impairment losses/(reversals)	(1,851)	1,311	599	(2,467)	-	2,677	269
Fair value adjustments on financial assets	-	-	(15,025)	-	-	-	(15,025)
Provisions and other	(15,041)	2,392	(20,654)	10,452	(15,583)	37,478	(956)
Operating cash flow before movements in working capital	59,891	31,289	21,353	32,459	5,913	(23,193)	127,712
Movement in working capital	42,219	(7,526)	(16,001)	(11,556)	(24,665)	(25,158)	(42,687)
Operating cash flow	102,110	23,763	5,352	20,903	(18,752)	(48,351)	85,025
Capital expenditure	(27,042)	(734)	(63,156)	(14,215)	-	-	(105,147)
Proceeds on sale of property, plant and equipment	5,447	13	4,138	323	-	-	9,921
Proceeds sale of investments	68	-	-	-	-	26,574	26,642
Proceeds sale of controlled entity	-	-	-	-	-	120,959	120,959
Payments for investments and other	(15,414)	(7,650)	(30,024)	(20,300)	-	(3,625)	(77,013)
D&D capitalised	-	-	-	(6,252)	-	-	(6,252)
Loans to associated parties (net)	(18,715)	-	597	-	-	(4,217)	(22,335)
Loans from growers (net)	-	-	(1,342)	-	-	-	(1,342)
Loans to employees	-	-	-	-	-	-	-
Acquisition of controlled entity (net)	(5,361)	-	-	-	-	(130,861)	(136,222)
Investing cash flow	(61,017)	(8,371)	(89,787)	(40,444)	-	8,830	(190,789)
Proceeds from issue of shares and other equity	-	-	-	-	-	2,570	2,570
Dividends paid	-	-	(5,532)	-	-	(66,199)	(71,731)
Other flows	-	-	(5,532)	-	-	(63,629)	(69,161)
Total	41,093	15,392	(89,967)	(19,541)	(18,752)	(103,150)	(174,925)
Opening net debt							(202,012)
Total flows							(174,925)
Convertible notes classified as debt converted to equity during the year (non cash movement)							4,765
Fair value adjustments to debt							7,224
Closing net debt							(364,948)

Notes to the Financial Statements for the year ended 30 June 2007

Note 32 Supplementary Statement of Net Debt by Segment (continued)

2006	Rural Services \$000	Financial Services \$000	Forestry \$000	Automotive Components \$000	Property \$000	Investment & Other \$000	Total \$000
Earnings before interest & tax	65,232	27,498	39,922	16,258	16,299	(8,387)	156,822
Depreciation and amortisation	11,556	1,915	3,558	19,503	164	31	36,727
Equity accounted earnings	(25,883)	(15,476)	(5,500)	(4,717)	1,444	945	(49,187)
Dividends received from associates	13,423	11,800	794	-	-	-	26,017
Profit/loss on sale of property, plant & equipment	(3,816)	-	(392)	(22)	-	-	(4,230)
Profit on sale of investments	(784)	-	-	-	-	(838)	(1,622)
Profit on sale of controlled entities	-	-	-	-	-	(1,421)	(1,421)
Interest (net)	(10,845)	12,084	(2,761)	50	(33)	(38,395)	(39,900)
Tax (paid)/refund	(26,521)	427	(13,783)	(1,631)	-	18,977	(22,531)
Share based payments	2,754	138	322	674	120	1,027	5,035
Impairment losses	-	166	-	332	1,164	-	1,662
Fair value adjustments	(16,555)	-	4,627	-	-	61	(11,867)
Provisions and other	(18,060)	31,655	1,382	(7,397)	2,743	22,443	32,224
Operating cash flow before movements in working capital	(10,041)	70,207	28,169	23,050	21,901	(5,557)	127,729
Movement in working capital	136,742	(38,566)	(50,005)	17,528	(47,253)	(18,819)	(373)
Operating cash flow	126,701	31,641	(21,836)	40,578	(25,352)	(24,376)	127,356
Capital expenditure	(20,752)	(1,226)	(104,884)	(10,784)	-	(43)	(137,689)
Proceeds on sale of property, plant and equipment	23,000	-	6,125	43	-	-	29,168
Proceeds sale of investments	879	-	-	-	-	1,768	2,647
Proceeds sale of controlled entity	-	-	-	-	-	1,556	1,556
Payments for investments and other	(36,736)	(1,647)	(11,179)	(2,131)	-	(18,631)	(70,324)
D&D capitalised	-	-	-	(7,385)	-	-	(7,385)
Loans to associated parties	(2,869)	-	(3,607)	-	-	(20,448)	(26,924)
Loans from growers (net)	-	-	17,422	-	-	-	17,422
Loans to employees	(9,059)	-	-	(1,515)	(139)	(278)	(10,991)
Acquisition of controlled entity (net)	(17,184)	-	(532)	-	-	(30,359)	(48,075)
Investing cash flow	(62,069)	(3,525)	(96,655)	(21,772)	(139)	(66,435)	(250,595)
Proceeds from issue of shares and other equity	-	-	14,193	-	-	268,448	282,641
Dividends paid	-	-	(10,451)	-	-	(61,692)	(72,143)
Other flows	-	-	3,742	-	-	206,756	210,498
Total	64,632	28,116	(114,749)	18,806	(25,491)	115,945	87,259
Opening net debt							(314,761)
Total flows							87,259
Reclassification of debt to equity							54,576
Fair value adjustments to debt							(29,086)
Closing net debt							(202,012)

Notes to the Financial Statements for the year ended 30 June 2007

Note 33 Auditors Remuneration

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
The auditor of Futuris Corporation Limited is Ernst & Young.				
<i>Amounts received or due and receivable by Ernst & Young (Australia) for:</i>				
- auditing or review of financial statements	1,752,207	1,643,471	254,640	52,248
- tax services (primarily compliance)	345,858	381,080	315,353	170,330
- AIFRS transition services	-	123,615	-	123,615
- other compliance and assurance services	158,076	200,433	22,764	15,000
	2,256,141	2,348,599	592,757	361,193
<i>Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:</i>				
- auditing or review of financial statements	212,348	-	-	-
	212,348	-	-	-
<i>Amounts received or due and receivable by non Ernst & Young audit firms for:</i>				
- auditing or review of financial statements	454,060	560,547	-	-
- tax services	454,660	-	120,000	-
- internal audit	583,186	505,114	75,000	-
- other services*	731,124	765,798	535,605	21,206
	2,223,030	1,831,459	730,605	21,206

* Other services in the parent entity include specific projects and due diligence services

Note 34 Investments in Controlled Entities

		% Held by Group	
		2007	2006
A Top Pty Ltd	(a)	100	100
Abbino Pty Ltd	(g)	100	100
Acehill Investments Pty Ltd	(a)	100	100
ACN 073 323 038 Pty Ltd	(g)	100	100
Active Leisure (Sports) Pty Ltd	(a)	100	100
Agribusiness Insurance Brokers Pty Ltd	(g)	100	100
AI Asia Pacific Operations Holding Limited	(c)(e)	100	100
AI Bus Products Limited	(c)(e)	100	100
AI China Operations Holding Limited	(c)(e)	100	100
AI Coachair Holdings Limited	(c)(e)	100	100
AIM Metals Pty Ltd	(a)	100	100
Air International (China) Pty Ltd	(a)	100	100
Air International (India) Pty Ltd	(g)	100	100
Air International (Malaysia) Sdn Bhd	(c)(e)	100	100
Air International (UK) Holdings Ltd	(c)(e)	100	100
Air International (UK) Ltd	(c)	100	100
Air International (Ventures) No 2 Pty Ltd	(a)	100	100
Air International (Ventures) No 3 Pty Ltd	(g)	100	100
Air International Asia Pacific Operations Pty Ltd	(a)	100	100
Air International Coachair Sdn Bhd	(c)(e)	100	100
Air International Coachair Pty Ltd	(a)	100	100
Air International (Malaysia) Pty Ltd	(a)	100	100
Air International Transit China Co Ltd	(c)	100	100

Notes to the Financial Statements for the year ended 30 June 2007

Note 34 Investments in Controlled Entities (continued)

		% Held by Group	
		2007	2006
Air International Transit Pty Ltd	(a)	100	100
Air International Vehicle Air Conditioning (Shanghai) Co Ltd	(c)	100	100
Albany Woolstores Pty Ltd	(g)	66	66
Aldetec Pty Ltd	(a)	100	100
Aldetec Unit Trust	(f)	100	100
APM Coachair Sdn Bhd	(c)(e)	50	50
AMG Marketing & Research Pty Ltd	(g)	100	100
AP0 Administration Limited	(c)(e)	100	100
APT Finance Pty Ltd	(b)	100	93
APT Forestry Pty Ltd	(b)	100	93
APT Projects Ltd	(b)	100	93
APT Land Pty Ltd	(b)	100	93
APT Nurseries Pty Ltd	(b)	100	93
Artreal Pty Ltd	(g)	100	100
Ashwick (Vic) No 102 Pty Ltd	(a)	100	100
Austech Ventures Ltd	(a)	100	100
Australian Combined Meat Processors Pty Ltd	(i)	100	50
Australian Plantation Timber Ltd	(b)	100	93
Australian Retirement Managers Limited	(b)(i)	100	100
Australian Rural Finance Pty Ltd	(g)	100	100
Australian Topmaking Services Limited	(a)	100	100
B & W Rural Pty Ltd	(h)	51	51
Balcooma Pty Ltd	(g)	100	100
Banks Marsden Pty Ltd	(g)	100	100
Bedcell Pty Ltd	(g)	100	100
BHC Sales & Marketing Pty Ltd	(d)	100	100
Bradwell Pty Ltd	(j)	-	100
Brimhall Pty Ltd	(g)	100	100
Broadwater Hospitality Pty Ltd	(a)	100	100
Broadwater Hospitality Management Pty Ltd	(a)	100	100
Broadwater Holiday Club Sales and Marketing Pty Ltd	(a)	100	100
Bremer Woll Kämmerei AG	(c)(e)	100	95
BWK Australia Pty Ltd	(g)	100	95
BWK Elders Australia Pty Ltd	(b)	100	95
BWK Elders Europe GmbH	(c)(e)(i)	95	95
BWK Holdings Pty Ltd	(a)	100	100
Carbon Bid Co Pty Ltd	(g)	100	93
Canosac Limited	(c)(f)	100	100
Caversham Investments Pty Ltd	(a)	100	100
Caversham Landscape D. & C. Pty Ltd	(g)	100	100
Caversham Projects Pty Ltd	(g)	100	100
Caversham Property (Sales) Pty Ltd	(g)	100	100
Caversham Property Developments Pty Ltd	(j)(k)	-	100
Caversham Property Holdings Pty Ltd	(a)	100	100
Caversham Property Pty Ltd	(j)(k)	-	100
Charlton Feedlot Pty Ltd	(a)	100	100
Clima Air Conditioning Pty Ltd	(g)	100	100
Colotti Pty Ltd	(g)	100	100
Costilla Pty Ltd	(g)	100	100
CP Ventures Ltd	(a)	100	100

Notes to the Financial Statements for the year ended 30 June 2007

Note 34 Investments in Controlled Entities (continued)

		% Held by Group	
		2007	2006
Danny F11 Investments Pte Ltd	(c)	100	100
Dawley Pty Ltd	(g)	100	100
Domeni Pty Ltd	(g)	100	100
E. & R. Steeden Pty Ltd	(a)	100	100
E Globulus Pty Ltd	(g)	100	93
Elders Australia Limited	(a)	100	100
Elders Australia Aktien Holding GmbH & Co KG	(c)	100	95
Elders Australia Beteiligungs GmbH	(c)(h)	90	90
Elders Burnett Moore WA Pty Ltd	(g)	100	100
Elders China Trading Company	(c)	100	100
Elders Distribution Company Pty Ltd	(g)	100	100
Elders Financial Solutions Pty Ltd	(g)	100	100
Elders Global Wool Holdings Pty Ltd	(a)	100	100
Elders Hycube Pty Ltd	(g)	70	70
Elders Insurance Brokers Pty Ltd	(g)	100	100
Elders Financial Services Group Pty Ltd		100	100
Elders Insurance Ltd		100	100
Elders International Australia Limited	(a)	100	100
Elders Limited		100	100
Elders Mortgage Brokers Pty Ltd	(a)	100	100
Elders Project Management Pty Ltd	(g)	100	100
Elders Real Estate (NSW) Pty Ltd	(g)	100	100
Elders Real Estate (Qld) Pty Ltd	(g)	100	100
Elders Real Estate (WA) Pty Ltd	(g)	100	100
Elders Real Estate (Tasmania) Pty Ltd	(g)	100	100
Elders Real Estate Franchise (Vic) Pty Ltd	(g)	100	100
Elders Risk Management Pty Ltd	(g)	100	100
Elders Telecommunications Pty Ltd	(b)	100	100
Elders Telecommunications Infrastructure Pty Ltd	(d)	100	-
Elders Trustees Limited		100	100
Elders Underwriting Agency Pty Ltd	(g)	100	100
Elders Webster Pty Ltd	(g)	100	100
Elders Wool International Pty Ltd	(g)	100	100
Elders-GM Properties (SA) Pty Ltd	(g)	100	100
Elders-GM Properties (Vic) Pty Ltd	(g)	100	100
EREF Pty Ltd	(g)	100	100
Family Hospitals Pty Ltd	(a)	100	100
Fares Exports Pty Ltd	(g)	100	100
Fares Exports Management Mexico, S.A. de C.V.	(c)	100	100
Fares Exports Trading Mexico, S.A. de C.V.	(c)	100	100
Farmers Investment Trust	(f)	100	100
FGSF Pty Ltd	(g)	100	100
Futuris Administration Pty Ltd	(a)	100	100
Futuris Agencies Pty Ltd	(a)	100	100
Futuris Automotive Group Ltd (formerly Air International Group Ltd)	(a)	100	100
Futuris Automotive Pty Ltd (formerly Air International Pty Ltd)	(a)	100	100
Futuris Automotive Interiors (Anhui) Pty Ltd	(c)	100	100
Futuris Automotive Interiors (Australia) Pty Ltd (formerly Air International Seating Pty Ltd)	(a)	100	100
Futuris Automotive Interiors Holdings Pty Ltd (formerly Air International Seating Holdings Pty Ltd)	(a)	100	100

Notes to the Financial Statements for the year ended 30 June 2007

Note 34 Investments in Controlled Entities (continued)

		% Held by Group	
		2007	2006
Futuris Automotive Interiors (US) Inc	(c)	100	100
Futuris Automotive Interiors (Mauritius) Ltd	(c)	100	100
Futuris Transit System (US) Inc	(c)	100	100
Futuris Rural Pty Ltd	(a)	100	100
Futuris Ventures Pty Ltd	(a)	100	100
Futuris/Tamper Joint Venture Unit Trust	(f)	100	100
Geelong Wool Combing Ltd	(a)	100	100
George Moss (Qld) Pty Ltd	(a)	100	100
George Moss Pty Limited	(a)	100	100
Grouville Pty Ltd	(g)	100	100
H W Hayes & Sons (Ipswich) Pty Ltd	(g)	100	100
Hallette Pty Ltd	(g)	100	100
Harvey Meat Processing Pty Ltd	(g)	100	100
Hatmore Pty Ltd	(g)	100	100
Hollymont Ltd	(a)	100	100
Hose & Pipe Pty Ltd	(a)	100	100
IMA Investment Management Australia (ADF) Pty Ltd	(a)	100	100
IMA Investment Management Australia Pty Ltd	(a)	100	100
Innerhadden Ltd	(a)	100	100
Integrated Tree Cropping Ltd	(b)	100	93
ITC Finance Pty Ltd	(b)	100	93
ITC Project Management Ltd	(b)	100	93
ITC Timberlands Ltd	(b)	100	93
J.A. Gilmour & Sons (NSW) Pty Ltd	(g)	100	100
Jetoleaf Pty Ltd	(g)	100	100
Kentlake Holdings Pty Ltd	(g)	100	100
Keratin Holdings Pty Ltd	(a)	100	100
Killara Feedlot Pty Ltd	(i)	53	53
Kojonup Farm Pty Ltd	(g)	100	100
Leisure Industries International Pty Ltd	(a)	100	100
M.E. Deniliquin Pty Ltd	(g)	100	100
ITC Land Holdings Pty Ltd	(a)	100	93
Manet Holdings Pty Ltd	(a)	100	100
Manor Hill Pty Ltd	(a)	100	100
Marybrook Development Company Pty Ltd	(g)	100	100
Marybrook Investments Ltd	(a)	100	100
Milltoc Pty Ltd	(a)	100	100
Mutual Benefit Consulting Pty Ltd	(g)	100	100
Mylang Pty Ltd	(a)	100	100
ITC Fibre Pty Ltd	(a)	100	93
ITC Timber Pty Ltd	(a)	100	93
ITC Timber Seymour Pty Ltd	(a)	100	93
ITC Timber Heyfield Pty Ltd	(a)	100	93
New Ashwick Pty Ltd	(g)	100	100
North Australian Cattle Company Pty Ltd	(a)	100	100
Pacrim Meat & Livestock Trading Pty Ltd	(g)	100	100
Pakenham Properties Pty Ltd	(g)	100	100
Pernatty Pty Ltd	(g)	100	100
Pitt Son & Keene Pty Ltd	(g)	100	100
Planttech Pty Ltd	(a)	100	100

Notes to the Financial Statements for the year ended 30 June 2007

Note 34 Investments in Controlled Entities (continued)

		% Held by Group	
		2007	2006
Prestige Property Holdings Pty Ltd	(a)	100	100
Primac Exports Pty Ltd	(a)	100	100
Primac Elders Real Estate Pty Ltd	(g)	100	100
Primac Holdings Pty Ltd	(a)	100	100
Primac Pty Ltd	(a)	100	100
Primac Pastoral Co Pty Ltd	(g)	100	100
Primac Superannuation Nominees Pty Ltd	(g)	100	100
Primac Travel Pty Ltd	(g)	100	100
PT Elders Indonesia	(c)	100	100
Rachid Fares Enterprises of Australia Pty Ltd	(g)	100	100
Redray Enterprises Pty Ltd	(a)	100	100
Relatran Pty Ltd	(g)	100	100
SA Bid Co Pty Ltd	(a)	100	93
Sigma Air Conditioning (SA) Pty Ltd	(g)	100	100
Southern Wool Services (Goulburn) Pty Ltd	(g)	100	100
Steeden Holdings Pty Ltd	(a)	100	100
Steering Systems Australia Pty Ltd	(a)	100	100
Sycamore Enterprises Pty Ltd	(a)	100	100
Sydney Woolbrokers Limited	(i)	53	66
Tashmore Pty Ltd	(g)	100	100
Therm Air Australia Pty Ltd	(a)	100	100
The Australian Superannuation Group (WA) Pty Ltd	(a)	100	100
Topsoils of Australia Pty Ltd	(a)	100	100
Torrens Investments Pte Ltd (formerly Farid F Investments Pte Ltd)	(c)	100	100
Treecrop Pty Ltd	(g)	100	93
Trend-to-Zero Pty Ltd	(a)	100	100
Ultra Enterprises Pty Ltd	(g)	100	100
Ultrasound Australia Pty Ltd	(a)	100	100
Ultrasound International Pty Ltd	(a)	100	100
Ultrasound Technical Services Pty Ltd	(a)	100	100
United Alliance Group Ltd (formerly Elders Distribution Company Pty Ltd)	(g)	100	100
Victorian Investment Corporation Pty Ltd	(a)	100	100
Victorian Producers Co-operative Company Pty Ltd	(a)	100	100
Vickner Pty Ltd	(g)	100	100
Vockbay Pty Limited	(a)	100	100
VP Services Pty Ltd	(g)	100	100
VP Travel Pty Ltd	(g)	100	100
WA Bid Co Pty Ltd	(a)	100	93
Westralia Property Management Ltd		100	100
Wool Exchange (WA) Pty Ltd	(g)	67	67
Wooltech Marketing Pty Ltd	(g)	100	100
Yenley Pty Ltd	(g)	100	100

- (i) Pursuant to Australian Securities and Investments Commission Class Order 98/1418 dated 13 August 1998, relief has been granted to these controlled entities of Futuris Corporation Limited from the Corporations Act 2001 requirements for preparation, audit and publication of accounts. As a condition of the Class Order, Futuris Corporation Limited, and the controlled entities subject to the Class Order, entered into a deed. The effect of the deed is that Futuris Corporation Limited has guaranteed to pay any deficiency in the event of the winding up of any member of the Closed Group, and each member of the Closed Group has given a guarantee to pay any deficiency, in the event that Futuris Corporation Limited or any other member of the closed group is wound up.

The parties that comprise the Closed Group are denoted by (a) above. Parties added to the Closed Group during the year are denoted by (b) above. Parties removed from the Closed Group during the year are denoted by (k) above.

Notes to the Financial Statements for the year ended 30 June 2007

Note 34 Investments in Controlled Entities (continued)

	2007 \$000	2006 \$000
The consolidated income statement and balance sheet of the entities which are members of the Closed Group are as follows:		
<i>Consolidated income statement of the Closed Group</i>		
Profit from continuing operations before income tax	48,531	4,791
Income tax benefit/(expense)	7,479	7,182
Profit after income tax from continuing operations	56,010	11,973
Profit after tax from discontinued operation (refer note 43)	21,535	13,747
Net profit for the period	77,545	25,720
Retained earnings at the beginning of the period	(54,744)	(18,772)
Impact of acquisitions/disposals	24,766	-
Dividends provided for or paid	(74,270)	(61,692)
Retained earnings at the end of the period	(26,703)	(54,744)
<i>Consolidated balance sheet of the Closed Group</i>		
Current Assets		
Cash assets	3,001	190,801
Receivables	365,289	364,505
Inventories	184,015	248,542
Derivative Financial Instruments	-	687
Held for trading financial assets	-	20,341
Other	7,408	2,439
Total current assets	559,713	827,315
Non Current Assets		
Receivables	127,159	73,026
Investments in associates and joint ventures	438,593	442,633
Other financial assets	542,964	781,195
Inventories	23,059	33,814
Property, plant and equipment	122,498	56,501
Investment properties	220,244	3,413
Intangibles	108,159	11,714
Deferred tax assets	57,492	49,714
Other	25,446	74,089
Total non current assets	1,665,614	1,526,099
Total assets	2,225,327	2,353,414
Current Liabilities		
Payables	660,055	840,726
Interest bearing liabilities	185,838	96,563
Current tax liabilities	49,149	38,198
Derivative Financial Instruments	41,731	29,443
Provisions	42,817	2,189
Total current liabilities	979,590	1,007,119

Notes to the Financial Statements for the year ended 30 June 2007

Note 34 Investments in Controlled Entities (continued)

	2007 \$000	2006 \$000
Non Current Liabilities		
Payables	-	-
Interest bearing liabilities	348,098	459,259
Deferred tax liabilities	45,062	52,189
Provisions	3,565	47,588
Total non current liabilities	396,725	559,036
Total liabilities	1,376,315	1,566,155
Net Assets	849,012	787,259
Equity		
Contributed equity	608,493	577,717
Convertible notes - equity portion	54,263	57,384
Hybrid equity	145,151	145,151
Reserves	67,808	61,751
Retained earnings	(26,703)	(54,744)
Shareholder equity attributable to members of Futuris Corporation Limited	849,012	787,259

Certain members of the Closed Group, in addition to certain controlled entities, are guarantors in connection with the consolidated entity's borrowings facilities disclosed at note 18 and in connection with the unsecured and convertible notes disclosed at note 21.

- (ii) All companies are incorporated and carry on business in Australia except for the companies designated by (c) above which are incorporated in the following countries:

Company	Country of Incorporation
AI Asia Pacific Operations Holdings Limited	Hong Kong SAR
AI Bus Products Limited	Hong Kong SAR
AI China Operations Holding Limited	Hong Kong SAR
AI Coachair Holding Limited	Hong Kong SAR
Air International (Malaysia) Sdn Bhd	Malaysia
Air International (UK) Holdings Ltd	United Kingdom
Air International (UK) Ltd	United Kingdom
Air International Coachair Sdn Bhd	Malaysia
Air International Transit China Co Ltd	China
Air International Vehicle Air Conditioning (Shanghai) Co Ltd	China
APM Coachair Sdn Bhd	Malaysia
APO Administration Limited	Hong Kong SAR
Bremer Woll Kämmerer AG	Germany
BWK Elders Europe GmbH	Germany
Canosac Limited	Hong Kong SAR
Coachair (Thailand) Co Ltd	Malaysia
Danny F11 Investments Pte Ltd	Singapore
Elders Australia Aktien Holding GmbH & Co KG	Germany
Elders Australia Beteiligungs GmbH	Germany
Elders China Trading Company Ltd	China
Fares Exports Management Mexico, S.A. de C.V.	Mexico
Fares Exports Trading Mexico, S.A. de C.V.	Mexico
Futuris Automotive Interiors (Anhui) Pty Ltd	Mauritius
Futuris Automotive Interiors (Mauritius) Ltd	Mauritius
Futuris Automotive Interiors (US) Inc	USA
Futuris Transit Systems (US) Inc	USA
PT Elders Indonesia	Indonesia
Torrens Investments Pte Ltd	Singapore

Notes to the Financial Statements for the year ended 30 June 2007

Note 34 Investments in Controlled Entities (continued)

- (iii) Entities acquired during the period are denoted by (d).
- (iv) Entities audited by firms other than the parent entity auditors or by affiliates of the parent entity auditor are denoted by (e).
- (v) Entities exempted from audit requirements due to overseas legislation or non-corporate status are denoted by (f).
- (vi) Entities classified by the Corporations Act 2001 as small proprietary companies relieved from audit requirements are denoted by (g). In addition, a number of small proprietary companies are party to the Class Order deed referred to in (i).
- (vii) Entities denoted by (h) are controlled entities, as the Group has the capacity to control via a dominance of financial, management and technological control.
- (viii) Entities denoted by (i) are entities where an entity controlled by the parent entity holds a controlling interest in the entity.
- (ix) Entities denoted by (j) are entities that were disposed of during the year. An equity interest has been retained in some of these entities.
- (x) Certain branch locations are subject to agreements whereby profits are shared on a proportionate 50% basis albeit under the control of the controlled entities within the Group.

Note 35 Key Management Personnel

(a) Details of Key Management Personnel

Directors

S Gerlach	Chairman
C E Bright	Non Executive Director
J C Fox	Non Executive Director
R G Grigg	Non Executive Director
W H Johnson	Non Executive Director
A L Newman	Non Executive Director (resigned 28 February 2007)
A Salim	Non Executive Director
G D Walters	Non Executive Director
I MacDonald	Non Executive Director (commenced 1 November 2006)
L P Wozniczka	Director and Chief Executive Officer

Other Key Management Personnel

B Griffiths	Managing Director - Futuris Automotive Group Ltd
G Hunt	Managing Director - Elders Rural Services
P Hall	Managing Director - Caversham Group (resigned 10 May 2007)
V M Erasmus	Managing Director - Integrated Tree Cropping Ltd
T Plant	Managing Director - Elders Financial Services Group
P Zachert	Chief Financial Officer

(b) Remuneration of Specified Directors and other Key Management Personnel

Remuneration Policy

The Board is committed to attracting, motivating and retaining the best management talent to meet the Group's requirements in a responsible way. The Group's remuneration policy is an integral element of this commitment.

The Board's objective is to ensure that the Group has adopted remuneration policies that meet the needs of the Group and encourage a performance orientated culture at both the corporate and individual levels, and specifically to:

- focus on creating and enhancing value for Group shareholders;
- provide competitive reward opportunities to successfully attract, motivate and retain the highest calibre Directors and senior executives to deliver Group business and growth strategies;
- align the rewards and interests of Directors and senior executives with the long term growth and success of the Group within an appropriate control framework; and
- establish a clear nexus between senior executive performance and remuneration.

Note 35 Key Management Personnel (continued)

(b) Remuneration of Specified Directors and other Key Management Personnel (continued)

Role of the Board and the Remuneration Committee

The Board is responsible for determining the remuneration of the non-executive Directors, within the aggregate limit approved by shareholders, and the Chief Executive Officer. The Board also oversees the Chief Executive Officer's recommendations for remuneration of senior executives.

The Remuneration Committee assists the Board by reviewing and making recommendations to the Board on:

- the remuneration framework for Directors and, specifically, whether that remuneration framework in the case of non-executive Directors reflects the responsibilities and risk involved in being an effective director;
- the remuneration package for the Chief Executive Officer and, specifically, whether the remuneration package promotes the long term growth of shareholder value and is reasonable in comparison with industry or other yardsticks;
- equity incentives for senior executives; and
- non-standard employee contracts.

Remuneration Structure

The structure of remuneration arrangements for non-executive directors and senior executives is separate and distinct in accordance with the ASX Corporate Governance Council's Best Practice Recommendations.

Remuneration of Non-Executive Directors

The Board determines the base fee payable to non-executive directors and the committee fees payable to those non-executive directors who sit on Board committees with the assistance of the Remuneration Committee and independent remuneration advice (where appropriate).

The Board's objective is to establish aggregate remuneration at a level which provides the Company with the ability to be competitive in attracting and retaining directors of the necessary qualifications and experience and with sufficient capacity to accommodate any increase in the number of directors, should this be considered appropriate.

The Group's Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by the Company's shareholders in general meeting. The current maximum aggregate amount which may be paid in Director's fees, as approved at the Annual General Meeting on 24 October 2006, is \$1,800,000 per annum (excludes consultancy fees). No Directors' fees are paid to executive Directors.

The Board reviews the adequacy of the aggregate limit and the base and committee fees paid annually. The Board considers advice from external consultants as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

As at the date of this report, the amount of Directors fees paid to each non-executive Director, other than the Chairman, is \$90,000 per annum. The Chairman and Deputy Chairman receive an annual composite fee of \$350,000 and \$130,000 respectively. Retirement allowances do not apply to Board appointments after 30 June 2004 and an accrual has been made for retirement allowances to that date. Additional fees are paid to the Chairman of the Audit Committee and the other members of the Audit Committee.

As explained in the Corporate Governance Statement, it is Board policy that a non-executive Board Director sit on subsidiary boards of each of the Group's main operating divisions to extend oversight down to those subsidiary boards. Additional fees are paid to non-executive Directors who sit on subsidiary boards. The base rate for non executive directors on subsidiary boards depends on the complexity and scale of the operating division and range from \$50,000 to \$70,000 at the time of this report. Additional fees are also paid to some non executive Directors who also sit on subsidiary board committees.

The Board encourages non-executive Directors to own securities in the Group to further align their interests with the interests of other shareholders. Details of Directors' shareholdings in the Group can be found in part (e) in this note. All shares held by Directors have been purchased by the Director on market.

Remuneration of Key Management Personnel

The Board's objectives are to:

- ensure that executives are appropriately rewarded having regard to their role and responsibilities within the Group;
- ensure an appropriate balance between fixed and "at risk" remuneration and, in relation to the "at risk" component, an appropriate balance between short term and long term incentives;
- link reward with the Group's financial performance and strategic positioning and to reward superior performance; and
- align the interests of senior executives with those of shareholders.

Notes to the Financial Statements for the year ended 30 June 2007

Note 35 Key Management Personnel (continued)

(b) Remuneration of Specified Directors and other Key Management Personnel (continued)

Remuneration is determined as part of an annual performance review, having regard to market factors, relevant comparative data, a performance evaluation process and independent remuneration advice (where necessary).

Remuneration is structured in three components:

1. Fixed Remuneration based upon the role of the employee, their experience and market factors;
2. Short term performance incentive dependent upon the quality of actual performance and linked to both financial and non-financial performance measures; and
3. Long term performance measured through shareholder value creation.

The Group's target mix of fixed and variable remuneration for the consolidated group's executive director and other key management personnel is as follows:

The ratios of fixed remuneration, short term and long term incentives reflect an increasing variable component of total remuneration according to the senior executive's strategic position within the Group.

The Board is responsible for determining the remuneration of the Chief Executive.

The Chief Executive Officer determines the remuneration of senior executives after consultation with the Remuneration Committee and, where appropriate, after seeking independent remuneration advice. The Remuneration Committee reviews the key elements of employment contracts for senior executives, reviews any non standard contracts and reviews the Chief Executive Officer's recommendations for equity incentives to senior executives. The Chief Executive Officer, after consultation with the Chairman, assesses the performance of senior executives and determines whether short term incentives have been earned and the quantum of those incentives.

One of the key management personnel is Mr Erasmus, the Managing Director of ITC. ITC was a listed public company during the 2006 year and was delisted on 26 July 2006. During 2006, Mr Erasmus' remuneration was determined by ITC in accordance with its policies and procedures. As a consequence of ITC being taken over by the Group, the review of the remuneration arrangements of Mr Erasmus and other senior executives of ITC will accord with the remuneration policies and procedures of the Group.

The remuneration of the Chief Executive Officer and the 6 other key management personnel for the year is set out in this report and includes the proportion of fixed and variable remuneration. The Group encourages its senior executives to own the Company's securities to further align their interests with the interests of other shareholders and has in place an employee share plan to facilitate this.

Fixed Remuneration:

The Chief Executive Officer's fixed remuneration is made up of base salary, superannuation contributions and the use of a fully maintained motor vehicle and car park. The fixed remuneration of the Chief Executive Officer is reviewed annually by the Remuneration Committee and a recommendation made to the Board.

The fixed remuneration of senior executives also consists of base salary, inclusive of superannuation contributions. Senior executives are given the opportunity to receive a portion of their fixed remuneration in forms other than cash on a fully costed basis. Fixed remuneration of senior executives is reviewed annually by the Chief Executive Officer in consultation with the Chairman.

Fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the role and responsibilities of the employee, reflects the individual's performance and experience, and has regard for current market conditions.

Short Term Incentive:

The short term incentive of the Chief Executive Officer and each senior executive is structured to ensure that the incentive payment is closely aligned to business performance by being designed to:

- Deliver Group performance improvements over the year against which the short term incentive hurdles are assessed;
- Provide reward for the achievement of challenging performance targets; and
- Align individual objectives to Group and business unit specific objectives.

The short term incentive of the Chief Executive Officer provides for an annual cash incentive which is based on a maximum percentage of the Chief Executive Officer's base salary. The Board assesses the performance of the Chief Executive Officer against his targets and determines his actual short term incentive payment based upon the recommendation of the Remuneration Committee.

Senior executive short term incentives are set as a maximum percentage of fixed remuneration.

Note 35 Key Management Personnel (continued)

(b) Remuneration of Specified Directors and other Key Management Personnel (continued)

Short term incentive (continued)

The short term incentive component of senior executives may comprise cash and/or shares in the Group (issued under the Group's employee share plan) and reflects the individual's performance in achieving various objectives over the prior 12 months. In the case of Corporate Office executives (such as the Chief Financial Officer), the short term incentive is linked to the overall performance of the Group and in the case of business unit executives (such as the Managing Director of each of Rural Services (Elders), Financial Services, Forestry, Automotive and Property), the relevant business unit's performance. The total potential short term incentive is set at a level that provides the senior executive with real incentive to achieve the targets and reflect competitive market conditions.

The actual short term incentive payment made to a senior executive depends upon the extent to which targets prescribed for a financial year are met. The targets comprise mainly financial hurdles such as the achievement or out performance of budget earnings before interest and tax. A smaller portion of the short term incentive may comprise non-financial hurdles, such as improved customer relationships, risk management and other specific objectives that add to shareholder value. The Chief Executive Officer assesses the performance of senior executives against their targets and determines the actual short term incentive payments after consultation with the Chairman.

Short term incentive targets are set at the beginning of the relevant financial year for the senior executives of each business unit. Senior executive short term incentives of corporate office executives are developed as the Group's corporate strategies are progressed during the year.

Long term incentive:

The aim of the long term incentive is designed to attract, retain and motivate the Chief Executive Officer and all senior executives and to reward those senior employees in a manner which aligns the long term incentive component of remuneration with the creation of shareholder wealth.

The long term incentive, in most cases, comprises options over shares in the Group. Options may be issued to executive Directors or senior executives for the achievement of individual performance over the prior 12 months with an exercise price equal to or at a premium to the market value of shares in the Group at the time of their issue. All options are issued in accordance with the terms of the Group's employee share option plan. Under the rules of the plan, options issued may not be exercised for a period of three years from their date of issue. Options may only be exercised between the third and fifth anniversary of their issue. The options of any employee who resigns prior to the commencement of the exercise period will automatically lapse.

In the case of the Chief Executive Officer options may only be exercised if specified financial hurdles are met. The performance hurdles define a minimum performance requirement that must be achieved if the Chief Executive Officer is to receive any benefit under the long term incentive scheme and specify higher performance hurdle rates that must be exceeded for the Chief Executive Officer to become eligible for higher entitlements under the long term incentive scheme. All options become exercisable only when superior levels of performance are achieved.

The Chief Financial Officer's long term incentive is also dependent upon the satisfaction of specified financial hurdles based on operating budgets. Satisfaction of the long term incentive of the Chief Financial Officer is determined by the Chief Executive Officer in consultation with the Chairman and with oversight and approval by the Board through the Remuneration Committee.

The long term incentive of other senior executives is determined by the Chief Executive Officer in consultation with the Chairman and oversight and approval by the Board through the Remuneration Committee. Payment is dependent upon an assessment of the individual's contribution over the prior financial year to factors that position the Group for longer term success and increases in shareholder wealth such as the development of new business activities, strategic positioning, the award of new contracts or the execution of key transactions.

Employment Contracts

Formal employment contracts have been entered into with each of the Chief Executive Officer and the 6 key management personnel. Entitlements to performance related bonuses (including those under the Group's employee incentive scheme) are either recorded in those agreements or determined as part of an annual formal performance review as outlined above. Other benefits including health insurance and car allowances are also recorded in those agreements. Major provisions of the agreements relating to remuneration are set out below:

Notes to the Financial Statements for the year ended 30 June 2007

Note 35 Key Management Personnel (continued)

(b) Remuneration of Specified Directors and other Key Management Personnel (continued)

L Wozniczka

Mr Wozniczka's agreement is terminable on 12 months notice under the terms of his agreement. The remuneration package structure consists of three elements, fixed remuneration, short term incentive and long term incentive. The latter two elements are performance based and details have been provided above.

Notice terms under the agreement are comparable with industry standards and ensure that both parties are protected. Either the Group or Mr Wozniczka may terminate the employment agreement at any time on 12 month's prior written notice. In specified (non-default) circumstances both parties have the right to terminate the agreement on 1 month's notice.

B Griffiths

Mr Griffiths has a three year agreement that commenced on 1 July 2004. The current agreement reflects Mr Griffiths' length of service and the effect of certain elements of agreements put in place over previous years, which it replaces.

The remuneration package structure consists of three elements, fixed remuneration, short term incentives and long term incentives. The fixed remuneration element is reviewed annually by the Chief Executive Officer in consultation with the Chairman and the Chairman of Futuris Automotive Group Limited. Mr Griffiths short term incentive has two components. The first component consists of a payment of up to 50% of his fixed remuneration, subject to the achievement of annual performance hurdles determined by the Chief Executive in consultation with the Chairman and chairman of Futuris Automotive Group Ltd, including both quantitative and qualitative financial measures. The second component consists of a share in a bonus pool in the event that Futuris Automotive Group Limited achieves prescribed target return on net assets. In addition to participation in the Company's employee option plan, Mr Griffith's long term incentive includes a value creation incentive, being 2% to 3% of any increases in value of the Company's Automotive operations, during his term as Managing Director.

The agreement provides for a termination benefit of \$2 million in the event that employment with Futuris Automotive Group Limited is terminated without cause or due to death or permanent incapacity.

The Chief Executive Officer has discretion to vary these arrangements where circumstances warrant after consultation with the Chairmen of the Group and Futuris Automotive Group Ltd.

G Hunt

Mr Hunt's agreement is terminable on 12 months' notice under the terms of his agreement.

Mr Hunt's remuneration package structure consists of three elements, fixed remuneration, short term incentives and long term incentives. The latter two elements are performance based and details have been described in general terms above.

Mr Hunt's fixed remuneration is reviewed annually by the Chief Executive Officer in consultation with the Chairman and the Chairman of Elders Australia Limited. Mr Hunt may earn up to 40% of his fixed remuneration as a short term incentive for the Rural Services division achieving budget earnings before interest and tax and up to a further 40% for out performance. For every 1% budget earnings before tax is exceeded, Mr Hunt may earn an additional 1% of his fixed remuneration up to the further 40%. A long term incentive for the achievement of budgeted earnings before interest and tax is 250,000 options annually (up to a maximum of 750,000 options) under the Group's employee option plan.

The Chief Executive has discretion to vary these arrangements where circumstances warrant after consultation with the Chairmen of the Group and Elders Australia Limited.

P Zachert

Mr Zachert's agreement is terminable on 12 months notice under the terms of his agreement.

Mr Zachert's remuneration package structure consists of three elements, fixed remuneration, short term incentives and long term incentives. The latter two elements are performance based and details have been described in general terms under the heading *Remuneration of Key Management Personnel*.

Fixed remuneration is reviewed annually by the Chief Executive in consultation with the Chairman. The short term incentive element consists of a payment of 50% of fixed remuneration for the achievement of budget net profit after tax. A long term incentive for the achievement of budget net profit after tax is 250,000 options annually (up to a maximum of 750,000 options over three years) under the Company's employee option plan.

The Chief Executive has discretion to vary these arrangements where circumstances warrant after consultation with the Chairman.

Notes to the Financial Statements for the year ended 30 June 2007

Note 35 Key Management Personnel (continued)

(b) Remuneration of Specified Directors and other Key Management Personnel (continued)

V Erasmus

Mr Erasmus joined the Company in March 2006 and has the role of Managing Director for the Integrated Tree Cropping (ITC) division. His contract is terminable on 12 months notice under the terms of his agreement.

Mr Erasmus' remuneration package structure consists of three elements, fixed remuneration, short term incentives and long term incentives. The latter two elements are performance based and details have been described in general terms under the heading *Remuneration of Key Management Personnel*.

Fixed remuneration is reviewed annually by the Chief Executive Officer in consultation with the Chairmen of the Group and ITC.

An annual short term incentive is payable based on achievement of performance targets of up to 60% of fixed remuneration in respect of the 2006 year and up to 80% in respect of later years. A long term incentive for achievement of budgeted earnings before interest and tax is 200,000 options annually (up to a maximum of 600,000 options) under the Group's employee option plan.

The Chief Executive Officer has discretion to vary these arrangements where circumstances warrant after consultation with the Chairmen of the Group and ITC.

T Plant

Mr Plant has the role of Managing Director for the Elders Financial Services Group (EFSG) division. Mr Plant's agreement is terminable on 12 months' notice under the terms of his agreement.

Mr Plant's remuneration package structure consists of three elements, fixed remuneration, short term incentives and long term incentives. The latter two elements are performance based and details have been described in general terms under the heading *Remuneration of Key Management Personnel*.

Mr Plant's fixed remuneration is reviewed annually by the Chief Executive Officer in conjunction with the EFSG Chairman and the Remuneration Committee. Mr Plant may earn up to 40% of his fixed remuneration as a short term incentive for the EFSG division achieving budget earnings before interest and tax and achieving budget for Insurance Distribution Fees. A further 10% of his fixed remuneration may be earned for out performance. A long term incentive for the achievement of profitability thresholds is 250,000 options annually (up to a maximum of 750,000 options) under the Group's employee option plan.

The Chief Executive has discretion to vary these arrangements where circumstances warrant after consultation with the EFSG Chairman and the Remuneration Committee.

2007	Short term Benefits		Post Employment		Share based payments			
(Dollars)	Base Salary or Fee (iv)	Other (i)	Employer Superannuation	Retirement Benefits	Options (ii)	Share Plan (iii)	Total	Total Perf Related
Specified Directors								
S Gerlach	350,000	-	12,686	#	-	-	362,686	-
C E Bright	90,000	60,000	12,686	-	-	-	162,686	-
J C Fox	90,000	50,000	12,600	#	-	-	152,600	-
R G Grigg	90,000	66,000	12,686	-	-	-	168,686	-
W H Johnson	130,000	16,000	12,686	#	-	-	158,686	-
I MacDonald	60,000	40,833	12,052	-	-	-	112,885	-
A L Newman	60,000	633,333	12,686	-	-	-	706,019	-
A Salim	90,000	-	-	-	-	-	90,000	-
G D Walters	90,000	106,500	12,686	-	-	-	209,186	-
L P Wozniczka	1,245,000	12,551	186,750	-	710,550	1,100,000	3,254,851	56%
Total Remuneration	2,295,000	985,217	287,518	-	710,550	1,100,000	5,378,285	

Notes to the Financial Statements for the year ended 30 June 2007

Note 35 Key Management Personnel (continued)

(b) Remuneration of Specified Directors and other Key Management Personnel (continued)

2006	Short term Benefits		Post Employment		Share based payments			
(Dollars)	Base Salary or Fee (iv)	Other (i)	Employer Superannuation	Retirement Benefits	Options (ii)	Share Plan (iii)	Total	Total Perf Related
Specified Directors								
S Gerlach	225,000	-	26,730	#	-	-	251,730	-
C E Bright	75,000	50,000	6,750	-	-	-	131,750	-
J C Fox	75,000	-	6,750	#	-	-	81,750	-
R G Grigg	87,000	50,000	12,768	-	-	-	149,768	-
W H Johnson	124,500	-	11,205	#	-	-	135,705	-
A L Newman	75,000	950,000	6,750	-	-	-	1,031,750	-
A Salim	75,000	-	-	-	-	-	75,000	-
G D Walters	93,000	55,000	40,570	-	-	-	188,570	-
L P Wozniczka	1,129,040	22,820	172,500	-	571,599	1,100,000	2,995,959	56%
Total Remuneration	1,958,540	1,127,820	284,023	-	571,599	1,100,000	5,041,982	

(i) This includes fees paid for subsidiary board directorships. The Futuris Board has resolved to dispense with retirement allowances for non-executive directors appointed after 30 June 2004 and to freeze retirement allowances for other directors at that date. Each director marked # has an entitlement of \$150,000 to be paid at the time of retirement. AL Newman received a consultancy fee for services provided to the Group. AL Newman retired as a director on 28 February 2007.

(ii) As part of Mr Wozniczka's remuneration package, as approved by shareholders, he is entitled to options which are subject to TSR and EPS performance hurdles. Details of the options are provided in part (d) of this note.

(iii) Short term performance incentives for 2007 are provided to Mr Wozniczka in the form of shares issued under the employee share plan.

(iv) Includes any salary sacrifice of short term payments into superannuation.

2007	Short Term Benefits			Post Employment	Share based payments			
(Dollars)	Base Salary or Fee (iv)	Bonus (i)	Other (ii)	Employer Superannuation	Options	Share Plan (iii)	Total	Total Perf Related
Other Key Management Personnel								
B Griffiths	630,550	195,500	22,143	91,175	39,310	849	979,527	24%
G Hunt	589,631	275,000	141,580	53,119	83,103	5,801	1,148,234	32%
P Hall (d)	285,863	4,170,000	77,835	26,595	-	-	4,560,293	91%
V Erasmus	407,615	115,459	-	42,385	62,529	121,260	749,248	40%
P Zachert (c)	524,814	-	19,432	12,686	142,644	505,801	1,205,378	54%
T Plant	537,314	123,750	16,568	12,686	81,813	129,551	901,682	37%
Total Remuneration	2,975,787	4,879,709	277,558	238,646	409,399	763,262	9,544,362	

2006

Other Key Management Personnel

B Griffiths	623,119	382,500	40,957	56,081	32,125	5,223	1,140,005	37%
G Hunt	416,478	252,000	156,598	53,119	61,064	5,223	944,482	34%
P Hall	333,511	550,000	79,910	30,016	-	-	993,437	55%
J Neville Smith (a)	360,373	-	-	20,119	-	-	380,492	-
V Erasmus (b)	137,953	85,000	-	12,416	61,310	-	296,679	49%
P Zachert (c)	493,750	-	22,811	36,139	133,799	300,764	987,263	44%
Total Remuneration	2,365,184	1,269,500	300,276	207,890	288,298	311,210	4,742,358	

Notes to the Financial Statements for the year ended 30 June 2007

Note 35 Key Management Personnel (continued)

(b) Remuneration of Specified Directors and other Key Management Personnel (continued)

- (a) Mr J Neville Smith resigned as Chief Executive, Integrated Tree Cropping Limited. His employment ceased February 2006.
- (b) Mr Erasmus was appointed Chief Executive, Integrated Tree Cropping Limited with effect March 2006.
- (c) Mr Zachert received his 2007 short term performance incentive in the form of shares issued under the employee share plan.
- (d) Mr Hall has left the Group as a result of the Caversham sale on 10 May 2007.
- (i) The bonus component of remuneration relates to performance bonuses that have been earned and accrued in the current financial year.
- (ii) Other includes motor vehicles, housing benefits and other allowances subject to fringe benefits tax.
- (iii) Certain executives elect to receive an allocation of shares in Futuris Corporation Limited in lieu of a cash bonus. These shares are issued under the Company's Employee Incentive Scheme and are subject to holding restrictions (note 39(b)). Includes fair value of the loan under the general employee share scheme (refer note 39(b)).
- (iv) Includes any salary sacrifice into superannuation.

Compensation by Category

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Short term	11,413,271	7,021,320	1,801,797	1,668,421
Post employment	526,165	491,913	199,436	208,639
Share based payments	2,983,211	2,271,107	2,458,995	2,106,162
	14,922,647	9,784,340	4,460,228	3,983,222

(c) Remuneration Options - Granted and Vested during the year

	Granted Options (Number)	Vested Options ⁽⁶⁾ (Number)	Grant Date	Value at Grant Date (\$)	Exercise Price (\$)	First exercise date	Expiry and Last exercise date
2007							
Key Management Personnel							
B Griffiths ⁽⁶⁾	100,000	-	28 Aug 07	0.47	2.45	5 Oct 10	5 Oct 12
G Hunt	-	187,500	-	-	-	-	-
P Zachert	-	250,000	-	-	-	-	-
V Erasmus	-	200,000	-	-	-	-	-
T Plant	-	250,000	-	-	-	-	-
2006							
Specified Directors							
Les Wozniczka	3,000,000	-	25 Oct 05	0.47	2.06	31 Aug 08	25 Oct 15
Key Management Personnel							
B Griffiths	100,000	200,000	29 Aug 06	0.39	2.02	4 Oct 09	4 Oct 11
G Hunt	250,000	250,000	29 Aug 06	0.39	2.02	4 Oct 09	4 Oct 11
	75,000 ⁽⁴⁾	-	29 Aug 06	0.19	2.02	4 Oct 09	4 Oct 11
V Erasmus	600,000 ⁽⁴⁾	-	29 Aug 06	0.19	2.02	4 Oct 09	4 Oct 11
	150,000	-	29 Aug 06	0.45	1.83	4 Oct 09	4 Oct 11
P Zachert	-	375,000	-	-	-	-	-

All options are valued on the basis of the Trinomial valuation methodology.

Notes to the Financial Statements for the year ended 30 June 2007

Note 35 Key Management Personnel (continued)

(d) Option holdings of Directors and other Key Management Personnel

2007 (Number)	Balance at beginning of period	Options Exercised	Options Granted	Options Lapsed	Balance at end of period	Vested at 30 June 2007 ⁽⁶⁾ Exercisable	Not exercisable
Directors							
S Gerlach	-	-	-	-	-	-	-
C E Bright	-	-	-	-	-	-	-
J C Fox	-	-	-	-	-	-	-
R G Grigg	-	-	-	-	-	-	-
W H Johnson	-	-	-	-	-	-	-
I MacDonald	-	-	-	-	-	-	-
A L Newman	-	-	-	-	-	-	-
A Salim	-	-	-	-	-	-	-
G Walters	-	-	-	-	-	-	-
L P Wozniczka ⁽¹⁾	5,000,000	-	-	-	5,000,000	1,000,000	-
Key Management Personnel							
B Griffiths	400,000	(200,000)	100,000	-	300,000	-	300,000
G Hunt ⁽¹⁾	1,250,000	-	-	-	1,250,000	-	687,500
P Hall	-	-	-	-	-	-	-
P Zachert ⁽¹⁾	1,000,000	(250,000)	-	-	750,000	-	500,000
V Erasmus	750,000	-	-	-	750,000	-	350,000
T Plant	1,100,000	-	-	-	1,100,000	-	600,000
Total	9,500,000	(450,000)	100,000	-	9,150,000	1,000,000	2,437,500

2006 (Number)	Balance at beginning of period	Options Exercised	Options Granted	Options Lapsed	Balance at end of period	Vested at 30 June 2006 Exercisable	Not exercisable
Directors							
S Gerlach	-	-	-	-	-	-	-
C E Bright	-	-	-	-	-	-	-
J C Fox	-	-	-	-	-	-	-
R G Grigg	-	-	-	-	-	-	-
W H Johnson	-	-	-	-	-	-	-
A L Newman	-	-	-	-	-	-	-
A Salim	-	-	-	-	-	-	-
G Walters	-	-	-	-	-	-	-
L P Wozniczka	2,000,000	-	3,000,000	(750,000)	4,250,000	2,750,000	-
Key Management Personnel							
B Griffiths	800,000	(500,000)	100,000	-	400,000	200,000	-
G Hunt	675,000	(550,000)	325,000	-	375,000	-	-
P Hall	-	-	-	-	-	-	-
P Zachert	750,000	(500,000)	-	-	250,000	250,000	-
J Neville Smith	750,000	-	-	(750,000)	-	-	-
V Erasmus	-	-	750,000	-	750,000	-	-
Total	4,975,000	(1,550,000)	4,175,000	(1,500,000)	6,025,000	3,200,000	-

Notes to the Financial Statements for the year ended 30 June 2007

Note 35 Key Management Personnel (continued)

(e) Shareholdings of Directors and other Key Management Personnel

2007 <i>Ordinary shares</i>	Balance at beginning of period	On Exercise of Options	Granted as Remuneration ⁽⁷⁾	Net Change Other	Balance at end of period
Directors					
S Gerlach	428,491	-	-	50,000	478,491
C E Bright	103,492	-	-	-	103,492
J C Fox ⁽²⁾	26,765	-	-	-	26,765
R G Grigg	20,000	-	-	11,560	31,560
W H Johnson ⁽²⁾	23,548,181	-	-	-	23,548,181
I MacDonald	-	-	-	60,000	60,000
A L Newman	6,353,327	-	-	(4,353,327)	2,000,000
A Salim	32,920,578	-	-	625,000	33,545,578
G D Walters	21,000	-	-	-	21,000
L P Wozniczka ⁽²⁾	4,019,803	-	497,738	4,000	4,521,541
Key Management Personnel					
B Griffiths ⁽⁵⁾	1,539,024	200,000	-	(1,327,878)	411,146
G Hunt	699,668	-	-	9,861	709,529
P Hall	13,339	-	-	(13,119)	220
P Zachert ⁽⁵⁾	1,049,757	250,000	226,244	(202,634)	1,323,367
V Erasmus	-	-	52,244	9,669	61,913
T Plant	58,700	-	55,995	-	114,695
Total	70,802,125	450,000	832,221	(5,126,868)	66,957,478

Convertible Notes & Hybrid Instruments

Directors					
L P Wozniczka ⁽²⁾	51,100	-	-	-	51,100

2006 <i>Ordinary shares</i>	Balance at beginning of period	On Exercise of Options	Granted as Remuneration ⁽⁷⁾	Net Change Other	Balance at end of period
Directors					
S Gerlach	328,491	-	-	100,000	428,491
C E Bright	103,492	-	-	-	103,492
J C Fox ⁽²⁾	26,765	-	-	-	26,765
R G Grigg	20,000	-	-	-	20,000
W H Johnson ⁽²⁾	23,548,181	-	-	-	23,548,181
A L Newman	6,353,327	-	-	-	6,353,327
A Salim	32,920,578	-	-	-	32,920,578
G D Walters	21,000	-	-	-	21,000
L P Wozniczka ⁽²⁾	2,779,731	-	552,764	687,308	4,019,803
Key Management Personnel					
B Griffiths	1,527,312	500,000	-	(488,288)	1,539,024
G Hunt	100,943	550,000	-	48,725	699,668
P Hall	13,339	-	-	-	13,339
P Zachert	372,179	500,000	150,754	26,824	1,049,757
J Neville Smith ⁽³⁾	1,515,152	-	-	-	1,515,152
V Erasmus	-	-	-	-	-
Total	69,630,490	1,550,000	703,518	372,569	72,256,577

Convertible Notes & Hybrid Instruments

Directors					
L P Wozniczka ⁽²⁾	49,600	-	-	1,500	51,100

Notes to the Financial Statements for the year ended 30 June 2007

Note 35 Key Management Personnel (continued)

(e) Shareholdings of Directors and other Key Management Personnel (continued)

(1) Opening balance includes additional options approved in 2007 relating to 2006.

(2) Shareholdings include non beneficial interests - refer to the Directors Report.

(3) Shareholding reflects shares in Integrated Tree Cropping Limited.

(4) Exercised subject to meeting hurdle.

(5) Price paid for options exercised are as follows:

- B Griffiths 200,000 shares for \$1.23
- P Zachert 250,000 shares for \$1.51

(6) Options vested in respect of performance conditions, length of service conditions still required to be met.

(7) Included in total remuneration for the period as per note 35 (b).

All equity transactions with directors and key executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arms length.

(f) Loans to Directors and other Key Management Personnel

	Balance at beginning period \$000	Interest Charged \$000	Interest not Charged (i) \$000	Loan Written Off \$000	Loan Repaid/ Other \$000	Balance at end of period \$000	Highest owing in period \$000
Directors							
2007	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
Executives (ii)							
2007	1,672	72	-	-	(1,048)	696	1,874
2006	2,555	128	46	-	(1,011)	1,672	2,737
Total							
2007	1,672	72	-	-	(1,048)	696	1,874
2006	2,555	128	46	-	(1,011)	1,672	2,737

(i) Interest not charged includes employee share scheme interest

(ii) There are 2 key executives within the loan group (2006: 2)

Details of individuals with loans above \$100,000 in the reporting period are as follows:

Executives							
G Hunt	701	-	-	-	(5)	696	831
P Hall	971	72	-	-	(1,043)	-	1,043

Terms and Conditions

The loan to Mr Hall relates to finance provided for the completion of a property development as part of his remuneration package upon commencing employment. A market rate of interest is charged on this loan, and is capitalised on the loan balance. The loan was repaid in full on 10 May 2007.

The loan to Mr Hunt is secured by a mortgage over property and is repayable by November 2007. The loan is interest free and included as part of Mr Hunt's total remuneration. The average commercial rate of interest during the year was 6.5%.

Notes to the Financial Statements for the year ended 30 June 2007

Note 35 Key Management Personnel (continued)

(g) Other Transactions and Balances with Directors and other Key Management Personnel

The aggregate amounts recognised in respect of the following types of transactions with directors of entities in the Group and their director-related entities were:

Transaction type	Director concerned	Consolidated	
		2007 \$000	2006 \$000
Sales through rural agency services	W H Johnson	313	454
	C E Bright	376	321
Purchase of merchandise	W H Johnson	281	246
	C E Bright	45	98
	L P Wozniczka	5	-
Purchases through rural agency services	W H Johnson	1	8
	C E Bright	-	4

The above transactions were made on commercial terms and conditions and at market rates.

In addition, directors of the parent entity or its controlled entities, or their director-related entities, may purchase goods and services from the Group in their domestic dealings and within normal customer or employee relationships on terms and conditions no more favourable than those available in similar arms length dealings.

The amounts involved are immaterial to the Group and include the following:

- (i) Sales of goods
- (ii) Provision of insurance services
- (iii) Provision of rural agency services
- (iv) Provision of deposit facilities

Note 36 Related Party Disclosures

(a) Ultimate Controlling Entity

The ultimate controlling entity of the Group is Futuris Corporation Limited.

(b) Transactions with related parties in the wholly owned group

Transactions between the parent entity and related parties in the wholly owned group during the years ended 30 June 2007 and 30 June 2006 consisted of:

- (i) loans advanced by Futuris Corporation Limited;
- (ii) loans repaid by Futuris Corporation Limited;
- (iii) the receipt and payment of interest on the above loans;
- (iv) the payment of dividends to Futuris Corporation Limited;
- (v) the receipt of management fees by Futuris Corporation Limited;
- (vi) the provision of accounting and administrative services;
- (vii) the provision of transport services;
- (viii) the provision of guarantees and credit facilities; and
- (ix) the transfer of tax losses as permitted by the Income Tax Assessment Act.

These transactions were undertaken on commercial terms and conditions.

Notes to the Financial Statements for the year ended 30 June 2007

Note 36 Related Party Disclosures (continued)

(c) Transactions with controlled entities not wholly owned

Transactions between the wholly owned Group and partly owned controlled entities consisted of:

	2007 \$000	2006 \$000
Commission earned	-	44
Dividend income	1,795	1,145
Interest income	901	1,277
Loans advanced	6,589	-
Purchases of inventories	706	3,415
Purchases of plant & equipment	-	586
Recharges - other	414	275
Sales	15,372	10,614
Tax payments	-	370
Wool handling fee	557	2,893
Wool supply agreement	(1,382)	46,116

All transactions with controlled entities not wholly owned are conducted on commercial terms and conditions.

Balances with controlled entities not wholly owned

Owing to the Group	23,781	24,483
Owing from the Group	(3,406)	(3,491)

(d) Transactions with other partly owned related parties consisted of:

		Consolidated		Parent	
Transaction type	Class of related party	2007 \$000	2006 \$000	2007 \$000	2006 \$000
<i>Loans to other related parties</i>					
Loans advanced	Associate	2,922	40,848	-	6,308
Loans repayments	Associate	847	-	-	-
Interest received or receivable	Associate	779	723	-	491
<i>Other transactions</i>					
Dividends received	Associate	22,213	14,481	-	-
Dividend received	Joint Venture	11,630	11,800	11,630	11,800
Distribution fees received	Joint Venture	32,546	29,856	-	-
Management fee paid on transfer of cash accounts	Joint Venture	984	8,252	-	-
Reimbursement of expenses	Joint Venture	18,656	16,592	-	-
Transfer of cash accounts	Joint Venture	154	110,315	-	-
Capital contributions	Joint Venture	5,500	14,500	5,500	14,500
Purchases	Associate	112,796	139,181	-	-
Sale of inventory	Associate	33,746	29,090	-	-
Sale of plant & equipment	Associate	1,706	6	-	-
Other services & recharges	Associate	35,142	33,600	-	-
Acquisition of investments	Associate	89,830	43,269	231	-

All transactions with other related parties are conducted on commercial terms and conditions.

Balances with other partly owned related parties

Owing to the Group	Associate	52,699	61,688
Owing from the Group	Associate	-	-
Owing to the Group	Joint Venture	6,270	5,195
Owing from the Group	Joint Venture	-	(21,790)

Notes to the Financial Statements for the year ended 30 June 2007

Note 37 Earnings Per Share

Consolidated

	2007 \$000	2006 \$000
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The following reflects the net profit and share data used in the calculations of earnings per share (EPS):

Reported Operations

Basic

Net profit attributable to members (after tax)	100,715	87,439
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Dilutive

Operating profit after tax	100,715	87,439
Interest on convertible notes	10,148	10,148

Net profit attributable to members (after tax) adjusted for the effect of convertible notes	110,863	97,587
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Continuing Operations

Basic

Net profit attributable to members (after tax)	100,715	87,439
Less: Net profit of discontinued operations (net of tax)	(21,535)	(13,747)
Net profit of continued operations (net of tax)	79,180	73,692

Dilutive

Net profit of continued operations (net of tax)	79,180	73,692
Interest on convertible notes	10,148	10,148
Net profit of continued operations (net of tax) adjusted for the effect of convertible notes	89,328	83,840

Discontinuing Operations

Net profit of discontinued operations (net of tax)	21,535	13,747
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Weighted average number of ordinary shares ('000) used in calculating basic EPS	726,666	669,604
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Dilutive share options ('000)	129,568	91,485
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Adjusted weighted average number of ordinary shares used in calculating dilutive EPS ('000)	856,234	761,089
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Convertible notes of 57,119,165 have been included in the calculation of dilutive EPS, as they are believed to be dilutive, given the current share price compared with the conversion price.

Hybrid notes have been included in the calculation of dilutive EPS, as they are believed to be dilutive.

Basic underlying earnings per share (cents per share)	14.00¢	13.18¢
Diluted underlying earnings per share (cents per share)	13.07¢	12.93¢

Underlying earnings are earnings from ordinary activities adjusted for specific non recurring items.

Non recurring items (net of tax) used in calculating underlying basic and dilutive EPS is \$1,047,000 (2006: \$811,000).

Notes to the Financial Statements for the year ended 30 June 2007

Note 38 Financial Instruments

Exposure to commodity, interest rate, credit and foreign exchange risks arise in the normal course of business. The Group has policies in place to manage these exposures within Board approved limits.

(a) Commodity Risk

The Group enters into contracts for the purchase and sale of various commodities, in the ordinary course of business operations. Differences in the timing of purchase and sale contracts create an exposure to commodity price risk.

All business units that have exposure to commodity price risk operate within the confines of a Board approved risk management policy. The Group enters into futures, swaps and option contracts to manage commodity price risk within the established Board approved limits.

The Group classifies financial instrument commodity purchase and sale contracts, commodity futures, swaps and option contracts as fair value derivatives. All open contracts are fair valued at balance date with any gains and losses on these contracts, together with the associated costs to completion of these contracts, being recognised immediately through the income statement.

The Group has elected not to apply hedge accounting for the financial reporting of commodity contracts classed as financial instruments.

(b) Interest rate risk exposures

The Group is exposed to interest rate risk through primary financial assets and liabilities, modified through derivative financial instruments. The following table summarises interest rate risk for the Group, together with effective interest rates as at balance date.

Cross currency interest swaps are used to hedge the Australian dollar value of cash flows associated with the payment of principal and interest on long term fixed rate borrowings and to swap a fixed rate exposure into an Australian floating interest rate exposure.

Interest rate swap agreements are used to convert floating interest rate exposures on certain debt to fixed rates. These swaps entitle the Group to receive, or oblige it to pay, the amounts, if any, by which actual interest payments on nominated loan amounts exceed or fall below specified interest amounts.

Consolidated	Fixed Interest Rate Maturing In					Average Interest Rate %		
	Floating Interest Rate \$000	1 Year or Less \$000	Over 1 to 5 Years \$000	More than 5 Years \$000	Non -Interest Bearing \$000	Total \$000	Floating	Fixed
2007								
Financial assets								
Cash	243,750	560	-	-	-	244,310	6.6	6.5
Finance debtors	842	-	-	-	-	842	12.8	-
Associated entity loans	-	5,465	-	-	60,587	66,052	-	4.4
Trade debtors	-	-	-	-	415,036	415,036	-	-
Other receivables	23,321	55	-	-	332,189	355,565	7.6	12.5
Other financial assets	-	-	-	-	41,767	41,767	-	-
	267,913	6,080	-	-	849,579	1,123,572		
Financial liabilities								
Secured loans	28,749	-	6,298	-	-	35,047	4.6	5.5
Unsecured loans	199,057	-	-	-	-	199,057	6.8	-
Unsecured notes 1999	-	-	53,233	33,271	-	86,504	-	7.6
Unsecured notes 2005	-	-	-	156,672	-	156,672	-	7.6
Convertible notes	-	82,823	-	-	-	82,823	-	7.0
Finance leases	-	3,575	4,807	185	-	8,567	-	8.1
Payables	-	-	-	-	889,567	889,567	-	-
Taxation payable	-	-	-	-	61,341	61,341	-	-
	227,806	86,398	64,338	190,128	950,908	1,519,578		

Notes to the Financial Statements for the year ended 30 June 2007

Note 38 Financial Instruments (continued)

(b) Interest rate risk exposures (continued)

Consolidated		Fixed Interest Rate Maturing In						
	Floating Interest Rate	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Non -Interest Bearing	Total	Average Interest Rate %	
2006	\$000	\$000	\$000	\$000	\$000	\$000	Floating	Fixed
Financial assets								
Cash	536,861	660	-	-	-	537,521	5.5	6.2
Finance debtors	1,344	-	-	-	-	1,344	12.3	-
Associated entity loans	-	5,685	-	-	61,198	66,883	-	4.4
Trade debtors	-	-	-	-	448,121	448,121	-	-
Other receivables	21,626	-	-	-	225,994	247,620	9.5	-
Other financial assets	-	-	-	-	31,099	31,099	-	-
	559,831	6,345	-	-	766,412	1,332,588		
Financial liabilities								
Secured loans	140,534	-	-	-	-	140,534	5.7	-
Unsecured loans	105,942	-	-	-	-	105,942	6.3	-
Unsecured notes 1999	-	95,927	59,032	36,895	-	191,854	-	7.0
Unsecured notes 2005	-	-	-	173,742	-	173,742	-	7.0
Convertible notes	-	-	87,588	-	-	87,588	-	7.0
Finance leases	-	4,650	3,371	2,694	-	10,715	-	8.3
Payables	-	-	-	-	985,757	985,757	-	-
Taxation payable	-	-	-	-	26,100	26,100	-	-
	246,476	100,577	149,991	213,331	1,011,857	1,722,232		
Parent		Fixed Interest Rate Maturing In						
	Floating Interest Rate	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Non -Interest Bearing	Total	Average Interest Rate %	
2007	\$000	\$000	\$000	\$000	\$000	\$000	Floating	Fixed
Financial assets								
Associated entity loans	-	-	-	-	6,143	6,143	-	-
Other receivables	-	-	-	-	1,546,999	1,546,199	-	-
Other financial assets	-	-	-	-	60	60	-	-
	-	-	-	-	1,553,202	1,553,202		
Financial liabilities								
Bank Overdraft	33,658	-	-	-	-	33,658	9.7	-
Unsecured loans	100,000	-	-	-	-	100,000	6.9	-
Unsecured notes 1999	-	-	53,233	33,271	-	86,504	-	7.6
Unsecured notes 2005	-	-	-	156,672	-	156,672	-	7.6
Convertible notes	-	82,823	-	-	-	82,823	-	7.0
Payables	-	-	-	-	437,319	437,319	-	-
Taxation payable	-	-	-	-	21,437	21,437	-	-
	133,658	82,823	53,233	189,943	458,756	918,413		

Notes to the Financial Statements for the year ended 30 June 2007

Note 38 Financial Instruments (continued)

(b) Interest rate risk exposures (continued)

Parent	Fixed Interest Rate Maturing In					Average Interest Rate %		
	Floating Interest Rate \$000	1 Year or Less \$000	Over 1 to 5 Years \$000	More than 5 Years \$000	Non-Interest Bearing \$000	Total \$000	Floating	Fixed
2006								
Financial assets								
Associated entity loans	-	-	-	-	6,089	6,089	-	-
Other receivables	1,834	-	-	-	1,278,667	1,280,501	4.9	-
Other financial assets	-	-	-	-	60	60	-	-
	1,834	-	-	-	1,284,816	1,286,650		
Financial liabilities								
Bank Overdraft	36,165	-	-	-	-	36,165	9.0	-
Unsecured loans	100,000	-	-	-	-	100,000	6.3	-
Unsecured notes 1999	-	95,927	59,032	36,895	-	191,854	-	7.0
Unsecured notes 2005	-	-	-	173,742	-	173,742	-	7.0
Convertible notes	-	-	87,588	-	-	87,588	-	7.0
Payables	-	-	-	-	251,988	251,988	-	-
Taxation payable	-	-	-	-	20,156	20,156	-	-
	136,135	95,927	146,620	210,637	272,144	861,493		

(c) Credit risk exposures

The Group's exposures to credit risk on the balance sheet are indicated by the carrying amounts of its financial assets. The Group minimises concentrations of credit risk by undertaking transactions with a large number of debtors in various locations and industries. The credit risk amounts do not take into account the value of any collateral or security. The creditworthiness of counterparties is regularly monitored and subject to defined credit policies, procedures and limits. The following amounts disclosed do not reflect expected losses and are shown gross of provisions.

	2007 \$000	2006 \$000
<i>Location of credit risk</i>		
Australia	746,443	671,023
Asia (excluding China)	19,871	10,657
China	14,540	10,708
Europe	29,110	37,085
Japan	3,880	5,515
North America	18,764	19,905
Other	4,887	9,072
Total gross receivables	837,495	763,965
<i>Industry classification</i>		
Rural	440,854	453,292
Automotive	85,843	95,052
Property	-	42,847
Forestry	146,449	118,552
Other*	164,349	54,222
Total gross receivables	837,495	763,965

* includes \$105,935,000 in relation to deferred settlement of the property sale transaction.

The credit risk associated with cash is located primarily in Australia.

Notes to the Financial Statements for the year ended 30 June 2007

Note 38 Financial Instruments (continued)

(d) Foreign Exchange Risk

The Group is exposed to movements in the exchange rates of a number of currencies, in the ordinary course of business operations. Exposure to movements in the AUD/USD and AUD/EUR exchange rates are the predominant exposures. These are primarily generated from the following activities:

- (i) Purchase and sale contracts written in foreign currency, or priced in AUD but determined from a foreign currency value at a future date;
- (ii) Receivables and payables denominated in foreign currencies;
- (iii) Commodity derivatives traded in a currency other than AUD;
- (iv) Commodity cash prices that are partially determined by movements in exchange rates;
- (v) Costs to sale such as transportation and commission denominated in foreign currency; and
- (vi) Funding raised in foreign currency.

Foreign exchange risk is managed within Board approved limits using forward foreign exchange and foreign currency option contracts. Where possible, exposures are netted off against each other to minimise the cost of hedging.

In managing foreign exchange risk, hedge accounting will be applied for financial reporting purposes for selected exposures based upon the size and duration of the exposure.

Where hedge accounting is not applied, foreign currency contracts are fair valued at balance date with gains and losses recognised immediately through the income statement.

(e) Fair value of financial assets and liabilities

The fair value of derivative financial instruments is determined by reference to quoted market prices. Where a quoted market price is not available, the fair value is the estimated amount the consolidated entity would receive or pay to terminate the derivative financial instrument taking into account available market information.

The gain or loss arising from changes in fair value is recognised immediately in the income statement, unless the derivative qualifies for hedge accounting, in which case the accounting treatment is set out below.

All financial assets and liabilities have been recognised in the balance sheet at their net fair values, except for the following:

	Carrying amount		Fair Value	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Financial Assets				
Listed shares (equity accounted - refer note 12)	297,163	356,159	497,326	303,831

(f) Hedging activities

At 30 June 2007, the Group had a number of interest rate swap agreements and cross currency swap agreements in place. These swaps are used to hedge the movements in interest rates and the changes in fair value of borrowings denominated in a foreign currency (USD).

The Group also held a number of forward exchange contracts designated as hedges of contracted future sales to customers and contracted future purchases from suppliers for which the Group has firm commitments. The foreign currency contracts are being used to hedge the foreign currency risk of the firm commitments.

The terms of these swap agreements and forward contracts are as follows:

	Amount in Total \$AUD'000	Maturity	Pay Rate/ Exchange Rate	Number of Designated Hedge Contracts
At 30 June 2007				
Interest Rate Swaps	425,000	May 2008 to June 2015	4.875% to 5.845%	5
Cross Currency Swaps	291,709	Nov 2009 to May 2015	BBSW + Margin	5
At 30 June 2006				
Interest Rate Swaps	500,000	Nov 2006 to June 2015	4.85% to 5.845%	6
Cross Currency Swaps	395,200	Nov 2006 to Dec 2015	BBSW + Margin	6

Notes to the Financial Statements for the year ended 30 June 2007

Note 39 Share Based Payment Plans

	Consolidated		Parent	
	2007	2006	2007	2006
The number of full time equivalents employed at 30 June are:	5,002	5,118	21	22

(a) Employee option ownership scheme

The parent entity issues from time to time options over ordinary shares to senior employees of the Group. These options are issued at the sole discretion of the Directors as part of employees' remuneration packages.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2007 No. ('000)	2007 WAEP	2006 No. ('000)	2006 WAEP
Outstanding at the beginning of the year	12,090	1.75	11,360	1.51
Issued during the year	8,763	2.06	5,465	2.02
Lapsed during the year	(695)	2.01	(825)	1.73
Exercised during the year	(1,670)	1.54	(3,910)	1.44
Outstanding at the end of the year	18,488	1.91	12,090	1.75

The range of exercise prices for options outstanding at the end of the year was \$1.23 - \$2.25.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2007 is 4.18 years (2006: 4.59 years).

The expense recognised in the income statement in relation to these options is disclosed in note 3.

(b) Employee share plan (ESP)

Shareholders approved the implementation of an ESP at a general meeting in November 1989 and October 1998. Within the ESP, two schemes exist. The general terms and conditions of these schemes comprise:

- (i) General Employee Scheme under which permanent employees may acquire shares in the parent company with a market value ranging from \$3,000 to \$17,500 per year per employee; and
- (ii) Incentive Scheme under which selected employees will be eligible to acquire shares in the parent company on such terms as the Directors decide are appropriate in the circumstances of the employee.

During the financial year no ordinary shares (2006: nil) in the parent company were transferred to eligible employees for nil consideration under the Incentive Scheme.

Shares are issued to eligible employees by way of an interest free loan and are subject to holding restrictions, which prevent the employee dealing in the shares until the restriction period has expired. All shares issued under the plan rank equally with other shares of their class and participants enjoy all rights attaching to that class of shares. Any loan is repayable from dividends and the proceeds of sale of shares issued under the plan but is otherwise non-recourse to the employee, the shares being held by the Trustee as security for repayment of loan. This plan is accounted for and valued as an option plan, with the contractual life of each option equivalent to the estimated loan life.

(c) Option pricing model

The fair value of the share options is estimated as at the date of grant using a Trinomial valuation model and taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the period:

	2007	2006
Dividend Yield (%)	-	-
Expected Volatility (%)	28.00	28.00
Risk-free interest rate (%)	6.05	5.31
Expected life of options (years)	3.00	3.00
Option exercise price (\$)	2.12	2.28
Weighted average share price at measurement date (\$)	2.16	2.26

Notes to the Financial Statements for the year ended 30 June 2007

Note 40 Superannuation Commitments

Details of the Group's superannuation fund (accumulation and defined benefit) as extracted from the plan's most recent financial reports are as follows:

	30 June 2007 \$000	30 June 2006 \$000
Net market value of plan assets	706,709	572,265
Accrued benefits as at 30 June 2007 (2006)	(706,709)	(572,265)
Excess of plan assets over accrued benefits	-	-

Contributions to the accumulation section of the fund by the employer are paid in accordance with legislative requirements, the fund's rules and employee salary packages. Employees may also contribute. The assets of the accumulation section of the fund are sufficient to satisfy all benefits that would be vested in the event of termination.

Funding recommendations made by the actuary are based on assumptions of various matters such as future salary levels, mortality rates, membership turnover and interest rates. Comprehensive actuarial valuations are made at three yearly intervals, and the last such assessment was made as at 30 June 2004, by RS Mitchell, F.I.A.A from Mitchell and Co Pty Ltd. The next actuarial valuation is to be conducted as at 30 June 2007, with the report to be completed by Mercer and due on 30 November 2007.

The objective of the valuation is to ensure that the benefit entitlements of employees are fully funded by the time they become payable. To achieve this objective, the actuary has used the aggregate funding method, which entails contributions to be paid out as a constant percentage of members' salaries over their working lifetimes.

The defined benefit fund does not comprise a material portion of the fund and thus disclosure of the components of the net benefit income recognised in the Group income statement in accordance with AASB 119 Employee Benefits has not been made.

Note 41 Changes In The Composition Of The Entity

(a) Controlled Entities Acquired

The following controlled entities were acquired by the Group at the date stated and their operating results have been included within the income statement from the relevant date.

Equity and cash consideration paid	Date Controlled	Proportion of Shares Controlled	Consolidated	
			2007 \$000	2006 \$000
PlantTech Pty Limited	2/9/05	100%	-	5,416
			-	5,416

The consolidated entity also acquired during the financial year the remaining minority interest in controlled entity, Integrated Tree Cropping Ltd.

The aggregate amounts of assets and liabilities acquired by major class are:

Cash	-	(3,351)
Receivables	-	2,133
Inventories	-	2,976
Investments	-	971
Property, plant and equipment	-	127
Goodwill	-	3,672
Other assets	-	64
Tax assets and liabilities	-	1,606
Creditors and provisions	-	(6,133)
	-	2,065
Outflow of cash to acquire the entities, net of cash acquired:		
Cash consideration	-	(2,065)
Cash balance acquired	-	(3,351)
Net outflow of cash	-	(5,416)

The fair value of the assets and liabilities recognised on acquisition required no changes from the carrying value of the assets and liabilities acquired.

Notes to the Financial Statements for the year ended 30 June 2007

Note 41 Changes In The Composition Of The Entity (continued)

(b) Controlled Entities Disposed

On 10 May 2007, the Group sold certain Caversham companies, taking a 25% interest in the Aspen Development Fund. The companies disposed of were as follows:

Caversham Property Pty Ltd
Caversham Property Developments Pty Ltd
Bradwell Pty Ltd

Details of the disposals are as follows:

	Consolidated	
	2007 \$000	2006 \$000
Proceeds received on disposal of shares		
Cash	120,959	1,556
Deferred settlement	63,418	-
Investment in Aspen Development Fund	22,500	-
Less costs of disposal	(27,653)	-
	179,224	1,556

The carrying amounts of assets and liabilities disposed of by major class are:

Receivables	6,686	2,366
Inventories	158,622	5,753
Other assets	-	806
Property, plant & equipment	139	1,389
Investment properties	9,352	-
Payables	(4,366)	(12,284)
Provisions	(129)	(631)
Net assets/(liabilities) of entity sold	170,304	(2,601)
Unrealised amounts eliminated	-	4,022
Profit on disposal (before tax)	8,920	1,421

In 2006, the Group sold down equity in Australian Fine China, retaining 48% equity interest.

Note 42 Subsequent Events

Subsequent to year end, Futuris and an associated entity, Webster Limited, have reached an in-principle agreement, subject to shareholder approvals, successful divestment of Webster's non-core industrial operations, due diligence and valuations, to:

- transfer Futuris' aquaculture and horticulture interests to Webster for a purchase price of \$37.6m in exchange for 26,857,143 ordinary shares in Webster at \$1.40 per share.
- provide Webster with \$25m secured loan facility convertible at \$1.40 per ordinary share.

No other matter or circumstance has arisen since the end of the financial year which is not otherwise dealt with in this report or in the consolidated financial statements, that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Notes to the Financial Statements for the year ended 30 June 2007

Note 43 Discontinued Operations And Businesses Disposed

Particular companies within the Property division were disposed of on 10 May 2007 and is reported as a discontinued operation. This note shows the results of the continuing businesses and the discontinued business.

	Continuing	Discontinued	Consolidated	Continuing	Discontinued	Consolidated
For the year ended 30 June	2007 \$000	2007 \$000	2007 \$000	2006 \$000	2006 \$000	2006 \$000
Sales revenue	3,090,792	137,719	3,228,511	3,176,844	178,974	3,355,818
Cost of sales	(2,278,243)	(108,100)	(2,386,343)	(2,342,463)	(153,597)	(2,496,060)
Other revenues	67,752	331	68,083	44,443	2,095	46,538
Other expenses	(794,067)	(8,474)	(802,541)	(797,421)	(8,513)	(805,934)
Share of net profits of associates and joint ventures accounted for using the equity method	41,205	-	41,205	49,187	-	49,187
Profit on sale of non current assets	6,218	8,920	15,138	7,273	-	7,273
Profit before net borrowing costs and tax expense	133,657	30,396	164,053	137,863	18,959	156,822
Interest revenue	13,905	74	13,979	20,210	-	20,210
Borrowing costs	(54,003)	-	(54,003)	(59,171)	-	(59,171)
Profit before tax expense	93,559	30,470	124,029	98,902	18,959	117,861
Income tax expense	(11,610)	(8,935)	(20,545)	(16,234)	(5,212)	(21,446)
Net profit for year	81,949	21,535	103,484	82,668	13,747	96,415
Net profit attributable to minority interest	(2,769)	-	(2,769)	(8,976)	-	(8,976)
Net profit attributable to members of the parent entity	79,180	21,535	100,715	73,692	13,747	87,439

Revenue and Expenses

Sales revenue:

Sale of goods	2,313,528	43,068	2,356,596	2,584,892	63,855	2,648,747
Commission and other selling charges	540,238	-	540,238	389,330	-	389,330
Construction contract revenue	-	93,634	93,634	504	115,119	115,623
Insurance premium revenue	182,254	-	182,254	164,202	-	164,202
Other sales related income	54,772	1,017	55,789	37,916	-	37,916
	3,090,792	137,719	3,228,511	3,176,844	178,974	3,355,818

Other expenses:

Distribution expenses	418,239	-	418,239	412,514	-	412,514
Marketing expenses	26,100	-	26,100	34,742	94	34,836
Occupancy expenses	11,692	283	11,975	13,052	339	13,391
Administrative expenses	101,985	8,191	110,176	106,677	6,342	113,019
Insurance claims & related expenses	165,680	-	165,680	150,148	-	150,148
Other expenses	70,371	-	70,371	80,288	1,738	82,026
	794,067	8,474	802,541	797,421	8,513	805,934

Profit on sale of non current assets

- property, plant and equipment	2,993	-	2,993	4,230	-	4,230
- investments	3,225	-	3,225	1,622	-	1,622
- controlled entities	-	8,920	8,920	1,421	-	1,421
	6,218	8,920	15,138	7,273	-	7,273

Cash flow information - discontinued operations

The net cash flow of the divested Property Division are as follows:

Operating activities	7,640
Net cash inflow	7,640

Directors' Declaration

(1) In the opinion of the directors:

(a) the financial statements and notes of the company and of the Group are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

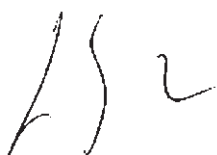
(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2007.

(3) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 34, will be able to meet any obligations or liabilities to which they are, or may become subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors.



GD Walters
Director



LP Wozniczka
Director

Adelaide
6 September 2007

Independent audit report to members of Futuris Corporation Limited

We have audited the accompanying financial report of Futuris Corporation 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 of the consolidated entity comprising 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 the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls 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. In Note 2, the directors also state that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

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 our 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, we consider internal controls 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 controls. 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.

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

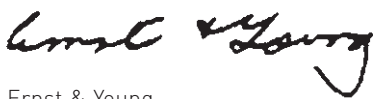
Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Futuris Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Futuris Corporation Limited and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.



Ernst & Young



A Herald
Partner

Adelaide
6 September 2007

Company Directory

Directors

S. Gerlach, LLB, Chairman
W.H. Johnson, ASA, Deputy Chairman
C.E. Bright, BA MA(Oxon)
J.C. Fox, BE, MEngSci, PhD
R.G. Grigg, FSAE-I, FAICD
I.G. MacDonald, SF Fin
A.Salim, BBus
G.D. Walters, AM, FCA
L.P. Wozniczka, BSc(Hons) MBA

Secretaries

M.P. Sadlon, LLB
S.C. Furey, BEc(Acc),FCA, LLM

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Facsimile: +61 (0)8 8236 2305
Website: www.computershare.com.au

Auditors

Ernst & Young

Bankers

Australia & New Zealand Banking Group
BNP Paribas
Citigroup
Commonwealth Bank of Australia
National Australia Bank
Westpac Banking Corporation

Stock Exchange Listings

Futuris Corporation Limited ordinary shares, subordinated redeemable convertible notes (Notes) and subordinated convertible unsecured notes (Futuris Hybrids) are listed on the Australian Stock Exchange.

Trustee for Convertible Note Holders

Permanent Nominees (Aust.) Limited
151 Rathdowne Street
Carlton South, Victoria, 3053

Trustee for Futuris Hybrids

Permanent Trustee Company Limited
151 Rathdowne Street
Carlton South, Victoria, 3053



Finsbury Green

Printed on Sovereign Offset
with sustainable forest fibre
using world's best practice ISO14001
Environment Management Systems.



Mixed Sources

Product group from well-managed
forests and other controlled sources
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