

Exhibit 2 – Notes

In September 20X4 Murray Co purchased 100% of the shareholding of Di Rollo Co. Di Rollo manufactures fashion accessories (for example, jewellery, scarves and bags) in South America that are sold throughout the world by mail order. Murray Co's management is now planning that clothes manufacture will expand into South America and sold into Di Rollo's mail order market. Additionally, Di Rollo's accessories will be added to the retail stores' product range.

Murray Co is a member of an ethical trade initiative that aims to improve the employment conditions of all workers involved in the manufacture of its products. Last week Di Rollo's chief executive was dismissed following allegations that he contravened Di Rollo's policy relating to the environmentally-friendly disposal of waste products. The former chief executive is now suing Di Rollo for six months' salary in lieu of notice and a currently undisclosed sum for damages.

Ross & Co has recently been invited to accept nomination as auditor to Di Rollo. Murray Co's management has indicated that the audit fee for the enlarged Murray Co group should not exceed 120% of the fee for the year ended 31 July 20X5. You have been provided with the following information relating to the acquisition of Di Rollo:

	<i>Carrying amount</i>	<i>Fair value adjustment</i>	<i>Fair value to the group</i>
	\$'000	\$'000	\$'000
Di Rollo brand name	–	–	600
Plant and equipment	95	419	514
Current assets	400	–	400
Current liabilities	(648)	–	<u>(648)</u>
Net assets at date of acquisition	(153)	419	866
Goodwill arising on acquisition			<u>859</u>
Cash consideration			<u>1,725</u>