MBL TRADING LIMITED T/A

# MBL FOOD SERVICES

ACN 111 463 864

66 YEARS SERVICING THE FOOD INDUSTRY
1949 - 2015

# 2015 ANNUAL REPORT

## Board of Directors

A W Lewis, Chairman

M P Collett, J G Percy, R G Moonen, J De Leo

## Secretary

J G Percy

## Chief Executive Officer

Derek Smith

## Bankers

Bank of Western Australia Ltd

108 St. George's Terrace, Perth

## Registered Office

3-5 Vulcan Road, Canning Vale

Western Australia 6155

Phone: (08) 9334 9600

Fax: (08) 93349601

Website: www.mbl.com.au

Email: info@mbl.com.au

## Auditors

Anderson Munro & Wyllie

Chartered Accountants

Unit 8, 210 Winton Road, Joondalup

Phone: (08) 9300 0400

## Solicitors

Squire Patton Boggs (AU) Lawyers

Level 21

300 Murray Street, Perth

Phone: (08) 9429 7476

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On behalf of the Directors, I am pleased to present the annual report for the Company for the year ended 30th June 2015.

The year under review has been a year of change with several management and structural changes within the business. The appointment of a new Chief Executive Officer ; Derek Smith saw a review of all business units being undertaken with specific focus on the performance of each business unit and the identification of the challenges and opportunities within each business unit. This review culminated in and the development of a long-term strategic plan.

The Company achieved an operating profit before tax and other significant items of $529,192 a similar result to last year.

The reported statutory profit before income tax of $230,192 included a non-recurring stock write off $299,000.

The quality and accuracy of the stock management control was well below the expected standard required of the business. The Directors have taken the view that the business must reflect the correct inventory position moving forward and controls have been put in place to ensure the integrity of the inventory. The carrying value of stock in the balance sheet reflects quality saleable stock within the business following these one off adjustments.

The operating profit was achieved on sales revenue of $18.6 million in slowing markets conditions. This represented a small improvement on last year's sales result. Sales in the first half of the year were sluggish however the second half of the year saw sales revenue gain momentum and the business is well placed in FY 15-16 to continue this revenue growth as the strategic plan initiatives are implemented across a number of our business units.

The strategic business plan has highlighted several pillars of growth, which are expected to create sales revenue and gross profit momentum for the next 5-10 year's. The strategic plan is also focussed on improvements in operational efficiency and improving levels of customer service. The strategic plan is designed to improve revenue, profitability and customer service, which will deliver an improved return on assets and returns to our shareholders. The business was supported by improved management controls, transparency and accountability throughout the year. In order to support the growth strategy a number of key appointments were made during the year.

## BOARD AND SENIOR MANAGEMENT

- Mr James De Leo was appointed to the board in July 2014. James also holds tertiary qualifications and has extensive commercial and media experience. He is a Director of several private companies and is currently the General Manager of Pisconeri Fine Foods and Wines an established and respected Perth based food importing and distribution business.

- Mr Derek Smith was appointed as the new CEO in July 2014. Derek is tertiary qualified and has extensive senior management experience. Derek has held general management and CEO roles in the food processing and distribution industry in Western Australia and overseas and is well qualified for his new position. The Board welcome him to the management team and look forward to working with him in driving the business forward.

- Mr Brad Pitt was appointed as Finance Manager in May 2015. Brad Pitt is tertiary and CPA qualified. Brad has experience in tax, financial reporting and business planning. The last eight years in a Management Accountant role for a multi-faceted business saw him lead the establishment of new business segments and develop skills in budgeting, forecasting, risk analysis and mitigation, management reporting, and systems design. The Board welcomes Brad to the management team and look forward to him leading the finance administration and IT functions within the business.

- Mr Troy Body was appointed Warehouse and Logistics Manager in May 2015. Troy has over 20 years' experience in warehouse, logistics and operational management. He has been involved in project management covering, re configuration of warehouses and the introduction on policies and procedures to support operational improvement. We look forward to benefitting from initiatives in this important area and to improving the level of service to our customers.

The new appointments have been made after careful review of the Company's current operations and future growth strategies. The appointments bring additional skills, experience and diversity to the Board and Senior Management and are expected to further grow shareholder value.

## REVIEW OF OPERATIONS

MBL Trading Limited has business operations covering the following areas

a) Food service, distribution and warehouse services
b) Contract blending and packing of premixes and other food ingredients
c) New machinery sales and service
d) Blade sharpening and other mechanical services
e) Retail sales systems solutions

During the year, all business divisions operated satisfactorily with the exception of Mechanical Services due to a reduction in available skilled technicians. Together these divisions provide the basis for the Company's strong focus on customer service and value. MBL Trading Ltd remains Western Australia's leading diversified provider of services to the butchery, bakery and food service industry. Going forward, the company will continue to focus on improving customer service. Increasing sales revenue and gross profit will be supported by product range development, purchasing management and a profit delivery program focused on improved efficiencies and cost control.

## DIVIDENDS

In view of the trading results, the Directors have resolved to declare a dividend of $0.02 per share, fully franked.

The Directors are aware of the importance that shareholders place on dividends and will remain focused on growing dividend returns going forward.

## OUTLOOK

The future outlook is very positive. The inventory issues that negatively impacted on the previous year's operating results have now been addressed and the benefits from the initiatives undertaken during the year to improve profitability are expected to flow through to the new financial year.

The key challenges impacting future earnings from the company's operations continue to be sales revenue growth and ongoing cost pressure. Within the company's strategic plan the management and the Board have an increased focus on the business model and sales resources to support revenue growth and improve customer service across all business units. The company continues to invest in supply chain operations to maintain control of operating expenses, improve operational efficiency and provide an operational platform capable of supporting the planned growth within the business.

The outlook for the foodservice sector remains difficult with soft business and consumer confidence. However, despite this environment the Company is in a sound financial position with quality assets, diverse cash flow from operations, and significant cash reserves available to fund future growth opportunities identified in the strategic plan. In addition, the Company is well served by experienced and committed personnel at all levels. From this position, your Directors will continue to look for opportunities to improve revenue, profitability and customer service in order to increase long-term shareholders value.

**ALLAN LEWIS**
**Chairman of Directors**
Dated this 30th day of October 2015

Your directors present their report on the company for the financial year ended 30 June 2015.

## DIRECTORS

The names of the directors in office at any time during, or since the end of, the year are:

A W Lewis
M P Collett
J G Percy
R G Moonen
J P De Leo
S Perroni – Retired 21 July 2014

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## COMPANY SECRETARY

The following person held the position of entity secretary at the end of the financial year J G Percy.

## INFORMATION ON DIRECTORS

**Allan W Lewis, Chairman – Non-Executive**
Independent non-executive director for 24 years.
Experience in wholesale/retail butchering and business management

**Michael P Collett, Non-Executive Director**
Independent non-executive director for 19 years.
Experience in wholesale/retail butchering and business management

**John G Percy, Non-Executive Director**
Independent non-executive director for 15 years.
Experience in wholesale/retail butchering and business management

**Rodney G Moonen, Non-Executive Director**
Independent non-executive director.
Appointed to the Board on 14 January 2014.
Qualifications and Experience: Bachelor of Business Studies (Curtin University)
Over 40 Years' experience in management and finance.
Directorships held in listed entities: FFI Holdings Limited (1990 to present)

**James P De Leo, Non-Executive Director**
Independent non-executive director.
Appointed to the Board on 23 June 2014
Qualifications and Experience: Bachelor Degree in Management/International Relations and Business Economics (Murdoch), Masters Degree in Strategic Affairs (Australian National University – Canberra), Experienced in wholesale food, importing and international logistics.

**Stellario Perroni, Non-Executive Director**
Independent non-executive director for 21 years.
Experience in Accounting and Business Management.
Owner of Supreme Book Keeping Services.

The number of directors meetings during the financial year were:

| Directors | Board Meeting | |
|---|---|---|
| | **A** | **B** |
| A W Lewis | 12 | 12 |
| M P Collett | 12 | 12 |
| J G Percy | 12 | 12 |
| R G Moonen | 12 | 12 |
| J P De Leo | 12 | 11 |
| S Perroni | 1 | 1 |

A – Number of meetings held during the time the director held office during the year.
B – Number of meetings attended

Mr A W Lewis retires by rotation, and being eligible, offers himself for re-election.

## DIRECTORS' INTERESTS

The relevant interests of each director in the shares of the Company are:

| | Ordinary Shares |
|---|---|
| A W Lewis | 96,638 |
| M P Collett | 88,060 |
| J G Percy | 116,948 |
| R G Moonen | 71,618 |
| J P De Leo | 90,032 |
| S Perroni | 42,962 |

No director has received or become entitled to receive, during or since the end of the financial period, a benefit because of a contract made by the company, or a related company with a director, a firm of which a director is a member or an entity in which a director has substantial financial interest, other than the benefits as disclosed in the notes to and forming part of the accounts.

## REVIEW OF OPERATIONS

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## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the company's state of affairs occurred during the financial year.

## PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Company consisted of:

(a) Wholesale and Retail sales of Butchery and Bakery Ingredients and requisites
(b) Wholesale of Food Service products
(c) Food Machinery Sales, Service and Mechanical Services
(d) Scales, Cash Registers and POS Sales and Service
(e) Sharpening and Grinding Sales and Service

No significant change in the nature of these activities occurred during the year.

## EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year, which significantly affect or could significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The company will continue to pursue increased profitability and market share of its major business sectors during the succeeding financial year, whilst evaluating possibilities to expand or add to these business sectors.

## ENVIRONMENTAL REGULATION

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

## DIVIDENDS

Since the end of the financial year, the Directors have resolved to pay a fully franked Ordinary Dividend for the year ended 30 June 2015 of $0.02 cents (2014 – $0.04 cents) per fully paid share to be paid on 27th November 2015.

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Final Ordinary Dividend Payable | 144 | 287 |

a. A fully franked dividend of $287,166 was paid during the year as recommended in last year's report.

## OPTIONS

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

## INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

The company has, during the financial year, in respect of any person who is or has been an officer of the company paid a premium of $4,004 in respect of Directors' and Officers' Liability Insurance which indemnifies the Directors and Officers of the company for any claims made against the Directors and Officers of the company, subject to the conditions contained in the insurance policy.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for the auditors of the company

## PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 6.

This director's report is signed in accordance with a resolution of the Board of Directors:

**A W LEWIS** **J G PERCY**

Dated this 30th day of October 2015

**Anderson Munro & Wyllie**
CHARTERED ACCOUNTANTS

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210 Winton Road
JOONDALUP WA 6027

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*Liability limited by a scheme approved under Professional Standards Legislation*

## AUDITOR'S INDEPENDENCE DECLARATION

## UNDER S 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF MBL TRADING LIMITED TRADING AS MBL FOOD SERVICES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

ANDERSON MUNRO & WYLLIE

**Anderson Munro & Wyllie**
Chartered Accountants

**Billy-Joe Thomas**
**Director**

Joondalup, WA
Dated this 30th day of October 2015

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| Revenue | 2 | 18,620 | 18,406 |
| Cost of sales | 3 | (13,025) | (12,648) |
| Gross profit | | 5,595 | 5,758 |
| | | | |
| Other income | 2 | 261 | 252 |
| Employee expenses | | (3,034) | (3,225) |
| Depreciation expenses | | (170) | (308) |
| Borrowing costs | 3 | (7) | (20) |
| Transportation expenses | | (524) | (475) |
| Write off – Machinery development costs | | - | (4) |
| Write off – Merlin POS development costs | | - | (354) |
| Write off – Obsolete stock | 3(b) | (299) | - |
| Other expenses | 3 | (1,592) | (1,448) |
| **Profit before income tax** | 3 | 230 | 176 |
| Income tax expense | 4 | (90) | 18 |
| **Profit for the year** | | 140 | 194 |
| | | | |
| Other comprehensive income | | - | - |
| Total comprehensive income/(loss) attributable to members of the entity | | 140 | 194 |

*The accompanying notes form part of these financial statements*

# STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2015

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 2,206 | 1,665 |
| Trade and other receivables | 9 | 2,293 | 2,144 |
| Inventories | 10 | 3,616 | 4,080 |
| Other assets | 11 | 157 | 198 |
| Investments | 12 | 52 | 52 |
| TOTAL CURRENT ASSETS | | 8,324 | 8,139 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 13 | 7,513 | 7,574 |
| Intangible assets | 14 | 35 | 37 |
| Deferred tax assets | 17 | 176 | 250 |
| TOTAL NON-CURRENT ASSETS | | 7,724 | 7,861 |
| TOTAL ASSETS | | 16,048 | 16,000 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 15 | 1,723 | 1,333 |
| Borrowings | 16 | 33 | 74 |
| Provision for income tax | 17 | (46) | (17) |
| Provision for employee benefits | 18 | 355 | 486 |
| TOTAL CURRENT LIABILITIES | | 2,065 | 1,876 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 16 | 30 | 61 |
| Deferred tax liabilities | 17 | 907 | 892 |
| Provision for employee benefits | 18 | 22 | - |
| TOTAL NON-CURRENT LIABILITIES | | 959 | 953 |
| TOTAL LIABILITIES | | 3,024 | 2,829 |
| NET ASSETS | | 13,024 | 13,171 |
| **EQUITY** | | | |
| Issued capital | 19 | 7,179 | 3,995, |
| Reserves | | 5,991 | 5,991 |
| Retained earnings | | (146) | 3,185 |
| TOTAL EQUITY | | 13,024 | 13,171 |

*The accompanying notes form part of these financial statements*

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

| | Note | Issued Capital Ordinary $'000 | Retained Earnings $'000 | General Reserve[a] $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Balance at 1 July 2013** | | 3,995 | 2,991 | 6,506 | 13,492 |
| Profit attributable to members of the entity | | - | 194 | - | 194 |
| Revaluation decrements for the year - net | | - | - | (515) | (515) |
| **Subtotal** | | 3,995 | 3,185 | 5,991 | 13,171 |
| Dividends paid | 7 | - | - | - | - |
| **Balance at 30 June 2014** | | 3,995 | 3,185 | 5,991 | 13,171 |
| Share movements during the year | | 3,184 | (3,184) | - | - |
| Profit attributable to members of the entity | | - | 140 | - | 140 |
| **Subtotal** | | 7,179 | 141 | 5,991 | 13,311 |
| Dividends paid or provided for | 7 | - | (287) | - | (287) |
| **Balance at 30 June 2015** | | 7,179 | (146) | 5,991 | 13,024 |

a. **Reserves:**

Included in reserves is general reserve of $1,005,475 which records funds set aside for future expansion of the company.

*The accompanying notes form part of these financial statements*

For the year ended 30 June 2015

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 18,686 | 18,549 |
| Payments to suppliers | | (14,564) | (15,017) |
| Payments to employees | | (3,144) | (3,216) |
| Interest received | | 65 | 55 |
| Borrowing costs | | (7) | (20) |
| Income tax paid | | (29) | 50 |
| Net cash generated from operating activities | 21 | 1,007 | 401 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of property, plant and equipment | | 36 | 94 |
| Purchase of property, plant and equipment | 13 | (143) | (87) |
| Purchase of intangible assets | 14 | - | (14) |
| Net cash used in investing activities | | (107) | (7) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of borrowings | | (72) | (194) |
| Dividends paid | | (287) | - |
| Net cash used in financing activities | | (359) | (194) |
| Net increase in cash held | | 541 | 200 |
| Cash at beginning of financial year | | 1,665 | 1,465 |
| Cash at end of financial year | 8 | 2,206 | 1,665 |

*The accompanying notes form part of these financial statements*

The financial statements cover MBL Trading Limited as an individual entity. MBL Trading Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 30th October 2015 by the directors of the company.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

### a. Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the company in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### b. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### c. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

**Property**

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are recognised against fair value reserves directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Plant and equipment**

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

The cost of fixed assets constructed within the company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets, including building and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Buildings | 2.5 – 4% |
| Plant and equipment | 3 – 40% |
| Motor Vehicles | 22.5 – 27% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

### d. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the company are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### d. Leases (continued)

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### e. Financial Instruments

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified "at fair value through profit or loss," in which case transaction costs are expensed to profit or loss immediately.

**Classification and subsequent measurement**

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

*Fair value* is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

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

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### e. Financial Instruments (continued)

(iv) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**Impairment**

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a company of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

**Financial guarantees**

Where material, financial guarantees issued, which requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

– the likelihood of the guaranteed party defaulting during the next reporting period;
– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
– the maximum loss exposure if the guaranteed party were to default.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### e. Financial Instruments (continued)

**Financial guarantees**

Financial guarantees are is subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

**Derecognition**

Financial assets are derecognised when the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### f. Impairment of Assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value in use, to the asset’s carrying amount. Any excess of the asset’s carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

### g. Intangible assets

**Goodwill**

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest; and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the company holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The company can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value *(full goodwill method)* or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets *(proportionate interest method).* In such circumstances, the company determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the company financial statements.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### g. Intangible assets (continued)

**Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

### h. Foreign Currency Transactions and Balances

**Functional and presentation currency**

The functional currency of the company is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

### i. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employees may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

### j. Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

### k. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### l. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method, which, for floating rate financial assets is the rate inherent in the instrument. All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### l. Revenue and Other Income (continued)

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Investment property revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

All revenue is stated net of the amount of goods and services tax (GST).

### m. Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(e) for further discussion on the determination of impairment losses.

### n. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

### o. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### p. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

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

### q. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the company has retrospectively applied an accounting policy, made a retrospective restatement or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

### r. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

**Key estimates**

(i) *Impairment – general*

The company assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### r. Critical Accounting Estimates and Judgments (continued)

**Key estimates**

(ii) *Impairment – carbon price*

There is presently uncertainty in relation to the impacts of the carbon pricing mechanism recently introduced by the Australian Government. This carbon pricing system could potentially affect the assumptions underlying value-in-use calculations used for asset impairment testing purposes. The company has not incorporated the effect of any carbon price implementation in its impairment testing at 30 June 2015

**Key judgments**

(i) *Provision for impairment of receivables*

Nil.

### s. Adoption of New and Revised Accounting Standards

During the current year, the company has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions.

### t. New Accounting Standards for Application in Future Periods

The company has reviewed new and amended Accounting Standards which affect future accounting periods and has determined that none of them will have any impact on the company's financial report.

## NOTE 2: REVENUE AND OTHER INCOME

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Sales revenue: | | | |
| sale of goods | | 18,620 | 18,406 |
| | | | |
| Other income: | | | |
| - Other revenue | 2a | 212 | 203 |
| - interest received | 2b | 49 | 49 |
| | | 261 | 252 |
| Total revenue | | 18,881 | 18,658 |
| | | | |
| **a. Other revenue:** | | | |
| - commission/rebates received | | 73 | 21 |
| - countrywide income | | 104 | 146 |
| - gain on disposal of property, plant and equipment | | 2 | 2 |
| - others | | 33 | 34 |
| Total other revenue | | 212 | 203 |
| | | | |
| **b. Interest revenue from:** | | | |
| - banks | | 49 | 49 |
| Total interest revenue on financial assets not at fair value through profit or loss | | 49 | 49 |

## NOTE 3: PROFIT BEFORE INCOME TAX

Profit before income tax from continuing operations includes the following specific expenses:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **a. Expenses** | | |
| Cost of sales | (13,025) | (12,648) |
| Interest expense on financial liabilities not at fair value through profit or loss: | | |
| — Interest expense – Bank | (7) | (20) |
| Total interest expense | (7) | (20) |
| Bad and doubtful debts: | | |
| — trade receivables | (65) | (42) |
| Total bad and doubtful debts | (65) | (42) |
| | | |
| Loss on disposal of property, plant and equipment | - | (4) |

## NOTE 3: PROFIT BEFORE INCOME TAX (CONTINUED)

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Other expenses** | | | |
| — Commission | | (67) | (75) |
| — Directors | | (90) | (97) |
| — Electricity | | (155) | (168) |
| — Insurance | | (170) | (190) |
| — Write-off of damaged and out of code inventory | | (102) | (262) |
| — Subcontractors | | (181) | - |
| — Others | | (827) | (656) |
| Total other expense | | (1,592) | (1,448) |

**b.** Obsolete Stock write off of $299k as a result of there being no demand for products accumulated over a number of years.

## NOTE 4: INCOME TAX EXPENSE/(CREDIT)

a. The components of tax expense comprise:

| | Note | 2015 | 2014 |
|---|---|---|---|
| Current tax | | - | 91 |
| Deferred tax | 17 | 90 | (109) |
| | | 90 | (18) |

b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:

| | 2015 | 2014 |
|---|---|---|
| Prima facie tax on profit/(loss) before income tax at 30% (2014: 30%) | 69 | 53 |
| Add: | | |
| Tax effect of: | | |
| - other non-allowable items | 86 | 249 |
| | 86 | 249 |
| Less: | | |
| Tax effect of: | | |
| - Deductible depreciation and amortisation – net | (103) | (142) |
| - Deferred tax transferred to income tax | 90 | (109) |
| - Other allowable deduction | (74) | (38) |
| - Tax losses incurred/(utilised) | 22 | (31) |
| | (65) | (320) |
| Income tax attributable to entity | 90 | (18) |
| The applicable weighted average effective tax rates are as follows: | 39% | 10% |

## NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

The totals of remuneration paid to key management personnel (KMP) of the company during the year are as follows:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Short-term employee benefits | 242 | 258 |
| Post-employment benefits | 24 | 19 |
| | 266 | 277 |

Remuneration of Directors and Executives

| | Primary | | | | Post Employment | | | |
|---|---|---|---|---|---|---|---|---|
| | Cash Salary and Fees | | Non-Monetary Benefits | | Superannuation Benefits | | Total Remuneration | |
| Director | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| D J Adams | - | 166 | - | 10 | - | 15 | - | 191 |
| S Perroni | 2 | 21 | - | - | - | - | 2 | 21 |
| M P Collett | 17 | 17 | - | - | 2 | 1 | 19 | 18 |
| A W Lewis | 22 | 19 | - | - | 2 | 1 | 24 | 20 |
| J G Percy | 17 | 17 | - | - | 2 | 1 | 19 | 18 |
| R G Moonen | 17 | 8 | - | - | 2 | 1 | 19 | 9 |
| J P De Leo | 17 | - | - | - | 2 | - | 19 | - |
| D C Smith | 150 | - | - | - | 14 | - | 164 | - |
| | 242 | 248 | - | 10 | 24 | 19 | 266 | 277 |

## NOTE 6: AUDITORS' REMUNERATION

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Remuneration of the auditor: | | |
| - auditing or reviewing the financial statements | 24 | 20 |
| - taxation services | - | - |
| | 24 | 20 |

## NOTE 7: DIVIDENDS

| | | |
|---|---|---|
| Dividends paid | | |
| Declared fully franked ordinary dividend of 4 cents per share franked at the tax rate of 30% (2014: nil) | 287 | - |
| Balance of franking account at year-end adjusted for franking credits arising from: | | |
| – dividends recognised as receivables and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years | 99 | 1,574 |
| Total dividends per share for the period (cents) | 4 | nil |

## NOTE 8: CASH AND CASH EQUIVALENTS

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| Cash at bank and in hand | | 780 | 95 |
| Short-term bank deposits | | 1,426 | 1,570 |
| | | 2,206 | 1,665 |

The effective interest rate on short-term bank deposits was 3.15% - 3.70% (2014: 2.50% - 3.75%); these deposits have an average maturity of 305 days.

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| Cash and cash equivalents | | 780 | 95 |
| Short-term bank deposits | | 1,426 | 1,570 |
| | 24 | 2,206 | 1,665 |

## NOTE 9: TRADE AND OTHER RECEIVABLES

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| CURRENT | | | |
| Trade receivables | 9b | 2,289 | 2,180 |
| Other receivables | | 4 | - |
| Provision for impairment | 9a | - | (36) |
| Total current trade and other receivables | 24 | 2,293 | 2,144 |

**a. Provision for impairment of receivables**

Current trade and term receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses line item.

Movement in the provision for impairment of receivables is as follows:

| | $'000 |
|---|---|
| **Provision for impairment as at 30 June 2013** | (60) |
| Reversal for year | 24 |
| Written off | - |
| **Provision for impairment as at 30 June 2014** | (36) |
| Reversal for year | 36 |
| Written off | - |
| **Provision for impairment as at 30 June 2015** | - |

**Credit risk**

The company does not have any material credit risk exposure to any single receivable or company of receivables.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon.

Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

## NOTE 9: TRADE AND OTHER RECEIVABLES (CONTINUED)

| | Gross Amount $'000 | Past Due and Impaired $'000 | Past Due but Not Impaired (Days Overdue) >30 $'000 | 31–60 $'000 | 61–90 $'000 | > 90 $'000 | Within Initial Trade Terms $'000 |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| Trade and term receivables | 2,289 | (23) | 1,289 | 653 | 172 | 198 | - |
| Other receivables | 4 | - | - | - | 4 | - | - |
| Total | 2,293 | (23) | 1,289 | 653 | 176 | 198 | - |
| **2014** | | | | | | | |
| Trade and term receivables | 2,180 | - | 1,235 | 591 | 236 | 118 | - |
| Total | 2,180 | - | 1,235 | 591 | 236 | 118 | - |

The company does not hold any financial assets whose terms have been renegotiated and would otherwise be past due or impaired.

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **b. Financial assets classified as loans and receivables** | | | |
| Trade and other receivables: | | | |
| - total current | | 2,293 | 2,180 |
| - total non-current | | - | - |
| Financial assets | | 2,293 | 2,180 |

**c. Collateral held as security**

No collateral is held over trade and other receivables.

## NOTE 10: INVENTORIES

| | 2015 | 2014 |
|---|---|---|
| CURRENT | | |
| At cost: | | |
| - finished goods | 3,616 | 4,080 |
| | 3,616 | 4,080 |

## NOTE 11: OTHER ASSETS

| | 2015 | 2014 |
|---|---|---|
| CURRENT | | |
| Prepayments | 125 | 144 |
| Accrued income | 32 | 54 |
| | 157 | 198 |

## NOTE 12: INVESTMENTS

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| CURRENT | | | |
| Available for-sale financial assets | 12a | 52 | 52 |
| | | 52 | 52 |

**a. Available For-Sale Financial Assets**

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Unlisted investments, at cost | 52 | 52 |
| Total available for-sale financial assets | 52 | 52 |

Available-for-sale financial assets comprise investments in the ordinary issued capital of an entity. There are no fixed returns or fixed maturity dates attached to these investments. No intention to dispose of any unlisted available-for-sale financial assets existed at 30 June 2015.

## NOTE 13: PROPERTY, PLANT AND EQUIPMENT

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| LAND AND BUILDINGS | | |
| Freehold land at: | | |
| — Directors' valuation 2013 | 4,763 | 4,793 |
| — Independent valuation 2014 | 271 | 271 |
| Total land | 5,034 | 5,034 |
| Buildings at: | | |
| — Cost | 2,552 | 2,552 |
| — Independent valuation 2014 | (786) | (786) |
| Accumulated depreciation | - | - |
| Total buildings | 1,766 | 1,766 |
| Total land and buildings | 6,800 | 6,800 |
| PLANT AND EQUIPMENT AND VEHICLES | | |
| Plant and equipment: | | |
| At cost | 2,197 | 2,139 |
| Accumulated depreciation | (1,765) | (1,664) |
| Total plant and equipment | 432 | 475 |
| Motor Vehicles: | | |
| At cost | 855 | 857 |
| Accumulated depreciation | (574) | (558) |
| Total motor vehicles | 281 | 299 |
| Total plant and equipment and vehicles | 713 | 774 |
| Total property, plant and equipment | 7,513 | 7,574 |

**a. Movements in carrying amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

## NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Freehold Land | Buildings | Plant and Equipment | Motor Vehicles | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Balance at 1 July 2013 | 4,763 | 2,634 | 498 | 511 | 8,406 |
| Additions | - | - | 87 | - | 87 |
| Disposals — written-down value | - | - | - | (96) | (96) |
| Revaluation increments/(decrements) | 271 | (786) | - | - | (515) |
| Depreciation expense | - | (82) | (110) | (116) | (308) |
| **Carrying amount at 30 June 2014** | 5,034 | 1,766 | 475 | 299 | 7,574 |
| Balance at 1 July 2014 | 5,034 | 1,766 | 475 | 299 | 7,574 |
| Additions | - | - | 60 | 83 | 143 |
| Disposals — written-down value | - | - | - | (34) | (34) |
| Depreciation expense | - | - | (103) | (67) | (170) |
| **Carrying amount at 30 June 2015** | 5,034 | 1,766 | 432 | 281 | 7,513 |

## NOTE 14: INTANGIBLE ASSETS

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| Goodwill: | | | |
| Cost | | 50 | 50 |
| Accumulated impairment losses | | (15) | (13) |
| Net carrying value | | 35 | 37 |
| Development costs: | | | |
| Cost | | - | 358 |
| Accumulated impairment losses | | - | (358) |
| Net carrying value | | | - |
| Total intangibles | | - | 37 |

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial year.

## NOTE 14: INTANGIBLE ASSETS (CONTINUED)

| | Goodwill | Development Costs | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| Balance at 1 July 2013 | 40 | 344 | 384 |
| Additions | - | 14 | 14 |
| Amortisation charge | (3) | - | (3) |
| Impairment losses | - | (358) | (358) |
| **Carrying amount at 30 June 2014** | 37 | - | 37 |
| Additions | - | - | - |
| Amortisation charge | (2) | - | (2) |
| Impairment losses | - | - | - |
| **Carrying amount at 30 June 2015** | 35 | - | 35 |

## NOTE 15: TRADE AND OTHER PAYABLES

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| CURRENT | | | |
| Unsecured liabilities: | | | |
| Trade payables | | 1,039 | 689 |
| Accrued expenses | | 210 | 312 |
| Unpresented dividends and rebates | | 276 | 265 |
| Other payables | | 198 | 67 |
| | 15a | 1,723 | 1,333 |

**a. Financial liabilities at amortised cost classified as trade and other payables**

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| Trade and other payables: | | | |
| - total current | | 1,723 | 1,333 |
| Financial liabilities as trade and other payables | 24 | 1,723 | 1,333 |

## NOTE 16: BORROWINGS

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| CURRENT | | | |
| Vehicle loans | 16c | 33 | 74 |
| Total current borrowings | | 33 | 74 |
| NON-CURRENT | | | |
| Vehicle Loans | 16c | 30 | 61 |
| Total non-current borrowings | | 30 | 61 |
| Total borrowings | 20, 24 | 63 | 135 |

## NOTE 16: BORROWINGS (CONTINUED)

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **a. Total current and non-current secured liabilities:** | | | |
| Vehicle loans liability | | 63 | 135 |
| **b. The carrying amounts of non-current assets pledged as security are:** | | | |
| First mortgage: | | | |
| - Motor vehicles | | 136 | 219 |

**c. Collateral provided:**

Vehicle loans liabilities are secured by the underlying vehicle assets.

## NOTE 17: TAX

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| CURRENT | | |
| Income tax payable/(refundable) | (46) | (17) |

NON-CURRENT

| | Opening Balance $'000 | (Charged)/ Credited to Profit or Loss $'000 | (Charged)/ Credited Directly to Equity $'000 | Closing Balance $'000 |
|---|---|---|---|---|
| **2014** | | | | |
| **Deferred tax assets on:** | | | | |
| Provisions — employee benefits | 143 | 3 | - | 146 |
| Provision for doubtful debts | 18 | (7) | - | 11 |
| Accruals | 75 | 18 | - | 93 |
| Tax losses carried forward | 31 | (31) | - | - |
| | 267 | (17) | - | 250 |
| **Deferred tax liabilities on:** | | | | |
| Property, plant and equipment: | | | | |
| - tax allowance | (4) | (26) | - | (30) |
| - revaluation | (1,000) | 154 | - | (845) |
| Accrued income | (14) | (2) | - | (16) |
| | (1,018) | 126 | - | (891) |
| Net amount | (751) | 109 | - | (641) |
| **2015** | | | | |
| **Deferred tax assets on:** | | | | |
| Provisions — employee benefits | 146 | (33) | - | 113 |
| Provision for doubtful debts | 11 | (11) | - | - |
| Accruals | 93 | (30) | - | 63 |
| | 250 | (74) | - | 176 |

## NOTE 17: TAX (CONTINUED)

NON-CURRENT

| | Opening Balance | (Charged)/ Credited to Profit or Loss | (Charged)/ Credited Directly to Equity | Closing Balance |
|---|---|---|---|---|
| **Deferred tax liabilities on:** | | | | |
| Property, plant and equipment: | | | | |
| - tax allowance | (30) | (22) | - | (52) |
| - Revaluation | (845) | - | - | (845) |
| Accrued income | (16) | 6 | - | (10) |
| | (891) | (16) | - | (907) |
| Net amount | (641) | (90) | - | (731) |

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(a) occur:

- temporary differences $381,202 (2014: $681,422); and
- tax losses: operating losses $77,285 (2014: nil).

## NOTE 18: PROVISION FOR EMPLOYEE BENEFITS

| | Employee Benefits | Total |
|---|---|---|
| | $'000 | $'000 |
| Opening Balance at 1 July 2014 | 486 | 486 |
| Movement | (109) | (109) |
| Balance at 30 June 2015 | 377 | 377 |

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **Analysis of total provisions** | | |
| Current | 355 | 486 |
| Non-current | 22 | - |
| | 377 | 486 |

**Provision for long-term employee benefits**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

## NOTE 19: ISSUED CAPITAL

| | 2015 $ '000 | 2014 $ '000 |
|---|---|---|
| 7,179,149 (2014: 7,179,149) fully paid ordinary shares | 7,179 | 3,995 |
| | 7,179 | 3,995 |

**a. Ordinary shares**

| | 2015 No.'000 | 2014 No.'000 |
|---|---|---|
| At the beginning of the reporting period | 7,179 | 7,179 |
| At the end of the reporting period | 7,179 | 7,179 |

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**b. Capital management**

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate return and to ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the company since the prior year. This strategy is to ensure that the company's gearing ratio remains between 2% and 1%. The gearing ratios for the years ended 30 June 2015 and 30 June 2014 are as follows:

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| Total borrowings | 16 | 63 | 135 |
| Trade and other payables | 15 | 1,723 | 1,333 |
| Less cash and cash equivalents | 8 | (2,206) | (1,665) |
| Net debt | | (420) | (197) |
| Total equity | | 13,024 | 13,171 |
| Total capital | | 12,604 | 12,974 |
| Gearing ratio | | (3%) | (2%) |

## NOTE 20: CAPITAL COMMITMENTS

**Vehicle loan commitments**

| | | | |
|---|---|---|---|
| Payable — minimum lease payments: | | | |
| - not later than 12 months | | 33 | 74 |
| - between 12 months and five years | | 30 | 61 |
| Minimum vehicle loan payments | | 63 | 135 |
| Less future finance charges | | - | - |
| Present value of minimum vehicle loan payments | 16 | 63 | 135 |

## NOTE 21: CASH FLOW INFORMATION

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **a. Reconciliation of cash flow from operations with profit after income tax** | | | |
| Profit after income tax | | 140 | 194 |
| Non-cash flows in profit: | | | |
| - depreciation and amortisation | | 172 | 311 |
| - net (gain)/loss on disposal of property, plant and equipment | | (2) | 1 |
| - write off – machinery development costs | | - | 4 |
| - write off – MerlinPOS development costs | | - | 354 |
| - Increase in market value of investments | | - | (5) |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: | | | |
| - (increase)/decrease in trade and other receivables | | (149) | (37) |
| - (increase)/decrease in inventories | | 464 | (223) |
| - (increase)/decrease in other assets | | 41 | 34 |
| - (increase)/decrease in deferred tax assets | | 74 | 17 |
| - increase/(decrease) in trade and other payables | | 390 | (273) |
| - increase/(decrease) in provision for income tax | | (29) | 142 |
| - increase/(decrease) in deferred tax liabilities | | 15 | (126) |
| - increase/(decrease) in provisions | | (109) | 8 |
| Net cash generated from operating activities | | 1,007 | 401 |

## NOTE 22: EVENTS AFTER THE REPORTING PERIOD

There have been no matters or circumstances that have arisen subsequent to reporting date that have significantly affected, or may significantly affect the company's operations in future financial years, the results of those operations in future financial years and the company's state of affairs in future financial years.

## NOTE 23: RELATED PARTY TRANSACTIONS

The company's main related parties are as follows:

**a. Key management personnel**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of that company is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 5: Key Management Personnel Compensation.

**b. Other related parties**

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

## NOTE 24: FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, bank loans and overdrafts.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 8 | 2,206 | 1,665 |
| Trade and other receivables | 9 | 2,293 | 2,144 |
| Available-for-sale financial assets: | | | |
| - at fair value: | | | |
| - unlisted investments | 12 | 52 | 52 |
| **Total financial assets** | | 4,551 | 3,861 |
| **Financial liabilities** | | | |
| Financial liabilities at amortised cost: | | | |
| - Trade and other payables | 15 | 1,723 | 1,333 |
| - Borrowings | 16 | 63 | 135 |
| **Total financial liabilities** | | 1,786 | 1,468 |

### Financial Risk Management Policies

The directors' overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for company operations. The company does not have any derivative instruments at 30 June 2015.

### Specific Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and other price risk.

There have been no substantive changes in the types of risks the company is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

**a. Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. Depending on the division within the company, credit terms are generally 14 to 30 days from the date of invoice.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the finance committee has otherwise cleared as being financially sound. Where the company is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

## NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

*Credit risk exposures*

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at board level, given to third parties in relation to obligations under its bank bill facility.

The company has no significant concentrations of credit risk with any single counterparty or company of counterparties. Details with respect to credit risk of trade and other receivables is provided in Note 9.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 9.

Credit risk related to balances with banks and other financial institutions is managed by the finance committee in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

| | Note | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|---|
| Cash and cash equivalents: | | | |
| - AA rated | | 2,206 | 1,665 |
| | | 2,206 | 1,665 |

**b. Liquidity risk**

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities. The bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year-end could become repayable within 12 months. The company does not hold any derivative financial liabilities directly.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

## NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

*Financial liability and financial asset maturity analysis*

| | Within 1 Year | | 1 to 5 Years | | Over 5 Years | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2015 $'000** | **2014 $'000** | **2015 $'000** | **2014 $'000** | **2015 $'000** | **2014 $'000** | **2015 $'000** | **2014 $'000** |
| **Financial liabilities due for payment** | | | | | | | | |
| Trade and other payables (excluding est. annual leave) | 1,723 | 1,333 | - | - | - | - | 1,723 | 1,333 |
| Finance lease liabilities | 33 | 74 | 30 | 61 | - | - | 63 | 135 |
| Total contractual outflows | 1,756 | 1,407 | 30 | 61 | - | - | 1,786 | 1,468 |
| Less bank overdrafts | - | - | - | - | - | - | - | - |
| Total expected outflows | 1,756 | 1,407 | 30 | 61 | - | - | 1,786 | 1,468 |
| **Financial assets — cash flows realisable** | | | | | | | | |
| Cash and cash equivalents | 2,206 | 1,665 | - | - | - | - | 2,206 | 1,665 |
| Trade and other receivables | 2,293 | 2,144 | - | - | - | - | 2,293 | 2,144 |
| Other investments | 52 | 52 | - | - | - | - | 52 | 52 |
| Total anticipated inflows | 4,551 | 3,861 | - | - | - | - | 4,551 | 3,861 |
| Net (outflow)/inflow on financial instruments | 2,795 | 2,454 | (30) | (61) | - | - | 2,765 | 2,393 |

**c. Market risk**

i *Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company is also exposed to earnings volatility on floating rate instruments. The financial instruments that expose the company to interest rate risk are limited to borrowings, listed shares, and cash and cash equivalents.

ii *Other price risk*

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) of securities held.

The company is not exposed to any material commodity price risk.

*Sensitivity analysis*

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

| | **Profit** | **Equity** |
|---|---|---|
| **Year ended 30 June 2015** | **$'000** | **$'000** |
| +/- 2% in interest rates | 32 | 32 |
| +/-10% in listed investments | 5 | 5 |
| **Year ended 30 June 2014** | | |
| +/- 2% in interest rates | 31 | 31 |
| +/-10% in listed investments | 5 | 5 |

## NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

**Fair Values**

**Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the company. Most of these instruments which are carried at amortised cost (i.e. trade receivables, loan liabilities) are to be held until maturity and therefore the fair value figures calculated bear little relevance to the company.

| | | 2015 | | 2014 | |
|---|---|---|---|---|---|
| | Note | Carrying Value $'000 | Fair Value $'000 | Carrying Value $'000 | Fair Value $'000 |
| **Financial assets** | | | | | |
| Cash and cash equivalents | (i) | 2,206 | 2,206 | 1,665 | 1,665 |
| Trade and other receivables | (i) | 2,293 | 2,293 | 2,144 | 2,144 |
| Available-for-sale financial assets: | | | | | |
| at fair value: | | | | | |
| - unlisted investments | | 52 | 52 | 52 | 52 |
| **Total financial assets** | | 4,551 | 4,551 | 3,861 | 3,861 |

| | | 2015 | | 2014 | |
|---|---|---|---|---|---|
| | Note | Carrying Value $'000 | Fair Value $'000 | Carrying Value $'000 | Fair Value $'000 |
| **Financial liabilities** | | | | | |
| Trade and other payables | (i) | 1,723 | 1,723 | 1,333 | 1,333 |
| Lease liability | (ii) | 63 | 63 | 135 | 135 |
| **Total financial liabilities** | | 1,786 | 1,786 | 1,468 | 1,468 |

The fair values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying amount is equivalent to fair value. Trade and other payables exclude amounts relating to the provision of annual leave which is outside the scope of AASB 139 and AASB 7.

(ii) Fair values are determined using a discounted cash flow model incorporating current commercial borrowing rates. The fair value of fixed rate bank debt will differ from carrying amounts.

## NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

**Financial Instruments Measured at Fair Value**

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **2015** | | | | |
| Financial assets | | | | |
| Available-for-sale financial assets: | | | | |
| - unlisted investments | - | 52 | - | 52 |
| | - | 52 | - | 52 |
| **2014** | | | | |
| Financial assets | | | | |
| Available-for-sale financial assets: | | | | |
| - unlisted investments | - | 52 | - | 52 |
| | - | 52 | - | 52 |

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets has been based on the closing quoted bid prices at the end of the reporting period, excluding transaction costs.

In valuing unlisted investments included in Level 2 of the hierarchy, valuation techniques such as comparison to similar investments for which market observable prices are available have been adopted to determine the fair value of these investments.

No transfers between the levels of the fair value hierarchy occurred during the current or previous reporting period.

## NOTE 25: COMPANY DETAILS

The registered office of the company is:

MBL Trading Limited
3 – 5 Vulcan Road Canning Vale
Western Australia 6155

The principal place of business is:

MBL Trading Limited
3 – 5 Vulcan Road Canning Vale
Western Australia 6155

In accordance with a resolution of the directors of MBL Trading Limited, the directors declare that:

1. the financial statements and notes, as set out on pages 7 to 35 are in accordance with the *Corporations Act 2001* and:

   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   b. give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the company.

2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Director **ALLAN LEWIS**

Director **JOHN PERCY**

Dated this 30th day of October 2015

**Anderson Munro & Wyllie**
CHARTERED ACCOUNTANTS

| Street Address: | Postal Address: | By Appointment: |
|---|---|---|
| Unit 8 | | Level 28, AMP Tower |
| 210 Winton Road | PO Box 229 | 140 St Georges Terrace |
| JOONDALUP WA 6027 | JOONDALUP DC WA 6919 | PERTH WA 6000 |

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W: www.amwaudit.com.au ABN 59 125 425 274
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**
**MBL TRADING LIMITED TRADING AS MBL FOOD SERVICES**
**ACN 111 463 864**

**Scope**

We have audited the accompanying financial report of MBL Trading Limited ("company"), which comprises the statement of financial position as at 30 June 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

*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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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 complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of MBL Trading Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

*Auditor's Opinion*

In our opinion:

(a) the financial report of MBL Trading Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporation Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and

(c) other mandatory professional report requirements in Australia.

ANDERSON MUNRO & WYLLIE

**Anderson Munro & Wyllie**
Chartered Accountants (Auditor registration number 314299)
Unit 8 / 210 Winton Road, Joondalup, Perth WA 6027
Dated this 30th day of October 2015

**Billy-Joe Thomas**
Director