

**Aggregated special purpose financial statements of  
Murray River Organics Pty Ltd and Murray River  
Organics Property Trust (collectively known as the  
“Murray River Organics Group”)**

**Annual report for the financial year ended 30 June 2015**

## **Special purpose financial statements for the year ended 30 June 2015**

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## **Independent Auditor's Report to the members of the Murray River Organics Group**

We have audited the accompanying financial report, being a special purpose financial report, of the Murray River Organics Group (incorporating Murray River Organics Pty Ltd and Murray River Organics Property Trust), which comprises the statement of financial position as at 30 June 2015, statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and directors' declaration as set out on pages 4 to 25.

### *Directors' Responsibility for the Financial Report*

The directors of the Murray River Organics Group are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 3, is appropriate to meet the financial reporting requirements of the Directors and is appropriate to meet the needs of the directors'. The directors' responsibility also includes such internal control as directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

### *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 whether the financial report is free from material misstatement.

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

## *Basis for Qualified Opinion*

We were appointed as auditors of the Murray River Organics Group on 15 June 2015 and thus did not observe the counting of the physical inventories at the beginning of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at 30 June 2014. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income for the year reported in the statement of profit or loss and comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

## *Qualified Opinion*

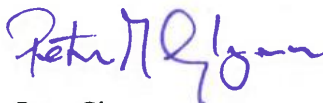
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial report presents fairly, in all material respects the financial position of the Murray River Organics Group as at 30 June 2015 and its financial performance for the year then ended in accordance with the financial reporting requirements of the directors as described in note 3.

## *Basis of Accounting and Restriction on Distribution and Use*

Without modifying our opinion, we draw attention to Note 3 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist the Murray River Organics Group to meet the financial reporting requirements of the directors. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the directors and should not be distributed to or used by parties other than the directors.



DELOITTE TOUCHE TOHMATSU



Peter Glynn

Partner

Chartered Accountants

Melbourne, 17 December 2015

## Directors' declaration

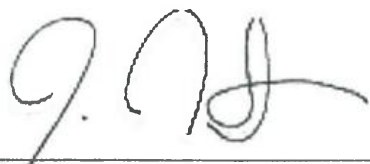
As detailed in Note 3 to the financial statements, the Murray River Organics Group (incorporating Murray River Organics Pty Ltd and Murray River Organics Property Trust), is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial statements who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the directors' reporting requirements.

The directors declare that:


- (a) in the directors' opinion, there are reasonable grounds to believe that the Murray River Organics Group will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the accounting policies outlined in note 3 to the financial statements.

On behalf of the Directors

Director

  
\_\_\_\_\_  
Jamie Nemtsas

Director

  
\_\_\_\_\_  
Arling Sorensen

Melbourne, 17 December 2015

## Statement of profit or loss and other comprehensive income for the year ended 30 June 2015

	<u>Notes</u>	<u>2015</u> \$	<u>2014</u> \$
Revenue	4	7,813,511	2,277,207
Other income	4	2,251,871	5,095,383
Raw materials and consumables		(3,036,070)	(2,588,396)
Administration expenses		(1,271,451)	(650,954)
Selling expenses		(114,801)	(85,435)
Employee benefits expense		(3,091,233)	(2,015,629)
Depreciation expense		(995,522)	(545,884)
Repairs & maintenance		(483,532)	(119,450)
Motor vehicle expense		(188,515)	(125,426)
Utility expense		(772,399)	(435,494)
Other expense		(318,303)	(266,827)
Loan forgiveness expense		(501,783)	-
Finance costs		(525,988)	(40,949)
(Loss)/profit before tax		(1,234,215)	498,146
Income tax (expense)/ benefit	20	(134,884)	506,826
<b>(Loss)/profit for the year</b>		<u>(1,369,099)</u>	<u>1,004,972</u>
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Gain on revaluation of properties		7,994,474	-
Total other comprehensive income		7,994,474	-
<b>Total comprehensive income for the year</b>		<u>6,625,375</u>	<u>1,004,972</u>

Notes to the financial statements are included on pages 9 to 25.

## Statement of financial position at 30 June 2015

	Notes	2015 \$	2014 \$
<b>Current assets</b>			
Cash and cash equivalents	6	66,583	28,676
Trade and other receivables	7	2,468,727	1,567,352
Inventories	8	4,376,265	1,889,993
Asset held for sale	9	233,186	-
Other assets		23,441	750
<b>Total current assets</b>		<b>7,168,202</b>	<b>3,486,771</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	21,156,894	8,659,877
Intangible assets	11	164,550	164,550
Deferred tax assets		63,891	30,918
<b>Total non-current assets</b>		<b>21,385,335</b>	<b>8,855,345</b>
<b>Total assets</b>		<b>28,553,537</b>	<b>12,342,116</b>
<b>Current liabilities</b>			
Trade and other payables	12	2,204,852	1,372,932
Borrowings	13	4,388,398	5,507,521
Provisions	14	288,788	182,010
<b>Total current liabilities</b>		<b>6,882,038</b>	<b>7,062,463</b>
<b>Non-current liabilities</b>			
Borrowings	13	8,719,619	1,405,925
Provisions	14	27,351	13,858
<b>Total non-current liabilities</b>		<b>8,746,970</b>	<b>1,419,783</b>
<b>Total liabilities</b>		<b>15,629,008</b>	<b>8,482,246</b>
<b>Net assets</b>		<b>12,924,529</b>	<b>3,859,870</b>
<b>Equity</b>			
Issued capital	17	5,719,352	3,280,012
Asset revaluation reserve	18	7,994,474	-
(Accumulated losses) / retained earnings		(789,297)	579,858
<b>Total equity</b>		<b>12,924,529</b>	<b>3,859,870</b>

Notes to the financial statements are included on pages 9 to 25.

## Statement of changes in equity for the year ended 30 June 2015

	Issued capital \$	Asset revaluation reserve \$	(Accumulated losses) / Retained earnings \$	Total \$
Balance at 1 July 2013	2,980,012		(425,114)	2,554,898
Issue of units	300,000	-	-	300,000
Profit for the year	-		1,004,972	1,004,972
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>1,004,972</b>	<b>1,004,972</b>
<b>Balance at 30 June 2014</b>	<b>3,280,012</b>	<b>-</b>	<b>579,858</b>	<b>3,859,870</b>
Balance at 1 July 2014	3,280,012	-	579,858	3,859,870
Issue of units	2,439,340	-	-	2,439,340
Loss for the year	-	-	(1,369,099)	(1,369,099)
Other comprehensive income	-	7,994,474	-	7,994,474
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>7,994,474</b>	<b>(1,369,099)</b>	<b>6,625,375</b>
Distributions to beneficiaries	-	-	(56)	(56)
<b>Balance at 30 June 2015</b>	<b>5,719,352</b>	<b>7,994,474</b>	<b>(789,297)</b>	<b>12,924,529</b>

Notes to the financial statements are included on pages 9 to 25.



## Statement of cash flows for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		9,236,094	2,200,273
Receipts from insurance		722,315	-
Payments to suppliers and employees		(11,638,744)	(5,323,784)
Interest received		4,471	313
Interest paid		(345,988)	(40,949)
Net cash used in operating activities	15(b)	(2,021,852)	(3,164,147)
<b>Cash flows from investing activities</b>			
Payments for property, plant & equipment		(5,989,584)	(5,640,892)
Payments for intangible assets		-	(164,219)
Proceeds from sale of property, plant & equipment		265,129	-
Net cash used in investing activities		(5,724,455)	(5,805,111)
<b>Cash flows from financing activities</b>			
Net proceeds of related party borrowings		1,330,515	8,604,716
Net proceeds from borrowings		6,294,945	-
Net proceeds from hire purchase liabilities		158,754	21,712
Proceeds from issue of share capital		-	300,000
Net cash generated by financing activities		7,784,214	8,926,428
<b>Net increase / (decrease) in cash and cash equivalents</b>		37,907	(42,830)
<b>Cash and cash equivalents at the beginning of the year</b>		28,676	71,506
<b>Cash and cash equivalents at the end of the year</b>	15(a)	66,583	28,676

Notes to the financial statements are included on pages 9 to 25.

## 1. General information

Murray River Organics Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Murray River Organics Property Trust is a Unit Trust and the trustees of the company are Netralina Pty Ltd and Eksor Pty Ltd. The address of its registered office and its principal place of business are as follows:

Level 1, 360 Little Collins Street – Melbourne, VIC 3000

The financial statements comprise the aggregation of Murray River Organics Pty Ltd and Murray River Organics Property Trust. The aggregation is collectively defined as the ‘Murray River Organics Group’ or the ‘Aggregated Group’ throughout this report.

## 2. Adoption of new and revised Accounting Standards

### 2.1 New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Murray River Organics Group has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2014, and therefore relevant for the current year end.

#### Standards affecting presentation and disclosure

AASB 2012-3 ‘Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities’	The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and simultaneous realisation and settlement’.
AASB 2014-1 ‘Amendments to Australian Accounting Standards’ (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)	<p>The Annual Improvements 2010-2012 has made number of amendments to various AASBs, which are summarised below.</p> <ul style="list-style-type: none"> <li>- The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.</li> </ul>
AASB 1031 ‘Materiality’, AASB 2013-9 ‘Amendments to Australian Accounting Standards’ – Conceptual Framework, Materiality and Financial Instruments’ (Part B: Materiality), AASB 2014-1 ‘Amendments to Australian Accounting Standards’ (Part C: Materiality)	The revised AASB 1031 is an interim standard that cross-references to other Standards and the ‘Framework for the Preparation and Presentation of Financial Statements’ (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Murray River Organics Group’s financial statements.

The above standards have not had any impact on the financial statements

## 2. Adoption of new and revised Accounting Standards (cont'd)

### 2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016

The directors have not yet determined whether the adoption of these standards will have any material impact on the preparation of the financial statements.

### 3. Significant accounting policies

#### Financial reporting framework

The Murray River Organics Group is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial statements who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs.

For the purpose of preparing the financial statements, the Murray River Organics Group is a for-profit entity.

#### Statement of compliance

The financial statements have been prepared in accordance with the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB 1054 *Australian Additional Disclosures*.

#### Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for certain non-current assets that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

#### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Aggregated Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Employee entitlements

Entitlements are accrued for annual leave and long service leave. Management judgement is applied in determining the following key assumptions used in the calculation of employee entitlements at reporting date:

- future increases in salaries and wages;
- future on cost rates; and
- experience of employee departures and period of service.

#### Property, plant and equipment

Useful lives and residual value of property, plant and equipment are reviewed annually. Judgement is applied in determining the useful lives of property, plant and equipment. Any reassessment of useful lives and residual value in a particular year will affect depreciation and amortisation expense (either increasing or decreasing) from the date of reassessment through to the end of the reassessed useful life for both the current and future years.

#### Impairment of assets

Management's judgement is applied in determining the impairment of assets in accordance with AASB136. If the recoverable amount (higher of the value in use and fair value less cost to sell) is lower than the carrying value of an asset, the difference is recognised as impairment in the profit or loss.

#### Provision for doubtful debts

Management's judgement is applied in determining the provision for doubtful debts. If the estimated recoverable amount of the debtor is less than the amount of revenue recognised, the difference is recognised in the provision for doubtful debts.



### 3. Significant accounting policies (cont'd)

#### Provision for obsolete stock

Management's judgement is applied in determining the provision for inventories obsolescence. If the estimated selling price of inventory is lower than the cost to sell, the difference is recognised in the provision for obsolescence.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

#### (a) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (b) **Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Aggregated Group in respect of services provided by employees up to reporting date.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

#### (c) **Financial assets**

Financial assets are classified into the following specified categories: 'held-to-maturity' investments and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

#### Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Aggregated Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

### 3. Significant accounting policies (cont'd)

#### (c) Financial assets (cont'd)

##### Impairment of financial assets

Financial assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

##### Derecognition of financial assets

The Aggregated Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Aggregated Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Aggregated Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Aggregated Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Aggregated Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Aggregated Group retains an option to repurchase part of a transferred asset), the Aggregated Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

### 3. Significant accounting policies (cont'd)

#### (d) Financial Liabilities

##### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

##### Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

##### Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

##### Derecognition of financial liabilities

The Aggregated Group derecognises financial liabilities when, and only when, the Aggregated Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### (e) Foreign currency

The financial statements of the Aggregated Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Aggregated Group are expressed in Australian dollars ('\$'), which is the functional currency of the Aggregated Group and the presentation currency for the financial statements.

In preparing the financial statements of the Aggregated Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- i. exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- ii. exchange differences on transactions entered into in order to hedge certain foreign currency risks.



### 3. Significant accounting policies (cont'd)

#### (f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

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

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

#### (g) Impairment of assets

At each reporting date, the Aggregated Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Aggregated Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### (h) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw Materials – recorded at standard cost, reassessed annually

Finished goods and work-in-progress – standard cost of direct materials, labour, outsourced processing costs and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.



### 3. Significant accounting policies (cont'd)

#### (i) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### Trust

No income tax is payable by the Murray River Organics Property Trust, nor by the Trustee of the Trust. When available, distributions are made to the beneficiaries of the Trust in accordance with the Trust Deed. Beneficiaries are liable for income tax applicable to the distributions made to them.

##### Tax Consolidation

The company (Murray River Organics Pty Ltd) is part of a tax-consolidated group under Australian taxation law, of which Sornem Group Pty Ltd is the head entity. The consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the members of the tax-consolidated group using the 'separate taxpayer within group' approach, with deferred taxes being allocated by reference to the carrying amounts in the financial statements of each member entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the company, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax consolidated group in accordance with the arrangement.

##### Current tax

The tax currently payable is based on taxable profit for the year for Murray River Organics Pty Ltd. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

### 3. Significant accounting policies (cont'd)

#### (i) Income tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

##### Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

#### (j) Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

##### Trademarks and water rights

Trademarks and water rights recognised by the group have an indefinite useful life and are not amortised. Each period, the useful life of these assets is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 3(g).

#### (k) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### Aggregated Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 3. Significant accounting policies (cont'd)

#### (l) Property, plant and equipment

Land, buildings and bearer plants are measured at fair value. Fair value is determined on the basis of an independent valuation prepared by external valuation experts, based on market values or depreciated replacement cost (as appropriate). The fair values are recognised in the financial statements of the Aggregated Group, and are reviewed at the end of each reporting period to ensure that the carrying value of land, buildings and bearer plants is not materially different from their fair values.

Any revaluation increase arising on the revaluation of land, buildings and bearer plants is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any deferred taxes, is transferred directly to retained earnings.

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment and tooling	3-7 years
Bearer plants	25 years
Equipment under finance lease	3-5 years
Buildings & freehold improvements	50 years
Office equipment	3-5 years
Motor Vehicles	3-5 years

#### (m) Revenue recognition

##### Sale of goods

Revenue from the sale of goods is recognised when the Aggregated Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

##### Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

##### Other revenue

Other revenue is recognised when the right to receive the revenue has been established.

#### (n) Comparative Figures

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



### **3. Significant accounting policies (cont'd)**

#### **(o) Government Grants**

Government grants are not recognised until there is reasonable assurance that the Aggregated Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Aggregated Group recognises as expenses the related costs for which the grants are intended to compensate.

Specifically, government grants whose primary condition is that the Murray River Organics Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government assistance which does not have conditions attached specifically relating to the operating activities of the entity is recognised in accordance with the accounting policies above.

#### **(p) Principal of aggregation**

The aggregated financial statements are prepared by aggregating the financial statements of all the entities that comprise the Aggregated Group. A list of these entities appears in Note 16(a) to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the aggregated financial statements.

All inter-entity balances and transactions of Murray River Organics Group aggregated entities have been eliminated on aggregation.

Where an aggregated entity has been sold or acquired during the year, its results are included in the aggregated results up to the date of sale or from the date of acquisition.

#### **(q) Non-current asset held for sale**

Asset held for sale are accounted for in accordance with AASB 5 'Non-current Assets held for Sale and Discounted Operations. Asset held for sale are classified in current asset and measured at the lower of its carrying amount and fair value less costs to sell. The asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

Impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less cost to sell. A gain is recognised for any subsequent increase in fair value less cost to sell of the asset but not in excess of the cumulative impairment loss that has been recognised before.

When the sale is expected to occur beyond one year, Murray River Organics Group measure the costs to sell at their present value. Any increase in the present value of the costs to sell that arises from the passage of time is presented in profit or loss as a financing cost.

The asset is ceased to be classified as held for sale if management changes to a plan of sale or if recognition criteria under AASB 5 are no longer met. The asset is then measured at the lower of:

- i. its carrying amount before its classification as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale; and
- ii. its recoverable amount at the date the subsequent decision not sell is made.

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>4. Revenues</b>		
Revenue from rendering services	7,813,511	2,277,207
<i>Other income:</i>		
Interest income	4,471	313
Loan forgiveness	-	3,965,117
Insurance proceeds	722,315	-
R&D refund from ATO	1,250,000	1,075,263
Other income	275,085	54,690
	<u>2,251,871</u>	<u>5,095,383</u>
<b>5. Remuneration of auditor</b>		
Audit of the financial report	48,500	36,250
Tax services	20,000	5,000
	<u>68,500</u>	<u>41,250</u>
The auditor of Murray River Organics Group is Deloitte Touche Tohmatsu.		
<b>6. Cash and cash equivalents</b>		
Cash at bank	66,583	28,676
	<u>66,583</u>	<u>28,676</u>
<b>7. Trade and other receivables</b>		
Trade receivables	1,028,164	487,557
Amount receivable from parent of the tax consolidated group for R&D offset	1,250,000	1,027,492
GST receivable	190,563	52,303
	<u>2,468,727</u>	<u>1,567,352</u>
<b>8. Inventories</b>		
Packaging stock	257,994	-
Raw materials	3,593,020	1,626,797
Finished goods	525,251	263,196
	<u>4,376,265</u>	<u>1,889,993</u>
<b>9. Non-current assets held for sale</b>		
Property, plant and equipment	233,186	-
	<u>233,186</u>	<u>-</u>

	2015 \$	2014 \$
<b>10. Property, plant and equipment</b>		
<b>Freehold land &amp; bearer plants at valuation</b>		
At valuation	15,292,495	5,781,349
Less accumulated depreciation	-	(139,535)
	<u>15,292,495</u>	<u>5,641,814</u>
<b>Buildings and property improvements at valuation</b>		
At valuation	3,040,200	1,525,039
Less accumulated depreciation	-	(20,377)
	<u>3,040,200</u>	<u>1,504,662</u>
<b>Plant and equipment</b>		
At cost	3,333,299	1,550,930
Less accumulated depreciation	(684,392)	(295,972)
	<u>2,648,907</u>	<u>1,254,958</u>
<b>Office equipment</b>		
At cost	4,047	57,015
Less accumulated depreciation	(1,141)	(9,032)
	<u>2,906</u>	<u>47,983</u>
<b>Motor Vehicle</b>		
At cost	247,327	201,136
Less accumulated depreciation	(79,843)	(28,234)
	<u>167,484</u>	<u>172,902</u>
<b>Low value pool</b>		
At cost	608,042	608,042
Less accumulated depreciation	(603,140)	(570,484)
	<u>4,902</u>	<u>37,558</u>
<b>Total property, plant and equipment</b>	<u>21,156,894</u>	<u>8,659,877</u>
<b>11. Intangible assets</b>		
Water rights at cost (a)	164,550	164,550
	<u>164,550</u>	<u>164,550</u>

- (a) Water rights have been tested for impairment at year end. An independent valuation was obtained and prepared by CBRE which has determined there is a recoverable amount that exceeds the carrying value of water rights.

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>12. Trade and other payables</b>		
Trade payables	1,951,322	1,341,912
Accruals	253,530	31,020
	<u>2,204,852</u>	<u>1,372,932</u>

### **13. Borrowings**

#### Current

Related party payables – unsecured	3,785,588	5,294,773
Unpaid distributions to beneficiaries	56	-
Borrowings – secured (i)	294,945	-
Hire purchase liability – secured (ii)	307,809	212,748
	<u>4,388,398</u>	<u>5,507,521</u>

#### Non-Current

Related party payables – unsecured	1,000,000	1,000,000
Borrowings – secured (i)	6,000,000	-
Related party borrowings – Greenlight	1,250,000	-
Hire purchase liability – secured (ii)	469,619	405,925
	<u>8,719,619</u>	<u>1,405,925</u>

- (i) The bank loans are secured by registered mortgage freeholds over the land and buildings of the entity and a personal guarantee provided by the Directors.
- (ii) The hire purchase liabilities are secured over the assets under hire purchase.

### **14. Provisions**

#### Current

Employee entitlements	117,183	60,160
Other employee related provisions	171,605	121,850
	<u>288,788</u>	<u>182,010</u>

#### Non-Current

Employee entitlements	<u>27,351</u>	<u>13,858</u>
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	2015	2014
	\$	\$

## 15. Notes to the cash flow statement

### (a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

Cash at bank	66,583	28,676
	<u>66,583</u>	<u>28,676</u>

### (b) Reconciliation of loss for the year to net cash flows from operating activities

(Loss)/profit for the year	(1,369,099)	1,004,972
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*Adjustment for items not involving the outlay of cash:*

Bad debt expense	2,479	-
(Profit)/loss on sale of property, plant and equipment	(6,825)	325
Loan forgiveness expense / (benefit)	501,783	(3,965,117)
Interest expense accrual	180,000	-
Income tax expense / (benefit) charged to the parent of the tax group	134,884	(506,826)
Depreciation and amortisation	995,552	545,884
	<u>438,774</u>	<u>(2,920,762)</u>

### Changes in net assets and liabilities:

(Increase)/decrease in assets:

Trade and other receivables	(903,854)	(1,434,608)
Inventories	(2,486,272)	(116,833)
Other assets	(22,691)	2,159

Increase/(decrease) in liabilities:

Trade and other payables	831,920	1,177,449
Provision	120,271	128,448

<b>Net cash used in operating activities</b>	<u>(2,021,852)</u>	<u>(3,164,147)</u>
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### (c) Non-cash transactions

During the current year, the Murray River Organics Property Unit Trust issued units to the value of \$2,439,340 by converting existing Amounts Payable to Related Parties to units within the Trust.



2015	2014
\$	\$

## 16. Aggregated entities

### (a) List of aggregated entities:

Murray River Organics Pty Ltd

Murray River Organics Property Trust

## 17. Issued Capital and reserve

12 fully paid ordinary shares (2014: 12)

Trust settlement sums

12	12
5,719,340	3,280,000
5,719,352	3,280,012

### Fully paid ordinary shares

Balance at beginning and end of the year

12	12
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Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Murray River Organics Group does not have a limited amount of authorised capital and issued shares do not have a par value.

### Settlement sum

Balance at beginning and end of the year

5,719,340	3,280,000
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## 18. Reserve

Balance at the beginning of the year

Revaluation increments

Balance at the end of the financial year

-	-
7,994,474	-
7,994,474	-

The asset revaluation reserve arises on the revaluation of freehold property. Where a revalued land or building is sold that portion of the asset revaluation reserve which relates to that asset and is effectively realised and is transferred directly to retained profits

## 19. Early adoption of Accounting Standards

The directors have elected to apply Accounting Standard AASB 2014 – 6 even though the Standard is not required to be applied until reporting periods beginning on or after 1 January 2016. Early adoption is however permitted.

The impact of early adopting this Standard is to treat 'bearer plants' as a class of property, plant and equipment.

2015	2014
\$	\$

## 20. Income tax

The prima facie income tax expense on pre-tax accounting loss from operations of Murray River Organics Pty Ltd reconciles to the income tax expense/(credit) in the financial statements as follows

Aggregated (loss) / profit before tax	(1,234,215)	498,146
Less: profit / (loss) attributable to the beneficiaries of Murray River Organics Property Trust	350,291	(226,801)
Profit / (loss) attributable to Murray River Organics Pty Ltd	(1,584,506)	724,947
Income tax benefit / (expense) calculated at 30%	475,352	(217,484)
<i>Tax effect of:</i>		
Permanent differences	(612,482)	788,967
Other	2,246	(64,658)
Net income tax (expense) / benefit	(134,884)	506,826