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 2014

Special purpose financial statements for the year ended 30 June 2014

Deloitte.

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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 the aggregation of Murray River Organics Pty Ltd and Murray River Organics Property Trust), which comprises the statement of financial position as at 30 June 2014, 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 26.

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.

Deloitte.

Basis for Qualified Opinion

We were not appointed auditors of the Murray River Organics Group until after 30 June 2014 and thus did not observe the counting of the physical inventories at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held as at 30 June 2013 and 30 June 2014 which are stated in the statement of financial position at page 6 of the financial report.

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 2014 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

DELOITTE TOUCHE TOHMATSU

Peter Glynn

Peter Glynn
Partner
Chartered Accountants
Melbourne, 2 May 2016

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 ____________________	Director ____________________
Jamie Nemtsas	Erling Sorensen

Melbourne, 2 May 2016

Statement of profit or loss and other comprehensive income for the year ended 30 June 2014

	Notes	2014 $	2013 $
Revenue	4	2,277,207	48,298
Other income	4	5,095,383	489,321
Raw materials and consumables		(2,588,396)	(574,240)
Administration expenses		(650,954)	(280,123)
Selling expenses		(85,435)	(2,700)
Employee benefits expense		(2,015,629)	(24,664)
Depreciation expense		(545,884)	(169,298)
Repairs & maintenance		(119,450)	(25,223)
Motor vehicle expense		(125,426)	(8,653)
Utility expense		(435,494)	(103,189)
Other expense		(266,828)	(118,903)
Finance costs		(40,949)	(22,849)
Profit/(loss) before tax		498,146	(792,223)
Income tax benefit	18	506,826	25,875
Profit/(loss) for the year		1,004,972	(766,348)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		1,004,972	(766,348)

Notes to the financial statements are included on pages 9 to 26.

Statement of financial position at 30 June 2014

	Notes	2014 $	2013 $
Current assets			
Cash and cash equivalents	6	28,676	63,211
Trade and other receivables	7	1,567,352	533,502
Inventories	8	1,889,993	1,773,160
Other assets		750	1,903
Total current assets		3,486,771	2,371,775
Non-current assets			
Property, plant and equipment	9	8,659,877	4,929,664
Intangible assets	10	164,550	331
Deferred tax assets		30,918	25,875
Total non-current assets		8,855,345	4,955,870
Total assets		12,342,115	7,327,645
Current liabilities			
Trade and other payables	11	1,372,932	195,613
Borrowings	12	5,507,521	3,991,053
Provisions	13	182,010	95,028
Total current liabilities		7,062,463	4,281,693
Non-current liabilities			
Borrowings	12	1,405,925	487,508
Provisions	13	13,858	3,547
Total non-current liabilities		1,419,783	491,055
Total liabilities		8,482,246	4,772,748
Net assets		3,859,870	2,554,897
Equity			
Issued capital	16	3,280,012	2,980,012
Retained earnings / (accumulated losses)		579,858	(425,115)
Total equity		3,859,870	2,554,897

Notes to the financial statements are included on pages 9 to 26.

Statement of changes in equity for the year ended 30 June 2014

	Issued capital $	Retained earnings / (accumulated losses) $	Total $
Balance at 1 July 2012	12	341,233	3,321,245
Issue of units	2,980,000	-	-
Loss for the year	-	(766,348)	(766,348)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(766,348)	(766,348)
Balance at 30 June 2013	2,980,012	(425,115)	2,554,897
Balance at 1 July 2013	2,980,012	(425,115)	2,554,897
Issue of units	300,000	-	300,000
Profit for the year	-	1,004,972	1,004,972
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,004,972	1,004,972
Balance at 30 June 2014	3,280,012	579,858	3,859,870

Notes to the financial statements are included on pages 9 to 26.

Statement of cash flows for the year ended 30 June 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		2,200,273	-
Receipts from insurance		-	-
Payments to suppliers and employees		(5,355,943)	(2,614,881)
Interest received		313	429
Interest paid		(40,949)	(22,849)
Net cash used in operating activities	14(b)	(3,196,306)	(2,637,301)
Cash flows from investing activities			
Payments for property, plant & equipment		(4,294,369)	(4,718,832)
Payments for intangible assets		(164,219)	(331)
Proceeds from sale of property, plant & equipment		-	-
Net cash used in investing activities		(4,458,588)	(4,719,163)
Cash flows from financing activities			
Net proceeds of related party borrowings		7,298,648	3,842,714
Net proceeds from borrowings		-	-
Net proceeds from hire purchase liabilities		21,712	596,961
Proceeds from issue of share capital		300,000	2,980,000
Net cash generated by financing activities		7,620,359	7,419,675
Net increase / (decrease) in cash and cash equivalents		(34,535)	63,211
Cash and cash equivalents at the beginning of the year		63,211	-
Cash and cash equivalents at the end of the year	14(a)	28,676	63,211

Notes to the financial statements are included on pages 9 to 26.

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 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.

<u>Standards affecting presentation and disclosure</u>

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 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	The Aggregated Group has applied the amendments to AASB 136 for the first time in the current year. The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'. The application of these amendments does not have any material impact on the disclosures in the Aggregated Group's consolidated financial statements.
AASB 2014-1 'Amendments to Australian Accounting Standards' (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)	The Annual Improvements 2010-2012 has made number of amendments to various AASBs, which are summarised below. 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.

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

Interpretation 21 'Levies'	The Group has applied Interpretation 21 'Levies' for the first time in the current year. Interpretation 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. Interpretation 21 has been applied retrospectively. The application of this Interpretation does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.
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 material 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 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
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.

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

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.

Going Concern
The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of the business.

For the year ended 30 June 2014 the Aggregated Group reported a deficiency in current assets compared to current liabilities of $3,575,692. Current liabilities include related party borrowings of $5,294,773 (2013: $1,909,918). Notwithstanding this:

- Subsequent to 30 June 2014 $2,439,340 of related party liabilities were converted to equity;
- At 30 June 2015, the audited financial statement disclosed a surplus of current assets compared to current liabilities of $286,164;and
- The Aggregated Group completed a $14,295,165 placement of issued offered securities in April 2016.

Given the above, the Directors are confident of the Aggregated Group's ability to continue as a going concern.

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

3. Significant accounting policies (cont'd)

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.

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.

3. Significant accounting policies (cont'd)

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.

(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

3. Significant accounting policies (cont'd)

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.

(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 measured at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overheads expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price in the ordinary course of the business less the estimated costs of completion and estimated costs necessary to make the sale.

Inventory is assessed for obsolescence on an ongoing basis and adjusted to net realisable value as required. This assessment takes into account the quality, age and saleability of the inventory on hand.

3. Significant accounting policies (cont'd)
(h) Inventories (cont'd)

Produce extracted from vines
Produce harvested from vines owned by the Aggregated Group are measured at fair value less estimated cost to sell at point of harvest (including production costs). A gain or loss arising from change in fair values less estimated cost to sell is included in the profit or loss of the year in which the gain or loss arises. The agricultural produce is recorded in inventory.

(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 profit or loss 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.

3. Significant accounting policies (cont'd)

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.

(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.

Water rights

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, after initial recognition at costs, are measured at fair value. 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) 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 15(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.

	2014 $	2013 $
4. Revenues		
Revenue from rendering services	2,277,207	48,298
Other income:		
Interest income	313	429
Loan forgiveness	3,965,117	-
R&D refund from ATO	1,075,263	392,334
Other income	54,690	96,558
	5,095,383	489,321
5. Remuneration of auditor		
Audit of the financial report	36,250	-
Tax services	5,000	-
	41,250	-

The auditor of the Murray River Organics Group is Deloitte Touche Tohmatsu.

	2014 $	2013 $
6. Cash and cash equivalents		
Cash at bank	28,676	63,211
	28,676	63,211
7. Trade and other receivables		
Trade receivables	487,557	111,175
Amount receivable from parent of the tax consolidated group	1,027,492	392,334
GST receivable	52,303	29,993
	1,567,352	533,502
8. Inventories		
Raw materials	1,626,797	1,680,254
Finished goods	263,196	92,907
	1,889,993	1,773,160

9. Property, plant and equipment

	2014 $	2013 $
Freehold land & bearer plants		
At cost	5,781,349	3,725,375
Less accumulated depreciation	(139,535)	(78,585)
	5,641,814	3,646,790
Buildings and property improvements		
At cost	1,525,039	461,136
Less accumulated depreciation	(20,377)	(3,589)
	1,504,662	457,547
Plant and equipment		
At cost	1,550,930	752,691
Less accumulated depreciation	(295,972)	(107,522)
	1,254,958	645,169
Office equipment		
At cost	57,015	-
Less accumulated depreciation	(9,032)	-
	47,983	-
Motor Vehicle		
At cost	201,136	10,433
Less accumulated depreciation	(28,234)	(2,806)
	172,902	7,627
Low value pool		
At cost	608,042	608,042
Less accumulated depreciation	(570,484)	(435,511)
	37,558	172,531
Total property, plant and equipment	8,659,877	4,929,664

10. Intangible assets

	2014 $	2013 $
Water rights at cost	164,550	331
	164,550	331

	2014 $	2013 $

11. Trade and other payables

	2014 $	2013 $
Trade payables	1,341,912	195,613
Accruals	31,020	-
	1,372,932	195,613

12. Borrowings

	2014 $	2013 $
Current		
Related party payables – unsecured	5,294,773	3,881,599
Hire purchase liability – secured (ii)	212,748	109,453
	5,507,521	3,991,053
Non-Current		
Related party payables – unsecured	1,000,000	-
Hire purchase liability – secured (ii)	405,925	487,508
	1,405,925	487,508

(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.

13. Provisions

	2014 $	2013 $
Current		
Employee entitlements	60,160	95,028
Other employee related provisions	121,850	-
	182,010	95,028
Non-Current		
Employee entitlements	13,858	3,547

14. 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:

	2014 $	2013 $
Cash at bank	28,676	63,211
	28,676	63,211

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

	2014 $	2013 $
(Loss)/profit for the year	1,004,972	(766,348)
Adjustment for items not involving the outlay of cash:		
Loan forgiveness expense / (benefit)	(3,965,117)	-
Income tax benefit charged to the parent of the tax group	(506,826)	(25,875)
Depreciation and amortisation	545,884	169,298
	(2,921,087)	(994,733)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	(1,434,608)	(533,501)
Inventories	(116,833)	(1,773,160)
Other assets	1,480	(1,903)
Increase/(decrease) in liabilities:		
Trade and other payables	1,177,449	613
Provision	97,293	98,575
Net cash used in operating activities	(3,196,306)	(2,637,301)

(c) Non-cash transactions

During the current year, the Murray River Organics Property Unit Trust issued units to the value of $300,000 by converting existing Amounts Payable to Related Parties to units within the Trust.

15. Aggregated entities

(a) List of aggregated entities:

Murray River Organics Pty Ltd

Murray River Organics Property Trust

16. Issued Capital and reserve

	2014 $	2013 $
12 fully paid ordinary shares (2013: 12)	12	12
Trust settlement sums	3,280,000	2,980,000
	3,280,012	2,980,012
Fully paid ordinary shares - Murray River Organics Pty Ltd		
Balance at beginning and end of the year	12	12

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.

	2014 $	2013 $
Settlement sum - Murray River Organics Property Trust		
Balance at beginning and end of the year	3,280,000	2,980,000

17. 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.

18. 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

	2014 $	2013 $
Aggregated (loss) / profit before tax	498,146	(792,223)
Less: profit / (loss) attributable to the beneficiaries of Murray River Organics Property Trust	(226,801)	(123,434)
Profit / (loss) attributable to Murray River Organics Pty Ltd	724,947	(668,788)
Income tax benefit / (expense) calculated at 30%	(217,484)	200,636
Tax effect of:		
Permanent differences	788,967	25,875
Other	(64,658)	-
Net income tax (expense) / benefit	506,826	25,875

19. Subsequent events

The following matters and circumstances that have occurred subsequent to the end of the financial year include:

- The Mildura property was acquired on 2 July 2014 for $762,500.
- The Merbein property was acquired on 4 July 2014 for of $1,500,000.
- The Carwarp property was acquired on 29 August 2014 for $3,650,000.
- Related party liabilities of $2,439,340 were converted to equity.
- The Merbein South property was acquired on 12 February 2016 for $1,021,880.
- The Aggregated Group completed a $14,295,165 placement of issued offered securities in April 2016.