

**BURSON GROUP LTD**  
**ANNUAL REPORT**  
**2014**



**BURSON**  
**AUTO PARTS**  
THE PARTS PROFESSIONALS

# HIGHLIGHTS

# BURSON

ALL  
THE PA

Number of customers

**30,000**

Number of employees

**1,200+**

Total stores

**116** (+ 11)

SPARE  
PARTS  
HUGE RANGE  
IN STOCK!

TOOLS  
&  
EQUIPMENT

## AGM

Date: 28th October 2014

Time: 2:30 pm

Location: Computershare Conference Centre

Yarra Falls, 452 Johnston Street, Abbotsford, Victoria

# AUTO PARTS

ARTS PROFESSIONALS

*We are Australia's trade specialist supplier of automotive aftermarket parts, accessories and workshop equipment, and service our customers via our extensive store network with in excess of 500 delivery vehicles by over 1,200 dedicated employees.*

Revenue up

**11.5%**

Like for like revenue growth up

**3.9%**

Pro-forma NPAT up

**21.3%**

Pro-forma EPS up

**21.3%**

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# Chairman's Report



Burson's 15,000m<sup>2</sup> Distribution Centre (Preston, Victoria)

I am pleased to present my first report as Chairman of Burson Group Limited since listing on the ASX in April this year. Welcome all our new shareholders and I trust that you will find our annual report to be interesting and informative.

Burson has had an impressive year which continued the strong historical growth demonstrated since its beginnings as a private company in the early 1970's. Burson has developed to be Australia's premier automotive aftermarket parts distributor, committed to servicing our over 30,000 customers and well supported by a network of over 116 stores, state of the art systems and a workforce of over 1,200 knowledgeable and passionate employees.

It is pleasing to confirm that our first reported results for the year ending 30 June 2014 have exceeded our pro-forma forecasts provided in the Burson prospectus published in March 2014. Compared to FY2013, revenue increased by 11.5% to \$342m and pro-forma net profit after tax was up 21.3% to \$19.4m. Further details of the statutory and pro-forma results for the current and prior year are provided in the CEO and Directors' reports.

The ASX listing was a significant milestone for Burson and the success of the listing is testimony to the hard work of everybody involved in the listing process. The ASX listing will provide a solid platform for future business growth and it is exciting to be part of a company with a clear strategy and real and significant growth opportunities.

Along with the ASX listing the composition of Burson's board has changed to now include three new non-executive members. As part of this change, previous board members Justin Ryan, Christopher Hadley and Alexander Eady have retired. I would like to thank the retiring board members and welcome Andrew Harrison and Therese Ryan and the experience they bring to the board.

Mr Darryl Abotomey, Chief Executive Officer, his senior leadership team and all the dedicated employees of Burson have delivered another successful year and I would like to thank them for their continued efforts in helping make Burson the company it is today.

Finally, as the newly appointed Chairman of Burson I would like to express my thanks to our new and existing shareholders and to our customers and suppliers who have contributed to the success of Burson to date and for their continued support.

A handwritten signature in black ink, appearing to read 'Robert McEniry'.

**Robert McEniry**  
Chairman, Burson Group Limited

# Board of Directors



Left to right: Robert McEniry, Darryl Abotomey, Therese Ryan and Andrew Harrison.

## **Robert McEniry** **Independent, Non-Executive Chairman**

Robert was appointed to the Burson Board in March 2014 as an Independent Non-Executive Chairman. Robert has extensive experience in the automotive industry both in Australia and overseas, holds a Master of Business Administration from the University of Melbourne and is a Member of the Australian Institute of Directors.

## **Darryl Abotomey** **Chief Executive Officer**

Darryl was appointed to the Board in October 2011 as Chief Executive Officer and Managing Director. Darryl has more than 7 years' experience in the automotive industry and extensive knowledge in business acquisitions, mergers and strategy and holds a Bachelor of Commerce (Hons) majoring in accounting and economics from the University of Melbourne.

## **Andrew Harrison** **Independent, Non-Executive Director**

Andrew was appointed to the Board in March 2014 as an Independent Non-Executive Director. Andrew is an experienced company director and corporate advisor, holds a Bachelor of Economics from the University of Sydney and a Master of Business Administration from The Wharton School at the University of Pennsylvania, and is a Chartered Accountant.

## **Therese Ryan** **Independent, Non-Executive Director**

Therese was appointed to the Board in March 2014 as an Independent, Non-Executive Director. Therese is a professional non-executive director with over 35 years' experience as a senior business executive and commercial lawyer, holds a Bachelor of Laws from the University of Melbourne and is a Graduate Member of the Australian Institute of Directors.

# CEO's Report

The listing on the ASX presents an exciting new era for Burson, but the business fundamentals that have made Burson a success over many years remain the same. These fundamentals are based on offering our customers superior service through a talented and motivated workforce, selling trusted high quality automotive parts via an efficient distribution system.

One of the key fundamentals is our people. Burson have dedicated and motivated employees who are the most technically knowledgeable in the industry. I would like to thank every employee for their support and contribution to this great company. They are what makes it so successful.

Burson distributes automotive parts primarily to mechanic workshops in Australia. The automotive aftermarket in Australia has historically grown in line with population growth and an increase in the average number of vehicles per person. This largely predictable and stable growth means that Burson can expand in times of healthy or challenging economic conditions. This places Burson in a good position to grow revenue in its existing store network, as well as through the many opportunities to expand the number of stores via store acquisitions and greenfield developments.

The financial year ending 30 June 2014 had many highlights. Compared to FY2013 Burson recorded;

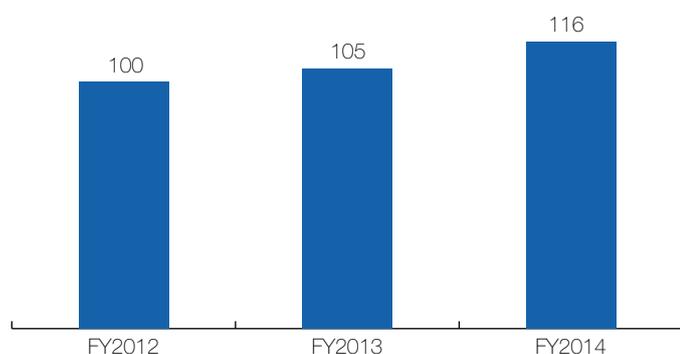
- Store network growth of 10.5% to 116 stores
- Revenue growth of 11.5%
- Like for like sales growth of 3.9%
- Gross margin up 0.8%
- Pro-forma EBITDA margin of 10.5%
- Pro-forma NPAT growth of 21.3%
- Pro-forma EPS growth of 21.3%

In addition to the significant growth compared to 2013, Burson also exceeded its FY2014 forecast outlined in its IPO prospectus published in March 2014.

Other noteworthy achievements in FY2014 include the further development of Burson's people through focused training programs for store managers, 2IC's and sales representatives, as well as enhancements to Burson's IT systems and customer on-line ordering systems.

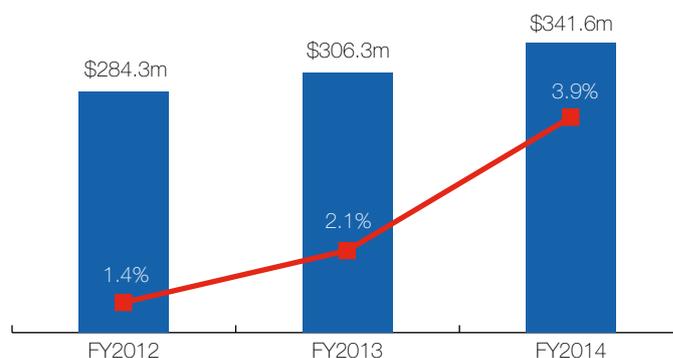
Below are some of the key indicators of the financial performance of the business;

## STORE NUMBERS



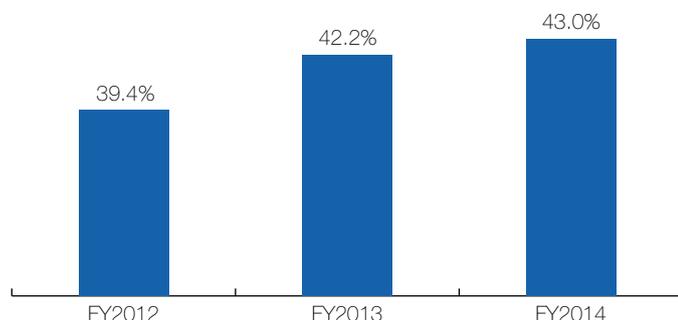
A key strategy of Burson is to grow its store network through both acquisitions and greenfield developments. In FY2014, store numbers increased by a net 11 to bring the current store network to 116. This was ahead of the prospectus forecast of 115. The increase in store numbers was achieved through 8 store acquisitions and 5 greenfield developments, less two stores as a result of store mergers. Since May 2011, Burson has averaged an increase of approximately one new store per month.

## REVENUE AND "LIKE FOR LIKE" GROWTH



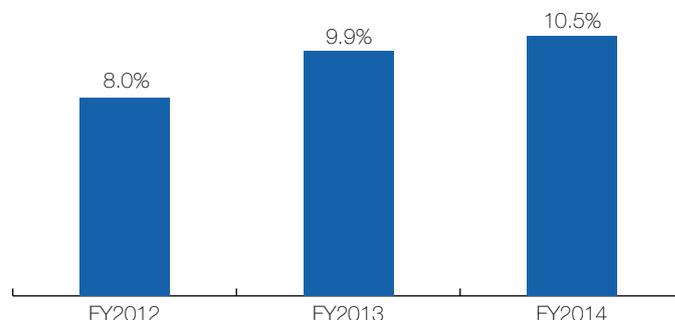
FY2014 revenue growth of 11.5% to \$341.6m was attributable to organic sales growth at existing stores as well as due to the increase in the number of stores. "Like for like" revenue growth was 3.9% in FY2014 continuing the improvement trend over the previous 3 years. This demonstrates the resilience of the automotive aftermarket parts industry as well as the success of Burson's store improvement initiatives. New stores added to Burson's network in financial years FY2013 and FY2014 contributed 7.6% of the FY2014 revenue growth.

## GROSS PROFIT MARGIN



Gross profit margin in FY2014 improved by 0.8% due to the full year impact of FY2013 supplier negotiations, along with the direct sourcing of water pumps. Burson remains focused on improving gross margin where possible through various business initiatives including staff training, increasing the proportion of “walk in” sales, optimising cost of goods purchased and the development of its private label and direct sourcing program.

## EBITDA MARGIN



The increase in EBITDA margin by 0.6% to 10.5% was a result of the 0.8% increase in gross margin percentage being partly offset by a 0.2% increase in the cost of doing business expressed as a percentage of sales. The increase in CODB % was a result of higher freight costs incurred as a greater proportion of stores are located further away from Burson’s distribution centre located in Preston, Victoria. Burson is in the process of seeking a location for a second distribution centre in Brisbane.

The Directors Report contains more detailed information on the statutory and pro-forma results.

## STRATEGY

### Expand Store Network

Burson continues to work on a range of acquisitions and greenfield development opportunities across Australia including VIC, NSW, ACT, QLD and WA, working towards a target of 175 stores by 2019. This will allow Burson to further capitalise on economies of scale advantages, as well as position Burson to benefit from the growing demand for automotive parts.

Burson is on track to meet the FY2015 prospectus forecast of 124 stores. Since 30 June 2014 Burson has established 1 new greenfield store in NSW and acquired two further stores in New South Wales and one in Queensland taking the store network to 120.

### Increase existing store revenue

Burson is well placed to benefit from resilient demand for automotive aftermarket parts distribution while maintaining a high level of customer service through continued development of our people and systems. We are focused on developing sales from electronic and online platforms, increasing “walk-in” store sales and chain workshop sales, and further enhancing our inventory range.

### Increase existing store earnings

Burson is positioned to increase its existing store earnings through a range of initiatives including improved supplier terms as purchasing volumes continue to increase, further developing Burson’s private label offering and developing direct sourcing relationships. Burson will focus on continuous improvement of its store network through people and process development.

## OUTLOOK

Burson expects to continue to grow its store network through acquisitions and greenfield developments. Store network expansion, along with population growth and the number of vehicles on the road should continue to drive Burson’s revenue growth. Burson has had a solid start to FY2015 with July and August yielding sales growth and gross margin rates that are consistent with achieving the FY2015 forecast profit results contained in the 2014 IPO prospectus. Since June 2014 Burson has opened four stores and additional growth opportunities, including in Western Australia, continue to be pursued.

I would like to take this opportunity to recognise the past and present Board members for their support and critical contribution to the direction and oversight of Burson, and to thank the team at Burson for their hard work and efforts to deliver the best possible service to our customers.

**Darryl Abotomey**  
Chief Executive Officer

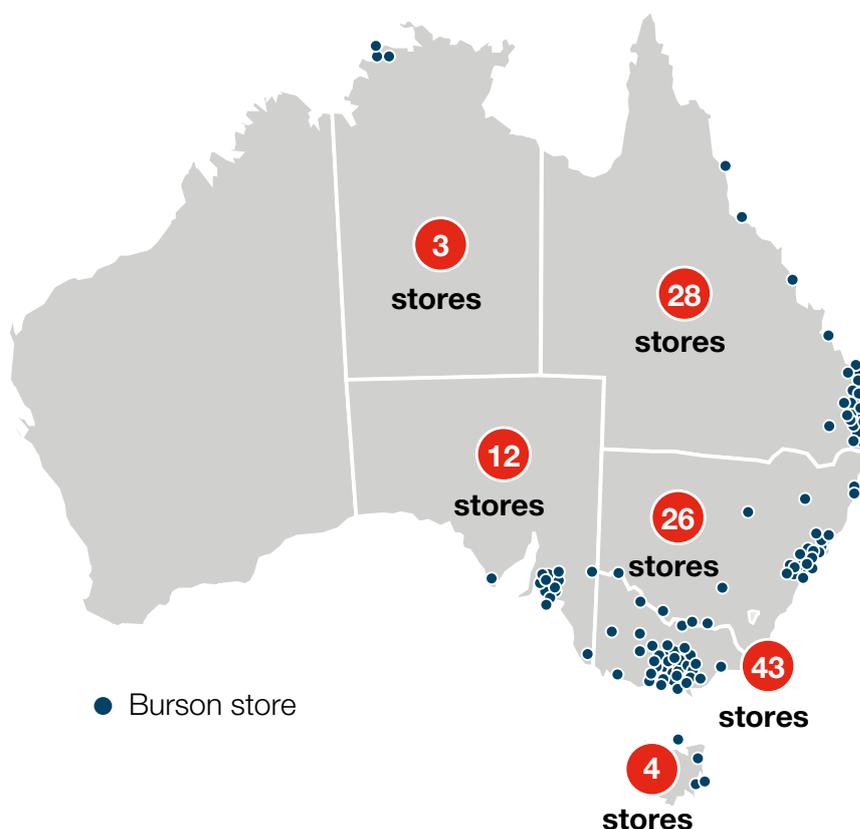
# Burson's Store Network



At the end of June 2014 the store network consisted of 116 stores (up from 105 in the previous financial year) across all Australian states and territories except Western Australia and the Australian Capital Territory.

The location and set up of stores is designed to enable Burson to deliver the highest quality of service to our customers. Approximately 80% of workshop customers are located within five kilometres of a Burson store. Such proximity to customers and density of customers around each store enables Burson to minimize time from receipt of order to delivery of parts and increase the frequency of deliveries as more customers are located on a delivery route.

Burson has a distribution centre in Melbourne with plans to set up a distribution centre in Brisbane. This will provide additional storage capacity and more efficient distribution. Such benefits will include a reduction in freight costs achieved through closer proximity of inventory to stores located in the northern states of Australia.



# Our People



Burson's people are the most important factor to the success of our company as it is their deep product knowledge and expertise that sets us apart from our competitors. We continue to develop our people to help maintain a high level of customer service. Burson has established regular business and industry training, and team building initiatives for employees with the aim of improving the business skills, knowledge, culture and retention of personnel.

Burson continues to develop online training systems and processes along with technical product training.

In FY2014 Burson completed rolling out a training program targeted towards store managers and which has now been extended to include store "second in-charge" for their career development.

Since May 2011, Burson has invested in its core organisational and operational structure to support ongoing growth.

## ***Burson's Senior Leadership Team***

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Left to right: Craig Magill, Darryl Abotomey, Greg Fox, Peter Ruffly, Andrew Schram

### ***Greg Fox*** ***Chief Financial Officer and Company Secretary***

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Greg has more than 25 years' experience in the automotive, industrial and public accounting sectors. Greg joined Burson as Chief Financial Officer in 2012 with responsibility for finance, legal, company secretarial and plays a key role in strategic initiatives. Greg was previously Chief Financial Officer at Atlas steels and at Plexicor, which was a major supplier to the automotive industry. Greg also held various senior financial positions with Amcor after commencing his career as a chartered accountant.

### ***Andrew Schram*** ***General Manger Merchandising and Procurement***

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Andrew has 40 years' experience in the automotive industry, including 35 years with Burson. Andrew commenced his career at Burson as a store manager at one of the Company's first stores. He progressed through the organisation to become the Chief Operating Officer having held various responsibilities including procurement, merchandising, supply chain, strategic development and he established the Preston distribution center. Andrew now leads Burson's procurement, merchandising and supply chain.

Burson's people are the most important factor to the success of our company as it is their deep product knowledge and expertise that sets us apart from our competitors.

### ***Craig Magill*** ***General Manager Sales and Marketing***

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Craig has an extensive career in the automotive industry spanning more than 25 years. Before joining Burson, he was the General Manager of RAC'S (WA) automotive workshops, which was preceded by many years at Repco with responsibilities including store operations, sales and marketing, major accounts, workshop equipment and e-commerce.

### ***Peter Ruffly*** ***Human Resources Manager***

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Peter joined Burson in late 2011 following 12 years heading up the human resources function at engineering, construction and maintenance services group, Silcar. Prior experience was with Qantas as Employee Relations Manager.

# Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as "Burson" or "the Group") consisting of Burson Group Limited (the "Company") and the entities it controlled at the end of, or during, the financial year ending 30 June 2014 ("FY2014").

## 1. DIRECTORS

The following persons were Directors of the Company at any time during FY2014, or since the end of FY2014 up to the date of this report:

Current Directors	
<b>Robert McEniry</b>	Independent, Non-Executive Chairman (31 March 2014 – present)
<b>Darryl Abotomey</b>	Chief Executive Officer (17 October 2011 – present)
<b>Andrew Harrison</b>	Independent, Non-Executive Director (31 March 2014 – present)
<b>Therese Ryan</b>	Independent, Non-Executive Director (31 March 2014 – present)
Former Directors	
<b>Justin Ryan</b>	Non-Executive Chairman (13 September 2011 – 31 March 2014)
<b>Alexander Eady</b>	Non-Executive Director (17 October 2011 – 31 March 2014)
<b>Christopher Hadley</b>	Non-Executive Director (17 October 2011 – 31 March 2014)

## 2. PRINCIPAL ACTIVITIES

During the year the principal continuing activities of Burson was the sale and distribution of motor vehicle parts and accessories.

## 3. DIVIDENDS

Fully franked dividends were paid to shareholders of Burson during the year before the Company completed its IPO as follows:

- 1 July 2013 \$57,089,000
- 23 April 2014 \$37,224,000

No dividend will be paid following the Company's ASX listing in respect of FY2014.

It is the Board's current intention to target a payout ratio of 65% of statutory net profit after tax ("NPAT") in FY2015 with approximately 40% paid as an interim dividend and approximately 60% as a final dividend.

## 4. REVIEW OF OPERATIONS

Burson continued to engage in its principal activities, the results of which are disclosed in the attached financial statements.

The profit from ordinary activities after income tax in FY2014 amounted to \$1.2 million (FY2013: \$10.3 million). A key component of Burson's statutory profit after income tax in comparison to the previous financial year was the non-recurring costs incurred by Burson during FY2014, including one-off transaction costs associated with the IPO in April 2014 and the refinancing of Burson's syndicated debt facility. The FY2014 pro-forma profit after income tax amounted to \$19.4 million (FY2013:\$16.0 million).

## 4.1. Operations – Overview

Burson is an Australian distributor of automotive aftermarket parts involving the supply of replacement parts and consumables for the service and repair of vehicles, and sale of accessories and maintenance products to vehicle owners. Burson distributes over 500,000 stock keeping units to approximately 30,000 mechanic workshops and other customers across Australia. It distributes automotive parts using an extensive distribution network that comprised 116 stores at 30 June 2014, a 15,000m<sup>2</sup> purpose built distribution centre supported by eight hub stores, and an integrated IT and logistics system. Burson's current store and distribution network is spread across Victoria, Queensland, New South Wales, South Australia, Tasmania and Northern Territory.

Burson's customers are primarily mechanic workshops. These workshops conduct general servicing and repair of vehicles, with the large majority of servicing conducted on a same day basis whereby an owner will drop off their vehicle to the workshop and collect it on the same day. As such, the mechanic needs to be able to order and have parts delivered within a very short period of time to complete the servicing. The mechanic needs a distributor that holds both a wide range of parts suitable for the range of vehicles they service, and offers a high level of customer service including, nearby availability of the right parts, short delivery time and knowledgeable staff.

Delivery of automotive parts to trade customers (i.e. mechanics and other part installers) accounted for approximately 80% of Burson's revenue in FY2014. Burson received its remaining income from in-store sales of automotive parts to walk-in customers who typically comprise of do-it-yourself vehicle owners and other customers.

Burson's key growth strategies are:

- to continue to grow its store network through new store acquisitions and new store developments (referred to as "greenfield" stores),
- maintain superior customer service through the development of its people and systems,
- grow its sales from its electronic and online platforms and increase in-store sales and chain workshop sales,
- leverage supplier terms through increased scale, enhance the range of automotive parts it distributes and the proportion of parts distributed with Burson's own brands,
- develop relationships with international manufacturers to enable direct sourcing of parts.

These strategies will allow Burson to further capitalise on scale advantages, as well as position Burson to benefit from the growing demand for automotive parts.

### 4.1.1. Operations – FY2014

Burson continued to expand its store network with the number of stores increasing from 105 at 30 June 2013 to 116 at 30 June 2014. The net increase in 11 stores was attributed to 8 acquisitions and 5 greenfield stores, less 2 stores that were merged with existing stores. More specifically;

- Burson increased its network significantly in the southern and western suburbs of Sydney with acquisitions in Bondi, Botany, Carlton, Gladesville, Peakhurst and Waterloo, as well as a greenfield store in Mt Druitt. The growth in these suburbs of Sydney created a strong strategic network of stores in these inner Sydney suburbs,

- In Queensland greenfield stores were established in Labrador, Sumner Park and Redcliffe, further increasing Burson's market presence in southern Queensland,
- An acquisition in Coolalinga took the total number of stores in the Northern Territory to 3,
- In Victoria a new greenfield store was established in Pakenham in a growing corridor of the outer eastern suburbs. This was the first store added to Burson's Victorian network for 12 years,
- A store in Scoresby Victoria was merged with a nearby store in Bayswater, and an acquisition in Wetherill Park in NSW was merged with an existing store.

Total expenditure on store acquisitions was \$5.3 million and total expenditure on greenfields including inventory was \$3.0 million.

Burson's capital expenditure in FY2014 increased compared to FY2013 due to additional spending on store relocations and refurbishments as well as information technology investment. Burson relocated 6 stores and performed 4 major store refurbishments. Store relocations are generally conducted on expiry of a store lease when an opportunity exists for a more favourable store location, or store revenue growth necessitates an increase in store size. Store refurbishments were undertaken to improve the presentation of stores to grow revenue and improve the efficiency of the operations. A "concept" store to grow "walk in" revenue was developed in Campbellfield Victoria to trial new "point of sale" signage and enhance the showroom layout. Burson invested in information technology systems including the development of carbitz.com.au, upgrade of its ERP system infrastructure and store printer upgrades.

Burson acquired the business of Hampson Automotive which was a major supplier of water pumps to Burson. This acquisition resulted in Burson purchasing water pumps directly from the manufacturers resulting in improved gross margin for this product.

Burson completed a review of its store inventory range that resulted in an injection of inventory into stores to broaden the range of key service product lines that is necessary to service a higher proportion of European and 4WD vehicles in the car park.

## 4.2. Financial Performance

Burson's FY2014 financial performance is in line with the statutory and pro-forma forecasts presented in the prospectus dated 7 April 2014 and lodged with ASIC on that date (Prospectus).

The key highlights of Burson's statutory financial results for FY2014 compared to FY2013 were:

- Revenue increased by 11.5% to \$341.6 million,
- Net profit before tax ("NPBT") decreased from \$14.4 million to \$1.6 million,
- NPAT decreased from \$10.3 million to \$1.2 million,
- Net debt decreased from \$98.1 million to \$62.5 million.

A key component of Burson's statutory profit before tax in comparison to the previous financial year was the non-recurring costs incurred by Burson during FY2014, including one-off transaction costs associated with the IPO in April 2014 and the refinancing of Burson's syndicated debt facility. The major non-recurring costs incurred by Burson during FY2014 are as follows;

- Transaction costs (including professional advisors' fees) relating to the IPO of \$6.9 million,
- Write-off of finance facility establishment costs of \$4.8 million and costs of \$1.0 million for the closing out of an interest rate swap hedge,
- One-off senior management bonus payments of \$2.5 million (including on-costs) in relation to the IPO.

Statements of a pro-forma consolidated income statement and pro-forma adjustments to the statutory income statement are set out in Tables 1 and 2 below.

### 4.2.1. Non-IFRS financial measures

The Directors' Report includes references to pro-forma results to exclude the impact of various costs and adjustments associated with the Company IPO and debt refinancing. These are explained below in Table 1 and Table 2. The Directors believe the presentation of non-IFRS financial measures are useful for the users of this financial report as they provide additional and relevant information that reflect the underlying financial performance of the business and can be directly compared to the forecasts given in the Prospectus. Non-IFRS financial measures contained within this report are not subject to audit or review.

## Directors' Report continued

### 4.2.2. Pro-forma adjustments to the statutory income statement

The table below reconciles the pro-forma result to the statutory result for FY2013 and FY2014 that shows the full year results if the operating and capital structure that is in place following completion of the IPO was in place since 1 July 2012. In addition, certain other adjustments to eliminate non-recurring items have been made.

**Table 1:**

	Note	Consolidated	
		2014 \$'m	2013 \$'m
Statutory Net Profit after Tax		1.2	10.3
Public company costs	1	(0.8)	(1.0)
IPO Remuneration adjustment	2	2.3	(0.2)
IPO and other transaction costs	3	7.2	–
Net interest adjustment	4	16.5	9.5
Other operating adjustments	5	0.8	0.1
Tax effect	6	(7.8)	(2.7)
Pro-forma Net Profit after Tax		19.4	16.0

Notes on pro-forma adjustments:

- Public company costs** – an adjustment has been made to include Burson's full year estimate of the incremental annual costs that it will incur as a public company. These incremental costs include share registry fees, Non-Executive Director remuneration, Directors' and officers' insurance premiums, additional audit and legal costs, additional staff costs, listing fees, investor relations costs, as well as annual general meeting and annual report costs.
- IPO related remuneration adjustment** – An adjustment has been made to FY2014 to remove the impact of a one-off senior management cash payment of \$2.5 million (inclusive of on-costs). In addition an adjustment has been made to FY2013 and FY2014 to include a \$0.2 million uplift in senior management fixed remuneration that will commence post IPO.
- IPO and other transaction costs** – includes expenses of the IPO relating to the sale of existing shares. In addition, \$7.4 million (\$5.2 million after tax) of IPO costs directly attributable to the issue of new shares has been be offset against equity raised.
- Net interest adjustment** – the net interest expense included in the statutory results has been adjusted to reflect the actual margins applicable to Burson under the terms of the renegotiated banking facilities. The interest expense is based on the net debt drawn down at the time of the IPO including an allowance for the anticipated average net overdraft balance. In addition, an adjustment has been made to remove one-off costs of \$1.0 million (\$0.7 million net of tax) arising on close-out of interest rate hedge and to remove the impact of unamortised borrowing costs in the statutory results relating to the historical debt structure of Burson.
- Other operating adjustments** – Adjustments have been made for one-off costs that have been expensed in the statutory results in FY2014 associated with the initial recognition of a \$0.3 million provision for credit notes and a one-off uplift of \$0.4 million in the long service leave provision relating to the application of superannuation on-costs.
- Tax effect** – the effective income tax rate applicable to Burson is approximately 30%, which is equivalent to the Australian corporate tax rate of 30%. This tax rate as adjusted for permanent differences has been applied to each of the historical and forecast periods. In addition, the tax impact of the above adjustments has been reflected as part of this adjustment as appropriate.

#### 4.2.3. Pro-forma consolidated income statement

Table 2, below, sets out the pro-forma consolidated income statement for FY2014 compared to the pro-forma consolidated income statement for FY2013 and the prospectus forecast for FY2014. The pro-forma consolidated income statement adjusts the statutory results for FY2013 and FY2014 for the pro-forma adjustments as set out in Table 1 above.

**Table 2:**

	Consolidated Actual		Prospectus Forecast
	2014 \$'m	2013 \$'m	2014 \$'m
<b>Revenue from continuing operations</b>	341.6	306.3	340.8
Costs of goods sold	(194.7)	(176.9)	(193.5)
<b>Gross profit</b>	<b>146.9</b>	<b>129.4</b>	<b>147.3</b>
Employee benefits expense	(68.5)	(61.5)	(69.3)
Occupancy expenses	(11.2)	(10.0)	(11.2)
Freight expenses	(11.2)	(9.0)	(11.1)
Other expenses	(20.0)	(18.7)	(20.0)
<b>EBITDA</b>	<b>36.0</b>	<b>30.2</b>	<b>35.7</b>
Depreciation and amortisation expense	(4.4)	(3.9)	(4.3)
Finance costs	(3.8)	(3.7)	(3.9)
<b>Profit/(loss) before income tax</b>	<b>27.8</b>	<b>22.6</b>	<b>27.5</b>
Income tax expense	(8.4)	(6.6)	(8.2)
<b>Profit/(loss) for the year</b>	<b>19.4</b>	<b>16.0</b>	<b>19.3</b>
<b>Key operating metrics</b>			
Number of continuing stores (period end)	116	105	115
Number of trading days	251	250	251
Revenue growth on prior comparative period ("pcp")	11.5%	7.7%	11.3%
Average daily sales \$('000s)	1,361	1,225	1,358
Average daily sales growth	11.1%	8.2%	10.9%
Same-store average daily sales growth <sup>1</sup>	3.9%	2.1%	3.7%
Gross profit margin	43.0%	42.2%	43.2%
Total CODB (% of sales)	32.5%	32.4%	32.7%
EBITDA growth	19.2%	33.0%	18.2%
EBITDA margin	10.5%	9.9%	10.5%
EBIT growth	20.2%	37.7%	19.4%
EBIT margin	9.3%	8.6%	9.2%
NPAT growth	21.3%	45.5%	20.6%
NPAT margin	5.7%	5.2%	5.7%
EPS <sup>2</sup> (Cents per share)	11.86	9.78	11.80

1. Same store average daily sales growth is calculated based on all stores that were in operation at the commencement of the prior comparative period.

2. EPS is based on quantity of shares outstanding as at 30 June 2014.

Note: The pro-forma consolidated income statement for the financial year ended 30 June 2014 above has been prepared on the same basis as the forecast pro-forma consolidated financial income statement for the financial year ended 30 June 2014, published in the Burson Group Limited IPO prospectus issued in March 2014. This differs to the statutory financial income statement which includes freight expenses as part of cost of goods sold as required by the Accounting Standards.

### 4.2.4. Pro-forma Results – Summary

Key highlights of the FY2014 pro-forma results compared to the FY2013 pro-forma results are;

- Revenue increased by 11.5% to \$341.6 million,
- Same-store average sales growth of 3.9%,
- EBITDA increased by 19.2% to \$36.0 million,
- Profit before income tax increased by 23.0% to \$27.8 million,
- Profit after income tax increased by 21.3% to \$19.4 million.

Burson achieved FY2014 revenue growth of 11.5% to \$341.6 million, compared to FY2013. This reflects sales from new stores opened in both FY2013 and FY2014, as well as 3.9% comparable stores sales growth. On a same trading day basis, revenue increased by 11.1% compared to the prior year.

Gross profit in FY2014 increased by 13.5% to \$146.9 million compared to FY2013 reflecting the increase in revenue and an improvement in the gross margin percentage of 80 basis points in FY2014 to 43.0%. The increase in GP% reflected the full year impact of supplier rebate negotiations that were largely implemented throughout FY2013 and the acquisition of Hampson Automotive.

Burson encountered some market pricing pressures during the year as a result of competitor activity. Burson react to pricing competition on a case by case basis, but generally promotes the business on service rather than on price.

The total cost of doing business ("CODB") excluding IPO and one-off adjustments was 32.5% in FY2014 compared to 32.4% in FY2013. The increase in CODB of 0.1% reflected the higher percentage of freight costs due to the higher mix of sales in states outside of Victoria where the distribution centre is based. A further analysis of the pro-forma CODB is as follows:

**Employee expense** – Burson's largest component of CODB is employee expenses which consists of employment related costs of staff at Burson stores, head office and the distribution centre. Employee costs were relatively stable at 20.1% of sales in FY2014 compared to 20.0% in FY2013.

**Occupancy expense** – this includes lease costs for stores and the head office and distribution centre. Burson typically enter into store leases for 3 to 6 years with options to extend the lease. Leases are subject to fixed percentage or CPI increases each year and lease renewals are generally subject to a market review. Occupancy expenses were 3.3% of sales in FY2014 which is consistent with FY2013.

**Freight expense** – freight expenses include inventory delivery costs from Burson's distribution centre to stores, store to stores, supplier to stores and third party contractors to customers. Freight expense was 3.3% of sales in FY2014 compared to 2.9% in FY2013. The increase in FY2014 was attributable to the higher mix of sales outside of Victoria, especially in northern NSW and Queensland. Burson is in the process of establishing a distribution centre based in Brisbane that will service the Northern NSW and Queensland stores with the objective of reducing freight costs to these regions.

**Other expenses** – this classification includes all other costs of doing business such as motor vehicle expenses, information technology and communications, advertising and promotion materials and insurances. Other expenses as a percentage of sales in FY2014 were 5.9% compared to 6.1% in FY2013 reflecting the scale advantage of the network growth.

### 4.3. Financial Position

#### 4.3.1. Capital Raising and Debt

In April 2014 Burson raised \$143.6 million (before IPO costs) through the issue of new ordinary shares under the Company's IPO. The funds raised under the IPO were applied towards meeting the costs of the IPO, in repayment of existing debt, including redemption of existing preference shares and loan notes on issue and to further strengthen Burson's balance sheet.

The number of shares on issue in the Company was increased from 42,300,000 to 84,600,000 via a 2 for 1 share split pre IPO, and a further 78,985,666 new shares were issued as part of the IPO bringing the total number of ordinary shares on issue in the Company to 163,585,666.

The equity raising enabled Burson to reduce its net debt significantly from \$98.1 million in the previous financial year to \$62.5 million at the end of 30 June 2014.

The external debt facility was renegotiated effective 24 April 2014 for 3 years. The renegotiated debt facility is \$139 million in aggregate and comprises an \$85 million revolving facility for working capital and general corporate purposes (including funding of acquisitions), a \$25 million acquisition facility, and a \$29 million facility for working capital and general corporate purposes, the issuance of letters of credit/bank guarantees, and the provision of transactional and foreign exchange facilities.

Initial debt leverage at the time of the IPO was 2.0x forecast FY2014 pro-forma EBITDA, and the actual leverage ratio at the end of June 2014 was 1.75x actual pro-forma EBITDA. Significant headroom exists in the debt facilities to fund expansion initiatives above the regular store expansion program that will be funded from cash flows generated from operations. Unamortised borrowing costs of \$4.8 million, relating to pre-IPO debt facilities, were charged to the income statement and borrowing costs of \$0.7 million which were incurred in relation to the renegotiated debt facility have been capitalised to be amortised over the 3 year term of the loan.

#### 4.4. Industry Trends

The Automotive Aftermarket parts market in Australia continues to experience growth based on;

- i. population growth,
- ii. increasing number of vehicles per person,
- iii. change in the age mix of vehicles (i.e. more vehicles in the four years or older range),
- iv. increasing percentage of vehicles serviced by workshops,
- v. an increase in the value of parts sold.

Demand for automotive parts is resilient because parts are critical to vehicle servicing. Vehicle servicing is driven by the number of kilometres travelled, with the number of kilometres travelled by passenger and light commercial vehicles not significantly impacted by economic conditions. Volatility in new vehicle sales does not directly impact demand as parts distributed by Burson are predominantly used to service vehicles that are aged four years or older.

Ford, Holden and Toyota have announced they will be ceasing manufacturing operations in Australia. Burson does not expect demand for parts to be affected by the decline in the Australian vehicle manufacturing industry. Burson distributes parts for a wide range of vehicle makes and models irrespective of where the vehicle is manufactured. Demand for Burson's services is driven by the total number of registered vehicles on the road in Australia and not the location of vehicle manufacture.

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#### 4.5. Material Business Risks

There are a number of factors that could have an effect on the financial prospects of Burson. These include;

**Competition risk** – The Australian automotive aftermarket parts distribution industry is competitive and Burson may face increased competition from existing competitors (including through downward price pressure), new competitors that enter the industry, vehicle manufacturers, and new technologies or technical advances in vehicles or their parts. Increased competition could have an adverse effect on the financial performance, industry position and future prospects of Burson.

**Increased bargaining power of customers** – A significant majority of Burson's sales are derived from repeat orders from customers. Burson may experience increased bargaining power from customers due to consolidation of existing workshops forming larger chains, greater participation of existing workshops in purchasing and buying groups, and closure of independent workshops resulting in greater market share of larger chains. An increase in bargaining power of customers may result in a decrease in prices or loss of customer accounts, adversely affecting Burson's sales and profitability.

**Supplier pressure or relationship damage** – Burson's business model depends on having access to a wide range of automotive parts, in particular parts with established brands that drive customer orders. An increase in pricing pressure from suppliers or a damaged relationship with a supplier may increase the prices at which Burson procures parts or limit Burson's ability to procure parts from that supplier. If prices of parts increase, Burson will be forced to pass on or absorb the price increases, which may result in a decreased demand for Burson's products or a decrease in profitability. If Burson is no longer able to order parts from a key supplier, Burson may lose customer orders and accounts, resulting in lower sales. Any decline in demand, sales or profitability may have an adverse effect on Burson's business and financial performance.

**Acquisition risk** – A key part of Burson's growth strategy is to increase the size of its store network, which it intends to do principally through store acquisitions. If suitable acquisition targets are not able to be identified, or acquisitions are not able to be made on acceptable terms, then this will limit Burson's ability to execute its growth strategy within its expected timeframe. Further, newly acquired stores may not prove to be as successful as Burson anticipates including due to issues arising from integrating new businesses. This could negatively impact Burson's financial performance and its capacity to pursue further acquisitions.

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#### 4.6. Outlook

Burson expects to continue to grow its store network through acquisitions and greenfield developments. Store network expansion, along with population growth and the number of vehicles on the road should continue to drive Burson's revenue growth. Burson has had a solid start to FY2015 with July and August yielding sales growth and gross margin rates that are consistent with the FY2015 forecast profit results contained in the 2014 IPO prospectus. Since June 2014 Burson has opened one greenfield store and entered into agreements to acquire three stores. Additional growth opportunities, including in Western Australia, continue to be pursued.

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### 5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On the 19 March 2014, Burson changed its name and status from Burson Group Holdings Pty. Limited to Burson Group Limited.

On the 24 April 2014, Burson entered into new renegotiated terms of its syndicated debt facility as detailed section 4.3.1 of this report.

On the 24 April 2014, pursuant to a successful IPO undertaken by the Company, Burson was admitted to the official list of the Australian Stock Exchange (ASX: BAP). Through the IPO, which comprised of a retail offer component (being an offer to employees and clients of selected brokers) and an institutional offer component, Burson successfully raised \$143.6 million in additional equity. The proceeds from the IPO were primarily applied towards meeting the costs of the IPO, to repay bank debt, redemption of existing preference shares and loan notes on issue and further strengthen Burson's balance sheet position.

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### 6. INFORMATION ON DIRECTORS

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#### **Robert McEniry** **Independent, Non-Executive Chairman**

Robert was appointed to the Burson Board in March 2014 as an Independent Non-Executive Chairman. Robert holds a Master of Business Administration from the University of Melbourne and is a Member of the Australian Institute of Directors.

#### **Experience and expertise**

Robert has extensive experience in the automotive industry both in Australia and overseas. Robert's former roles include President and Chief Executive Officer (and Chairman) of Mitsubishi Motors Australia Ltd, Chief Executive Officer of Nucleus Network Ltd, Chief Executive Officer of South Pacific Tyres Ltd, and board member of the Executive Committee for the Federal Chamber of Automotive Industries.

#### **Other current directorships**

Robert is currently on the boards of Multiple Sclerosis Ltd, Australian Home Care Services Ltd (Chairman), Automotive Holdings Group Ltd and Stillwell Motor Group Ltd. He is also Chairman of the Advisory Board to the Department of Management at Monash University

#### **Special responsibilities**

Chair of the Board

#### **Interest in shares and options**

27,473 ordinary shares in Burson Group Limited

### **Darryl Abotomey** **Chief Executive Officer**

Darryl was appointed to the Board in October 2011 as Chief Executive Officer and Managing Director. Darryl holds a Bachelor of Commerce (Hons) majoring in accounting and economics from the University of Melbourne.

#### **Experience and expertise**

Darryl has more than seven years' experience in the automotive aftermarket industry. Darryl has extensive experience in business acquisitions, strategy, finance, information technology and general management in distribution and other industrial businesses. Darryl was a former director and chief financial officer of Exego Group (RepcO). He has also previously held directorships with The Signcraft Group, PaperlinX Limited, CPI Group Limited and Pinegro Products Pty Ltd.

#### **Other current directorships**

None.

#### **Special responsibilities**

Chief Executive Officer and Managing Director

#### **Interest in shares and options**

1,559,526 ordinary shares in Burson Group Limited  
290,160 performance rights

### **Andrew Harrison** **Independent, Non-Executive Director**

Andrew was appointed to the Board in March 2014 as an Independent Non-Executive Director. Andrew holds a Bachelor of Economics from the University of Sydney and a Master of Business Administration from The Wharton school at the University of Pennsylvania, and is a Chartered Accountant.

#### **Experience and expertise**

Andrew is an experienced company director and corporate advisor. Andrew has previously held executive and non-executive directorships with public, private and private equity owned companies, including as Chief Financial Officer of Seven Group Holdings, Group Finance Director of Landis and Gyr, and Chief Financial Officer and a director of Alesco Limited. Andrew was previously a Senior Manager at Gresham Partners Limited, and an Associate at Chase Manhattan Bank (New York) and a Senior Manager at Ernst & Young (Sydney and London).

#### **Other current directorships**

None.

#### **Special responsibilities**

Chair of the Audit and Risk Management Committee

#### **Interest in shares and options**

30,000 ordinary shares in Burson Group Limited

### **Therese Ryan** **Independent, Non-Executive Director**

Therese was appointed to the Board in March 2014 as an Independent, Non-Executive Director. Therese holds a Bachelor of Laws from the University of Melbourne and is a Graduate Member of the Australian Institute of Directors.

#### **Experience and expertise**

Therese is a professional non-executive director and has over 35 years' experience as a senior business executive and commercial lawyer working in widely diversified businesses in Australia and internationally. Previously, she was Vice President and General Counsel of General Motors International Operations based in Shanghai, Assistant Secretary of General Motors Corporation and prior to that General Counsel and Company Secretary of GM Holden.

#### **Other current directorships**

Therese is currently a board member of the Victorian Managed Insurance Authority, VicForests, Metropolitan Fire Brigade, and Yarra Valley Water

#### **Special responsibilities**

Chair of the Nomination and Remuneration Committee

#### **Interest in shares and options**

16,483 ordinary shares in Burson Group Limited

## **7. COMPANY SECRETARY AND OFFICERS**

The following persons were officers of the Company at any time during FY2014, or since the end of FY2014 to the date of this report:

### **Current Chief Financial Officer and Company Secretary**

#### **Gregory Lennox Fox** **(2 March 2012 – present)**

Greg has more than 25 years' experience in the automotive, industrial and public accounting sectors. Greg joined Burson as Chief Financial Officer in 2012 with responsibility for finance, legal, company secretarial and plays a key role in strategic initiatives. Greg was previously Chief Financial Officer at Atlas Steels and at Plexicor, which was a major supplier to the automotive industry. Greg also held various senior financial positions with Amcor Ltd after commencing his career as a chartered accountant.

### **Former Company Secretary**

Darryl Abotomey (17 October 2011 – 31 March 2014)

## 8. MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2014, and the numbers of meetings attended by each Director were:

	Board		Audit and Risk Management Committee		Nomination and Remuneration Committee	
	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended
Robert McEniry	4	4	1	1	–	–
Darryl Abotomey	13	13	–	–	–	–
Andrew Harrison	4	4	1	1	–	–
Therese Ryan	4	4	1	1	–	–
Justin Ryan	9	9	–	–	–	–
Christopher Hadley	9	1	–	–	–	–
Alexander Eady	9	6	–	–	–	–

1. Meetings held while the Director was a member of that board or committee of Burson Group Limited

## 9. REMUNERATION REPORT (AUDITED)

The Directors present the Remuneration Report, which outlines remuneration information for Burson's Non-Executive Directors, Executive Directors and key management personnel in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

The Remuneration Report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration,
- Details of remuneration,
- Service agreements,
- Share-based compensation.

The information provided in this Remuneration Report, which forms part of the Directors' Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

### 9.1. Principles used to determine the nature and amount of remuneration

#### 9.1.1. Non-Executive Directors remuneration

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market.

Under the Company's Constitution, and as required by the listing rules of the ASX, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount agreed by the shareholders at the annual general meeting. This amount has been fixed at \$700,000 with effect from 21 March 2014.

Annual Non-Executive Directors' fees currently agreed to be paid by the Company are \$165,000 to the Chairman, Robert McEniry, and \$85,000 to each of the other Non-Executive Directors. In addition, the Chairman of the Audit and Risk Committee, and the Chairman of the Nomination and Remuneration Committee will each be paid an additional \$10,000 annually. All Directors' fees include superannuation at the superannuation guarantee rate for the respective amounts.

Directors may also be reimbursed for expenses properly incurred by the Directors in connection with the affairs of Burson including travel and other expenses in attending to the Company's affairs.

#### 9.1.2. Executive remuneration

Burson aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable. The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits,
- short-term performance incentives,
- share-based payments, and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration. Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee, based on individual and business unit performance, the overall performance of Burson and comparable market remunerations.

#### 9.1.3. Short term incentive plan

The Chief Executive Officer and other Senior Management of Burson are eligible to participate in Burson's short term incentive plan (STI Plan).

Participants in the STI Plan have a target cash payment which is set as a percentage of their total fixed annual remuneration. Actual short term incentive payments in any given year may be below, at or above that target depending on the achievement of financial and non-financial criteria as set by the Board, in accordance with the terms of the STI Plan, which may be varied from time to time by the Board. No incentive payment is payable if the threshold performance target is not met.

At least 70% and up to 100% of the annual incentive payment will be assessed by financial measures and quantitative key performance indicators. The financial measures and indicators used under the STI Plan may reference Burson's revenue, EBITDA and NPAT performance, or a combination of these measures, as agreed by the Board. Up to 30% of the annual incentive payment will be assessed having regard to non-financial measures, being key performance indicators determined annually by the Board.

These measures are tested annually after the end of the relevant financial year.

Where available, payments under the STI Plan will be made immediately after the release of full year financial results to the ASX except in relation to any portion of an award above the target up to the maximum award, which will be deferred for a period of 12 months. Awards will also be subject to claw back for any material financial misstatements in relation to Burson's performance for the relevant period which are subsequently revealed.

### 9.1.4. Long term incentive plan

The Long Term Incentive Plan (LTIP) is intended to assist in the motivation, retention and reward of certain senior executives. The LTIP is designed to align the interests of senior executives more closely with the interests of Shareholders by providing an opportunity for senior executives to receive an equity interest in Burson through the granting of performance rights (Performance Rights). The vesting of the Performance Rights is subject to satisfaction of certain performance conditions.

The key terms of the LTIP are as follows:

<b>Administration</b>	The LTIP is administered by the Board.
<b>Eligibility</b>	Participation in the LTIP is by invitation to certain employees of Burson deemed eligible by the Board.
<b>Award</b>	A Performance Right will vest on satisfaction of the applicable performance, service or other vesting conditions specified at the time of the grant. The Board has the discretion to set the terms and conditions on which it will offer Performance Rights under the LTIP, including the vesting conditions.
<b>Performance Rights</b>	Upon satisfaction of any vesting conditions, each Performance Right will automatically convert into one Share. Performance Rights do not carry any voting rights or dividend entitlements.
<b>Performance period</b>	Performance will be assessed over a performance period specified at the time of the grant.
<b>Shares</b>	Shares allocated on conversion of Performance Rights rank equally with the other issued Shares and carry the same rights and entitlements, including dividend and voting rights. Shares may be issued by Burson or acquired on or off market by a nominee or trustee on behalf of Burson, then transferred to the Participant.
<b>New issues</b>	Performance Rights do not confer on a Participant the right to participate in new issues of Shares or other securities in Burson, including by way of bonus issues, rights issues or otherwise.
<b>Limitations</b>	The number of Shares to be received by a Participant on the conversion of the Performance Rights must not exceed 5% of the total number of issued Shares.
<b>Trustee</b>	Burson may appoint a trustee for the purpose of administering the LTIP, including to acquire and hold Shares, or other securities of the Company, on behalf of Participants or otherwise for the purposes of the LTIP.
<b>Quotation</b>	Performance Rights will not be quoted on the ASX. Burson will apply for official quotation of any Shares issued under the LTIP, in accordance with the ASX Listing Rules and having regard to any disposal restrictions in place under the LTIP.
<b>Amendments</b>	To the extent permitted by the ASX Listing Rules, the Board retains the discretion to vary the terms and conditions of the LTIP. This includes varying the number of Performance Rights or the number of Shares to which a Participant is entitled upon a reorganisation of the capital of Burson.
<b>Other terms</b>	The LTIP contains other terms relating to the administration, variation, suspension and termination of the LTIP.

### The 2014 LTIP

The 2014 offer to participate in the LTIP was made to six of Burson's senior executives on 24 April 2014. The plan has two tranches whereby:

- 25% of the allocated performance rights vest on satisfaction of the performance hurdles as tested on 30 June 2016
- 75% of the allocated performance rights vest on satisfaction of the performance hurdles as tested on 30 June 2017

Of the total number of Performance Rights granted under each tranche, 50% are subject to the satisfaction of total shareholder return (TSR) performance hurdles for the relevant performance period (TSR Rights), and 50% are subject to satisfaction of earnings per share (EPS) performance hurdles for the relevant performance period (EPS Rights), both described below.

### Total shareholder return (TSR) growth

50% of the Performance Rights granted to a participant will vest subject to a TSR performance hurdle which assesses performance by measuring capital growth in the Share price together with income returned to Shareholders, measured over the performance period against a comparator group of companies. Depending on how Burson is ranked against this comparator group of companies rights subject to a TSR hurdle will vest as follows:

Company's TSR relative to the TSR of the Comparator Group over the performance period	Percentage of TSR Rights Vesting
Less than the 50th percentile	0% of the relevant tranche of TSR rights will vest
50th percentile	50% of the relevant tranche of TSR Rights will vest
Greater than the 50th percentile but less than the 75th percentile	50% to 100% of the relevant tranche of TSR Rights will vest on a pro-rata straight-line basis
Greater than or equal to the 75th percentile	100% of the relevant tranche of TSR Rights will vest

### Earnings per share (EPS) growth

50% of the Performance Rights granted to a participant will vest subject to an earnings per Share (EPS) performance hurdle which measures the basic earnings per share on a normalised basis over the performance period. Each tranche of rights subject to an EPS hurdle will vest as follows;

Company's compound annual EPS growth over the performance period	Percentage of EPS Rights Vesting
Less than 7.5%	0% of the relevant tranche of EPS Rights will vest
7.5%	20% of the relevant tranche of EPS Rights will vest
Greater than 7.5% but less than 15%	20% to 100% of the relevant tranche of EPS Rights will vest on a pro-rata straight-line basis
Equal to or greater than 15%	100% of the relevant tranche of EPS Rights will vest

If vesting conditions are met, performance rights will automatically convert into fully paid ordinary shares of the company. Shares that are allocated in respect of each tranche will be subject to a 12 month holding period after vesting of the performance rights.

A summary of the plan details are as follows;

	Tranche 1	Tranche 2
Grant date	24 April 2014	24 April 2014
Effective date	1 May 2014	1 May 2014
Vest date	30 June 2016	30 June 2017
Expiry date	n/a	n/a
Quantity granted during the year	168,504	529,262
Performance hurdles	50% TSR; 50% EPS	50% TSR; 50% EPS
Exercise price	Nil	Nil
Fair value at grant date	\$0.92 TSR; \$1.77 EPS	\$0.91 TSR; \$1.71 EPS
Other conditions	Holding period 12 months from vest date	Holding period 12 months from vest date

## Directors' Report continued

### 9.2. Details of remuneration

The statutory remuneration disclosures for the year ended 30 June 2014 are detailed below and are prepared in accordance with Australian Accounting Standards (AASBs).

Details of the remuneration of the key management personnel of Burson are set out in the following tables.

2014	Short term benefits		Post employment benefits	Long term benefits	Share based payments	Percentage of remuneration fixed and at risk				
	Cash salary and fees \$	Bonus <sup>1</sup> \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity settled \$	Total \$	Fixed %	At risk – STI %	At risk – LTI %
<b>Non-Executive Director</b>										
R McEniry	41,250	–	–	3,816	–	–	45,066	100%	–	–
A Harrison	23,750	–	–	2,197	–	–	25,947	100%	–	–
T Ryan	23,750	–	–	2,197	–	–	25,947	100%	–	–
J Ryan	–	–	–	–	–	–	–	n/a	n/a	n/a
C Hadley	–	–	–	–	–	–	–	n/a	n/a	n/a
A Eady	–	–	–	–	–	–	–	n/a	n/a	n/a
<b>Executive Director</b>										
D Abotomey	482,357	1,810,546	–	25,000	9,583	19,482	2,346,968	22%	77%	1%
<b>Other Key Management Personnel</b>										
G Fox	347,191	710,819	–	17,544	6,370	8,835	1,090,759	34%	65%	1%
A Schram	263,179	116,350	49,816	23,585	4,424	5,743	463,097	74%	25%	1%
C Magill	241,123	560,237	–	20,000	4,416	5,036	830,812	32%	67%	1%
B Redmond <sup>2</sup>	235,624	–	–	17,453	4,119	4,771	261,967	98%	–	2%
	<b>1,658,224</b>	<b>3,197,952</b>	<b>49,816</b>	<b>111,792</b>	<b>28,912</b>	<b>43,867</b>	<b>5,090,563</b>			
<b>2013</b>										
<b>Non-executive Director</b>										
J Ryan	–	–	–	–	–	–	–	n/a	n/a	n/a
C Hadley	–	–	–	–	–	–	–	n/a	n/a	n/a
A Eady	–	–	–	–	–	–	–	n/a	n/a	n/a
<b>Executive Director</b>										
D Abotomey	445,769	279,068	–	25,000	7,018	–	756,855	63%	37%	–
<b>Other Key Management Personnel</b>										
G Fox	334,224	124,651	–	15,775	5,570	–	480,220	74%	26%	–
A Schram	255,770	107,635	43,732	23,019	4,292	–	434,448	75%	25%	–
C Magill	230,000	65,500	–	20,000	3,833	–	319,333	79%	21%	–
B Redmond	97,005	31,979	–	6,968	1,663	–	137,615	77%	23%	–
	<b>1,362,768</b>	<b>608,833</b>	<b>43,732</b>	<b>90,762</b>	<b>22,376</b>	<b>–</b>	<b>2,128,471</b>			

1. In 2014 three senior executives received a one-off bonus linked to the successful listing of Burson on the ASX. These were D Abotomey \$1,377,736, G Fox \$554,819, C Magill \$453,647.

2. B. Redmond will cease employment with Burson on 15 October 2014

### 9.3. Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows;

**Name:** Darryl Abotomey

**Title:** Chief Executive Officer

**Agreement commenced:** 21 April 2014

**Term of agreement:** 5 years (to 30 April 2019)

**Details:** Darryl is entitled to receive annual fixed remuneration of \$630,000 (inclusive of superannuation) and is entitled to participate in Burson's short term incentive plan. For the first three years of his contract, Darryl's target participation under the short term incentive plan will be 60% of his fixed annual remuneration and his maximum participation will be 100% of his fixed annual remuneration. Thereafter, Darryl's participation in the short term incentive plan will be on a basis to be agreed with the Board.

Burson or Darryl may terminate the employment contract by giving the other 12 months written notice before the proposed date of termination, or in Burson's case, payment in lieu of notice. Burson may terminate Darryl's employment immediately and without payment in lieu of notice in certain circumstances including for any serious misconduct. Darryl's employment contract also includes a restraint of trade period of 12 months.

#### 9.3.1. Other key managers

Each of the company's key personnel are employed under individual employment agreements. These establish:

- Total compensation including a base salary, superannuation contribution and incentive arrangements,
- Variable notice and termination provisions of up to three months, with the exception of one senior manager who is required to give six months notice,
- Confidentiality provisions,
- Leave entitlements, as a minimum, as per the National Employment Standard,
- Restraint of trade provisions of 12 months after termination of employment.

### 9.4. Share-based compensation

#### 9.4.1. Performance rights outstanding for Key Management

The following table outlines the details of the LTI grants outstanding for each key management personnel participant and other movements in options and performance rights in the year.

No options will vest if the performance conditions are not satisfied, hence the minimum value of the option yet to vest is nil. Fair value is calculated in accordance with Burson's accounting policy as discussed in Note 1(r)(iii). There were no amounts paid and there were no amounts outstanding or due from KMP in relation to the grant of options during the year.

	Grant date	Quantity granted	Vest date	Exercise price \$	Value at grant date <sup>1</sup> \$	Vested %	Quantity vested	Forfeited/lapsed %	Value expensed this year <sup>2</sup> \$
D Abotomey	24/04/2014	70,071 220,089	30/6/2016; 30/6/2017	–	382,342	0%	–	–	19,482
G Fox	24/04/2014	31,778 99,814	30/6/2016; 30/6/2017	–	173,398	0%	–	–	8,835
A Schram	24/04/2014	20,656 64,879	30/6/2016; 30/6/2017	–	112,709	0%	–	–	5,743
C Magill	24/04/2014	18,114 56,894	30/6/2016; 30/6/2017	–	93,634	0%	–	–	5,036
B Redmond	24/04/2014	17,160 53,899	30/6/2016; 30/6/2017	–	98,838	0%	–	–	4,771
<b>Total</b>		<b>653,354</b>			<b>860,921</b>				<b>43,867</b>

1. Value at grant date has been determined as the fair value of performance rights at grant.

2. Value expensed this year is the current years expense calculated by allocating the fair value (determined at grant), of the performance rights, over the relevant vesting period as required by the Accounting Standards.

## Directors' Report continued

### 9.5. Equity instrument disclosures relating to key management personnel

#### 9.5.1. Share holdings

The numbers of ordinary voting shares in the company held during the financial year by each Director of Burson Group Limited and other key management personnel of Burson, including their personally related parties, are set out below.

2014	Balance at start of the year	Received during the year <sup>1</sup>	Conversion to Ordinary Voting Shares <sup>2</sup>	Purchase of shares	Sale of shares	Balance at the end of the year
<b>Directors</b>						
R McEniry	–	–	–	27,473	–	27,473
A Harrison	–	–	–	30,000	–	30,000
T Ryan	–	–	–	16,483	–	16,483
D Abotomey	1,117,105	1,117,105	365,000	–	(1,039,684)	1,559,526
<b>Other Key management personnel</b>						
G Fox	446,828	446,828	200,000	–	(437,464)	656,193
A Schram	500,000	500,000	300,000	–	–	1,300,000
C Magill	439,357	439,357	200,000	–	–	1,078,714
B Redmond	–	–	140,000	–	–	140,000
	<b>2,503,290</b>	<b>2,503,290</b>	<b>1,205,000</b>	<b>73,956</b>	<b>(1,477,148)</b>	<b>4,808,389</b>
<b>2013</b>						
<b>Directors</b>						
R McEniry	–	–	–	–	–	–
A Harrison	–	–	–	–	–	–
T Ryan	–	–	–	–	–	–
D Abotomey	–	–	1,117,105	–	–	1,117,105
<b>Other Key management personnel</b>						
G Fox	–	–	446,828	–	–	446,828
A Schram	–	–	500,000	–	–	500,000
C Magill	–	–	439,357	–	–	439,357
B Redmond	–	–	–	–	–	–
	–	–	<b>2,503,290</b>	–	–	<b>2,503,290</b>

1. Shares received during the year were the result of a 2 for 1 share split.

2. In 2013 Ordinary non-voting shares converted to voting Ordinary shares. In 2014, pre IPO, Restricted Management Shares converted into voting Ordinary shares.

### 9.6. Total shares under option or right

Date granted	Vest date	Expiry date	Exercise price of rights	Quantity
<b>Performance rights plans</b>				
24/04/2014	30/6/2016	n/a	\$0.00	168,504
24/04/2014	30/6/2017	n/a	\$0.00	529,262
<b>Total shares under option or right</b>				<b>697,766</b>

## 10. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to 30 June 2014, Burson has entered into agreements to acquire three stores. The acquisitions are due to complete in August and September 2014 for a combined purchase price of approximately \$2.0 million. In addition one greenfield store has been opened. The additional stores are consistent with the growth assumptions used in the FY2015 financial forecast included in the IPO prospectus. Burson continues to pursue additional growth opportunities including in WA.

No other matters or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

- Burson's operations in future financial years, or
- the results of those operations in future financial years, or
- Burson's state of affairs in future financial years.

## 11. ENVIRONMENTAL REGULATION

Burson is not affected by any significant environmental regulation in respect of its operations.

## 12. INSURANCE OF OFFICERS

During the financial period, Burson paid a premium of \$70,402 (2013: \$29,725) to insure the Directors and Secretary of Burson.

## 13. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

## 14. AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

## 15. REMUNERATION OF AUDITORS

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the financial year by the auditor are outlined in Note 25 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 25 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

## 16. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

## 17. ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts. In accordance with that Class Order amounts in the Directors' Report and Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors,



**Robert McEniry**  
Chairman



**Darryl Abotomey**  
Chief Executive Officer

Melbourne  
27 August 2014

# Auditor's Independence Declaration



Burson Group Limited  
(Directors' report continued)  
30 June 2014

## ***Auditor's Independence Declaration***

As lead auditor for the audit of Burson Group Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Burson Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'D Rosenberg', with a long horizontal flourish extending to the right.

Daniel Rosenberg  
Partner  
PricewaterhouseCoopers

Melbourne  
27 August 2014

**PricewaterhouseCoopers, ABN 52 780 433 757**  
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

# Financial Statements

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Burson Group Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Burson Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Burson Group Limited  
61–63 Gower Street  
Preston VIC 3072

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on page 8, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors' on 27 August 2014. The Directors have the power to amend and reissue the financial statements.

## Financial Statements continued

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
<b>Revenue from continuing operations</b>	<b>4</b>	<b>341,649</b>	<b>306,288</b>
Costs of goods sold		(201,857)	(182,582)
Employee benefits expense		(68,364)	(60,727)
Occupancy expenses		(11,176)	(10,024)
Freight expenses		(4,050)	(3,295)
Other expenses		(20,004)	(18,042)
Initial public offering and other transaction costs	5	(9,770)	–
Acquisition costs		–	(108)
Depreciation and amortisation expense	5	(4,429)	(3,864)
Finance costs	5	(20,358)	(13,236)
<b>Profit/(loss) before income tax</b>		<b>1,641</b>	<b>14,410</b>
Income tax expense	6	(481)	(4,064)
<b>Profit/(loss) for the year attributable to the Owners of Burson Group Limited</b>		<b>1,160</b>	<b>10,346</b>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges	21(a)	1,094	99
Other comprehensive income/(loss) for the year, net of tax		1,094	99
<b>Total comprehensive income/(loss) for the year attributable to the Owners of Burson Group Limited</b>		<b>2,254</b>	<b>10,445</b>

#### Earnings per share for profit attributable to the ordinary equity holders of the Company:

		Cents	Cents
Basic earnings per share	33	1.18	12.28
Diluted earnings per share	33	1.17	12.28

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	10,863	60,991
Trade and other receivables	8	32,433	30,560
Inventories	9	69,125	57,530
<b>Total current assets</b>		<b>112,421</b>	<b>149,081</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	19,401	15,875
Deferred tax assets	11	10,778	6,835
Intangible assets	12	97,417	93,415
Other non-current assets	13	311	244
<b>Total non-current assets</b>		<b>127,907</b>	<b>116,369</b>
<b>Total assets</b>		<b>240,328</b>	<b>265,450</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	57,426	44,514
Borrowings	15	–	6,900
Current tax liabilities		64	1,233
Provisions	16	10,368	8,979
<b>Total current liabilities</b>		<b>67,858</b>	<b>61,626</b>
<b>Non-current liabilities</b>			
Borrowings	17	73,342	152,210
Derivative financial instruments	18	–	1,457
Provisions	19	2,167	1,883
<b>Total non-current liabilities</b>		<b>75,509</b>	<b>155,550</b>
<b>Total liabilities</b>		<b>143,367</b>	<b>217,176</b>
<b>Net assets</b>		<b>96,961</b>	<b>48,274</b>
<b>Equity</b>			
Contributed equity	20	180,775	40,085
Other reserves	21(a)	56	(1,094)
Retained earnings/(accumulated losses)	21(b)	(83,870)	9,283
<b>Total equity</b>		<b>96,961</b>	<b>48,274</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2014**

Attributable to owners of Burson Group Limited					
Consolidated	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings/ (accumulated losses) \$'000	Total equity \$'000
Balance at 1 July 2012		39,883	(1,193)	(1,063)	37,627
Profit/(loss) for the period		–	–	10,346	10,346
Dividends and distributions provided for or paid		–	–	–	–
Other comprehensive income/(loss)		–	99	–	99
Total comprehensive income for the period		–	99	10,346	10,445
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs and tax	20(b)	202	–	–	202
Share based payments		–	–	–	–
<b>Balance at 30 June 2013</b>		<b>40,085</b>	<b>(1,094)</b>	<b>9,283</b>	<b>48,274</b>
Balance at 1 July 2013		40,085	(1,094)	9,283	48,274
Profit/(loss) for the period		–	–	1,160	1,160
Other comprehensive income/(loss)		–	1,094	–	1,094
Total comprehensive income for the period		–	1,094	1,160	2,254
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs and tax	20(b)	140,690	–	–	140,690
Dividends and distributions provided for or paid	22	–	–	(94,313)	(94,313)
Share based payments	21(a)(i)	–	56	–	56
<b>Balance at 30 June 2014</b>		<b>180,775</b>	<b>56</b>	<b>(83,870)</b>	<b>96,961</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		373,692	335,895
Payments to suppliers and employees (inclusive of GST)		(336,942)	(292,849)
		36,750	43,046
Borrowing costs		(12,758)	(5,880)
Transaction costs	28	(6)	(108)
Income taxes paid		(2,476)	(4,771)
<b>Net cash inflow from operating activities</b>	<b>32</b>	<b>21,510</b>	<b>32,287</b>
<b>Cash flows from investing activities</b>			
Payments to acquire businesses (net of cash acquired)	28(b)	(6,101)	(3,199)
Payments for property, plant and equipment and software		(8,207)	(5,095)
Proceeds from sale of property, plant and equipment		388	163
<b>Net cash (outflow) from investing activities</b>		<b>(13,920)</b>	<b>(8,131)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of ordinary shares		145,894	202
Payments for share buyback		(50)	–
Dividends paid	22	(94,313)	–
Proceeds from borrowings		–	44,000
Net proceeds / (repayment) of borrowings		(90,661)	(8,000)
Payment on termination of cash flow hedge	21	(1,045)	–
Transaction costs relating to Initial Public Offering		(16,826)	–
Transaction costs relating to borrowings		(717)	(2,129)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(57,718)</b>	<b>34,073</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(50,128)</b>	<b>58,229</b>
Cash and cash equivalents at the beginning of the financial year		60,991	2,762
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<b>10,863</b>	<b>60,991</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Burson Group Limited and its subsidiaries.

#### a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Burson Group Limited is a for-profit entity for the purpose of preparing the financial statements. The company continues to apply the measurement and recognition criteria of Australian Accounting Standards in preparing the financial report. This is the first year the Company has presented a general purpose financial report compliant with Australian Accounting Standard disclosures. The company has presented an opening statement of financial position and accompanying notes as at 1 July 2012, presented in Note 38. Comparative information is reclassified when appropriate to enhance comparability. The company has not made any changes in accounting policies in preparing this opening financial position.

#### i. Compliance with IFRS

The Financial Report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. This is the first year of expanded financial reporting disclosures as required under General Purpose Financial Reporting (refer Note 38).

#### ii. Changes in accounting policy, disclosures, standards and interpretations

The accounting policies adopted are consistent with those of the previous financial years.

#### iii. New and amended standards adopted by Burson

Burson has applied the following standards and amendments applicable for the first time for the June 2014 Financial Report:

- AASB 10 Consolidated Financial Statements and AASB 11 Joint Arrangements;
- Accounting for Employee Benefits – revised AASB 119 Employee Benefits
- AASB 13 Fair Value Measurement

#### **AASB10 Consolidated Financial Statements, AASB11 Joint Arrangements, AASB12 Disclosure of Interests in Other Entities, AASB127 Separate Financial Statements**

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements. Under the new principles, the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Burson has reviewed its investments in other entities to assess whether the consolidation in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. There is no change to Burson's accounting as a result of the adoption of AASB 11.

#### **AASB119 Employee Benefits**

The adoption of the revised AASB 119 Employee Benefits has changed the accounting for the group's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now measured on a discounted basis. However, the impact of this change was immaterial since the majority of the leave is still expected to be taken within a short period after the end of the reporting period

#### **AASB13 Fair Value Measurement**

AASB 13 was released in September 2011 and aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards. This standard does not affect Burson's accounting policy.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### iv. Early adoption of standards

Burson has not elected to apply any pronouncements to the annual reporting period beginning 1 July 2013.

#### v. Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

#### vi. Rounding of amounts

Burson is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the interim financial report. Amounts in the interim financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

#### vii. Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Burson's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

## **b. Principles of consolidation**

### **i. Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Burson Group Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Burson Group Limited and its subsidiaries together are referred to in this Financial Report as Burson or the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which Burson has control. Burson controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 1(h)).

Burson applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Burson Group Limited.

### **c. Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management personnel. Burson has only one operating business segment. Refer to Note 36 for further information.

### **d. Foreign currency translation**

#### **i. Functional and presentation currency**

Items included in the financial statements of each of Burson's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Burson Group Limited's functional and presentation currency.

#### **ii. Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as

qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

### **e. Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Burson recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of Burson's activities as described below. Burson bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

#### **i. Sale of goods**

A sale is recorded when goods have been delivered to the customer, the customer has accepted the goods and collectability of the related receivables is probable.

#### **ii. Interest income**

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

### **f. Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where Burson's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### **i. Tax consolidation legislation**

The Company and all its wholly-owned Australian entities are part of a tax-consolidated group under Australian taxation law. Burson Group Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences are recognised by the members of the tax consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

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. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

#### **g. Leases**

Leases of property, plant and equipment where Burson, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Burson will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Burson as lessee are classified as operating leases (Note 27).

#### **h. Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by Burson. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition-date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

#### **i. Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## ***J. Cash and cash equivalents***

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

## ***k. Trade receivables***

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the end of the reporting period.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

## ***l. Inventories***

Inventory is valued at lower of cost and net realisable value on an average cost basis.

## ***m. Property, plant and equipment***

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

■ Plant and equipment	3 – 15 years
■ Motor vehicles	3 – 7 years
■ Leasehold improvements	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

## ***n. Intangible assets***

### ***i. Goodwill***

Goodwill is measured as described in Note 1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

### ***ii. Software***

Costs incurred in acquiring, developing and implementing new software are recognised as intangible assets only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, licenses and direct labour. Software has a finite useful life and is carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost of software over their estimated useful lives, which is two and a half years.

## ***o. Trade and other payables***

These amounts represent liabilities for goods and services provided to Burson prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 to 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the end of the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### **p. Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date or specific event, are classified as liabilities.

Borrowings are classified as current liabilities unless Burson has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is amortised on a straight-line basis over the term of the facility.

### **q. Provisions**

Provisions are recognised when Burson has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### **r. Employee benefits**

#### **i. Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

#### **ii. Other long-term employee benefit obligations**

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the end of the reporting period, regardless of when the actual settlement is expected to occur.

#### **iii. Share-based payments**

Share-based compensation benefits are provided to employees via the Burson Long Term Incentive Plan ("BLTIP"). Information relating to these schemes is set out in the Remuneration Report. The fair value of performance rights granted under the BLTIP is recognised as an employee benefit expense over the period during which the employees become unconditionally entitled to the rights and options with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights and options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest which are revised at the end of each reporting period. The impact of the revision to original estimates, if any, is recognised in the consolidated income statement, with a corresponding adjustment to equity.

The fair value is measured at grant date and the expense recognised over the life of the plan. The fair value is independently determined using a Black-Scholes or similar option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

### **s. Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

#### **i. Cash flow hedges**

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risk associated with a recognised asset or liability or a firm commitment which could affect income or expenses. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs. When a forecast

transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to profit or loss. When the hedged item is closed out, the cumulative gain or loss that was previously reported in equity is immediately reclassified to profit and loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

#### **t. Contributed equity**

Ordinary shares are classified as equity.

Redeemable preference shares are recorded as financial liabilities. Holders were entitled to annual interest payments of 15% per annum.

#### **u. Earnings per share**

##### **i. Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

##### **ii. Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### **v. Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### **w. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

#### **x. Parent entity financial information**

The financial information for the parent entity, Burson Group Limited, disclosed in Note 34 has been prepared on the same basis as the consolidated financial statements, except as set out below.

##### **i. Investments in subsidiaries, associates and joint venture entities**

Investments in subsidiaries are accounted for at cost in the financial statements of Burson Group Limited. Dividends received from subsidiaries are recognised in the parent entity's profit or loss.

##### **ii. Financial guarantees**

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

#### **y. New and amended Accounting Standards and Interpretations**

##### **i. Accounting standards issued but not yet effective**

There are no standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 2. Financial risk management

Burson's principal financial liabilities, other than derivatives, comprise of loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance Burson's operations and to provide guarantees to support its operations. Burson's principal financial assets are trade and other receivables and cash and short-term deposits that derive directly from its operations.

Burson is exposed to market risk, credit risk and liquidity risk. Burson's senior management oversees the management of these risks. It is Burson's policy that no trading in derivatives for speculative purposes may be undertaken.

Burson holds the following financial instruments:

	Notes	2014 \$'000	2013 \$'000
<b>Financial Assets</b>			
Cash and cash equivalents	7	10,863	60,991
Trade and other receivables <sup>1</sup>	8	31,470	29,413
<b>Financial Liabilities</b>			
Trade and other payables	14	57,426	44,515
Interest rate swap contracts	18	–	1,457
Borrowings (principal)	15, 17	74,000	115,000

1. Trade and other receivables in the table excludes prepayments which are not classified as financial instruments.

The carrying value of the assets and liabilities disclosed in the table above closely approximates or equals their fair value.

Borrowings are issued at variable interest rates (for details of the maturity of borrowings, refer to Note 17) and cash and cash equivalents (refer to Note 7) attract interest at variable interest rates. All other financial assets and liabilities are non-interest bearing.

#### a. Market risk

##### i. Foreign exchange risk

Burson is not exposed to significant foreign exchange risk. Whilst a significant proportion of Burson's suppliers source product from overseas, changes in purchase prices due to currency movements are generally passed through to the total market and subsequently reflected in selling prices to customers.

##### ii. Price risk

Burson is not exposed to significant equities price risk.

##### iii. Cash flow interest rate risk

Burson's main interest rate risk arises from long-term borrowings. The interest rate and term for bank borrowings is determined at the date of each drawdown. The weighted average interest rate for the year ended 30 June 2014 was 6.31% (2013: 6.53%).

Borrowings issued at variable rates expose Burson to cash flow interest rate risk. Burson, from time to time, enters into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates to manage the risk of adverse fluctuations in the floating interest rate on its Borrowings. In the prior reporting period interest rate swaps covered approximately 50% of the variable loan principal outstanding on Burson's loan facility.

These were extinguished upon the successful completion of the renegotiation of the syndicated borrowing facility in April 2014. As at the end of the financial year there were no interest rate swaps in place.

At the end of the reporting period, Burson had the following variable rate borrowings and interest rate swap contracts outstanding (refer to Note 17 for further details):

	2014		2013	
	Weighted average interest rate %	\$'000	Weighted average interest rate %	\$'000
Borrowings (Principal)	6.31%	74,000	6.53%	115,000
Less amount covered by interest rate swaps	–	–	4.16%	(57,000)
		<b>74,000</b>		<b>58,000</b>

At 30 June 2014, if the weighted average interest rate of the facility had changed by a factor of +/- 10%, interest expense would increase/decrease by \$653,000.

## b. Credit risk

Burson's exposure to credit risk arises from the potential default of Burson's trade and other receivables as well as the institutions in which Burson's cash and cash equivalents are deposited, and derivative instruments are traded with, with a maximum exposure equal to the carrying amounts of these assets. Further details of Burson's trade receivables are included in note 8 and cash and cash equivalents are detailed in Note 7.

Credit risk is managed in the following ways:

- The provision of credit is covered by a risk assessment process for all customers (e.g. appropriate credit history, credit limits, past experience);
- Concentrations of credit risk are minimised by undertaking transactions with a large number of customers.

## c. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and ensuring that all term deposits can be converted to funds at call. Burson aims to maintain flexibility in funding by keeping accessible the cash reserves of the business.

A borrowing facility of \$139,000,000 exists that enables Burson to borrow funds when necessary, repayable during April 2017 (refer to Note 17).

All other financial liabilities are current and anticipated to be repaid over the normal payment terms, usually 30 to 90 days.

## i. Financial arrangements

Burson had access to the following borrowing facilities at end of the reporting period:

	Drawn		Undrawn		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Floating rate</b>						
Expiring within 1 year	–	6,900	–	–	–	6,900
Expiring beyond 1 year	74,000	108,100	65,000	30,000	139,000	138,100
	<b>74,000</b>	<b>115,000</b>	<b>65,000</b>	<b>30,000</b>	<b>139,000</b>	<b>145,000</b>

Subject to the continuance of meeting certain financial covenants, the bank loan facilities may be drawn down at any time.

## ii. Maturities of financial liabilities

The tables below analyse Burson's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 6 months \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	5+ years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
<b>30 June 2014</b>							
Trade payables	57,426	–	–	–	–	57,426	57,426
Borrowings	–	–	–	74,000	–	74,000	74,000
Interest rate swap contracts	–	–	–	–	–	–	–
	<b>57,426</b>	<b>–</b>	<b>–</b>	<b>74,000</b>	<b>–</b>	<b>131,426</b>	<b>131,426</b>
<b>30 June 2013</b>							
Trade payables	44,514	–	–	–	–	44,514	44,514
Borrowings	–	–	6,900	108,100	–	115,000	115,000
Interest rate swap contracts	–	–	–	1,457	–	1,457	1,457
	<b>44,514</b>	<b>–</b>	<b>6,900</b>	<b>109,557</b>	<b>–</b>	<b>160,971</b>	<b>160,971</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### iii. Fair value of financial instruments

The following table details the consolidated Groups fair values of financial instruments categorized by the following levels:

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

Consolidated 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Liabilities</b>				
Interest rate swap contracts	–	1,457	–	1,457
<b>Total Liabilities</b>	<b>–</b>	<b>1,457</b>	<b>–</b>	<b>1,457</b>

There were no transfers between levels during the financial year.

There were no derivative financial assets or liabilities as at 30 June 2014.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

### d. Capital risk management

Burson's policy is to maintain a capital structure for the business which ensures sufficient liquidity and support for business operations, maintains shareholder and market confidence, provides strong stakeholder returns, and positions the business for future growth. In assessing capital management Burson considers both equity and debt instruments.

The ongoing maintenance of this policy is characterised by:

- Ongoing cash flow forecast analysis and detailed budgeting processes which, combined with continual development of banking relationships, is directed at providing a sound financial positioning for Burson's operations and financial management activities, and
- A capital structure that provides adequate funding for Burson's potential acquisition and investment strategies, building future growth in shareholder value. The syndicated loan facility can be partly used to fund significant investments as part of Burson's growth strategy.

Burson is not subject to externally imposed capital requirements, other than contractual banking covenants and obligations. The Company has complied with all bank lending requirements during the year and at the date of this report.

## 3. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### a. Critical accounting estimates and assumptions

Burson makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### i. Estimated impairment of goodwill and other assets

Burson tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(n). Information about this critical estimate is detailed in Note 12.

#### 4. Revenue

	Consolidated	
	2014 \$'000	2013 \$'000
From continuing operations:		
<i>Sales revenue</i>		
Sale of goods	341,649	306,288

#### 5. Expenses

	Consolidated	
	2014 \$'000	2013 \$'000
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation and amortisation expense:</i>		
Plant and equipment and software	2,382	2,071
Motor vehicles	1,904	1,721
Make good provision	143	72
<b>Total depreciation and amortisation</b>	<b>4,429</b>	<b>3,864</b>
Finance costs - interest and finance charges paid/payable	20,358	13,236
Net loss on disposal of property, plant and equipment	40	97
Rental expense relating to operating leases - minimum lease payments	10,245	9,341
Defined contribution superannuation expense	4,868	4,220
<i>Initial public offering and other transaction costs include:</i>		
Professional consultants costs	6,927	–
One-off IPO management bonus	2,537	–
Other transaction costs	306	–
<b>Total public offering and other transaction costs</b>	<b>9,770</b>	<b>–</b>

#### 6. Income tax

##### a. Income tax expense

	Notes	Consolidated	
		2014 \$'000	2013 \$'000
Current tax		2,570	4,248
Deferred tax		(2,063)	(68)
Under / (over) provision in prior years		(26)	(116)
	<b>6(b)</b>	<b>481</b>	<b>4,064</b>
The entire income tax expense relates to profit from continuing operations.			
Deferred income tax expense included in income tax expense comprises:			
(Increase)/decrease in deferred tax assets		(1,937)	(110)
Increase/(decrease) in deferred tax liabilities		(126)	42
		<b>(2,063)</b>	<b>(68)</b>

## Financial Statements continued

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

#### b. Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	2014 \$'000	2013 \$'000
Profit from ordinary activities before income tax expense	1,641	14,410
Income tax calculated at 30% (2013: 30%)	492	4,323
Tax effect of amounts that are not deductible/(taxable) in calculating income tax:		
Entertainment	4	135
Acquisition costs	7	3
Other	4	(281)
	<b>15</b>	<b>(143)</b>
Income tax adjusted for permanent differences:		
Under / (over) provision in prior year	(26)	(116)
<b>Income tax expense attributable to profit from ordinary activities</b>	<b>481</b>	<b>4,064</b>

#### c. Amounts recognised directly in equity

	Consolidated	
	2014 \$'000	2013 \$'000
Deferred tax credited/(debited) directly to hedge reserve	(360)	73
Deferred tax credited directly to share capital	2,089	–
Deferred tax credited directly to share based payment reserve	9	–
	<b>1,738</b>	<b>73</b>

#### 7. Current assets - Cash and cash equivalents

	Consolidated	
	2014 \$'000	2013 \$'000
Cash at bank and in hand	10,863	16,991
Term deposit	–	44,000
	<b>10,863</b>	<b>60,991</b>

Burson has issued guarantees totalling \$1,457,000 (2013: \$823,000). These guarantees have a range of expiry dates.

#### 8. Current assets - Trade and other receivables

	Consolidated	
	2014 \$'000	2013 \$'000
Trade receivables	26,376	25,775
Provision for impairment of receivables	(526)	(264)
	25,850	25,511
Other receivables	5,620	3,902
Prepayments	963	1,147
	<b>32,433</b>	<b>30,560</b>

### a. Provisions for impaired trade receivables

As at 30 June the amount of the provision for the current trade receivables was \$526,000 (2013: \$264,000) represented by;

- Provision for doubtful debts \$226,000 (2013: \$264,000)
- Provision for credit notes \$300,000 (2013: nil)

Burson recognised a loss of \$483,000 (2013: \$80,000) in respect of impaired trade receivables during the financial year. This included a one off cost associated with the introduction of a credit note provision of \$300,000. Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2014 \$'000	2013 \$'000
Opening balance	(264)	(456)
Additional provision recognised during the year	(483)	(80)
Utilisation of provision for credit notes and receivables	221	272
Credited to the consolidated income statement	–	–
<b>Closing balance</b>	<b>(526)</b>	<b>(264)</b>

The creation or release of the doubtful debts provision has been included in 'Other expenses' expense in the consolidated income statement. Amounts charged to the provision are generally written off when there is no expectation of recovering additional cash.

### b. Ageing of net trade receivables from due date

	Consolidated	
	2014 \$'000	2013 \$'000
Current and not due	16,148	15,613
31 – 60 days	8,536	8,432
61 – 90 days	1,166	1,365
91 – 120 days	–	101
121+ days	–	–
<b>Closing balance</b>	<b>25,850</b>	<b>25,511</b>

Burson does not hold any collateral in relation to these receivables.

### c. Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 2 for more information on the risk management policy of Burson and the credit quality of the entity's trade receivables.

## 9. Current assets – Inventories

	Consolidated	
	2014 \$'000	2013 \$'000
Finished goods – at cost	73,280	60,269
Stock provision	(5,520)	(4,574)
	67,760	55,695
Goods in transit	1,365	1,835
	<b>69,125</b>	<b>57,530</b>

## Financial Statements continued

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

#### 10. Non-current assets – Property, plant and equipment

Consolidated	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>Cost or fair value</b>			
At 1 July 2012	16,322	9,572	25,894
Additions	2,293	2,034	4,327
Acquisition of business	262	–	262
Disposals	(483)	(859)	(1,342)
<b>At 30 June 2013</b>	<b>18,394</b>	<b>10,747</b>	<b>29,141</b>
Additions	4,063	3,428	7,491
Acquisition of business	389	–	389
Disposals	(478)	(1,096)	(1,574)
<b>At 30 June 2014</b>	<b>22,368</b>	<b>13,079</b>	<b>35,447</b>
<b>Depreciation and impairment</b>			
At 1 July 2012	(7,740)	(2,799)	(10,539)
Depreciation charge for the year	(1,794)	(1,721)	(3,515)
Impairment	–	–	–
Disposals	282	506	788
<b>At 30 June 2013</b>	<b>(9,252)</b>	<b>(4,014)</b>	<b>(13,266)</b>
Depreciation charge for the year	(2,022)	(1,904)	(3,926)
Impairment	–	–	–
Disposals	433	713	1,146
<b>At 30 June 2014</b>	<b>(10,841)</b>	<b>(5,205)</b>	<b>(16,046)</b>
<b>Net Book value</b>			
At 30 June 2013	9,142	6,733	15,875
<b>At 30 June 2014</b>	<b>11,527</b>	<b>7,874</b>	<b>19,401</b>

## 11. Non-current assets – Deferred tax assets

	Consolidated	
	2014 \$'000	2013 \$'000
<i>Deferred tax assets comprise temporary differences attributable to:</i>		
Amounts recognised in Statement of comprehensive income:		
Trade and other receivables	68	(137)
Employee benefits	4,284	3,725
Inventory	1,656	1,208
Property, plant and equipment	1,018	877
Other	1,654	725
	<b>8,680</b>	<b>6,398</b>
<b>Amounts recognised in Equity:</b>		
Cash flow hedge	–	437
Costs of raising share capital	2,089	–
Share based payment	9	–
<b>Total deferred tax assets</b>	<b>10,778</b>	<b>6,835</b>
Deferred tax assets expected to be recovered within 12 months	3,591	3,623
Deferred tax assets expected to be recovered after more than 12 months	7,187	3,212
	<b>10,778</b>	<b>6,835</b>
<b>Movements:</b>		
Opening balance	6,835	6,713
Credited to the consolidated income statement	2,189	99
Credited to equity	1,738	–
Acquisition of business	218	29
Under/(over) provision in prior year	(202)	(6)
<b>Closing balance</b>	<b>10,778</b>	<b>6,835</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 12. Non-current assets – Intangible assets

Consolidated	Notes	Computer software \$'000	Goodwill \$'000	Total \$'000
<b>Cost or fair value</b>				
At 1 July 2012		1,264	90,384	91,648
Additions		826	–	826
Acquisition of business		–	2,141	2,141
Disposals		–	–	–
<b>At 30 June 2013</b>		<b>2,090</b>	<b>92,525</b>	<b>94,615</b>
Additions		716	–	716
Acquisition of business	28	–	3,646	3,646
Disposals		–	–	–
<b>At 30 June 2014</b>		<b>2,806</b>	<b>96,171</b>	<b>98,977</b>
<b>Amortisation and impairment</b>				
At 1 July 2012		(951)	–	(951)
Amortisation charge for the year		(249)	–	(249)
Impairment		–	–	–
Disposals		–	–	–
<b>At 30 June 2013</b>		<b>(1,200)</b>	<b>–</b>	<b>(1,200)</b>
Amortisation charge for the year		(360)	–	(360)
Impairment		–	–	–
Disposals		–	–	–
<b>At 30 June 2014</b>		<b>(1,560)</b>	<b>–</b>	<b>(1,560)</b>
<b>Net Book value</b>				
At 30 June 2013		890	92,525	93,415
<b>At 30 June 2014</b>		<b>1,246</b>	<b>96,171</b>	<b>97,417</b>

#### a. Impairment testing and key assumptions

Burson tests whether goodwill and other intangible assets have suffered any impairment in accordance with the accounting policy stated in Note 1(i).

Goodwill is allocated to Burson's cash generating units ("CGU's") identified according to operating segment:

	Consolidated	
	2014 \$'000	2013 \$'000
Australia	96,171	92,525

The recoverable amounts of assets and CGUs have been determined based on the higher of value-in-use and fair value less costs to sell.

Burson has used the fair value less costs to sell as the basis for testing whether goodwill has suffered any impairment. Fair value has been based on the market capitalisation of Burson at the time of listing.

The following key assumptions were used in testing for impairment of goodwill;

- Fair value \$298 million
- Listing price of Burson shares \$1.82

A reasonable possible change in assumptions would not cause the carrying value of the CGU to exceed its recoverable amount.

### 13. Non-current assets – Other non-current assets

	Consolidated	
	2014 \$'000	2013 \$'000
Make good asset	311	244

### 14. Current liabilities – Trade and other payables

	Consolidated	
	2014 \$'000	2013 \$'000
Trade payables	50,659	38,666
Accrued expenses	6,767	5,848
	<b>57,426</b>	<b>44,514</b>

### 15. Current liabilities – Borrowings

	Consolidated	
	2014 \$'000	2013 \$'000
<b>Secured</b>		
Bank loans – Westpac	–	3,450
Bank loans – ANZ	–	3,450
<b>Total secured current borrowings</b>	<b>–</b>	<b>6,900</b>

### 16. Current liabilities – Provisions

	Consolidated	
	2014 \$'000	2013 \$'000
Employee benefits	10,368	8,979

#### a. Amounts not expected to be settled within 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of \$10,368,000 (2013: \$8,979,000) is presented as current, since Burson does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, Burson does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	Consolidated	
	2014 \$'000	2013 \$'000
Leave obligations expected to be settled after 12 months	712	617

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 17. Non-current liabilities – Borrowings

	Consolidated	
	2014 \$'000	2013 \$'000
<b>Secured</b>		
Bank loans – Westpac	37,000	54,050
Bank loans – ANZ	37,000	54,050
<b>Total secured non-current borrowings</b>	<b>74,000</b>	<b>108,100</b>
<b>Unsecured</b>		
Restricted preference shares	–	2,988
Loan notes	–	46,674
<b>Total unsecured non-current borrowings</b>	<b>–</b>	<b>49,662</b>
Less: unamortised transaction costs capitalised	(658)	(5,552)
<b>Total non-current borrowings</b>	<b>73,342</b>	<b>152,210</b>

On 24 April 2014, Burson re-negotiated the terms of its syndicated debt facility. The structure is a secured senior debt facility. Key features of the facility include:

- Tranche A: \$110,000,000 consisting of a \$85 million revolving facility for working capital and general corporate purposes (including funding of acquisitions) and a \$25 million acquisition facility,
- Tranche B: \$29,000,000 for working capital and general corporate purposes, the issuance of letters of credit/bank guarantees, and the provision of transactional and foreign exchange facilities.

The facility is provided by a syndicate comprising Westpac Banking Corporation and ANZ and secured by way of a fixed and floating charge over Burson's assets. This facility is repayable during April 2017.

Unamortised transaction costs associated with the previous facility of \$4,768,000 were charged to 'finance costs' in the consolidated income statement. Costs of \$717,000 were associated with negotiating the current facility and are being amortised over the life of the facility and charged to 'finance costs' in the consolidated income statement, of which \$658,000 has not yet been amortised through the consolidated income statement.

### 18. Non-current liabilities – derivative financial instruments

	Consolidated	
	2014 \$'000	2013 \$'000
Interest rate swap contracts – cash flow hedges	–	1,457

## 19. Non-current liabilities – provisions

	Consolidated	
	2014 \$'000	2013 \$'000
Onerous contracts	–	45
Make good provision	897	772
	<b>897</b>	<b>817</b>
Employee benefits	1,270	1,066
	<b>2,167</b>	<b>1,883</b>

### a. Movements in provisions

The movement in provisions other than employee benefits during the financial year is set out below:

	Consolidated	
	2014 \$'000	2013 \$'000
Opening balance	817	1,242
Additional provision recognised	85	–
Amounts used	(152)	(238)
Change in provision from re-measurement	147	(187)
<b>Closing balance</b>	<b>897</b>	<b>817</b>

## 20. Contributed equity

### a. Share capital

	2014	2013	2014	2013
	Shares '000	Shares '000	\$'000	\$'000
<b>Fully paid</b>				
Ordinary Shares	163,586	41,242	180,775	40,074
Restricted Management Shares	–	1,058	–	11
	<b>163,586</b>	<b>42,300</b>	<b>180,775</b>	<b>40,085</b>

## Financial Statements continued

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

#### b. Movements in ordinary share capital

Date	Details	Number of shares '000	\$'000
<b>1 July 2012</b>	<b>Opening balance</b>	<b>41,303</b>	<b>39,883</b>
1 July 2012	Restricted Management Shares issued	233	2
6 September 2012	Ordinary Shares issued	439	196
6 September 2012	Restricted Management Shares issued	100	1
14 September 2012	Restricted Management Shares issued	45	1
20 September 2012	Restricted Management Shares issued	180	2
1 January 2013	Restricted Management Shares issued	30	–
15 January 2013	Restricted Management Shares bought back	(100)	(1)
23 May 2013	Restricted Management Shares issued	70	1
23 June 2013	Conversion of Non Voting Ordinary Shares to Voting Ordinary Shares	(4,765)	–
23 June 2013	Ordinary Shares converted	4,765	–
<b>30 June 2013</b>	<b>Closing balance</b>	<b>42,300</b>	<b>40,085</b>
1 July 2013	Installment for Partly Paid Ordinary Shares	–	1,047
26 July 2013	Buy back of Restricted Management Shares	(50)	(50)
26 September 2013	New Restricted Management Shares issued	50	65
4 February 2014	2 for 1 share split Restricted Management Shares	1,058	–
4 February 2014	2 for 1 share split Ordinary Shares	41,242	–
23 April 2014	Conversion of Restricted Management Shares to non-voting ordinary shares	(2,115)	–
23 April 2014	Non-voting ordinary shares converted	2,115	–
23 April 2014	Conversion of Non Voting Ordinary Shares to Voting Ordinary Shares	(2,115)	–
23 April 2014	Ordinary Shares converted	2,115	–
23 April 2014	Instalment for Partly Paid Ordinary Shares	–	1,168
24 April 2014	Issue new shares as part of IPO	78,986	143,615
24 April 2014	Capitalise costs directly related to IPO (net of tax)	–	(5,155)
<b>30 June 2014</b>	<b>Closing balance</b>	<b>163,586</b>	<b>180,775</b>

#### c. Ordinary shares

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

## 21. Other reserves and retained earnings/(accumulated losses)

### a. Other reserves

	Consolidated	
	2014 \$'000	2013 \$'000
Share based payment reserve	56	–
Cash flow hedge reserve	–	(1,094)
	<b>56</b>	<b>(1,094)</b>

#### i. Movements:

	Consolidated	
	2014 \$'000	2013 \$'000
<b>Cash flow hedge reserve</b>		
Opening balance	(1,094)	(1,193)
Revaluation	70	140
Tax associated with cash flow hedges	(21)	(41)
Cancellation of hedge release to profit and loss	1,045	–
<b>Closing balance</b>	<b>–</b>	<b>(1,094)</b>
<b>Share based payments reserve</b>		
Opening balance	–	–
Share based payment expense	47	–
Tax associated with share schemes	9	–
<b>Closing balance</b>	<b>56</b>	<b>–</b>

#### ii. Nature and purpose of reserves

Cash flow hedges reserve: is used to record gains/losses on the revaluation of the hedging instrument that are recognised directly in equity as described in Note 1(s)(i).

Share based payments reserve: is used to hold the amortised fair value of unexercised performance rights as described in Note 1(r)(iii).

### b. Retained earnings/(accumulated losses)

Movements in retained earnings/(accumulated losses) were as follows:

	Consolidated	
	2014 \$'000	2013 \$'000
Opening balance	9,283	(1,063)
Net profit/(loss) for the year	1,160	10,346
Dividends paid	(94,313)	–
<b>Closing balance</b>	<b>(83,870)</b>	<b>9,283</b>

## Financial Statements continued

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

#### 22. Dividends

	Payment date	Amount per share	Franked amount per share	Total dividend \$'000
<b>Year 2014</b>				
2013 Final dividend	1 July 2013	\$1.35	\$1.35	57,089
2014 Interim dividend	23 April 2014	\$0.44	\$0.44	37,224
				<b>94,313</b>

#### a. Franked dividends

No final dividend has been proposed or declared in respect of the year ending 30 June 2014.

	Consolidated	
	2014 \$'000	2013 \$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2013: 30%)	135	38,203

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

- franking credits that will arise from the payment of the amount of the provision for income tax,
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period, and
- franking credits that will arise from the receipt of dividends recognised as receivables at the end of the reporting period.

#### 23. Key management personnel disclosures

##### a. Directors

The following persons were Directors of Burson Group Limited at any time during the financial year, or since the end of the financial year:

Current Directors	
Robert McEniry	Independent, Non-Executive Chairman (31 March 2014 – present)
Darryl Abotomey	Chief Executive Officer (17 October 2011 – present)
Andrew Harrison	Independent, Non-executive Director (31 March 2014 – present)
Therese Ryan	Independent, Non-executive Director (31 March 2014 – present)
Former Directors	
Justin Ryan	Non-Executive Chairman (13 September 2011 – 31 March 2014)
Alexander Eady	Non-Executive Director (17 October 2011 – 31 March 2014)
Christopher Hadley	Non-Executive Director (17 October 2011 – 31 March 2014)

##### b. Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of Burson, directly or indirectly, during the financial year:

Name	Position
Gregory Fox	Chief Financial Officer
Andrew Schram	General Manager – Merchandising and Procurement
Craig Magill	General Manager – Sales & Marketing
Brendan Redmond	General Manager – Store Operations

### c. Key Management Personnel compensation

	2014 \$'000	2013 \$'000
Short term employee benefits	4,906	2,015
Long term benefits	29	22
Post employment benefits	112	91
Share based payment	44	–
	<b>5,091</b>	<b>2,128</b>

Detailed remuneration disclosures are provided in pages 15 to 20 of the Remuneration Report.

### d. Loans to key management personnel

There have been no loans to Directors or executives during the financial year (2013: nil).

### e. Other transactions with key management personnel

During the year there were no loans or other transactions with key management personnel.

## 24. Related party disclosures

### a. Interests in controlled entities

Interests in controlled entities are set out in Note 29.

### b. Transactions with key management personnel

Disclosures with key management personnel are set out in Note 23(e).

## 25. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

### a. PwC Australia

	Consolidated	
	2014 \$	2013 \$
<b>Audit and other assurance services</b>		
Audit and review of financial statements	305,280	73,500
Other assurance services	175,646	23,000
Total remuneration for audit and other assurance services	480,926	96,500
<b>Other services</b>		
Advisory and tax fees for Initial Public Offering, refinancing and trade sale considerations	1,176,874	–
Tax compliance services	52,100	24,700
Consulting services	40,144	46,815
Total remuneration for other services	1,269,118	71,515
<b>Total remuneration of PwC Australia</b>	<b>1,750,044</b>	<b>168,015</b>

## Financial Statements continued

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

#### 26. Contingencies

##### a. Guarantees

As part of the syndicated debt facility Burson has guarantees to the value of \$1,457,000 (2013: \$823,000)

##### b. Contingent liabilities

Burson had no contingent liabilities at 30 June 2014 (2013: nil).

#### 27. Commitments

##### a. Capital commitments

There are no further capital commitments outstanding as at the 30 June 2014 other than what is already disclosed in previous notes.

In the prior financial year on 30 May 2013 an agreement was made to purchase the assets of Precision Auto Spares Pty Ltd on 1 July 2013 for \$3,637,748.

##### b. Lease commitments – operating

	Consolidated	
	2014 \$'000	2013 \$'000
Non cancellable operating leases contracted for but not capitalised in the financial statements payable:		
Within one year	9,433	7,321
Later than one year but not later than five years	16,320	14,483
Later than five years	292	65
	<b>26,045</b>	<b>21,869</b>

#### 28. Business combination

##### a. Summary of acquisitions

During the current financial year the parent entity acquired the assets of the following entities:

- Coolalinga Car Parts
- Peps Discount Auto Spares
- Hampson Automotive
- Precision Auto Spares
- Bulk Automotive Parts Wholesale
- Gardiner Precision Autospare

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Consolidated
	2014 \$'000
Purchase consideration (refer to note (b) below):	
Cash paid	6,106
<b>Total purchase consideration</b>	<b>6,106</b>

The assets and liabilities recognised as a result of the acquisitions are as follows:

	Fair value 2014 \$'000
Cash	5
Trade and other receivables	10
Inventories	2,631
Plant and equipment	389
Deferred tax asset	218
Provision for employee benefits	(768)
Other payables	(25)
<b>Net identifiable assets acquired</b>	<b>2,460</b>
Add: goodwill	3,646
<b>Net assets acquired</b>	<b>6,106</b>

Goodwill in relation to these acquisitions is related to the anticipated future profitability of their contribution to Burson's total business. As the acquired businesses have become an integral part of Burson's operations and their net impact is assessed as part of Burson's single cash generating unit performance, and as such disclosing this on a standalone basis is not meaningful.

#### **b. Purchase consideration – cash outflow**

	Consolidated 2014 \$'000
Outflow of cash to acquire businesses, net of cash acquired	
Cash consideration	6,106
Less: balances acquired	
Cash	(5)
<b>Outflow of cash – investing activities</b>	<b>6,101</b>

#### **c. Acquisition-related costs**

Acquisition-related costs of \$306,311 (2013: \$107,606) are included in other expenses in profit and loss and in operating cash flows in the consolidated statement of cash flows.

## **29. Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in Note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding <sup>1</sup>	
			2014 %	2013 %
Burson Finance Pty Limited	Australia	Ordinary	100	100
Burson Holdings Pty Limited <sup>2</sup>	Australia	Ordinary	–	100
Burson Automotive Pty Limited	Australia	Ordinary	100	100
Car Bitz & Accessories Pty Limited	Australia	Ordinary	100	100

<sup>1</sup> The proportion of ownership interest is equal to the proportion of voting power held.

<sup>2</sup> Burson Holdings Pty Limited was voluntarily de-registered on 28 April 2014.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 30. Deed of Cross Guarantee

The following controlled entities have entered into a Deed of Cross Guarantee:

- Burson Group Limited
- Burson Finance Pty Limited
- Burson Automotive Pty Limited
- Car Bitz & Accessories Pty Limited

The companies that are party to this deed guarantee the debts of the others and represent the 'Closed Group' from the date of entering into the agreement.

These wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

#### a. Income statement, other comprehensive income and a summary of movements in consolidated retained profits

Since there are no other parties to the Deed of Cross Guarantee that are controlled by Burson Group Limited the companies detailed above also represent the 'Extended Closed Group'. As the members of the Closed Group are the same as those of the Consolidated Group the Consolidated Income Statement, Other Comprehensive Income Statement and summary of movements in retained profits for the Closed Group are the same as those of the Consolidated Group.

### 31. Events occurring after the reporting period

Subsequent to 30 June 2014 Burson has entered into agreements to acquire three stores. The acquisitions are due to complete in August and September 2014 for a combined purchase price of approximately \$2.0 million. In addition one greenfield store has been opened. The additional stores are consistent with the growth assumptions used in the FY2015 financial forecast included in the IPO prospectus. Burson continues to pursue additional growth opportunities including in WA.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of Burson, the results of those operations or the state of affairs of Burson or economic entity in subsequent financial years.

### 32. Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

	Consolidated	
	2014 \$'000	2013 \$'000
Profit/(loss) for the year	1,160	10,346
Depreciation and amortisation (including borrowing costs)	5,130	4,833
Accelerated amortisation of capitalized borrowing costs	4,767	–
Amortisation of share based payment	47	–
Interest accrued	–	6,388
Net loss on sale of non-current assets	40	97
Transaction costs relating to the IPO	9,464	–
Other non-cash movement	–	99
Change in operating assets and liabilities:		
(Increase) in trade receivables	(1,862)	(3,169)
(Increase) in inventories	(8,965)	(3,957)
(Increase) in deferred tax assets	(826)	(121)
(Increase) / decrease in other operating assets	(66)	72
Increase / (decrease) in trade and other payables	12,159	18,017
Increase / (decrease) in provision for income taxes payable	(1,169)	(585)
Increase / (decrease) in other operating liabilities	1,631	(246)
Increase in other provisions	–	513
<b>Net cash inflow/(outflow) from operating activities</b>	<b>21,510</b>	<b>32,287</b>

### 33. Earnings per share (EPS)

All shares are fully paid and have been included in both the Basic EPS and the Diluted EPS.

	2014 cents per share	2013 cents per share
Basic EPS	1.18	12.28
Diluted EPS	1.17	12.28

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

#### a. Weighted average number of shares used as the denominator

	2014 Number <sup>1</sup>	2013 number <sup>1</sup>
Weighted average number of shares used as the denominator in calculating basic EPS	98,732,828	84,251,075
Weighted average number of Options	128,083	–
<b>Weighted average number of shares used as the denominator in calculating diluted EPS</b>	<b>98,860,911</b>	<b>84,251,075</b>

1. The weighted average number of shares for 30 June 2013 and 30 June 2014 has been adjusted for a 2 for 1 share split performed during the 2014 financial period.

#### b. Reconciliation of earnings used in calculating EPS

	2014 \$'000	2013 \$'000
Earnings used in calculating basic EPS	1,160	10,346
Earnings used in calculating diluted EPS	1,160	10,346

### 34. Net tangible asset backing

	2014 cents per share	2013 cents per share
Net tangible asset backing per share	(0.003)	(1.067)

A large proportion of the Group's assets are intangible in nature, consisting of goodwill relating to businesses acquired, and software. These assets are excluded from the calculation of net tangible assets per security, which results in the negative outcome.

Net assets per share at 30 June 2014 was \$0.593 (30 June 2013 \$1.141) cents per share.

Refer to Note 17 for further information on the Group's borrowings and debt facilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

### 35. Parent entity financial information

#### a. Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2014 \$'000	2013 \$'000
<b>Statement of financial position</b>		
Current assets	–	–
Non-current assets	179,579	82,509
<b>Total assets</b>	<b>179,579</b>	<b>82,509</b>
Current liabilities	–	–
Non-current liabilities	–	53,018
<b>Total liabilities</b>	<b>–</b>	<b>53,018</b>
<b>Net assets</b>	<b>179,579</b>	<b>29,491</b>
<b>Equity</b>		
Contributed equity	180,775	40,085
Other reserves	56	–
Current year profits / (losses)	103,655	(6,388)
Dividends paid out of current year profits	(94,313)	–
Prior years retained earnings/(accumulated losses)	(10,594)	(4,206)
<b>Total equity</b>	<b>179,579</b>	<b>29,491</b>
<b>Profit / (loss) for the period</b>	<b>103,655</b>	<b>(6,388)</b>
<b>Total comprehensive profit / (loss)</b>	<b>103,655</b>	<b>(6,388)</b>

#### b. Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

### 36. Segment information

Burson operates within one reportable segment (the sale and distribution of motor vehicle parts and accessories). Total revenues of \$341,649,000 (2013: \$306,288,000) all relate to the sale and distribution of motor vehicle parts and accessories in the Company's country of domicile (Australia), in this single reportable segment. The Company is not reliant on any single customer.

For financial statements in respect of the reporting segment refer to the Consolidated Statement of Financial Position (page 25) and the Consolidated Statement of Comprehensive Income (page 24).

### 37. Share based payments

#### a. Executive share option plan

The Long Term Incentive Plan (LTIP) is intended to assist in the motivation, retention and reward of certain senior executives. The LTIP is designed to align the interests of senior executives more closely with the interests of Shareholders by providing an opportunity for senior executives to receive an equity interest in Burson through the granting of performance rights (Performance Rights). The vesting of the Performance Rights is subject to satisfaction of certain performance conditions.

The 2014 offer to participate in the LTIP was made to six of Burson's senior executives on 24 April 2014. The plan has two tranches whereby:

- 25% of the allocated Performance Rights vest on satisfaction of the performance hurdles as tested on 30 June 2016
- 75% of the allocated Performance Rights vest on satisfaction of the performance hurdles as tested on 30 June 2017

Of the total number of Performance Rights granted under each tranche, 50% are subject to the satisfaction of total shareholder return (TSR) performance hurdles for the relevant performance period (TSR Rights), and 50% are subject to satisfaction of earnings per share (EPS) performance hurdles for the relevant performance period (EPS Rights).

### Total shareholder return (TSR) growth

50% of the Performance Rights granted to a participant will vest subject to a TSR performance hurdle which assesses performance by measuring capital growth in the share price together with income returned to shareholders, measured over the performance period against a comparator group of companies. Depending on how Burson is ranked against this comparator group of companies, Performance Rights subject to a TSR hurdle will vest as follows;

Company's TSR relative to the TSR of the Comparator Group over the performance period	Percentage of TSR Rights Vesting
Less than the 50th percentile	0% of the relevant tranche of TSR rights will vest
50th percentile	50% of the relevant tranche of TSR Rights will vest
Greater than the 50th percentile but less than the 75th percentile	50% to 100% of the relevant tranche of TSR Rights will vest on a pro-rata straight-line basis
Greater than or equal to the 75th percentile	100% of the relevant tranche of TSR Rights will vest

### Earnings per share (EPS) growth

50% of the Performance Rights granted to a participant will vest subject to an earnings per Share (EPS) performance hurdle which measures the basic earnings per share on a normalised basis over the performance period. Each tranche of Performance Rights subject to an EPS hurdle will vest as follows;

Company's compound annual EPS growth over the performance period	Percentage of EPS Rights Vesting
Less than 7.5%	0% of the relevant tranche of EPS Rights will vest
7.5%	20% of the relevant tranche of EPS Rights will vest
Greater than 7.5% but less than 15%	20% to 100% of the relevant tranche of EPS Rights will vest on a pro-rata straight-line basis
Equal to or greater than 15%	100% of the relevant tranche of EPS Rights will vest

If vesting conditions are met, Performance Rights will automatically convert into fully paid ordinary shares of the company. Shares that are allocated in respect of each tranche will be subject to a 12 month holding period after vesting of the Performance Rights.

A summary of the plan details are as follows;

	Tranche 1	Tranche 2
Grant date	24 April 2014	24 April 2014
Effective date	1 May 2014	1 May 2014
Vest date	30 June 2016	30 June 2017
Expiry date	n/a	n/a
Quantity granted during the year	168,504	529,262
Performance hurdles	50% TSR; 50% EPS	50% TSR; 50% EPS
Exercise price	Nil	Nil
Fair value at grant date	\$0.92 TSR; \$1.77 EPS	\$0.91 TSR; \$1.71 EPS
Other conditions	Holding period 12 months from vest date	Holding period 12 months from vest date

Movements of Performance Rights are as follows;

	2014 number	2013 number
Opening quantity outstanding	–	–
Quantity of Performance Rights granted during the year	697,766	–
Quantity of Performance Rights forfeited during the year	–	–
Quantity of Performance Rights exercised during the year	–	–
Closing quantity outstanding	697,766	–

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

#### i. Fair value of options granted

The assessed fair value at grant date of Performance Rights granted during the year ended 30 June 2014 is shown in the summary of plan details above per option for each Tranche and performance hurdle. The fair value at grant date is independently determined using a Monte Carlo simulation (using the Black-Scholes framework) model that takes into account the exercise price, the term of the Performance Right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the Performance Right.

The model inputs for Performance Rights granted during the year ended 30 June 2014 included:

- Performance Rights are granted for no consideration and vest based on the achievement of TSR and EPS performance hurdles,
- exercise price: \$0.00,
- grant date: 24 April 2014,
- expiry date: n/a,
- share price at effective date: \$1.93,
- expected price volatility of the company's shares: 35%,
- expected dividend yield: 4.00%,
- risk-free interest rate: 3.06%.

The expected price volatility is based on an analysis of historical volatilities observed for companies in the comparator group.

#### b. Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefits expense were as follows:

	2014 \$'000	2013 \$'000
Performance Rights under executive LTIP	47	–

### 38. Adoption of General Purpose Financial Reporting

This is the first year that Burson has adopted General Purpose Financial Reporting in compliance with Australian Accounting Standard disclosures and the disclosure requirements of International Financial Reporting Standards. Previously Burson reported its results using "Special Purpose Financial Reporting" as it was established that Burson was not a "Reporting Entity" due to there being no users dependent on General Purpose Financial Reports.

Upon listing on the ASX, Burson has become a reporting entity and has adopted General Purpose Financial Reporting. In making this change there has been no change in accounting policy applied impacting the prior comparative period's accounting policies and there has been no impact on the Statement of Comprehensive Income, Statement of Financial Position or Statement of Cash Flows. The only impact to Burson reporting under General Purpose Financial Reporting is additional disclosure requirements as shown throughout this Financial Report.

The company has not presented a reconciliation of opening financial position, financial performance and cash flows as there were no changes from the opening comparative period.

As required by AASB 1 below is the Statement of Financial Position that shows current year as well as prior year comparative balances along with opening balances upon entry into General Purpose Financial Reporting as at 1 July 2012.

<b>Consolidated</b>				
	Notes	30 June 2014 \$'000	30 June 2013 \$'000	1 July 2012 \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	38(a)	10,863	60,991	2,762
Trade and other receivables	38(b)	32,433	30,560	27,392
Inventories	38(c)	69,125	57,530	52,774
<b>Total current assets</b>		<b>112,421</b>	<b>149,081</b>	<b>82,928</b>
<b>Non-current assets</b>				
Property, plant and equipment		19,401	15,875	15,355
Deferred tax assets		10,778	6,835	6,713
Intangible assets		97,417	93,415	90,697
Other non-current assets	38(d)	311	244	316
<b>Total non-current assets</b>		<b>127,907</b>	<b>116,369</b>	<b>113,081</b>
<b>Total assets</b>		<b>240,328</b>	<b>265,450</b>	<b>196,009</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	38(e)	57,426	44,514	26,428
Borrowings	38(f)	–	6,900	2,025
Current tax liabilities		64	1,233	1,818
Provisions	38(g)	10,368	8,979	8,041
<b>Total current liabilities</b>		<b>67,858</b>	<b>61,626</b>	<b>38,312</b>
<b>Non-current liabilities</b>				
Borrowings	38(h)	73,342	152,210	116,060
Derivative financial instruments	38(i)	–	1,457	1,703
Provisions		2,167	1,883	2,307
<b>Total non-current liabilities</b>		<b>75,509</b>	<b>155,550</b>	<b>120,070</b>
<b>Total liabilities</b>		<b>143,367</b>	<b>217,176</b>	<b>158,382</b>
<b>Net assets</b>		<b>96,961</b>	<b>48,274</b>	<b>37,627</b>
<b>Equity</b>				
Contributed equity		180,775	40,085	39,883
Other reserves		56	(1,094)	(1,193)
Retained earnings/(accumulated losses)		(83,870)	9,283	(1,063)
<b>Total equity</b>		<b>96,961</b>	<b>48,274</b>	<b>37,627</b>

## Financial Statements continued

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

Where not shown throughout the notes to the Financial Statements refer below for further breakdown of opening balances for the relevant balance sheet categories;

	<b>Consolidated</b>
	<b>1 July 2012</b>
	<b>\$'000</b>
<b>a. Current assets – Cash and cash equivalents</b>	
Cash at bank and in hand	2,762
Term deposit	–
	<b>2,762</b>
<b>b. Current assets – Trade and other receivables</b>	
Trade receivables	24,754
Provision for impairment of receivables	(456)
	24,298
Other receivables	2,316
Prepayments	778
	<b>27,392</b>
<b>c. Current assets – Inventories</b>	
Finished goods – at cost	58,465
Stock provision	(5,775)
	52,690
Goods in transit	84
	<b>52,774</b>
<b>d. Non-current assets – Other</b>	
Make good asset	<b>316</b>
<b>e. Current liabilities – Trade and other payables</b>	
Trade payables	20,309
Accrued expenses	6,119
	<b>26,428</b>
<b>f. Current liabilities – Borrowings</b>	
<b>Secured</b>	
Bank loans – Westpac	1,012
Bank loans – ANZ	1,013
	<b>2,025</b>
<b>g. Current liabilities – Provisions</b>	
Employee benefits	<b>8,041</b>
<b>h. Non-current liabilities – Borrowings</b>	
<b>Secured</b>	
Bank loans – Westpac	36,394
Bank loans – ANZ	36,393
	72,787
<b>Unsecured</b>	
Restricted preference shares	2,940
Loan notes	40,333
	43,273
Less: unamortised transaction costs capitalised	–
	<b>116,060</b>
<b>i. Non-current liabilities – Derivative financial instruments</b>	
Interest rate swap contracts – cash flow hedges	<b>1,703</b>

# Directors' Declaration

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This declaration is made in accordance with a resolution of Directors.

In the Directors' opinion:

- a. the financial statements, comprising; the consolidated statement of comprehensive income; consolidated statement of financial position; consolidated statement of changes in equity; consolidated statement of cash flows; and accompanying notes, are in accordance with the *Corporations Act 2001*, including:
  - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- b. there are reasonable grounds to believe that Burson Group Limited will be able to pay its debts as and when they become due and payable; and
- c. at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 30 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 30.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2014.

On behalf of the Board of Burson Group Limited,



**Robert McEniry**  
Chairman  
Melbourne  
27 August 2014

# Independent Auditor's Report



## Independent auditor's report to the members of Burson Group Limited

### *Report on the financial report*

We have audited the accompanying financial report of Burson Group Limited (the company), which comprises the Consolidated statement of comprehensive income, the Consolidated statement of financial position as at 30 June 2014, Consolidated statement of changes in equity and Consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Burson Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

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

### *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 consolidated 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 the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.



## **Independent auditor's report to the members of Burson Group Limited (Continued)**

### ***Report on the financial report (Continued)***

#### *Auditor's opinion*

In our opinion:

- (a) the financial report of Burson Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

### ***Report on the Remuneration Report***

We have audited the remuneration report included in pages 15 to 20 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

#### *Auditor's opinion*

In our opinion, the remuneration report of Burson Group Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Daniel Rosenberg  
Partner

Melbourne  
27 August 2014

# Shareholder Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 28 August 2014 (**Reporting Date**).

## 1. CORPORATE GOVERNANCE STATEMENT

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company. In accordance with ASX Listing Rule 4.10.3, the Corporate Governance Statement will be available for review on Burson's website [www.burson.com.au](http://www.burson.com.au), and will be lodged with ASX at the same time that this Annual Report is lodged with ASX.

## 2. DISTRIBUTION OF SHAREHOLDERS

The distribution of holders of equity securities on issue in the Company as at the Reporting Date is as follows:

### 2.1. Distribution of ordinary shareholders

Range	Total holders	Shares	% of Issued Capital
1 – 1,000	747	454,558	0.28
1,001 – 5,000	700	2,136,613	1.31
5,001 – 10 000	437	3,377,381	2.06
10,001 – 100,000	447	10,351,918	6.33
100,001 +	58	147,265,196	90.02
<b>Total</b>	<b>2,389</b>	<b>163,585,666</b>	<b>100.00</b>
Holders of less than a marketable parcel of \$500 included in above total	5	278	

### 2.2. Distribution of holders of performance rights

Range	Total holders	Performance Rights	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10 000	–	–	–
10,001 – 100,000	4	276,014	39.56
100,001 +	2	421,752	60.44
<b>Total</b>	<b>6</b>	<b>697,766</b>	<b>100.00</b>

### 3. TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, the number of ordinary shares and the percentage of capital held by each holder is as follows:

Ordinary Shares		
Name	Number Held	% of Issued Capital
Citicorp Nominees Pty Limited	20,514,103	12.54
RBC Investor Services	14,722,474	9.00
National Nominees Limited	14,447,966	8.83
QPE No 3GP Pty Limited	14,342,720	8.77
Quadrant Private Equity No 3D	11,687,624	7.14
J P Morgan Nominees Australia	9,629,458	5.89
BNP Paribas Noms Pty Ltd	9,316,901	5.70
Morgan Stanley Australia	7,572,328	4.63
UBS Nominees Pty Ltd	7,490,132	4.58
Quadrant Private Equity No 3C	6,507,586	3.98
BNP Paribas Noms (NZ) Ltd	6,342,232	3.88
HSBC Custody Nominees	6,108,383	3.73
Garrmar Investments Pty Ltd	5,504,900	3.37
GB Vantage Pty Ltd	3,400,000	2.08
D Abotomey	1,559,526	0.95
Sandhurst Trustees Ltd	1,528,230	0.93
Bond Street Custodians Limited	1,412,136	0.86
Schram Investments Pty Ltd	1,300,000	0.79
C Magill	1,078,714	0.66
Warbont Nominees Pty Ltd	830,019	0.51
<b>Total of top 20 holders of ordinary shares</b>	<b>145,295,432</b>	<b>88.82</b>
Other Shareholders	18,290,234	11.18
<b>Total Shareholders</b>	<b>163,585,666</b>	<b>100%</b>

### 4. SUBSTANTIAL HOLDERS

As at the Reporting Date, the names of the substantial holders of Burson and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to Burson, are as follows:

Name	Number Held	% of Issued Capital
Perpetual Limited	23,623,720	14.44%
QPE No. 3GP	14,342,720	8.77%
QPE No. 3D	11,687,624	7.14%
UBS Global Asset management (Australia) Ltd	8,445,796	5.16%
QPE No. 3C	6,507,586	3.98%

## Shareholder Information continued

### 5. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

#### 5.1. Ordinary shares

At a general meeting of Burson, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary share held.

#### 5.2. Performance rights

Performance rights do not carry any voting rights.

### 6. UNQUOTED EQUITY SECURITIES

697,766 unlisted performance rights have been granted to 6 persons. There are no persons who hold 20% or more of performance rights that were not issued or acquired under an employee incentive scheme.

### 7. VOLUNTARY ESCROW

The number and class of restricted securities or securities subject to voluntary escrow that are on issue, and the date that the escrow period ends, are as follows:

Class of restricted securities	Type of restriction	Number of securities	Escrow period
Ordinary shares	Voluntary escrow	32,537,930	<p>From 24 April 2014 to the date on which Burson's full year results for the period ending 30 June 2015 are released to the ASX, subject to a potential partial early release as set out below.</p> <p>The escrowed shareholders may dispose of up to 25% of their escrowed shares at least 10 business days after both of the following conditions have been satisfied:</p> <ul style="list-style-type: none"><li>the half year results of the Company for the period ending 31 December 2014 have been released to the ASX; and</li><li>the Company VWAP over a specified period is at least 20% higher than \$1.82 per share</li></ul>
Ordinary shares	Voluntary escrow	2,862,948	<p>From 24 April 2014 to the date which is the earlier of;</p> <ul style="list-style-type: none"><li>the date on which Burson's full year results for the period ending 30 June 2015 are released to the ASX; or</li><li>the date that is 10 business days after the date on which the relevant escrowed shareholder ceases to be an employee of the Burson Group if his employment is terminated due to his death or is terminated by the Burson Group due to serious disability or permanent incapacity (as determined by the Board).</li></ul>

### 8. ON-MARKET BUY-BACK

The company is not currently conducting an on-market buy-back.

# Corporate Information

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## **Directors**

Robert McEniry (Independent, Non-Executive Chairman)  
Darryl Abotomey (Chief Executive Officer)  
Andrew Harrison (Independent, Non-Executive Director)  
Therese Ryan (Independent, Non-Executive Director)

## **Company Secretary**

Gregory Fox

## **Registered office**

61 Gower Street  
Preston VIC 3072  
AUSTRALIA

## **Share registry**

Computershare Investor Services Pty Ltd  
452 Johnston Street  
ABBOTSFORD VIC 3067  
Ph: +61 3 9415 4000

## **Auditor**

PricewaterhouseCoopers  
Freshwater Place  
2 Southbank Boulevard  
SOUTHBANK VIC 3006

## **Securities exchange listing**

Burson Group Limited shares are listed on the Australian Securities Exchange  
(ASX: BAP)

## **Website**

[www.burson.com.au](http://www.burson.com.au)

