The JC Tanloden Business

(incorporating the EBITDA results relating to the JC Tanloden business, formerly owned by JC Tanloden and Wisma Enterprises through to 23 February 2015 and thereafter owned by Elect Performance Group Pty Ltd for the period 23 February 2015 to 30 June 2015)

Special Purpose Statements of EBITDA Report

For the years ended 30 June 2014 and 30 June 2015

JC TANLODEN BUSINESS

Statements of EBITDA

FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	$	**$**
Revenue		
Sale of hay	8,071,478	6,579,418
Cost of goods sold	(3,665,037)	(2,478,201)
Gross Margin	**4,406,441**	**4,101,217**
Costs of processing hay	(328,494)	(285,405)
Direct labour costs	(426,149)	(398,619)
Freight expenses	(1,167,884)	(1,006,311)
Gross margin after costs of processing hay, direct labour costs and freight expenses	**2,483,914**	**2,410,882**
Administration expense	(87,758)	(134,410)
Insurances	(30,757)	(37,179)
Occupancy costs	(166,248)	(180,339)
Repairs and maintenance	(202,094)	(292,979)
Research and development and quality control costs	(15,576)	(20,115)
Profit before net finance costs, depreciation, business purchase transaction costs and income tax expense	**1,981,481**	**1,745,860**

The above statements of EBITDA should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of this financial report are set out below. These statements of EBITDA (earnings before interest, tax, depreciation and amortisation and transaction costs) and notes thereto represent those of JC Tanloden Business (the "Business") which was owned and operated by JC Tanloden Pty Ltd and Wisma Enterprises Pty Ltd ("Wisma") through to 23 February 2015 and thereafter by Elect Performance Group Pty Ltd ("Elect"). On 23 February 2015 Elect purchased from Wisma the JC Tanloden business

Basis of preparation

These special purpose statements of EBITDA have been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board*,* as appropriate for for-profit entities.

These statements of EBITDA have been prepared on an accruals basis and are based on historical costs applying the going concern basis of accounting.

Critical accounting estimates and judgments

The preparation of these statements of EBITDA in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the business' accounting policies. The following key estimates and judgments were made in these consolidated statement of comprehensive income:

- The provisional assessments of fair value of assets acquired in the purchase of the JC Tanloden business as equalling the amounts stipulated in the sale agreement, which were at their written down cost values and which affects the depreciation charge following this transaction.

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

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

(a) Revenue recognition

Revenue from the sale of goods is recognised when the following conditions are met:

- the risks and reward of ownership of the goods has passed to the customer;
- the business no longer has any continuing managerial involvement with the goods which would indicate that those goods are owned or controlled;
- the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

(b) Inventory

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: weighted average cost basis;
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Upon disposal, inventory is derecognised from the statement of financial position and charged to the profit or loss as a cost of goods sold.

(c) Foreign currency translation

The functional and presentation currency of this business is measured using the currency of the primary economic environment in which it operates, being Australian dollars. Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Any foreign currency gains and losses are recognised as finance gains or losses in profit or loss.

(d) Goods and services tax

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

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

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

(e) Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting year. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

(f) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the Statement of Profit and Loss and Comprehensive Income on a straight-line basis over the period of the lease.

(l) New, revised or amending Accounting Standards and Interpretations adopted

With the exception of AASB 15 (below), the business has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting year or available for early adaption. There was no significant impact arriving in these consolidated statement of comprehensive income from the adaption of these standards and interpretations.

AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (applicable for annual reporting years commencing on or after 1 January 2017)

AASB 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards AASB 118 Revenue and AASB 111 Construction Contracts, and the related Interpretations on revenue recognition Interpretation 13 Customer Loyalty Programs, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers and Interpretation 131 Revenue—Barter Transactions Involving Advertising Services.

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the business expects to be entitled in exchange for those goods or services.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The business has not yet assessed the impact of this standard.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE DIRECTORS OF BIRON APPAREL LIMITED

Report on the Special Purpose EBITDA Financial Report

We have reviewed the attached special purpose EBITDA financial report for the years ended 30 June 2015 and 30 June 2014 of the JC Tanloden Business (JC Tanloden) which incorporates the EBITDA results relating to the JC Tanloden business, formerly owned by Wisma Enterprises through to 23 February 2015 and thereafter owned by Elect Performance Group Pty Ltd for the period 23 February 2015 to 30 June 2015 (the EBITDA financial report).

The EBITDA financial report has been prepared for the directors of Biron Apparel Limited as part of their due diligence process in evaluating an investment in the JC Tanloden business.

Management's Responsibility for the Special Purpose EBITDA Financial Report

The management of the JC Tanloden business are responsible for the preparation of the EBITDA financial report and have determined that the accounting policies set out in Note 1 to the EBITDA financial report are appropriate to the needs of the directors of Biron Apparel Limited. This responsibility includes establishing and maintain internal control relevant to the preparation of the EBITDA financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the EBITDA financial report based on our review. We have conducted our review in accordance with Standard on Review Engagements ASRE 2405 *Review of Historical Financial Information Other than a Financial Report* in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the EBITDA financial report is not prepared, in all material respects, in accordance with the accounting policies set out in Note 1 to the EBTIDA financial report. No opinion is expressed as to whether these accounting policies used are appropriate to the needs of the intended users of the EBITDA financial report, being the directors of Biron Apparel Limited.

ASRE 2405 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CHARTERED ACCOUNTANTS & ADVISORS

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William Buck

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE DIRECTORS OF BIRON APPAREL LIMITED (CONT)

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying EBTIDA financial report of the Tanloden business for the financial years ended 30 June 2015 and 30 June 2014 is not prepared, in all material respects, in accordance with the accounting policies set out in Note 1 to the EBITDA financial report.

William Buck

William Buck Audit [Vic] Pty Ltd
ABN 59 116 151 136

N. S. Benbow
Director

Date this 26th day of August, 2015