

# LangTech International Pty Ltd ACN 149 225 972 and its controlled entities

## Consolidated Financial Report for the Year Ended 30 June 2013

### DIRECTORS' REPORT

Your directors present their report on the Group for the financial period ended 30 June 2013.

#### Directors

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

Mr Domenic Martino

Mr Timothy Lang

Mr Bill Nitrolovski

Directors have been in office since the start of the year to the 29 August 2014 unless otherwise stated.

#### Review of Operations

The Group comprises LangTech International Pty Ltd (the Company), its 100% owned subsidiary Roxdale Foods Limited (based in New Zealand) and 50% owned LangTech Citrus Pty Ltd. LangTech International Pty Ltd and Roxdale Foods Limited commenced operations on 29 March 2011 with the acquisition of the business. LangTech Citrus Pty Ltd was incorporated on 6 March 2012 and commenced business in June 2012.

The operations of the business include the development, commercialisation, supply and sale of juice, fibre, bioactives, applications of the technologies and associated services and related activities.

The loss of the Group for the financial year amounted to \$2,636,071 (2012: \$2,011,344).

#### Principal Activities

The principal activities of the Group during the financial period were the manufacture of apple juice concentrate, apricot pulp and the research and development of further product.

No significant change in the nature of these activities occurred during the period, although the group continued to progress its joint venture with Golden Circle established in the 2012 financial year for the business of processing orange peel to produce various products.

#### Events Subsequent to the End of the Reporting Period

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

#### Likely Developments and Expected Results of Operations

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is considered speculative.

#### Environmental Regulation

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

#### Dividends

No dividends were paid or declared since the start of the financial period.

#### Options

No options over issued shares or interests in the company were granted during or since the end of the financial period and there were no options outstanding at 29 August 2014. The company has resolved to establish an ESOP on 30 June 2014 which would involve the issue of options to management participants.

#### Indemnification of Officers

No indemnities have been given or insurance premiums paid, during or since the end of the financial period, for any person who is or has been an officer or auditor of the company except in respect of Directors' and Officers' Insurance.

DIRECTORS' REPORT

**Proceedings on Behalf of the Company**

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

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

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 3.

Signed in accordance with a resolution of the Board of Directors:

Director

  
\_\_\_\_\_  
Timothy Lang

Dated this 24<sup>th</sup> day of October 2014

AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE  
CORPORATIONS ACT 2001

**INTENTIONALLY LEAVE BLANK FOR AUDITOR**

**LANGTECH INTERNATIONAL PTY LTD  
ABN 61 149 225 972  
AND ITS CONTROLLED ENTITIES  
AUDITOR'S INDEPENDENCE DECLARATION**

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2013 there have been:

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

**HALL CHADWICK**



**DREW TOWNSEND**  
Partner

Dated: 24 October 2014

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
Revenue	1,643,011	1,190,367
Cost of Sales	(311,541)	(364,566)
GROSS PROFIT	1,331,470	825,801
Other Income	2	134
Administration Expenses	(1,068,571)	(408,098)
Depreciation and Amortisation	(984,492)	(555,566)
Employment Costs	(1,103,222)	(1,303,111)
Interest Paid	(71,403)	(49,766)
Marketing Costs	(224,357)	(198,794)
Operating Costs	(515,498)	(279,808)
Loss on Sale of Assets	-	(42,136)
LOSS BEFORE INCOME TAX EXPENSE	(2,636,071)	(2,011,344)
Income Tax Expense	-	-
LOSS FROM OPERATIONS	(2,636,071)	(2,011,344)
LOSS ATTRIBUTABLE TO:		
Members of the Parent Entity	(2,636,071)	(2,011,294)
Non-controlling Interests	-	(50)
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	(2,636,071)	(2,011,344)
OTHER COMPREHENSIVE INCOME:		
Exchange Differences on Translation of Foreign Operations	(516)	(15,632)
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	(2,636,587)	(2,026,976)
LOSS ATTRIBUTABLE TO:		
Members of the Parent Entity	(2,636,587)	(2,026,926)
Non-controlling Interests	-	(50)
	(2,636,587)	(2,026,976)

The accompanying notes form part of these financial statements.

LangTech International Pty Ltd ACN 149 225 972 and its controlled entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	2013 \$	2012 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents		1,587,773	5,005,045
Trade and Other Receivables	2	847,959	287,779
Inventories	3	25,459	155,937
Prepayments		168,885	100,000
<b>TOTAL CURRENT ASSETS</b>		<b>2,630,076</b>	<b>5,548,761</b>
<b>NON-CURRENT ASSETS</b>			
Plant and Equipment	4	6,389,941	5,143,195
Intangible Assets	5	791,408	836,364
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,181,349</b>	<b>5,979,559</b>
<b>TOTAL ASSETS</b>		<b>9,811,425</b>	<b>11,528,320</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade & Other Payables	6	626,646	256,936
Provisions	7	78,881	202,332
Loans		1,793,978	1,122,686
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,499,505</b>	<b>1,581,954</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred Tax Liabilities	8	469,530	469,530
Provisions	7	(33)	1,150
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>469,497</b>	<b>470,680</b>
<b>TOTAL LIABILITIES</b>		<b>2,969,002</b>	<b>2,052,634</b>
<b>NET ASSETS</b>		<b>6,842,423</b>	<b>9,475,686</b>
<b>EQUITY</b>			
Issued capital:			
8,000,000 Fully Paid Ordinary Shares		4,240,000	4,240,000
6,800,000 (2012: 6,800,000) Series A Preference Shares		6,800,000	6,800,000
Foreign Currency Translation Reserve	9	(14,203)	(17,011)
Revaluation Surplus	10	1,095,570	1,095,570
Accumulated Losses	11	(5,278,944)	(2,642,873)
		6,842,423	9,475,686
Non Controlling Interest		-	-
<b>TOTAL EQUITY</b>		<b>6,842,423</b>	<b>9,475,686</b>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The directors' have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the needs of members.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

**a. Going Concern**

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

The Group incurred a net loss after income tax of \$2,636,071 for the period ended 30 June 2013. The directors believe that the Group will be able to pay its debts as and when they become due and payable. In reaching this conclusion the directors have had regard to the Group having available cash reserves to meet expected operating costs in the next twelve months. They have also considered the business has reasonable opportunities to generate positive cash flow and also has reasonable prospects of raising further capital should the need arise. The company recently raised \$8m debt via UK lender Generation Investments on 26 May 2014 and expects a cash injection of \$3.2m from AusIndustry's R&D funding program by December 2014.

**b. Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Company and the entities it controls ("the Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Accordingly both Roxdale Foods Pty Ltd and Langtech Citrus Pty Ltd have been consolidated in this report.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

**c. Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured inventories includes direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses. Overheads are applied on the basis of normal operating capacity. Costs are assigned on a first-in, first-out basis.

**d. Plant and Equipment**

All property, plant and equipment except for freehold land and buildings are initially measured at cost and are depreciated over their useful lives on a diminishing value basis. Depreciation commences from the time the asset is available for its intended use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives used for each class of depreciable assets are as follows:

<b>Class of Asset</b>	<b>Useful Life</b>
Plant and Equipment	7 years (Diminishing Value Method)
Office Equipment	3 years (Diminishing Value Method)
Leasehold Improvements	10 years (Diminishing Value Method)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e. **Intangibles**

**Goodwill**

Goodwill is initially measured at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired at date of acquisition. Goodwill is not subject to amortisation. Goodwill is subsequently measured at cost less any impairment losses. Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold.

**Intellectual Property**

Intellectual property is recognised at cost of acquisition or when incurred. Intellectual property has a finite life and is carried at cost less any accumulated amortisation and impairment losses. Intellectual property is amortised over the life of the patents it relates to.

f. **Trade and Other Receivables**

Trade receivables are recognised initially at cost and are subsequently measured at cost less any provision for impairment. Most sales are made on the basis of normal credit terms and are not subject to interest. Where credit is extended beyond normal credit terms and is more than 12 months, receivables are discounted to their present value.

At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Other receivables include loans granted by the company and are discounted to present values using the interest rate inherent in the loan.

g. **Impairment of Assets**

At the end of each reporting period, property, plant and equipment, intangible assets and investments are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the present value of the asset's future cash flows discounted at the expected rate of return. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in profit or loss.

h. **Trade Payables**

Trade payables represent the liabilities for goods and services received by the company that remain unpaid at the end of the reporting period. They are recognised at their transaction price. Trade payables are subject to normal credit terms (30–60 days) and do not bear interest.

i. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits have been measured at the amounts expected to be paid when the liability is settled, plus any related on-costs.

j. **Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

k. **Cash and Cash Equivalents**

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

l. **Revenue and Other Income**

Revenue is measured at the value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. For this purpose, deferred consideration is not discounted to present values when recognising revenue.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

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

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

Revenue from research and developments rebates are recognised in the period that the company obtains control of it and the amount of the rebate can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

m. **Foreign Currency Transaction and Balances**

**Functional and Presentation Currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

**Transactions and Balances**

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

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

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

**Group Companies**

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed of.

n. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the government. In which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables stated are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Government is included with other receivables or payables in the balance sheet.

o **Borrowing Costs**

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

p. **Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income). The company does not recognise deferred tax assets.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

q. **Comparative Figures**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 2: TRADE AND OTHER RECEIVABLES

	2013	2012
	\$	\$
CURRENT		
Trade receivables	617,304	207,893
Other receivables	230,655	79,886
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>847,959</b>	<b>287,779</b>

NOTE 3: INVENTORIES

	2013	2012
	\$	\$
Work in Progress	4,147	-
Raw Materials	-	65,387
Finished Goods	21,312	90,550
<b>TOTAL INVENTORIES</b>	<b>25,459</b>	<b>155,937</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 4: PLANT AND EQUIPMENT

	2013	2012
	\$	\$
Plant and Equipment (at Independent Valuation)	7,793,050	5,628,849
Less: accumulated depreciation	(1,437,208)	(525,873)
	<u>6,355,842</u>	<u>5,102,976</u>
Leasehold Improvements at cost	42,574	41,670
Less: accumulated depreciation	(9,439)	(5,180)
	<u>33,135</u>	<u>36,490</u>
Office Equipment at cost	3,809	6,634
Less: accumulated depreciation	(2,845)	(2,905)
	<u>964</u>	<u>3,729</u>
<b>TOTAL PLANT AND EQUIPMENT</b>	<u><b>6,389,941</b></u>	<u><b>5,143,195</b></u>

*Plant and Equipment Under the Revaluation Model*

Certain of the Group's plant and equipment were revalued based upon market value of the plant and equipment, in accordance with the joint venture agreement with Golden Circle Limited. Arising from the revaluation, the Group recognised a revaluation reserve of \$1,565,100 at 30 June 2012.

*Change in Estimations*

During the year ended 30 June 2012, the Group conducted an operational efficiency review of its plant and equipment, which resulted in a change in the depreciation method and useful lives for certain plant and equipment.

The useful lives of certain plant and equipment which management previously estimated to be 1.5 to 13 years, have now been revised to 7 years.

Management are of the view that the revised estimated useful lives and change in the depreciation method will better reflect the consumption pattern of the expected economic benefits of the plant and equipment. The change in the depreciation method has been applied prospectively, commencing with the current financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 5: INTANGIBLE ASSETS

	2013	2012
	\$	\$
Intellectual Property	227,064	195,963
Less: Amortisation	(139,810)	(63,736)
Goodwill	702,268	702,268
Formation Expenses	1,886	1,859
<b>TOTAL INTANGIBLE ASSETS</b>	<b>791,408</b>	<b>836,364</b>

NOTE 6: TRADE AND OTHER PAYABLES

	2013	2012
	\$	\$
Trade Creditors	571,462	256,936
Accruals	55,184	-
<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>626,646</b>	<b>256,936</b>

NOTE 7: PROVISIONS

	2013	2012
	\$	\$
<b>PROVISIONS (CURRENT)</b>		
Annual Leave	55,131	75,026
Accruals	16,747	124,332
Long Service Leave	7,003	2,974
	<b>78,881</b>	<b>202,332</b>
<b>PROVISIONS (NON-CURRENT)</b>		
Provision for Income Tax	(33)	-
Long Service Leave	-	1,150
	<b>(33)</b>	<b>1,150</b>
<b>TOTAL PROVISIONS</b>	<b>78,848</b>	<b>203,482</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 8: TAX

	2013	2012
	\$	\$
LIABILITIES (NON-CURRENT)		
Deferred Tax Liabilities	469,530	469,530
	<u>469,530</u>	<u>469,530</u>

NOTE 9: FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

NOTE 10: REVALUATION SURPLUS

	2013	2012
	\$	\$
Opening balance for the year/period	-	-
Net gain on revaluation of plant and equipment – gross	1,565,100	1,565,100
Deferred tax	(469,530)	(469,530)
	<u>1,095,570</u>	<u>1,095,570</u>

The revaluation surplus records revaluations of non-current assets. Under certain circumstances dividends can be declared from this surplus.

NOTE 11: ACCUMULATED LOSSES

	2013	2012
	\$	\$
Accumulated losses at the beginning of the financial year/period	(2,642,873)	(631,579)
Net Loss attributable to members of the Group	(2,636,071)	(2,011,294)
Accumulated losses at the end of the financial year/period	<u>(5,278,944)</u>	<u>(2,642,873)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 12: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)	
		2013	2012
Parent Entity entity:			
LangTech International Pty Ltd	Australia	-	-
Subsidiaries of LangTech International Pty Ltd:			
Roxdale Foods Limited	New Zealand	100	100
LangTech Citrus Pty Ltd	Australia	50	50

NOTE 13: LEASE COMMITMENTS

	2013	2012
	\$	\$
Non-cancellable operating lease commitments not capitalised in the financial statements		
Payable – minimum lease payments:		
– not later than 1 year	197,044	16,535
– later than 1 year but not later than 2 years	194,031	5,935
– later than 2 years	763,216	-

NOTE 14: CONTINGENT LIABILITIES

There are no contingent liabilities at Balance Date.

NOTE 15: EVENTS AFTER THE BALANCE SHEET DATE

There are no events after Balance Date to be noted.

NOTE 16: COMPANY DETAILS

The registered office and principal place of business of the company is:

20 Heaths Court

Mill Park, VIC, 3082

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of LangTech International Pty Ltd, the directors have determined that the Group is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the Group declare that:

1. The financial statements and notes, as set out on pages 4 to 14 in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards; and
  - b. give a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Director

  
\_\_\_\_\_  
Timothy Lang

Dated this 24<sup>th</sup> day of October 2014



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANGTECH INTERNATIONAL PTY LTD  
AND ITS CONTROLLED ENTITIES

**INTENTIONALLY LEAVE BLANK FOR AUDITOR**

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**LANGTECH INTERNATIONAL PTY LTD  
ABN 61 149 225 972  
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
LANGTECH INTERNATIONAL PTY LTD AND ITS CONTROLLED ENTITIES**

We have audited the accompanying financial report, being a special purpose financial report of LangTech International Pty Ltd and its controlled entities (the consolidated entity) which comprises the statement of financial position as at 30 June 2013 and the statement of profit or loss and other comprehensive income for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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

The directors of the consolidated entity are responsible for the preparation of the financial report and have determined that the accounting policies described in Note 1 of the financial report are appropriate to meet the requirements of the consolidated entity's Constitution and are appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We have 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 consolidated 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 Australian professional ethical pronouncements.

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**LANGTECH INTERNATIONAL PTY LTD  
ABN 61 149 225 972  
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
LANGTECH INTERNATIONAL PTY LTD AND ITS CONTROLLED ENTITIES**

**Opinion**

In our opinion, the financial report presented fairly, in all material respects the financial position of LangTech International Pty Ltd and its controlled entities as at 30 June 2013 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial report.

**Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Group's constitution. As a result, the financial report may not be suitable for another purpose.

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Level 40, 2 Park street  
Sydney, NSW 2000



**DREW TOWNSEND**  
Partner  
Date: 24 October 2014

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LangTech International Pty Ltd ACN 149 225 972 and its controlled entities

TRADING, PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
SALES		
Revenue	1,643,011	1,190,367
	<u>1,643,011</u>	<u>1,190,367</u>
LESS COST OF GOODS SOLD		
Opening Inventories	155,208	5,133
Purchases	117,503	460,175
Wages and Salaries	64,289	54,466
	<u>337,000</u>	<u>519,774</u>
Closing Inventories	(25,459)	(155,208)
	<u>311,541</u>	<u>364,566</u>
GROSS PROFIT FROM TRADING	1,331,470	825,801
PLUS OTHER INCOME		
Interest Received	2	134
	<u>2</u>	<u>134</u>
LESS ADMINISTRATION, DEPRECIATION AND AMORTISATION EXPENSES		
Accounting and Payroll Preparation	423,928	52,776
Amortisation of IP	99,432	59,929
Auditors Remuneration	26,000	21,892
Bank Charges	7,079	1,093
Bad Debt Expense	63,992	-
Computer Maintenance	75,877	7,123
Consultancy Fees	-	32,442
Courier Fees	42,372	1,031
Depreciation	885,060	495,637
File Storage	2,985	-
General Expenses	<u>237,356</u>	<u>13,264</u>
Insurance	33,071	44,875
Legal and Professional Costs	17,682	84,740
Office Rental	-	36,000
Printing and Stationery	8,967	5,484
Rates and Taxes	59,678	7,972
Rental Expenses	62,727	73,065
Sundry Expenses	-	12,217
Telephone and Internet Expenses	<u>6,857</u>	<u>14,122</u>
	<u>2,053,063</u>	<u>963,662</u>

TRADING, PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
<b>LESS EMPLOYMENT COSTS</b>		
Leave Accrual	6,188	15,181
Payroll Tax	9,143	18,207
Salaries and Superannuation	1,081,638	1,256,261
Staff Amenities	738	3,638
Workers Compensation Insurance	5,515	9,824
	<u>1,103,222</u>	<u>1,303,111</u>
<b>LESS MARKETING COSTS</b>		
Sales Consultants Fees	35,126	92,250
Travelling Expenses	189,231	106,544
	<u>224,357</u>	<u>198,794</u>
<b>LESS OPERATING COSTS</b>		
Cleaning and Ground Maintenance	6,675	11,578
Climate Ready Expenditure	2,766	136,206
Cold Storage Expense	-	6,734
Equipment Rental	21,561	27,245
Equipment Storage	-	-
Freight	19,494	7,302
Light & Power	29,499	27,168
Other Operating Costs	36,041	17,971
Repairs and Maintenance	399,462	45,604
	<u>515,498</u>	<u>279,808</u>
<b>LESS INTEREST PAID</b>		
Interest Paid	71,403	49,766
	<u>71,403</u>	<u>49,766</u>
<b>LESS Loss on Sale of Assets</b>		
Loss on Sale of Assets	-	42,136
	<u>-</u>	<u>42,136</u>
<b>LOSS BEFORE INCOME TAX</b>	<u>(2,636,071)</u>	<u>(2,011,344)</u>
Income tax expense	-	-
<b>LOSS AFTER INCOME TAX</b>	<u>(2,636,071)</u>	<u>(2,011,344)</u>