



W A V E N E T

# **Wavenet International Limited**

ABN 50 087 139 428

## **2015 Annual Report**

# **Wavenet International Limited** ABN 50 087 139 428

## **Annual Report - 30 June 2015**

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Directors	E H Stroud <i>Executive Chairman</i> L S Holyoak (retired 30 September 2015) <i>Executive Director</i> G C Freemantle <i>Non-Executive Director</i> S A Becker (appointed 30 September 2015) <i>Non-Executive Director</i>
Company Secretary	L S Holyoak
Registered office	45 Quarry Street Fremantle, Western Australia 6160  Telephone: +61 8 9435 3800 Facsimile: +61 8 9435 3899 Web-site: <a href="http://www.wal.net.au">www.wal.net.au</a>  ABN 50 087 139 428
Share registry	Computershare Investor Services Pty Ltd Level 2 45 St George's Terrace Perth, Western Australia 6000  Telephone: +61 8 9323 2000 Facsimile: +61 8 9323 2033 E-mail: <a href="mailto:perth.services@computershare.com.au">perth.services@computershare.com.au</a> Web-site: <a href="http://www.computershare.com.au">www.computershare.com.au</a>
Auditors	Moore Stephens Perth
Solicitors	Thompson Downey Cooper Perth
Bankers	Westpac Banking Corporation Limited National Australia Bank Limited
Stock exchange listing	Shares in Wavenet International Limited are quoted on the Australian Securities Exchange (ASX trading code: WAL).

## Directors' report

The directors of Wavenet International Limited ("Wavenet" or "Company") present their report on the results and state of affairs of Wavenet and the consolidated entity for the financial year ended 30 June 2015.

### Directors

The names of the directors in office during the course of the financial year and at the date of this report are as follows:

Mr E H Stroud

Mr L S Holyoak (Retired 30 September 2015)

Mr G C Freemantle

Mr S A Becker (Appointed 30 September 2015)

Unless otherwise indicated, all directors held their position as a director throughout the entire financial year and up to the date of this report.

### Information on directors:

#### Edward Hoskin Stroud

Director of Wavenet since December 1999. Non Executive Chairman since October 2002 and Executive Chairman since May 2008. Vast business experience through executive roles in several private and unlisted public companies.

**Current or former directorships in last 3 years:** Nil

**Interests in shares:** 55,683,255 ordinary shares in Wavenet International Limited

**Options:** 8,000,000 ordinary share options in Wavenet International limited

#### Laurence Stuart Holyoak CPA

Executive Director since May 2009. Certified Practicing Accountant with over 40 years experience in both the profession and commerce with listed entities and private groups. Formerly a registered tax agent and company auditor, most recent experience is financial and administration consulting.

Retired as a director in September 2015

**Current or former directorships in last 3 years:** Nil

**Interests in shares:** Nil

**Options:** 800,000 ordinary share options in Wavenet International limited

#### Gregg Christopher Freemantle

Non Executive Director appointed July 2012. Has over 20 years experience in the resource sector, both in Australia and Africa. Expertise includes crushing manager, construction supervisor, operations director, non executive chairman, consultant and principal.

**Current or former directorships in last 3 years:** Nil

**Interests in shares:** 200,000 ordinary shares in Wavenet International Limited

**Options:** 100,000 ordinary share options in Wavenet International Limited

#### Stuart Alan Becker

Non Executive Director appointed September 2015. Has over 30 years as a journalist, communications and on line sales and marketing throughout South East Asia

**Current or former directorships in last 3 years:** Nil

**Interests in shares:** Nil

**Options:** Nil

No dividends were paid during the year and no recommendation is made as to the payment of a dividend.

### Meetings of directors

The numbers of meetings of the Board of Directors of Wavenet held during the year ended 30 June 2015, and the numbers of meetings attended by each director are as follows

	Meetings Held	
	A	B
E Stroud	8	8
L Holyoak	8	8
G Freemantle	8	8
A = Number of meetings attended		
B = Number of meetings held during the time the director held office during the year		



### **Nature of Operations and Principal activities**

During the financial year Wavenet reviewed the performance of its exploration assets held both in Australia and Indonesia. As a result of this review the company has surrendered its Coal Mining tenements held in Queensland.

With respect to the gold tenements in West Kalimantan, Indonesia, expenditure this financial year has been kept at a minimum as the future of these exploration assets are being assessed.

Wavenet has maintained its 30% interest in the Preston Vale Vineyard.

### **Review and Results of Operations**

The Company recorded an operating pre-tax loss of \$6,157,054 for the 2015 financial year (2014: \$439,952). Major expenses were the impaired exploration costs (Indonesia) of \$303,238, the forfeiting of its Queensland coal mining tenements \$1,018,403, impairment of wine stocks \$815,305, impairment of loan receivable and share of Associate's loss of \$2,185,036 and \$574,244 respectively.

As previously mentioned the company is assessing its future commitment for its gold exploration interests in Sintang, West Kalimantan. Whilst this assessment is taking place a conservative view has been adopted and the expenditure to date has been fully impaired in these financial statements. .

### **Significant changes in the state of affairs**

No matters or circumstances have arisen since the end of the previous financial year, which significantly affect or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity.

### **Matters subsequent to the end of the financial year**

The Company has entered into a contract to sell its Fremantle property asset. Settlement is expected to occur in October 2015. Sale proceeds shall go towards retiring the related bank borrowings and part of the ATO debt obligation. Other than this, there are no matters subsequent to the end of the financial year.

### **Likely developments and expected results of operations**

In addition to assessing its future commitment for its gold exploration interests in Indonesian, the Company will actively look at realizing other non-core assets such as its Wilga property and bulk wine assets to fund its working capital and extinguish its outstanding ATO debt.

### **Exploration Risk**

Mineral exploration and development are high-risk undertakings and there is no assurance that exploration of the tenements will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified there is no guarantee that it can be economically exploited.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to permitting requirements, availability of appropriate exploration equipment, exploration costs, seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents and many other factors beyond the control of the Company.

### **Environmental regulations**

The Company has assessed whether there are any particular or significant environmental regulations that apply to it and has determined that it is conducting operations well within the environmental regulatory systems applicable to all its mineral tenements.

### **Remuneration report**

The report sets out the current remuneration arrangements and practices for directors and executives of Wavenet International Limited. The information provided in this remuneration report has been audited pursuant to requirements of the Corporations Act 2001:

### ***Principles used to determine the nature and amount of remuneration***

#### ***Directors and executives remuneration***

Overall remuneration policies are determined by the Board of Directors and are adapted to reflect competitive market and business conditions where it is in the interests of Wavenet and shareholders to do so. Within this framework, the Board considers remuneration policies and practices generally, and determines specific remuneration packages and other terms of employment for executive directors and senior management. Executives may be provided with long term incentives through

participation in option schemes, which serve to align the interests of executives with those of shareholders. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance, relevant comparative information and independent expert advice.

Wavenet's remuneration policy for executive directors and senior management is designed to promote superior performance and long term commitment to Wavenet. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations. Executive management receive a base remuneration which is market related.

Wavenet's remuneration policies are designed to align executive remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

- reward reflects the competitive market in which the Company operates;
- individual reward should be linked to performance criteria; and
- executives should be rewarded for both financial and non-financial performance.

The structure of remuneration packages for executive directors and other senior executives comprises:

- a fixed sum base salary payable monthly in cash;
- short term incentives where considered appropriate, through eligibility to participate in performance bonus plans;
- long term incentives through executive directors being eligible to participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders; and
- other benefits, including participation in superannuation schemes.

The proportion of fixed and variable remuneration is established for each executive by the Board. The objective of any short term incentives is to link achievement of Wavenet's operational targets with the remuneration received by executives charged with meeting those targets. The objective of any long term incentives is to reward executives in a manner which aligns this element of their remuneration with the creation of shareholder wealth.

#### *Non-executive directors*

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 Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

#### *Non-executive directors' remuneration*

In accordance with current corporate governance practices, the structure of the remuneration of non-executive directors and senior executives is separate and distinct. Shareholders approve the maximum aggregate remuneration for non-executive directors. The Board determines the actual payments to directors.

Non-executive directors are entitled to statutory superannuation benefits. Non-executive directors may be entitled to participate in equity based remuneration schemes. Shareholders must approve the framework of any equity based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be specifically approved by the shareholders. All directors are entitled to have their indemnity insurance paid by the Company.

#### **Details of remuneration**

##### *Amounts of remuneration*

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124).

The key management personnel of the consolidated entity are the directors of Wavenet and the other senior executives who report directly to the Board. There were no other executives within the consolidated entity other than the directors and other key management personnel. The key management personnel are the same for the Company and consolidated entity. The other key management personnel and executives are:

E Stroud – Executive Chairman appointed on 20 May 2008

L Holyoak – Executive Director appointed on 4 May 2009

G Freemantle – Non-Executive Director appointed 18 July 2012



**Key management personnel of Wavenet International Limited**

2015	Short-term benefits		Post-employment benefits	Share-based payment	
Name	Cash salary and fees \$	Cash bonus \$	Super-annuation \$	Options \$	Total \$
<i>Non-executive directors</i>					
G Freemantle	24,996	-	-	2,448	27,444
<b>Sub-total non-executive directors</b>	<b>24,996</b>	<b>-</b>	<b>-</b>	<b>2,448</b>	<b>27,444</b>
<i>Executive directors</i>					
E Stroud	250,000	-	1,900	195,833	447,733
L Holyoak	95,775	-	-	19,583	115,358
<b>Sub-total executive directors</b>	<b>345,775</b>	<b>-</b>	<b>1,900</b>	<b>215,416</b>	<b>563,091</b>
<b>Totals</b>	<b>370,771</b>	<b>-</b>	<b>1,900</b>	<b>217,864</b>	<b>590,535</b>

2014	Short-term benefits		Post-employment benefits	Share-based payment	
Name	Cash salary and fees \$	Cash bonus \$	Super-annuation \$	Options \$	Total \$
<i>Non-executive directors</i>					
G Freemantle	24,996	-	2,543	2,480	30,019
<b>Sub-total non-executive directors</b>	<b>24,996</b>	<b>-</b>	<b>2,543</b>	<b>2,480</b>	<b>30,019</b>
<i>Executive directors</i>					
E Stroud	265,833	-	5,338	198,434	469,605
L Holyoak	106,250	-	-	19,844	126,094
<b>Sub-total executive directors</b>	<b>372,083</b>	<b>-</b>	<b>5,338</b>	<b>218,278</b>	<b>595,699</b>
<b>Totals</b>	<b>397,079</b>	<b>-</b>	<b>7,881</b>	<b>220,758</b>	<b>625,718</b>

**Service agreements**

The terms of employment for executive directors and key management personnel are formalised in service agreements. Major provisions of the agreements relating to duration and termination are set out below.

*E Stroud, Executive Chairman*

- Term of agreement – 12 months to 30 November 2014, extended to a month-to-month basis.
- \$255,400 inclusive of superannuation and chairman fees.
- No termination benefit stipulated.
- Termination of agreement by the Company or director requires 1 month and 3 months written notice respectively.

*L Holyoak, Executive Director*

- Term of agreement – 12 months to 30 November 2014, extended to a month-to-month basis
- \$106,000 inclusive of directors' fees.
- No termination benefit stipulated.
- Termination of agreement by the Company or director requires 1 month and 2 months written notice respectively.

### Share-based compensation

The Board has adopted the Wavenet International Limited Employee Option Plan (the Plan). The primary purposes of the Plan are to increase the motivation of employees, promote the retention of employees, align employee interests with those of Wavenet and its shareholders and to reward employees who contribute to the growth of Wavenet. At the annual general meeting held on 14 November 2011, shareholders authorised the issue of options under the Plan. To date 9,300,000 options have been issued under the Plan and 400,000 options have been forfeited.

No options were granted during the years ended 30 June 2015 or 30 June 2014.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows;

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	DATE EXERCISABLE AND VEST
14 November 2011	31 August 2016	\$0.40	\$0.1175	Market based vesting when share price target based on 10 days VWAP:
				2,325,000 at 60 cents
				2,325,000 at 80 cents
				4,650,000 at 120 cents

Options are off market and are not transferable

NAME	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR	
	2015	2014	2015	2014
<b>Directors</b>				
E H Stroud	-	-	-	-
L S Holyoak	-	-	-	-
G C Freemantle	-	-	-	-

### Additional information

*Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance*

The overall level of executive reward is designed to promote superior performance and long-term commitment to the consolidated entity based on remuneration which is market related, at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations, together with an element of performance based remuneration.

### Other transactions with key management personnel

At 30 June 2015, there is a loan payable to a director, Mr EH Stroud of \$259,992. The loan is interest-free with no fixed repayment terms and was provided to assist with the Company's working capital requirements.

At 30 June 2015, the following amounts were also owed to Mr EH Stroud and Mr G Freemantle for accrued consulting & director fees of \$380,400 and \$24,996 respectively.

### Options granted over unissued shares

At the date of this report, there are 8,900,000 ordinary fully paid shares which are subject to options.

2015	Balance at the start of the year	Granted during the year	Other changes during the year	Balance at the end of the year
Name				
<b>Directors of Wavenet International Limited</b>				
<b>Option Holdings</b>				
E H Stroud	8,000,000	-	-	8,000,000
L S Holyoak	800,000	-	-	800,000
G C Freemantle	100,000	-	-	100,000

2014	Balance at the start of the year	Granted during the year	Other changes during the year	Balance at the end of the year
Name				
<b>Directors of Wavenet International Limited</b>				
<b>Option Holdings</b>				
E H Stroud	8,000,000	-	-	8,000,000
L S Holyoak	800,000	-	-	800,000
G C Freemantle	100,000	-	-	100,000

#### Share Holding

The numbers of shares in the company held during the financial year by each director of Wavenet International Limited is set out below. There were no shares granted during the reporting period as compensation.

2015	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Name				
<b>Directors of Wavenet International Limited</b>				
<b>Ordinary share holdings</b>				
E H Stroud	17,492,810	38,190,445	-	55,683,255
L S Holyoak	-	-	-	-
G C Freemantle	100,000	100,000	-	200,000

2014	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Name				
<b>Directors of Wavenet International Limited</b>				
<b>Ordinary share holdings</b>				
E H Stroud	17,492,810	-	-	17,492,810
L S Holyoak	-	-	-	-
G C Freemantle	100,000	-	-	100,000

#### Insurance of officers

During the financial year, Wavenet paid a premium of \$17,985 to insure the directors and company secretary of the Company and its controlled entities. This premium insures these officers for liability claims of up to \$5 million per claim.

#### 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.

#### Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.



Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The board of directors is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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

**(a) Assurance services**

*Audit services*

Auditor:

Audit and review of financial reports and other audit work under the *Corporations Act 2001*

Total remuneration for audit services

*Non-Audit services*

Extraordinary general meeting assurance services

Accounting Assistance

Total remuneration for audit related services

**(b) Taxation services**

Assistance with tax compliance services.

Total remuneration for taxation services

Consolidated	
2015	2014
\$	\$
<b>Moore Stephens</b>	Moore Stephens
<b>43,433</b>	63,912
<b>43,433</b>	63,912
-	-
-	-
-	-
<b>44,210</b>	22,510
<b>44,210</b>	22,510

**Auditors' independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is included immediately following the Directors' Report and forms part of the Directors' Report.

**Auditor**

Moore Stephens continues in office in accordance with section 327 of the Corporations Act.

This report is made in accordance with a resolution of directors.



E.H Stroud

Director

Perth

30 September 2015

## MOORE STEPHENS

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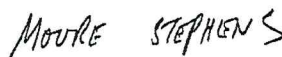
**AUDITOR'S INDEPENDENCE DECLARATION UNDER  
S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF  
WAVENET INTERNATIONAL LIMITED & CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015  
there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation  
to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.



**Suan-Lee Tan**  
Partner



**Moore Stephens**  
Chartered Accountants

Signed at Perth this 30<sup>th</sup> day of September 2015



## Corporate Governance Statement

A description of the Company's main corporate governance practices is set out below. These practices, unless otherwise stated, were in place for the entire financial year. Copies of relevant corporate governance policies are available in the corporate governance section of the Company's web-site at <http://www.wal.net.au/corporate/?task=gov>

Corporate governance will evolve with the changing circumstances of a company and must be tailored to meet these circumstances. The Company is presently evaluating new business and investment opportunities and operates with two full-executive directors, including the Chairman.

### BOARD OF DIRECTORS

The Board is responsible for guiding and monitoring the Company on behalf of shareholders by whom they are elected and to whom they are accountable. The Board's primary role is to formulate the strategic direction of the Company and to oversee the Company's business activities and management for the benefit of shareholders.

The Company has established functions reserved for the Board and those delegated to senior management, as set out in the Company's Board charter. The Board is responsible for:

- appointing and removing the chief executive officer and any other executive directors, monitoring their performance and approving their remuneration.
- establishing the goals and strategy for the Company and monitoring the performance of the Company in meeting those objectives.
- approving the annual strategic plan and major operating plans.
- adopting operating and capital expenditure budgets and monitoring the progress of both financial and non-financial key performance indicators.
- approving and monitoring financial and other reporting to shareholders and regulatory bodies.
- ensuring that satisfactory arrangements are in place for auditing the Company's financial affairs.
- formulating and monitoring the corporate governance policies and practices of the Company.
- reviewing and ratifying systems of risk management and internal compliance and control.

Due to the level and nature of the Company's present activities, there is presently no designated chief executive position within the Company. A chief executive officer will be appointed for the Company when the level of activities and circumstances warrant. Upon the appointment of a chief executive officer, day to day management of the Company's affairs and the implementation of corporate strategies will be formally delegated by the Board to the chief executive officer.

### *Board composition*

The Board charter states that:

- the Board is to comprise an appropriate mix of both executive and non-executive directors.
- the roles of chairman and chief executive officer are not combined.
- the chairman is elected by the full Board and is required to meet regularly with the chief executive officer.

Board members should possess complementary business disciplines and experience aligned with the Company's objectives, with a number of directors being independent and where appropriate, major shareholders and executives being represented on the Board. Under present circumstances there is not a majority of directors classified as being independent, according to ASX guidelines. However, where any director has a material personal interest in a matter, the director will not be permitted to be present during discussions or to vote on the matter.

The Company has a three member Board comprising two executive directors and one non-executive directors. Mr Stroud is not considered independent by virtue of his executive role and major shareholding in the Company. Mr Holyoak holds an executive role and is therefore not considered to be independent. Mr Freemantle is an independent non-executive director based on the principles set out below.

The current composition of the Board is considered adequate for the Company's current size and level of operations and includes an appropriate mix of skills, expertise and experience relevant to the Company's business. Details of the experience, qualifications and term of office of directors are set out in the Directors' Report.

### *Directors' independence*

Having regard to the share ownership structure of the Company, it is considered by the majority of the Board that a major shareholder may be represented on the Board and if nominated, hold the position of chairman. Such appointment would not be deemed to be independent under ASX guidelines.



The chairman is expected to bring independent thought and judgement to his role in all circumstances. Where matters arise in which there is a perceived conflict of interest, the chairman must declare his interest and abstain from any consideration or voting on the relevant matter.

The Board has adopted ASX recommended principles in relation to the assessment of directors' independence, which identifies shareholdings, executive roles and contractual relationships which may affect independent status. Financial materiality thresholds used in the assessment of independence are set at 10% of the annual gross revenue of the Company and/or 30% of the annual income or business turnover of the director.

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense, subject to the prior written approval of the chairman, which shall not be unreasonably withheld.

#### ***Performance assessment***

The Board has adopted a formal process for an annual self assessment of its collective performance and the performance of individual directors. The Board is required to meet annually with the purpose of reviewing the role of the Board, assessing its performance over the previous 12 months and examining ways in which the Board can better perform its duties. Due to the limited level of activities of the Company and changes in the composition of the Board during the period, no formal assessment was undertaken during the year ended 30 June 2015. However, the chairman assesses the performance of the Board, individual directors and senior management on an ongoing basis.

The performance of senior executives will be reviewed annually by the chief executive officer or Board through a formal performance assessment and interview. Currently, the Board is collectively responsible for the evaluation of senior executives. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance, relevant comparative information and where appropriate, expert advice. No formal evaluation of senior executives was undertaken during the year.

#### ***Corporate reporting***

The chief executive officer (or equivalent) and chief financial officer provide a certification to the Board on the integrity of the Company's external financial reports.

The Board does not specifically require an additional certification that the financial statements are founded on a sound system of risk management and that the system is operating effectively in relation to financial risks. The Board considers that the current activities and financial affairs of the Company are not of sufficient complexity to require an additional certification by management.

#### ***Board committees***

The current size of the operations and the stage of development of the Company do not warrant the establishment of separate audit, remuneration or nomination committees. The directors as a whole are responsible for the functions normally undertaken by these committees.

In circumstances where the growth or complexity of the Company changes, the establishment of separate Board committees will be reconsidered.

The Board oversees accounting and reporting practices and is also responsible for:

- co-ordination and appraisal of the quality of the audits conducted by the Company's external auditors;
- determination of the independence and effectiveness of the external auditors;
- assessment of whether non-audit services have the potential to impair the independence of the external auditor;
- reviewing the adequacy of the reporting and accounting controls of the Company.

The Board reviews all remuneration policies and practices for the Company, including overall strategies in relation to executive remuneration policies, compensation arrangements for executive directors, senior management and non-executive directors and all equity based remuneration plans. Details of the Company's remuneration policies are set out in the Remuneration Report section of the Directors' Report.

The remuneration policy states that executive directors may participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders.

The responsibility for the selection of potential directors and to review membership lies with the full Board of the Company and consequently no separate nomination committee has been established. When a Board vacancy occurs, the Chairman, acting as the nomination committee, identifies the particular skills, experience and expertise that will best complement Board effectiveness and then undertakes a process to identify candidates who can meet those criteria.

#### **EXTERNAL AUDITORS**

The performance of the external auditor is reviewed annually. Moore Stephens were appointed as the external auditors in 2008. It is both the Company's and the auditor's policy to rotate audit engagement partners at least every five years.

The external auditors provide an annual declaration of their independence to the Board. The external auditor is requested to attend annual general meetings and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

#### **RISK MANAGEMENT**

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management will be delegated to the appropriate level of management within the Company with the chief executive officer (or equivalent) having ultimate responsibility to the Board for the risk management and control framework. As the Board currently has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively.

The Company's risk management systems are evolving and it is recognised that the extent of the systems will develop with the growth in the Company's activities. As the level of Company's business activities expand in the future, areas of significant business risk to the Company will be reported in a key risk analysis to be presented to the Board each year.

#### **CODE OF CONDUCT**

A formal code of conduct for the Company applies to all directors and employees. The code aims to encourage the appropriate standards of conduct and behaviour of the directors, employees and contractors of the Company. All personnel are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Trading in the Company's securities by directors, senior executives and other designated persons is not permitted in the four weeks immediately preceding the release of the Company's annual and half-year financial results. Any transactions to be undertaken must be notified to the chairman or chief executive officer in advance. In the event that the Company grants securities under an equity based remuneration scheme, participants will be prohibited from entering into arrangements for the hedging, or otherwise limiting their exposure to risk in relation to unvested shares, options or rights issued or acquired under the scheme.

#### **CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATIONS**

The Company has a formal written policy for the continuous disclosure of any price sensitive information concerning the Company. The Board has also adopted a formal written policy covering arrangements to promote communications with shareholders and to encourage effective participation at general meetings.

The chairman and company secretary have been nominated as the Company's primary disclosure officers. All information released to the ASX is posted on the Company's web-site immediately after it is disclosed to the ASX. When analysts are briefed on aspects on the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's web-site.

All shareholders are entitled to receive a copy of the Company's annual report. In addition, the Company makes all market announcements, media briefings, details of shareholders meetings, press releases and financial reports available on the Company's web-site.



# Wavenet International Limited ABN 50 087 139 428

## Financial statements - 30 June 2015

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This financial report covers both the separate financial statements of Wavenet International Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Wavenet International Limited and its subsidiaries. The financial report is presented in the Australian currency.

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

Wavenet International Limited  
45 Quarry Street  
Fremantle  
Western Australia 6160

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities section and in the directors' report, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on date of signing of the Declaration by the Directors. The directors have the power to amend and reissue the financial report.

**Wavenet International Limited**  
**Statements of profit or loss and other comprehensive income**  
**For the year ended 30 June 2015**

		<b>Consolidated</b>	
		<b>2015</b>	<b>2014</b>
	<b>Notes</b>		
<b>Revenue</b>	5	<b>266,306</b>	<b>687,565</b>
Employee benefits expense		(188,292)	(201,153)
Depreciation and amortisation expense	6	(12,843)	(13,485)
Consulting expenses		(313,096)	(328,891)
Legal		(28,592)	(48,469)
Regulatory expenses		(20,173)	(17,265)
Repairs & Maintenance		(3,371)	(816)
Travel expenses		(13,809)	(11,883)
Insurance expenses		(24,188)	(23,149)
Exploration costs expensed/impaired	12	(1,321,640)	(1,744,627)
Impairment of Inventories	6	(815,305)	-
Impairment of Loans	6	(2,185,036)	-
Other expenses		(298,028)	(181,369)
Share Option expense		(217,865)	(220,758)
Interest expense		(206,145)	(176,669)
Profit/(loss) on sale of investment		(15,344)	2,752,933
Impairment of property	6	(166,540)	-
Impairment of available for sale investment		(18,000)	-
Share of loss of Associate	22	(574,244)	(446,166)
Penalty expense (Australian Taxation Office)		(850)	(465,750)
<b>(Loss) profit before income tax</b>		<b>(6,157,054)</b>	<b>(439,952)</b>
Income tax (expense)/benefit	7	<b>450,822</b>	<b>(353,254)</b>
<b>(Loss) / profit from continuing operations</b>		<b>(5,706,232)</b>	<b>(793,206)</b>
<b>(Loss) profit for the year</b>		<b>(5,706,232)</b>	<b>(793,206)</b>
<b>Other comprehensive income</b>			
Revaluation of available for sale assets		<b>51,128</b>	<b>(88,458)</b>
Exchange differences on translating foreign operations		<b>(77,115)</b>	<b>(430,863)</b>
Comprehensive income (loss) attributable to members of Wavenet International Ltd		<b>(5,732,219)</b>	<b>(1,312,527)</b>
<b>Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:</b>		<b>Cents</b>	<b>Cents</b>
Basic loss per share	25	<b>(7.52)</b>	<b>(1.43)</b>
Diluted loss per share	25	<b>(7.52)</b>	<b>(1.43)</b>

*The above statements of comprehensive income should be read in conjunction with the accompanying notes.*

**Wavenet International Limited**  
**Statements of financial position**  
**As at 30 June 2015**

		Consolidated	
		2015	2014
	<b>Notes</b>		
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	88	789,270
Trade and other receivables	9	850,422	1,175,737
Inventory	11	1,424,707	3,210,051
		<u>2,275,217</u>	<u>5,175,058</u>
Non Current Assets classified as held for sale	10b	2,441,677	-
<b>Total Current Assets</b>		<u>4,716,894</u>	<u>5,175,059</u>
<b>Non Current assets</b>			
Property, plant and equipment	10a	102,378	2,714,705
Deferred exploration & evaluation expenditure	12	-	1,344,031
Available-for-sale assets	13	18,880	207,503
Investment accounted for using the equity method	22	2,628,055	3,202,299
<b>Total non-current assets</b>		<u>2,749,313</u>	<u>7,468,538</u>
<b>Total assets</b>		<u>7,466,207</u>	<u>12,643,596</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	1,981,112	2,035,534
Borrowings	15a	1,850	635,000
		<u>1,982,962</u>	<u>2,670,534</u>
Liabilities directly associated with assets held for resale	15b	1,360,000	-
<b>Total Current Liabilities</b>	15b	<u>3,342,962</u>	<u>2,670,534</u>
<b>Non-current liabilities</b>			
Deferred tax liability		161,571	331,810
Borrowings	15	-	720,000
<b>Total non-current liabilities</b>		<u>161,571</u>	<u>1,051,810</u>
<b>Total liabilities</b>		<u>3,504,533</u>	<u>3,722,344</u>
<b>Net assets</b>		<u>3,961,674</u>	<u>8,921,252</u>
<b>EQUITY</b>			
Contributed equity	16	15,051,334	14,496,558
Reserves	17(a)	284,480	92,602
Accumulated profits(losses)	17(b)	(11,374,140)	(5,667,908)
<b>Total equity</b>		<u>3,961,674</u>	<u>8,921,252</u>

*The above statements of financial position should be read in conjunction with the accompanying notes.*

**Wavenet International Limited**  
**Statements of changes in equity**  
**For the year ended 30 June 2015**

	Share Capital	(Accumulated Losses)	Share Options Reserve	FX Translation Reserve	Available For Sale Asset Revaluation Reserve	Total
<b>Balance at 1 July 2013</b>	14,496,558	(4,874,702)	489,826	(98,661)	-	10,013,021
Loss attributable to members of parent entity	-	(793,206)	-	-	-	(793,206)
Fair value movement of available for sale assets	-	-	-	-	(88,458)	(88,458)
Share option expense	-	-	220,758	-	-	220,758
FX translation movement	-	-	-	(430,863)	-	(430,863)
<b>Balance at 30 June 2014</b>	14,496,558	(5,667,908)	710,584	(529,524)	(88,458)	8,921,252
<b>Balance at 1 July 2014</b>	14,496,558	(5,667,908)	710,584	(529,524)	(88,458)	8,921,252
Loss attributable to members of parent entity	-	(5,706,232)	-	-	-	(5,706,232)
Fair value movement of available for sale assets	-	-	-	-	51,128	51,128
Share option expense	-	-	217,865	-	-	217,865
FX Translation Movement	-	-	-	(77,115)	-	(77,115)
2015 Rights Issue	554,776	-	-	-	-	554,776
<b>Balance at 30 June 2015</b>	15,051,334	(11,374,140)	928,449	(606,639)	(37,330)	3,961,674

*The above statements of changes in equity should be read in conjunction with the accompanying notes.*



**Wavenet International Limited**  
**Cash flow statements**  
**For the year ended 30 June 2015**

	Notes	Consolidated	
		2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		-	-
Payments to suppliers and employees		(563,812)	(1,306,141)
Interest received		-	95,629
Finance costs		(206,145)	(67,343)
Payments made to ATO		(388,843)	(976,669)
<b>Net cash provided by (used in) operating activities</b>	24	<b>(1,158,800)</b>	<b>(2,254,524)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		309,880	1,517,359
Proceeds from sale of Old Valley units		-	3,120,125
Loans to other entities (net of repayments)		(759,624)	(2,005,110)
Payments for property, plant and equipment		(2,257)	-
<b>Net cash provided by (used in) investing Activities</b>		<b>(452,001)</b>	<b>2,632,374</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		554,777	-
Proceeds from /(repayment) of borrowings		264,992	(5,000)
<b>Net cash provided by (used in) financing activities</b>		<b>819,769</b>	<b>(5,000)</b>
<b>Net increase in cash held</b>		<b>(791,032)</b>	<b>372,850</b>
Cash at the beginning of the financial year		789,270	416,420
<b>Cash and cash equivalents at end of year</b>	8	<b>(1,762)</b>	<b>789,270</b>

*The above cash flow statements should be read in conjunction with the accompanying notes.*

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## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The separate financial statements of the parent entity, Wavenet International Limited, have not been presented within this financial report as permitted by the Corporations Act 2001. The financial statements were authorised for issue on the 30<sup>th</sup> September 2015 by the Company's directors. The directors have the power to amend and re-issue the financial report.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001. The group is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### *Compliance with IFRS*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Wavenet International Limited comply with International Financial Reporting Standards (IFRS).

#### *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.

#### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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 Wavenet International Limited ("company" or "parent entity") as at 30 June 2015 and the results of all subsidiaries for the year then ended. Wavenet International Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

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

### (c) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 flows (cash generating units).



## 1 Summary of significant accounting policies (continued)

### (d) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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.

### (e) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

#### (i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

#### (ii) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss. Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

#### (iii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

### (f) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group'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 Wavenet International 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 the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

## 1 Summary of significant accounting policies (continued)

### (iii) 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. The cumulative amount of these differences is reclassified into profit and loss in the period in which the operation is disposed of.

### (g) 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 national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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 controlled entities where the parent entity 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Wavenet International Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003.

#### **Tax consolidation legislation**

Wavenet International Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The head entity, Wavenet International Limited, and the controlled entities in the tax consolidated group, continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Wavenet International Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

### (h) 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 and duties and taxes paid. Revenue is recognised for the major business activities as follows:

#### (i) Sales

A sale is recorded when goods have been despatched to a customer pursuant to a sales order or contract and the associated risks have passed to the customer.

#### (ii) Interest

Interest income is recorded on an effective rate basis.



## 1 Summary of significant accounting policies (continued)

### (iii) *Fee income*

Fee income represents contributions from customers towards product development costs.

### (i) **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. All trade receivables are due for settlement no more than 45 days from the date of recognition for sales.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

### (j) **Inventories**

#### (i) *Raw materials*

Raw materials are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (ii) *Inventory*

Inventories are measured at the lower of cost and net realisable value. Bulk wine inventory has been valued at net realisable value.

### (k) **Deferred exploration and Evaluation expenditure**

Exploration and evaluation expenditure incurred (including tenement acquisition costs) is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest (or alternatively by its sale) or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and active operations are continuing.

Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward capitalised costs.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs will be determined using estimates of future costs on a discounted basis.

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

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/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 can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated on a diminishing value basis to allocate the net cost of each item of plant and equipment, net of their residual values, over their estimated useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

The following rates of depreciation are applied:

Plant and equipment	20% - 50%
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## 1 Summary of significant accounting policies (continued)

### (m) Leases

Leases of property, plant and equipment where the Group 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 lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement 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 shorter of the asset's useful life and the lease term.

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 income statement on a straight-line basis over the period of the lease.

### (n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Advance receipts represent deposits paid by customers to the Group in advance of the production and sale of goods and services to the customer to secure orders. The amounts are those deposits outstanding for which goods and services have yet to be provided at the end of the financial year.

### (o) Employee benefits

#### (i) *Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### (ii) *Retirement benefit obligations*

The amount charged to the statement of financial performance in respect of superannuation represents the contributions made by the consolidated entity to employee superannuation funds.

#### (iii) *Employee Option Plan*

Share-based compensation benefits are provided to employees under the Wavenet International Limited Employee Option Plan.

#### *Shares options granted after 7 November 2002 and vested after 1 January 2005.*

The fair value of options granted under the Wavenet International Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, 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.

The fair value of options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity over the period during which the employees become entitled to the shares.



There was no expense recognised for options granted prior to 7 November 2002.

## 1 Summary of significant accounting policies (continued)

### (p) Cash and cash equivalents

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 on the balance sheet.

### (q) Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders 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.

#### (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.

### (r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### (s) Non-current Assets Held for Sale

Non-current assets are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as "held for sale" occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

Impairment losses are recognised for any initial or subsequent write-down of an asset classified as held for sale to fair value less costs to sell. Any reversals of impairment recognised on classification as held for sale or prior to such classification are recognised as a gain in profit or loss in the period in which it occurs.

### (t) 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 balance sheet.

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 flow.

### (u) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost. Such investments include both investment in shares and other parent entity interests that in substance form part of the parent entity's investment in subsidiaries. These include investments in the form of interest free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital.

### (v) Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.



The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

#### **(w) Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

#### **Valuation techniques**

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

#### **Fair value hierarchy**

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

**Level 1**

**Level 2**

**Level 2**



Measurements based on quoted prices (unadjusted) in active markets for identical quoted prices included in Level 1 that are inputs for the asset or liability. Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

#### (x) (i) New and Amended Accounting Policies Adopted by the Group

- The Group 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 period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

#### - *AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*

The Group has applied AASB 2012-3 from 1 July 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.

#### - *AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*

The Group has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

#### - *AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)*

The Group has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.



(ii) New Accounting Standards & Interpretations Not Yet Mandatory or Early Adopted

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AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the Group.

(y) Going concern

As at 30 June 2015, the Group has reported a net loss after tax of \$5,706,232 (2014: Loss of \$793,206), current tax liabilities of \$1.12 million (2014: \$1.79million) and net operating cash outflows \$1,158,800 (2014: \$-2,254,524). The net cash position at balance date was a deficit/overdraft of \$-1,762 (2014: \$789,270).

The financial statements have been prepared on the going concern basis of accounting which assumes that the Group will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business.

In arriving at this position, the Directors recognise the Company is dependent upon the following funding initiatives to meet these commitments:

- Property assets currently held for sale
- Future share placements or capital raisings from shareholders or investors;
- Further sell down of the Group's interest in the Old Valley Unit Trust and available for sale assets;
- Repayment of the loan receivable from Old Valley Unit Trust;
- Ongoing support of the Company's bankers.
- Sale of bulk wine inventory at or above its stated realisable values

The Directors believe that at the date of signing the financial statements, there are reasonable grounds to believe that having regard to the matters set out above, the Group will be able to raise sufficient funds to meet its obligations and reduce existing debt levels as and when they fall due. In the event that the Group does not achieve the matters as set out above, there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amount stated in the financial statements.