HEATLEYS GROUP HOLDINGS PTY LIMITED

ACN 604 453 152

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2016

HEATLEYS GROUP HOLDINGS PTY LIMITED

ACN 604 453 152

CONTENTS

HEATLEYS GROUP HOLDINGS PTY LIMITED
Director's Report
30 June 2016

The sole director presents her report, together with the financial report of Heatleys Group Holdings Pty Limited (the **Company** or **Parent Entity**) being the Company and its controlled entity (the **Group**) for the year ended 30 June 2016 and the auditor's report thereon.

Directors
The following person was the sole director of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Jayne Shaw

Principal activities
During the financial year the principal continuing activities of the Company and the Group consisted of the distribution of industrial supplies.

Dividends
No dividends were paid or declared during the financial year (2015: $Nil).

Review of operations
The profit for the Group after providing for income tax amounted to $138,339 (2015: $1,508,951).

Significant changes in the state of affairs
Heatleys Group Holdings Pty Ltd is incorporated on 26 February 2015. The company acquired Heatley Sales Pty Ltd on 1 April 2015.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation
The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares under option
There were no unissued ordinary shares of the Company under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of the Company issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

Indemnity and insurance of officers
The Company has indemnified the directors and executives of the Group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Group against a liability to the extent permitted by the Corporations Act 2001.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

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.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

Auditor's independence declaration

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

This report is made in accordance with a resolution of the sole director, pursuant to section 298(2)(a) of the Corporations Act 2001.

Jayne Shaw
Director

9 August 2018

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DECLARATION OF INDEPENDENCE BY MATTHEW CUTT TO THE DIRECTORS OF HEATLEYS GROUP HOLDINGS PTY LIMITED

As lead auditor of Heatleys Group Holdings Pty Limited Ltd for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Australian Professional Accounting Bodies in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

M Cutt

Matthew Cutt

Partner

BDO Audit (WA) Pty Ltd

Perth, 9 August 2018

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

HEATLEYS GROUP HOLDINGS PTY LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

	Note	Consolidated Group 2016 $'000	26 February 2015 to 30 June 2015 $'000
Revenue	3	42,217	11,053
Other income	4	204	2,536
Expenses			
Cost of Sales		30,365	8,013
Distribution expenses	5	421	109
Marketing expenses	5	12	3
Occupancy expenses	5	1,638	412
Selling and administrative expenses	5	1,926	539
Employee benefits expense	5	7,288	1,925
Depreciation and amortisation expense	5	163	47
Other expenses	5	107	(53)
Impairment of goodwill	5	-	917
Finance costs	5	312	75
Profit/(Loss) before income tax expense		189	1,602
Income tax expense		51	93
Profit/(Loss) after income tax expense for the year		138	1,509
Total comprehensive result for the year		138	1,509
Loss for the year is attributable to:			
Non-controlling interest		-	-
Owners of the parent		138	1,509
		138	1,509
Total comprehensive result for the period is attributable to:			
Non-controlling interest		-	-
Owners of the parent		138	1,509
		138	1,509

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

HEATLEYS GROUP HOLDINGS PTY LIMITED
Consolidated Statement of Financial Position
As at 30 June 2016

	Note	Consolidated Group 2016 $'000	2015 $'000
Assets			
Current assets			
Cash and cash equivalents	6	389	470
Trade and other receivables	7	6,013	6,786
Inventories	8	4,031	4,708
Other	9	156	876
Total current assets		10,589	12,840
Non-current assets			
Property, plant and equipment	10	369	438
Intangibles	11	39	70
Deferred tax	12	454	494
Total non-current assets		862	1,002
Total assets		11,451	13,842
Liabilities			
Current liabilities			
Trade and other payables	13	5,095	5,107
Borrowings	14	3,403	5,672
Income Tax	15	10	-
Employee benefits	16	964	1,226
Provisions	17	-	19
Other	18	116	127
Total current liabilities		9,588	12,151
Non-current liabilities			
Borrowings	19	40	-
Employee benefits	20	53	54
Provisions	21	122	128
Total non-current liabilities		215	182
Total liabilities		9,803	12,332
Net assets		1,648	1,510
Equity			
Issued capital	22	1	1
Accumulated losses	23	1,647	1,509
Total equity		1,648	1,510

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

HEATLEYS GROUP HOLDINGS PTY LIMITED
Consolidated Statement of Changes in Equity
For the year ended 30 June 2016

Consolidated Group	**Issued capital $'000**	**Reserves $'000**	**Retained profits / (Accumulated losses) $'000**	**Total equity $'000**
Balance at 26 February 2015	1	-	-	1
Profit after income tax expense for the period	-	-	1,509	1,509
Other comprehensive loss for the period, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	1,509	1,509
Balance at 30 June 2015	1	-	1,509	1,510

Consolidated Group	**Issued capital $'000**	**Reserves $'000**	**Retained profits / (Accumulated losses) $'000**	**Total equity $'000**
Balance at 1 July 2015	1	-	1,509	1,510
Reclassification of Reserves	-	-	-	-
Profit after income tax expense for the year	-	-	138	138
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	138	138
Balance at 30 June 2016	1	-	1,647	1,648

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

HEATLEYS GROUP HOLDINGS PTY LIMITED
Consolidated Statement of Cash Flows
For the year ended 30 June 2016

	Note	Consolidated Group 2016 $'000	26 February 2015 to 30 June 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		46,004	11,655
Payments to suppliers and employees (inclusive of GST)		(43,675)	(12,970)
		2,329	(1,315)
Other revenue		199	15
Net cash inflow from operating activities	28	2,528	(1,300)
Cash flows from investing activities			
Payments for property, plant and equipment		(32)	(16)
Proceeds from disposal of property, plant and equipment		19	7
Payment for acquisition of subsidiary, net of cash acquired		-	(622)
Net cash used in investing activities		(13)	(631)
Cash flows from financing activities			
Receipt on subscription of shares		-	2
Drawdown of borrowings		2	2,472
Repayment of borrowings		(2,286)	-
Finance costs paid		(312)	(75)
Net cash outflow used in financing activities		(2,596)	2,399
Net increase/ (decrease) in cash and cash equivalents		(81)	468
Cash and cash equivalents at the beginning of the financial year		470	0
Cash and cash equivalents at the end of the financial year	6	389	470

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

Note 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

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.

Basis of preparation

In the director's opinion, the Company is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owner of Heatleys Group Holdings Pty Limited. The sole director has determined that the accounting policies adopted are appropriate to meet the needs of the owner of Heatleys Group Holdings Pty Limited.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the AASB and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures', as appropriate for for-profit oriented entities.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements 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 2.

Going Concern
During the year, the Parent Entity's subsidiary, Heatley Sales refinanced its borrowings and entered into an agreement with Westpac for an invoice discounting facility, with a facility limit of $7m, which was drawn down to $2.5m at year end. As part of this arrangement, Heatley Sales is required to maintain three financial ratios, and these covenants were tested for the first time at 30 June 2016. Heatley Sales was in breach of one of these covenants at the date of testing.

The Group is reliant upon the liquidity that the facility provides, and as at the date of this report, although the bank has not waived its rights in respect of the breach, it has confirmed that it will take no further action. Should the facility be withdrawn, the Group would require a new source of finance.

Management are confident, following communications with the bank, that the Group will be able to continue as a going concern, and realise its assets and discharge its liabilities in the normal course of business.

For this reason, the financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, and the realisation of assets and settlement of liabilities in the normal course of business.

Note 1. Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of Heatleys Group Holdings Pty Limited and its subsidiary (as outlined in note 29) as at the year ended 30 June each year (the **Group**).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Entity, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit or losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Heatleys Group Holdings Pty Limited are accounted for at cost in the separate financial statements of the Parent Entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate statement of profit or loss and other comprehensive income of the Parent Entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the Parent Entity will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a bargain purchase.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of profit or loss and other comprehensive income and are presented within equity in the statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the Parent Entity's share of components previously recognised in other comprehensive income to profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Note 1. Significant accounting policies (continued)

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars 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 financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Note 1. Significant accounting policies (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on an average cost basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3-10 years
Plant and equipment	3-7 years
Plant and equipment under lease	2-5 years

Note 1. Significant accounting policies (continued)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2-5 years.

Impairment of non-financial assets
Non-financial assets 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 1. Significant accounting policies (continued)

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
Ordinary shares are classified as equity.

Note 1. Significant accounting policies (continued)

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

Dividends
Dividends are recognised when declared during the financial year.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other payables in the statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Accordingly, amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2016. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor’s financial position.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 3. Revenue

	Consolidated Group	
	2016 $'000	26 February 2015 to 30 June 2015 $'000
Sales revenue		
Sale of goods	42,217	11,053
	42,217	11,053
Revenue	42,217	11,053

Note 4. Other income

	Consolidated Group 2016 $'000	26 February 2015 to 30 June 2015 $'000
Net gain on disposal of property, plant and equipment	3	-
Bad debts recovered	2	6
Other income	199	16
Gain on bargain purchase		2,514
Other income	204	2,536

Note 5. Expenses

Profit before income tax includes the following specific expenses:

	2016 $'000	2015 $'000
Distribution expenses		
Net customer delivery & freight expenses	421	109
Marketing expenses		
Advertising & promotion	8	2
Sponsorship	4	1
Total marketing expenses	12	3
Occupancy Expenses		
Rent	1,266	320
Outgoings	28	(2)
Rates & taxes	98	21
Cleaning	57	16
Utilities	152	40
Repairs & maintenance	26	12
Security	11	5
Total occupancy expenses	1,638	412
Employee benefits		
Wages & salaries, net of recharge	5,962	1,594
Commissions & bonuses	29	-
Temporary staff	35	9
Termination & redundancy payments	127	18
Superannuation	601	158
Annual leave	491	124
Long service leave	43	22
	7,288	1,925
Other Expenses		
Depreciation and amortisation expense	163	47
Impairment: Goodwill	-	917
Goods for own use	69	18
Audit fees	38	(71)
	270	911

Note 5. Expenses (continued)

	Consolidated Group 2016 $'000	26 February 2015 to 30 June 2015 $'000
Finance costs		
Interest expense	220	75
Line fees	92	-
	312	75

Note 6. Current assets - cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank	386	467
Petty cash imprest	2	2
Till floats	1	1
	389	470

Note 7. Current assets - trade and other receivables

	2016 $'000	2015 $'000
Trade receivables	5,772	6,606
Less: Provision for impairment of receivables	(3)	(45)
	5,769	6,561
Rebate revenue owing	242	167
Other debtors	2	58
	244	225
	6,013	6,786

Note 8. Current assets - inventories

	2016 $'000	2015 $'000
Stock on hand	4,294	5,036
Slow moving stock provision	(276)	(348)
Stock in transit	13	20
	4,031	4,708

Note 9. Current assets - other

	2016 $'000	2015 $'000
Prepayments	129	109
Deposits in advance	27	767
	156	876

Note 10. Non-current assets - property, plant and equipment

	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000
Leasehold improvements - at cost	168	532
Less: Accumulated depreciation	(115)	(471)
	53	61
Makegood asset	180	180
Less: Accumulated depreciation	(180)	(180)
	-	-
Plant and equipment - at cost	1,087	2,150
Less: Accumulated depreciation	(901)	(1,888)
	186	262
Motor vehicles – at cost	400	468
Less: Accumulated depreciation	(284)	(385)
	116	83
Office equipment – at cost	152	1,141
Less: Accumulated depreciation	(142)	(1,125)
	10	16
Computer equipment – at cost	21	21
Less: Accumulated depreciation	(17)	(5)
	4	16
	369	438

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated Group	Leasehold Improvements $'000	Plant & Equipment $'000	Motor Vehicles $'000	Office Equipment $'000	Computer Equipment $'000	Total $'000
Balance at 26 February 2015	65	267	99	23	18	472
Additions	-	17	-	-	-	17
Disposals	-	-	(9)	-	-	(9)
Depreciation expense	(4)	(22)	(7)	(7)	(2)	(42)
Balance at 30 June 2015	61	262	83	16	16	438
Additions	8	4	74	-	-	86
Disposals	-	-	(17)	-	-	(17)
Depreciation expense	(16)	(80)	(24)	(6)	(12)	(138)
Balance at 30 June 2016	53	186	116	10	4	369

Note 11. Non-current assets – intangibles

	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000
Software - at cost	74	74
Less: Accumulated amortisation	(71)	(48)
	3	26
Stamp Duty	34	34
	34	34
Goodwill at cost – M/signs	-	-
Goodwill at cost – Parksafe	-	85
Less: Impairment	-	(85)
Goodwill at cost – Bunbury	-	630
Less: Impairment	-	(630)
	-	-
Intangible assets	2	10
	39	70

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated Group	Software $'000
Balance at 26 February 2015	33
Additions	-
Amortisation expense	(7)
Balance at 30 June 2015	26
Additions	-
Amortisation expense	(23)
Balance at 30 June 2016	3

Note 12. Non-current assets - deferred tax

	Consolidated Group 2016 $'000	Consolidated Group 2015 $'000
Deferred tax asset	454	494

Note 13. Current liabilities - trade and other payables

	Consolidated Group 2016 $'000	2015 $'000
Trade payables	4,843	4,942
Payroll tax	40	27
PAYG withholding	60	-
Net GST Payable	65	73
Purchase accruals	87	65
	5,095	5,107

Note 14. Current liabilities - borrowings

	2016 $'000	2015 $'000
Bibby finance	-	4,772
Westpac invoice finance	2,487	-
Loan – Heatley Unit Trust	899	899
Loan – Jayne Shaw	2	-
Finance lease liability	15	-
	3,403	5,672

Note 15. Current liabilities – income tax

	2016 $'000	2015 $'000
Provision for income tax	10	-

Note 16. Current liabilities - employee benefits

	2016 $'000	2015 $'000
Wages accrual	-	202
Provision for long service leave	400	429
Provision for holiday pay	490	544
Superannuation Payable	74	51
	964	1,226

Note 17. Current liabilities - provisions

	2016 $'000	2015 $'000
Lease make good	-	19
	-	19

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Note 17. Current liabilities - provisions (continued)

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

2016	Lease make good $'000
Carrying amount at the start of the year	19
Amounts transferred from non-current	6
Amounts used	(25)
Carrying amount at the end of the year	-

Note 18. Current liabilities - other

	Consolidated Group	
	2016 $'000	**2015 $'000**
Accrued expenses	85	125
Other payables	31	2
	116	127

Note 19. Non-current liabilities - borrowings

Finance lease liability	40	-

Note 20. Non-current liabilities - employee benefits

Provision for long service leave	53	54

Note 21. Non-current liabilities - provisions

Lease make good	122	128

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

2016	Lease make good $'000
Carrying amount at the start of the year	128
Amounts transferred to current	(6)
Carrying amount at the end of the year	122

Note 22. Equity - issued capital

	2016 Shares	2015 Shares	2016 $'000	2015 $'000
Ordinary shares - fully paid	100,000	100,000	1	4,562

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Group in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 23. Equity - retained profits/(accumulated losses)

	Consolidated Group	
		3 months to 30 June
	2016 $'000	2015 $'000
Retained profits at the beginning of the financial year	1,510	1
Profit after income tax expense for the year	138	1,509
Retained profits at the end of the financial year	1,648	1,510

Note 24. Equity - dividends

Dividends
No dividends were paid or declared during the financial year.

Note 25. Remuneration of auditors

During the financial year the following fees were paid (in dollars) or payable for services provided by BDO Australia, the auditor of the Group:

	Consolidated Group	
		3 months to 30 June
	2016 $	2015 $
Audit services – BDO Australia		
Audit of the financial statements	29,000	30,000

Note 26. Commitments

	Consolidated Group 2016 $'000	2015 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,176	1,357
One to five years	754	1,308
More than five years	-	-
	1,930	2,665
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	17	-
One to five years	42	-
Total commitment	59	-
Less: Future finance charges	(4)	-
Net commitment recognised as liabilities	55	-
Representing:		
Lease liability - current (note 14)	15	-
Lease liability - non-current (note 19)	40	-
	55	-

Operating lease commitments includes contracted amounts for various retail outlets, warehouses, offices and plant and equipment under non-cancellable operating leases expiring within one to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The above amounts have not been reflected in the statement of financial position as existing liabilities.

Finance lease commitments includes contracted amounts for various motor vehicles with a written down value of $60,374 under finance leases expiring within one to five years. Under the terms of the leases, the Group has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 27. Events after the reporting period

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group’s operations, the results of those operations, or the Group’s state of affairs in future financial years.

Note 28. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated Group 2016 $'000	3 months to 30 June 2015 $'000
Profit/(Loss) after income tax expense for the year	138	1,509
Adjustments for:		
Depreciation and amortisation	163	47
Impairment of assets	-	907
Net (gain)/loss on disposal of non-current assets	(3)	-
Finance Costs	312	75
Non cash Borrowing costs and formation costs	8	1
Non cash gain on other income	-	(2,514)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	850	179
Decrease in inventories	677	50
Decrease in deferred tax assets	41	94
Decrease/(increase) in accrued revenue	(77)	-
Decrease/(increase) in prepayments and deposits	721	(611)
Decrease in trade and other payables	(96)	(1,040)
Increase in provision for income tax	10	-
Increase/(decrease) in employee benefits	(192)	6
Decrease in other provisions	(24)	(2)
Capitalised intangible assets	-	(1)
Net cash inflow (outflow) from operating activities	2,528	(1,300)

Note 29. Interest in subsidiary

Subsidiary
The consolidated financial statements include the financial statements of Heatleys Group Holdings Pty Limited and its subsidiary listed in the following table:

Name	Country of Incorporation	Date of Incorporation	Equity Interest 2016 %	Equity Interest 2015 %
Heatley Sales Pty Ltd	Australia	29 July 1987	100	100

Ultimate parent
Heatleys Group Holdings Pty Limited is the ultimate parent entity, incorporated in Australia on 26 February 2015.

Note 30. Parent entity information

The following details information related to the parent entity, Heatleys Group Holdings Pty Limited, at 30 June 2016. The information presented has been prepared using accounting policies disclosed in Note 1.

Statement of financial position

	2016 $'000	2015 $'000
Assets		
Current assets		
Cash and cash equivalents	-	-
Total current assets	-	-
Non-current assets		
Investments	887	887
Intangibles	1	8
Total non-current assets	888	895
Total assets	888	895
Liabilities		
Current liabilities		
Trade and other payables	902	899
Provisions	-	-
Total current liabilities	902	899
Total liabilities	902	899
Net assets	(14)	(4)
Equity		
Issued capital	1	1
Accumulated losses	(15)	(5)
Total equity	(14)	(4)

Statement of profit or loss and other comprehensive income

	2016 $'000	2015 $'000
Net loss for the year	(10)	(5)
Total comprehensive loss for the year	(10)	(5)

Commitments and contingencies
The Parent Entity does not have any commitments at reporting date.

Contingencies
The Parent Entity does not have any contingent liabilities at reporting date.

HEATLEYS GROUP HOLDINGS PTY LIMITED
Director's Declaration
30 June 2016

In the director's opinion:

- the Company is not a reporting entity because there are no users dependent on general purpose financial statements. Accordingly, as described in note 1 to the financial statements, the attached special purpose financial statements have been prepared for the needs of the members;

- the attached financial statements and notes comply with the Accounting Standards as described in note 1 to the financial statements, and other mandatory professional reporting requirements;

- the attached financial statements and notes present fairly the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the sole director made pursuant to section 295(5)(a) of the Corporations Act 2001.

Jayne Shaw
Director

9 August 2018

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INDEPENDENT AUDITOR'S REPORT

To the director of Heatleys Group Holdings Pty Ltd

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report of Heatleys Group Holdings Pty Ltd ("the Company") and its subsidiaries("the Group"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The director of the company is responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the members. The director's responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company'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 qualified opinion.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Group as at 30 June 2016, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards to the extent described in Note 1.

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 to meet the needs of the members. As a result, the financial report may not be suitable for another purpose.

BDO Audit (WA) Pty Ltd

Matthew Cutt

Partner

Perth, 09 August 2018