

**Newbale Clothing Amalgamated Group
Annual report
for the period ended 30 July 2016**

Newbale Clothing Amalgamated Group Annual financial report - 30 July 2016

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Directors' report

The directors present their report, together with the financial statements, on the Newbale Clothing Amalgamated Group which consists of entities involved in the retail operators of MJ Bale that are controlled by the same group of shareholders and beneficiaries. During the period the Amalgamated Group changed period end. The financial report of the Amalgamated Group for the current financial period is the 13 month period ended 30 July 2016 and the comparative period was for the 12 month period ended 27 June 2015. The change in the period end of the Amalgamated Group was to align with the retail industry sales cycle.

Directors

The following individuals were directors of the entities forming the amalgamated group during the whole of the financial period and up to the date of this report, unless otherwise stated:

Matthew Jensen
 Matthew Rogers
 Stuart Anthony King
 David Briskin

Principal activities

During the financial period the principal activities of the Amalgamated Group were the design, production and distribution of premium men's apparel. There were no changes to the activities of the Amalgamated Group during the period.

Dividends

No dividends were paid during the financial period (2015: NIL).

Review of operations

The net profit after tax of the amalgamated group was \$1,206,292 (27 June 2015: \$1,496,420).

Underlying EBITDA

The Amalgamated Group have reorganised the business over the last 13 month period, involving updating some of their staff and have changed auditors. As a result the Group has calculated the underlying profit for the period by adjusting the statutory result by one off items that have no relationship with the existing or going forward business. The effects of significant items of income and expenditure that impact the quality of earnings are set out as follows:

	2016	2015
	\$	\$
Statutory EBITDA	4,667,406	2,535,819
Non-recurring transaction costs	230,484	62,871
Impairment of inventory	320,000	-
Underlying EBITDA	5,217,890	2,598,690

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Amalgamated Group during the financial period.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since the end of the financial period that has significantly affected, or may significantly affect the Amalgamated Group's operations, the results of those operations, or the Amalgamated Group's state of affairs in future financial periods.

Likely developments and expected results of operations

Information on likely developments in the operations of the Amalgamated Group 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 Amalgamated Group.

Environmental regulation

The Amalgamated Group is not subject to any significant environmental regulation.

Newbale Clothing Amalgamated Group

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General information

These financial statements are the amalgamated financial statements for the Newbale Clothing Amalgamated Group. The financial statements are presented in Australian dollars, which is the functional and presentation currency.

Newbale Clothing Amalgamated Group is a Amalgamated Group limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 2, Suite 2.16
100 Collins Street
Alexandria NSW 2015

A description of the nature of the Amalgamated Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 1 November 2016. The directors have the power to amend and reissue the financial statements.

Newbale Clothing Amalgamated Group
Statement of profit or loss and other comprehensive income
For the period ended 30 July 2016

	Notes	Aggregated	
		2016	2015
		\$	\$
Revenue from sales of goods	3	55,395,362	34,615,782
Other income		97,420	83,029
Changes in inventories of finished goods		(23,849,662)	(15,576,123)
Employee benefits expense		(14,386,507)	(8,408,976)
Occupancy expense		(8,591,244)	(4,897,128)
Marketing expense		(1,427,325)	(1,334,422)
Depreciation and amortisation expense	4	(2,645,870)	(1,211,975)
Professional fees		(615,407)	(468,688)
Finance expenses		(591,362)	(179,827)
Other expenses		(1,772,995)	(1,586,199)
Foreign exchange (loss)/gain		(182,236)	108,544
Profit before income tax		<u>1,430,174</u>	<u>1,144,017</u>
Income tax expense	5	(223,882)	352,403
Profit for the period		<u>1,206,292</u>	<u>1,496,420</u>
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		<u>1,206,292</u>	<u>1,496,420</u>
Total comprehensive income for the period attributable to the owners of:			
Newbale Clothing Amalgamated Group		<u>1,206,292</u>	<u>1,496,420</u>
		<u>1,206,292</u>	<u>1,496,420</u>
Total comprehensive income for the period is attributable to:			
Newbale Clothing Amalgamated Group		<u>1,206,292</u>	<u>1,496,420</u>
		<u>1,206,292</u>	<u>1,496,420</u>

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

Newbale Clothing Amalgamated Group
Statement of financial position
As at 30 July 2016

		Aggregated	
	Notes	2016	2015
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	6	930,485	1,110,833
Trade and other receivables	7	577,996	796,497
Inventories	8	12,964,453	9,048,050
Tax recoverable	9	771,893	68,502
Other assets	10	1,339,289	2,396,653
Total current assets		16,584,116	13,420,535
Non-current assets			
Property, plant and equipment	11	9,682,674	6,034,226
Intangibles	12	988,864	445,308
Deferred tax assets	13	1,450,661	1,465,670
Total non-current assets		12,122,199	7,945,204
Total assets		28,706,315	21,365,739
LIABILITIES			
Current liabilities			
Trade and other payables	14	6,204,939	9,287,519
Finance liabilities	15	10,500,000	3,225,873
Provisions	16	425,864	243,251
Other liabilities	17	1,770,005	1,192,202
Total current liabilities		18,900,808	13,948,845
Non-current liabilities			
Provisions	18	1,014,713	665,000
Other liabilities	19	2,269,776	1,433,974
Total non-current liabilities		3,284,489	2,098,974
Total liabilities		22,185,297	16,047,819
Net assets		6,521,018	5,317,920
EQUITY			
Issued capital	20	100	100
Reserves	21	4,964,206	4,967,400
Retained profits	22	1,556,712	350,420
Total equity		6,521,018	5,317,920

The above balance sheet should be read in conjunction with the accompanying notes.

Newbale Clothing Amalgamated Group
Statement of changes in equity
For the period ended 30 July 2016

	Issued Capital	Foreign Currency Revaluation Reserve	Capital Reserve	Retained Earnings	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2014	100	-	4,967,400	(1,146,000)	3,821,500
Profit after income tax expense for the period	-	-	-	1,496,420	1,496,420
Total comprehensive income/(deficit) for the	-	-	-	1,496,420	1,496,420
Balance at 28 June 2015	100	-	4,967,400	350,420	5,317,920
Profit after income tax expense for the period	-	-	-	1,206,292	1,206,292
Foreign currency translation reserve	-	(3,194)	-	-	(3,194)
Total comprehensive income/(deficit) for the	-	(3,194)	-	1,206,292	1,203,098
Balance as 30 July 2016	100	(3,194)	4,967,400	1,556,712	6,521,018

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

Newbale Clothing Amalgamated Group
Statement of cash flows
For the period ended 30 July 2016

		Aggregated	
Notes	2016	2015	
	\$	\$	
Cash flows from operating activities			
	61,249,877	38,002,512	
Receipts from customers (inclusive of goods and services tax)			
	(63,066,163)	(33,258,039)	
Payments to suppliers and employees (inclusive of goods and services tax)			
	(1,816,286)	4,744,473	
Interest received	942	29,473	
Interest and finance charges paid	(615,407)	(468,688)	
Income tax paid (net of income tax refunds received)	15,009	(2,090,857)	
Net cash from operating activities	(2,415,742)	2,214,401	27
Cash flows from investing activities			
Payments for property, plant and equipment	(6,066,874)	(5,052,453)	11
Payments for intangibles	(771,000)	(404,167)	12
Receipt of fitout contribution	1,802,335	1,030,694	
Net cash used in investing activities	(5,035,539)	(4,425,926)	
Cash flows from financing activities			
Proceeds from borrowings	7,274,127	2,563,373	
Net cash from financing activities	7,274,127	2,563,373	
Net increase in cash and cash equivalents			
	(177,154)	351,848	
Effects of exchange rate changes on cash and cash equivalents	(3,194)	-	
Cash and cash equivalents at the beginning of the financial period	1,110,833	758,985	
Cash and cash equivalents at end of period	930,485	1,110,833	6

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

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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 periods presented, unless otherwise stated. The financial statements are for the Newbale Clothing Amalgamated Group consisting of Newbale Clothing Pty Ltd and Newbale Clothing NZ Pty Ltd.

(a) Basis of preparation

(i) Special purpose financial report

In the directors' opinion, the Group is not a reporting entity because there are no users dependent on general purpose financial statements. This special purpose financial report has been prepared for the members of the entities within the Amalgamated Group.

The financial report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and Interpretations. It contains only those disclosures considered necessary by the management to meet the needs of the members.

(ii) Historical cost convention

The financial statements have been prepared in accordance with the historical cost convention unless stated otherwise.

(iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Amalgamated Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(iv) Working capital deficiency

As at 30 July 2016 the group recorded a net working capital deficiency of \$2,316,692 (FY15: \$528,310) and negative cash outflow from operating activities for the financial period of \$2,408,843 (FY15: positive inflow of \$2,214,401). The current period's current liabilities include borrowings of \$10,500,000 (FY15: \$3,225,873).

The retail nature of the business is such where the group receives cash at the point of sale, whereas majority of its costs and inventory purchases are on a 30-60 days credit payment term. Directors have prepared the next financial period's cash flow forecasts and are comfortable that the group will be able to meet its financial obligations as and when they fall due. Accordingly, the directors have prepared the financial report on a going concern basis in the belief that the group will realise its assets and settle its liabilities and commitments in the normal course of business and for at least the amounts stated in the financial report.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Amalgamated Group are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Newbale Clothing Amalgamated Group's functional and presentation currency.

(ii) Foreign currency transactions

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 period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(c) Principles of aggregation

The aggregated financial statements incorporate the asset and liabilities of all entities in Newbale Clothing Amalgamated Group as at 30th July 2016 and the results of all entities for the 13 month period then ended. The entities which comprise Newbale clothing Amalgamation are referred to in this financial report as the Group or the aggregated entity.

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

1 Significant accounting policies (continued)

(d) 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.

(i) Sale of goods - Corporate

Sales of goods are recognised when the entity has delivered products to the wholesale customer, the wholesaler customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the entity has objective evidence that all criteria for acceptance have been satisfied.

(ii) Sale of goods - Retail

Revenue from the sale of goods is recognised when the entity sells a product to the customer. Retail sales are usually by credit card or in cash.

(iii) Sales of goods - Online

A sale is recorded when goods have been delivered to the customer and the customer has accepted the goods.

(iv) Interest income

Interest revenue is recognised as interest accrues using the effective interest method.

(v) Other revenue

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

(e) Income tax

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

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

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

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

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

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

1 Significant accounting policies (continued)

(f) Cash and cash equivalents

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

(g) Trade receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Amalgamated 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 re-organisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

(h) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, freight and duty. The 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.

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.

(i) Property, plant and equipment

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

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 Amalgamated Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

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

Leasehold improvements	5 years or unexpired period of the lease, whichever is shorter
Plant and equipment	5 years
Furniture and fixtures	5 years
Computer equipment	5 years

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

1 Significant accounting policies (continued)

(j) Leases

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.

(k) Intangible assets

Intangible assets acquired are initially recognised at cost. 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 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.

(i) 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 5 years.

(ii) Trademarks

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

(l) 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.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 60 days of recognition.

(n) 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.

(o) Finance costs

Finance costs are expensed in the period in which they are incurred.

(p) Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

1 Significant accounting policies (continued)

(q) Employee benefits

(i) Short-term employee benefits

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

(ii) Other long-term employee benefits

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the 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.

(r) Issued capital

Ordinary shares are classified as equity.

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.

(s) Dividends

Dividends are recognised when declared during the financial period and no longer at the discretion of the group.

(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 flows.

2 Critical accounting judgements, estimates and assumptions

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

(i) Provision for doubtful debts

The Amalgamated Group makes estimates and assumptions concerning the collectability and recovery of amounts receivable at balance date. Estimates are based on historical experience and other known factors, including notification of liquidation and/or bankruptcy, which may have a financial impact on the entity.

(ii) Provision for slow moving and obsolete stock

The Amalgamated Group makes estimates and assumptions concerning the future saleability of inventory for amounts in excess of cost. The provision for inventory obsolescence is based on management's expectation of the future sale price of inventory, taking into account the age and condition of the inventory and management's assessment of future market trends.

3 Revenue

	Aggregated	
	2016	2015
	\$	\$
Revenue from sales of goods	55,395,362	34,615,782

4 Expenses

	Aggregated	
	2016	2015
	\$	\$
Depreciation	2,418,426	1,155,670
Amortisation	227,444	56,305
Total depreciation and amortisation	2,645,870	1,211,975

5 Income tax expense

	Aggregated	
	2016	2015
	\$	\$
Current tax	238,891	(1,818,073)
Deferred tax	(15,009)	1,465,670
	223,882	(352,403)
Numerical reconciliation of income tax expense to prima facie tax payable	2016	2015
	\$	\$
Profit from continuing operations before income tax expense	1,430,174	1,144,017
Tax at the Australian tax rate of 30% (2015: 30%)	429,052	343,205
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry items	44,126	15,777
Over/under from previous periods	(249,296)	(711,385)
Total income tax (benefit)/expense	223,882	(352,403)

6 Current assets - Cash and cash equivalents

	Aggregated	
	2016	2015
	\$	\$
Cash at bank and in hand	930,485	1,110,833

7 Current assets - Trade and other receivables

	Aggregated	
	2016	2015
	\$	\$
Trade receivables	393,398	602,411
Provision for doubtful debts	(39,424)	(18,076)
	353,974	584,335
Other receivables	224,022	212,162
	577,996	796,497

8 Current assets - Inventories

	Aggregated	
	2016	2015
	\$	\$
Raw materials	962,105	753,927
Work in progress	1,620,813	746,735
Finished goods	11,580,581	8,561,334
Less: Provision for stock obsolescence	(1,199,046)	(1,013,946)
	12,964,453	9,048,050

9 Current assets - Tax recoverable

	Aggregated	
	2016	2015
	\$	\$
Tax recoverable	771,893	68,502

10 Current assets - Other current assets

	Aggregated	
	2016	2015
	\$	\$
Advanced inventory deposits	937,668	1,910,537
Prepayments	401,621	486,116
	1,339,289	2,396,653

11 Non-current assets - Property, plant and equipment

	Leasehold improvement	Furniture, fittings and equipment	Computer Equipment	Plant and Equipment	Make Good	Total
At 1 July 2014						
Cost or fair value	3,159	540,076	93,631	2,336,922	-	2,973,788
Accumulated depreciation	(2,220)	(244,471)	(30,278)	(559,376)	-	(836,345)
Net book amount	939	295,605	63,353	1,777,546	-	2,137,443
Year ended 27 June 2015						
Opening net book amount	939	295,605	63,353	1,777,546	-	2,137,443
Additions	-	225,494	165,055	3,996,904	665,000	5,052,453
Depreciation charge	(632)	(134,053)	(31,659)	(877,645)	(111,681)	(1,155,670)
Closing net book amount	307	387,046	196,749	4,896,805	553,319	6,034,226
At 27 June 2015						
Cost or fair value	3,159	765,570	258,686	6,333,826	665,000	8,026,241
Accumulated depreciation	(2,852)	(378,524)	(61,937)	(1,437,021)	(111,681)	(1,992,015)
Net book amount	307	387,046	196,749	4,896,805	553,319	6,034,226
Period ended 30 July 2016						
Opening net book amount	307	387,046	196,749	4,896,805	553,319	6,034,226
Additions	-	943,542	236,504	4,537,115	349,713	6,066,874
Depreciation Charge	(307)	(222,114)	(82,248)	(1,905,473)	(208,284)	(2,418,426)
Closing net book amount	-	1,108,474	351,005	7,528,447	694,748	9,682,674
At 30 July 2016						
Cost or fair value	3,159	1,709,112	495,190	10,870,941	1,014,713	14,093,115
Accumulated depreciation	(3,159)	(600,638)	(144,185)	(3,342,494)	(319,965)	(4,410,441)
Net book amount	-	1,108,474	351,005	7,528,447	694,748	9,682,674

12 Non-current assets - Intangibles assets

	Computer Software	Trademark	Total
At 1 July 2014			
Cost or fair value	121,299	22,693	143,992
Accumulated amortisation	(37,486)	(9,060)	(46,546)
Net book amount	83,813	13,633	97,446
Year ended 27 June 2015			
Opening net book amount	83,813	13,633	97,446
Additions	404,136	31	404,167
Amortisation charge	(51,830)	(4,475)	(56,305)
Closing net book amount	436,119	9,189	445,308
At 27 June 2015			
Cost or fair value	525,435	22,724	548,159
Accumulated amortisation	(89,316)	(13,535)	(102,851)
Net book amount	436,119	9,189	445,308
Period ended 30 July 2016			
Opening net book amount	436,119	9,189	445,308
Additions	767,402	3,598	771,000
Amortisation charge	(222,510)	(4,934)	(227,444)
Closing net book amount	981,011	7,853	988,864
At 30 July 2016			
Cost or fair value	1,292,837	26,322	1,319,159
Accumulated amortisation	(311,826)	(18,469)	(330,295)
Net book amount	981,011	7,853	988,864

13 Non-current assets - Deferred tax assets

	Aggregated	
	2016	2015
	\$	\$
Deferred tax assets	1,450,661	1,465,670

14 Current liabilities - Trade and other payables

	Aggregated	
	2016	2015
	\$	\$
Trade payables	4,715,028	6,233,061
Accruals	1,470,415	3,034,148
Other payables	19,496	20,310
	<u>6,204,939</u>	<u>9,287,519</u>

15 Current liabilities - Financial liabilities

	Aggregated	
	2016	2015
	\$	\$
Unitholder borrowings	2,000,000	-
Bank borrowings	8,500,000	3,225,873
	<u>10,500,000</u>	<u>3,225,873</u>

16 Current liabilities - Provisions

	Aggregated	
	2016	2015
	\$	\$
Provision for annual leave	425,864	243,251
	<u>425,864</u>	<u>243,251</u>

17 Current liabilities - Other current liabilities

	Aggregated	
	2016	2015
	\$	\$
Deferred revenue	567,251	433,965
Fitout contribution	567,444	358,494
Lease incentive	635,310	399,743
	<u>1,770,005</u>	<u>1,192,202</u>

18 Non-current liabilities - Provisions

	Aggregated	
	2016	2015
	\$	\$
Provision for makegood	1,014,713	665,000
	<u>1,014,713</u>	<u>665,000</u>

19 Non-current liabilities - Other non-current liabilities

	Aggregated	
	2016	2015
	\$	\$
Fitout contribution	2,269,776	1,433,974

20 Issued Capital

	Aggregated			
	2016	2015	2016	2015
	Shares	Shares	\$	\$
Ordinary shares fully paid	100	100	100	100

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the entities in the Amalgamated 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 Amalgamated Group entities do 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.

21 Reserves

	Aggregated	
	2016	2015
	\$	\$
Capital reserve	4,967,400	4,967,400
Foreign currency translation reserve	(3,194)	-
	4,964,206	4,967,400

22 Retained profits

	Aggregated	
	2016	2015
	\$	\$
Opening accumulated losses	350,420	(1,146,000)
Net profit for the period	1,206,292	1,496,420
Closing retained earnings	1,556,712	350,420

23 Franking Credits

	Aggregated	
	2016	2015
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30% (2015 - 30%)	2,388,409	2,079,960

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

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

24 Remuneration of auditors

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

	Aggregated	
	2016	2015
	\$	\$
(a) Crowe Horwath		
Audit of the financial statements	-	29,750
(b) PwC Australia		
Audit of financial statements	47,500	-
Preparation of financial statements	5,500	-
Accounting and advisory services	17,000	-
Total remuneration for audit and other assurance services	70,000	-
Total remuneration of auditors	70,000	29,750

25 Contingent liabilities

The group has given bank guarantees as at 30 July 2016 of \$2,073,875 (2015: \$1,226,522) to various landlords.

26 Events after the reporting period

No matter or circumstance has arisen since 30 July 2016 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the Amalgamated Group's state of affairs in future financial periods.

27 Reconciliation of profit after income tax to net cash inflow from operating activities

	2016	2015
	\$	\$
Profit for the period	1,206,292	1,496,420
Depreciation and amortisation	2,645,870	1,211,975
Fitout contribution	(757,583)	(409,316)
Change in operating assets and liabilities:		
Decrease/(Increase) in Trade and other receivables	218,501	(128,404)
Increase in Inventories	(3,916,403)	(3,955,473)
Increase in Tax recoverable	(703,391)	(625,187)
Decrease in Other assets	1,057,364	(1,366,823)
Decrease in Deferred tax assets	15,009	(1,465,670)
(Decrease)/Increase in Trade and other payables	(3,082,580)	5,815,556
Increase in Provisions - current	182,613	142,615
Increase in Other liabilities - current	368,853	833,708
Increase/(Decrease) in Provisions - non current	349,713	665,000
Net cash inflow from operating activities	<u>(2,415,742)</u>	<u>2,214,401</u>

28 Correction of errors

As a result of the changes in the Amalgamated Group's accounting policies and practices arising from the reinterpretation of accounting standards, the prior year financial statements had to be restated. The following changes were identified relating to the 27 June 2015 financial statements.

(i) Review of cash balances

The Amalgamated Group reviewed outstanding cash balances and identified two unsupported balances. The financial statements have been restated and the effect of the change in the previous financial year was a decrease in cash and cash equivalents of \$19,666 and a corresponding increase in other expenses.

(ii) Review of outstanding debtor balances

The Amalgamated Group reviewed the outstanding debtor balances retrospectively, and reassessed the impairment recognised in relation to these debtors. The effect of the change in the prior year is a decrease to trade and other receivables of \$70,218 and a corresponding increase to other expenses. The remaining increase in trade and other receivables relates to re-classification of general ledger accounts. Refer to note ix for details.

(iii) Stock impairment

The Amalgamated Group reassessed its inventory impairment policy to ensure it reflected the actual impairment required against closing inventory held. The effect of the change in the prior year is a decrease to the carrying value of inventory of \$2,841,422, an increase in changes in inventories of finished goods recognised in the income statement of \$866,527, and the remainder recognised through opening retained earnings. The remaining decrease in inventories relates to re-classification of general ledger accounts. Refer to note ix for details.

(iv) Review of fixed asset register

The Amalgamated Group performed a review of the fixed asset register to ensure depreciation was calculated correctly, and was in line with the useful lives of fixed assets as per the accounting policies. The effect of the review resulted in a net increase in property, plant and equipment and intangibles of \$94,228 and a decrease in depreciation and amortisation expense of \$19,785.

28 Correction of errors (continued)

(v) Recognition of make good provision

The Amalgamated Group reassessed the costs of obligations for asset dismantling, removing and restoring the leased sites occupied and resulting assets. The effect of the reassessment on the financial statements include a net increase of \$445,675 in property plant and equipment, increase of \$523,394 in noncurrent provisions, and an increase in makegood depreciation expense by \$33,963.

(vi) Correction in trade and other payables balances

The Amalgamated Group reviewed the treatment of accrued expenses and provisions. It was noted that a number of balances in relation to payroll tax of \$251,896 and gift vouchers of \$225,988 were unsupported. The corresponding sales and expense journals were also recognised. A number of accounts totalling \$156,320 were reclassified. The net effect of the change in the prior year is a decrease to trade and other payables of \$634,204.

(vii) Correction in revenue recognition

The Amalgamated Group reviewed the accounting policy for gift vouchers provided to employees. The treatment of previously capitalising gift vouchers provided and amortising it over the useful life of the gift voucher was corrected to ensure the margin associated with the gift voucher provided was recognised directly into cost of goods sold, rather than grossed up in revenue and changes in inventories of finished goods. The financial statements have been restated and the effect of the change in the previous financial year was a decrease in revenue of \$367,447, a decrease in changes in inventories of finished goods at the margin on sales, and an increase in employee benefits of \$64,303 and increase in marketing expenses of \$64,303.

(viii) Correction in tax

As a result of the adjustments made to the previously recorded financial information tax adjustments were required in FY15, resulting in a movement of \$711,386 from income tax expense to income tax benefit. A corresponding increase in deferred tax asset of \$711,386 was recognised.

(ix) Reclassification of balances

The Amalgamated Group performed a review of the presentation of balances in the previously reported 27 June 2015 financial statements to ensure appropriate classification. The financial statements have been restated and the effect of the change in the previous financial year resulted in an:

- Increase in other current assets of \$1,910,537 and corresponding decrease in inventory for advanced inventory deposits.
- Increase in other payables of \$76,093 and corresponding decrease in trade and other receivables for a credit balance account.
- Increase in trade and other payables of \$156,320 and corresponding decrease in other liabilities current for inventory relates accruals.
- Increase in other liabilities non-current of \$135,719 and corresponding decrease in other liabilities current for current and non-current split of fitout contribution.
- Increase in capital reserve of \$4,967,400 and corresponding decrease in issued capital for non-reciprocal contributions.
- Increase in changes in inventories of finished goods of \$9,432 and corresponding decrease in other income for sales freight.
- Increase in foreign exchange gain of \$108,544 and corresponding decrease in other income for foreign exchange gains.

28 Correction of errors (continued)

These items have been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	2015 (Previously stated) \$	Prior year restatement Increase/ (Decrease) \$	2015 (Restated) \$
Income statement			
Revenue from sales of goods	34,983,229	(367,447)	34,615,782
Other income	201,004	(117,975)	83,029
Changes in inventories of finished goods	(13,995,224)	(1,580,899)	(15,576,123)
Employee benefits expense	(8,169,149)	(239,827)	(8,408,976)
Occupancy expense	(4,863,165)	(33,963)	(4,897,128)
Marketing expense	(1,398,723)	64,301	(1,334,422)
Depreciation and amortisation expense	(1,265,725)	53,750	(1,211,975)
Professional fees	(468,689)	-	(468,688)
Finance expenses	(179,827)	-	(179,827)
Other expenses	(1,560,620)	(25,579)	(1,586,199)
Foreign Exchange (loss)/gain	-	108,544	108,544
Profit before income tax	3,283,111	(2,139,094)	1,144,017
Income tax expense	(358,982)	711,385	352,403
Profit for the year	2,924,129	(1,427,709)	1,496,420
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	2,924,129	(1,427,709)	1,496,420
Total comprehensive income for the period attributable to the owners of:			
Newbale Clothing Amalgamated Group	2,924,129	(1,427,709)	1,496,420
	2,924,129	(1,427,709)	1,496,420
Total comprehensive income for the year is attributable to:			
Newbale Clothing Amalgamated Group	2,924,129	(1,427,709)	1,496,420

28 Correction of errors (continued)

	2015 (Previously stated) \$	Prior year restatement Increase/ (Decrease) \$	2015 (Restated) \$
Balance Sheet			
Current assets			
Cash and cash equivalents	1,130,499	(19,666)	1,110,833
Trade and other receivables	780,116	16,381	796,497
Inventories	13,800,010	(4,751,960)	9,048,050
Tax recoverable	68,502	-	68,502
Other assets	486,114	1,910,539	2,396,653
Total current assets	16,265,241	(2,844,706)	13,420,535
Non-current assets			
Property, plant and equipment	5,487,772	546,454	6,034,226
Intangibles	448,584	(3,276)	445,308
Deferred tax assets	754,285	711,385	1,465,670
Total non-current assets	6,690,641	1,254,563	7,945,204
Total assets	22,955,882	(1,590,143)	21,365,739
LIABILITIES			
Current liabilities			
Trade and other payables	9,087,280	200,239	9,287,519
Finance liabilities	3,225,873	-	3,225,873
Provisions	243,251	-	243,251
Other liabilities	1,039,772	152,430	1,192,202
Total current liabilities	13,596,176	352,669	13,948,845
Non-current liabilities			
Provisions	141,607	523,393	665,000
Other liabilities	1,298,255	135,719	1,433,974
Total non-current liabilities	1,439,862	659,112	2,098,974
Total liabilities	15,036,038	1,011,781	16,047,819
Net assets	7,919,844	(2,601,924)	5,317,920
EQUITY			
Issued capital	4,967,500	(4,967,400)	100
Reserves	-	4,967,400	4,967,400
Retained profits	2,952,344	(2,601,924)	350,420
Total equity	7,919,844	(2,601,924)	5,317,920

**Newbale Clothing Amalgamated Group
Directors' declaration
30 July 2016**

As stated in note 1(a) to the financial statements, in the directors' opinion, the Amalgamated Group is not a reporting entity because there are no users dependent on general purpose financial reports. This is a special purpose financial report that has been prepared to meet the requirements of the members.

The financial report has been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in note 1.

In the directors' opinion:

1. the financial statements and notes set out on pages 3 to 24 presents fairly the amalgamated group's financial position as at 30 July 2016 and its performance for the year ended on that date in accordance with Australian Accounting Standards; and

2. In the directors' opinion there are reasonable grounds to believe that the amalgamated group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Matthew Jensen
Director

1 November 2016



Independent auditor's report to the members of Newbale Clothing Amalgamated Group

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Newbale Clothing Amalgamated Group (the aggregated entity), which comprises the statement of financial position as at 30 July 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period 28 June 2015 to 30 July 2016, a summary of significant accounting policies, other explanatory notes and the directors' declaration. The entities which comprise the aggregated entity are included in Note 1 in the financial statements.

Directors' responsibility for the financial report

The directors of the aggregated entity are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial statements, which forms part of the financial report, is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's opinion

In our opinion, the financial report of Newbale Clothing Pty Limited gives a true and fair view of the financial position of the consolidated entity as at 30 July 2016 and its financial performance for the period then ended in accordance with the accounting policies described in Note 1 to the financial statements.

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Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial report has been prepared by the directors for the members of the aggregated entity.

As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members of Newbale Clothing Amalgamated Group and should not be distributed to or used by parties other than Newbale Clothing Amalgamated Group and the members.


PricewaterhouseCoopers


Adam Thompson
Partner

Sydney
1 November 2016