

**Lavomer Riah Holdings Pty Ltd**

ABN 78 150 747 649

**Consolidated financial report  
for the year ended 30 June 2013**

**Lavomer Riah Holdings Pty Ltd** ABN 78 150 747 649  
**Consolidated financial report - 30 June 2013**

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## Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Lavomer Riah Holdings Pty Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2013.

### Incorporation of the Company

The Company was incorporated on 5 May 2011 and was a dormant company until its acquisition of Shaver Shop Pty Ltd on 21 June 2011. Hence, comparative information of these financial statements covered the period from 21 June 2011 to 30 June 2012.

### Directors

The following persons were directors of Lavomer Riah Holdings Pty Ltd during the whole of the financial year and up to the date of this report:

Peter Claydon  
Brian Singer  
Martin Dalton  
John Johnston  
Craig Mathieson

### Principal activities

The principal activities of the consolidated group during the financial year were franchisor to Shaver Shop franchisee stores.

There was no significant change in the nature of the activity of the Group during the year.

### Dividends - Lavomer Riah Holdings Pty Ltd

No dividends have been paid during the financial year. The directors do not recommend that a dividend be paid in respect of the financial year (2012: \$nil).

### Review of operations

The operating profit after income tax amounted to \$2,918,862 (2012: \$664,670) after subtracting income tax expense of \$1,259,411 (2012: \$429,355).

### Significant changes in the state of affairs

There were no significant changes in the Group's state of affairs during the financial year.

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

No matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

### Likely developments and expected results of operations

The directors expect that the consolidated entity will continue to carry out its principal activities as detailed above. There are no other known or likely developments which the directors foresee which they wish to disclose at this time.

### Environmental regulation

The Group is not affected by any significant environmental regulation.

### Insurance of officers

During the financial year, Lavomer Riah Holdings Pty Ltd paid a premium of \$14,924 to insure the directors and secretaries of the Group.

**Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

**Auditor's independence declaration**

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

**Auditor**

PwC continues in office in accordance with section 327 of the *Corporations Act 2001*.

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



Peter Claydon  
Director



Craig Mathieson  
Director

Melbourne  
Date: 31/10/13



### Auditor's Independence Declaration

As lead auditor for the audit of Lavomer Riah Holdings Pty Ltd for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Lavomer Riah Holdings Pty Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'P R Lewis', is written over a light grey horizontal line.

P R Lewis  
Partner  
PricewaterhouseCoopers

Melbourne  
Date: 31/10/13

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Lavomer Riah Holdings Pty Ltd and its subsidiaries. The financial statements are presented in the Australian currency.

Lavomer Riah Holdings Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Lavomer Riah Holdings Pty Ltd  
Level 3, Office Tower 2  
Chadstone Place  
Chadstone Shopping Centre  
1341 Dandenong Road  
Chadstone VIC 3148

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 1, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 31/10/2013. The directors have the power to amend and reissue the financial statements.

**Lavomer Riah Holdings Pty Ltd**  
**Consolidated statement of comprehensive income**  
**For the year ended 30 June 2013**

		Consolidated	
		Year ended	Period ended
		30 June	30 June
		2013	2012
	Notes	\$	\$
<b>Revenue from continuing operations</b>	2	<b>32,792,635</b>	<b>26,045,487</b>
Cost of sales		(14,012,664)	(11,401,968)
Employee benefits expense		(5,499,099)	(4,221,839)
Depreciation and amortisation expense	3	(443,320)	(362,952)
Marketing and advertising expenses		(4,192,386)	(4,633,160)
Occupancy expenses		(2,047,833)	(1,504,178)
Other expenses		(1,812,611)	(1,822,107)
Acquisition expenses		-	(526,554)
Finance costs	3	(808,650)	(678,704)
<b>Profit before income tax</b>		<b>4,178,073</b>	<b>1,094,025</b>
<b>Income tax expense</b>		<b>(1,259,411)</b>	<b>(429,355)</b>
<b>Profit for the year/period</b>		<b>2,918,662</b>	<b>664,670</b>
<b>Other comprehensive income</b>			
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year/period</b>		<b>2,918,662</b>	<b>664,670</b>
<b>Profit is attributable to:</b>			
Owners of Lavomer Riah Holdings Pty Ltd		<b>2,918,662</b>	<b>664,670</b>
<b>Total comprehensive income for the year/period is attributable to:</b>			
Owners of Lavomer Riah Holdings Pty Ltd		<b>2,918,662</b>	<b>664,670</b>

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

**Lavomer Riah Holdings Pty Ltd**  
**Consolidated statement of financial position**  
**As at 30 June 2013**

		Consolidated	
		30 June 2013	30 June 2012
	Notes	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	2,064,821	213,647
Trade and other receivables	5	1,237,882	1,632,072
Inventories	6	2,816,306	3,384,084
<b>Total current assets</b>		<u>6,109,009</u>	<u>5,229,803</u>
<b>Non-current assets</b>			
Property, plant and equipment	7	1,288,440	1,434,923
Deferred tax assets	8	633,871	566,937
Intangible assets	9	17,675,910	17,527,778
<b>Total non-current assets</b>		<u>19,498,221</u>	<u>19,529,638</u>
<b>Total assets</b>		<u>25,607,230</u>	<u>24,759,441</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	3,191,493	3,820,868
Borrowings	11	-	445,862
Current tax liabilities		902,096	133,861
Provisions	12	368,488	219,265
Deferred income	13	118,129	152,375
<b>Total current liabilities</b>		<u>4,560,203</u>	<u>4,772,231</u>
<b>Non-current liabilities</b>			
Deferred lease incentive liability	14	308,944	426,881
Borrowings	15	7,000,312	8,580,000
Deferred tax liabilities	16	12,776	-
Deferred income	17	82,079	200,208
Other non-current liabilities	18	70,215	106,270
<b>Total non-current liabilities</b>		<u>7,474,326</u>	<u>9,283,159</u>
<b>Total liabilities</b>		<u>12,034,529</u>	<u>14,055,390</u>
<b>Net assets</b>		<u>13,572,701</u>	<u>10,704,051</u>
<b>EQUITY</b>			
Contributed equity	19	9,989,369	10,039,361
Retained earnings	20	3,583,332	664,670
<b>Total equity</b>		<u>13,572,701</u>	<u>10,704,051</u>

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



**Lavomer Riah Holdings Pty Ltd**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2013**

Consolidated	Notes	Attributable to owners of Lavomer Riah Holdings Pty Ltd		Total equity \$
		Contributed equity \$	Retained earnings \$	
<b>Balance at 21 June 2011</b>		-	-	-
Profit for the year/period		-	664,670	664,670
Other comprehensive income		-	-	-
<b>Total comprehensive income for the period</b>		<u>-</u>	<u>664,670</u>	<u>664,670</u>
<b>Transactions with owners in their capacity as owners:</b>				
Contributions of equity, net of transaction costs and tax	19	10,039,381	-	10,039,381
		<u>10,039,381</u>	<u>-</u>	<u>10,039,381</u>
<b>Balance at 30 June 2012</b>		<u>10,039,381</u>	<u>664,670</u>	<u>10,704,051</u>
<b>Balance at 1 July 2012</b>		10,039,381	664,670	10,704,051
Profit for the year/period		-	2,918,662	2,918,662
Other comprehensive income		-	-	-
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>2,918,662</u>	<u>2,918,662</u>
<b>Transactions with owners in their capacity as owners:</b>				
Buy-back shares	19	(50,012)	-	(50,012)
		<u>(50,012)</u>	<u>-</u>	<u>(50,012)</u>
<b>Balance at 30 June 2013</b>		<u>9,989,369</u>	<u>3,583,332</u>	<u>13,572,701</u>

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

**Lavomer Riah Holdings Pty Ltd**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2013**

	Consolidated	
	Year ended	Period ended
	30 June	30 June
	2013	2012
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	38,109,751	26,936,138
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(31,127,923)</u>	<u>(26,062,430)</u>
	4,981,828	873,708
Sundry income	-	232,084
Interest received	28,892	24,968
Interest paid	<u>(806,650)</u>	<u>(678,704)</u>
Income taxes paid	<u>(311,475)</u>	<u>(493,504)</u>
<b>Net cash inflow (outflow) from operating activities</b>	26 <u>4,092,395</u>	<u>(41,448)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment and corporate stores	<u>(805,392)</u>	<u>(1,118,871)</u>
Payments for investments in subsidiary	-	<u>(14,671,000)</u>
Payments for purchase of corporate stores	<u>(265,222)</u>	-
Payment for acquisition	-	<u>(444,743)</u>
Proceeds from related party loan	-	700,000
Proceeds from sale of corporate stores	<u>573,276</u>	-
<b>Net cash (outflow) from investing activities</b>	<u>(197,338)</u>	<u>(15,534,614)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	-	7,493,847
Proceeds from borrowings	-	9,100,000
Payments for shares bought back	<u>(58,333)</u>	-
Repayment of borrowings (external)	<u>(1,548,688)</u>	<u>(1,250,000)</u>
<b>Net cash (outflow) inflow from financing activities</b>	<u>(1,608,021)</u>	<u>15,343,847</u>
<b>Net Increase (decrease) in cash and cash equivalents</b>	<u>2,287,036</u>	<u>(232,215)</u>
Cash and cash equivalents at the beginning of the financial year/period	<u>(232,215)</u>	-
<b>Cash and cash equivalents at end of year</b>	4 <u>2,054,821</u>	<u>(232,215)</u>

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

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## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Lavomer Riah Holdings Pty Ltd and its subsidiaries.

### (a) Basis of preparation

#### (i) *Special purpose financial report*

In the directors' opinion, the Company 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 for the sole purpose of complying with the *Corporations Act 2001* requirements to prepare and distribute a financial report to the members and must not be used for any other purpose.

The financial report has been prepared in accordance with the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. It contains the disclosures that are mandatory under the Accounting Standards and those considered necessary by the directors to meet the needs of the members. Lavomer Riah Holdings Pty Ltd is a for-profit entity for the purpose of preparing the financial report.

#### (ii) *New and amended standards adopted by the Group*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

#### (iii) *Early adoption of standards*

The Group has not elected to apply any pronouncements to the annual reporting period beginning 1 July 2012.

#### (iv) *Historical cost convention*

These financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation.

#### (v) *Critical accounting estimates*

The preparation of 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. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

#### (vi) *Comparative information*

The Company was incorporated on 5 May 2011 and was a dormant company until its acquisition of Shaver Shop Pty Ltd on 21 June 2011. Hence, comparative information of these financial statements covered the period from 21 June 2011 to 30 June 2012.

## 1 Summary of significant accounting policies (continued)

### (b) Principles of consolidation

#### (i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Lavomer Riah Holdings Pty Ltd ('Company' or 'parent entity') as at 30 June 2013 and the results of all subsidiaries for the year then ended. Lavomer Riah Holdings Pty Ltd and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(g)).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated statement of comprehensive income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

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

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Lavomer Riah Holdings Pty Ltd.

### (c) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Lavomer Riah Holdings Pty Ltd's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other income or other expenses.

## 1 Summary of significant accounting policies (continued)

### (c) Foreign currency translation (continued)

#### (ii) Transactions and balances (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

### (d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discount and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and cessation of all involvement in those goods.

Revenue from franchise income is recognised on a straight-line basis over the franchise agreement term.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.

### (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 Company'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 consolidated 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 liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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.

## 1 Summary of significant accounting policies (continued)

### (e) Income tax (continued)

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.

### (f) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 7). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the 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.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 24). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### (g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

## 1 Summary of significant accounting policies (continued)

### (h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### (i) Cash and cash equivalents

For the purpose of presentation in the consolidated 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 consolidated statement of financial position.

### (j) 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. They are presented as current assets unless collection is not expected for more than 12 months after the reporting period.

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 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 30 days overdue) 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.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### (k) Inventories

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.



## 1 Summary of significant accounting policies (continued)

### (l) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Plant and equipment	5 - 10 years
- Leasehold improvement	5 years
- Computer equipment and software	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of 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(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

### (m) Intangible assets

Goodwill is measured as described in note 1(g). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

### (j) Brand names

Brand names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the brand names over their useful life.

### (n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## 1 Summary of significant accounting policies (continued)

### (o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (p) Borrowing costs

Borrowing costs are expensed.

### (q) Provisions

Provisions are recognised when the 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 end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### (r) Employee benefits

#### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the reporting period in which the employees render the related service are recognised in respect of employee's 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 and accumulating sick 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 benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service 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 end of the reporting period 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

## 1 Summary of significant accounting policies (continued)

### (s) 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 consolidated 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 taxation authority, are presented as operating cash flows.

### (t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not been early adopted by the group. The Group's assessment of the impact of these new standards and interpretations is set out below.

- (i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

- (ii) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The Group does not expect the new standard to have a significant impact on its composition.

## 1 Summary of significant accounting policies (continued)

### (t) New accounting standards and Interpretations (continued)

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* (effective 1 January 2013) (continued)

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised or disclosed in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a 'partial disposal' concept.

The Group will adopt the new standards from their operative date. They will therefore be applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 *Employee Benefits* and AASB 2012-10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so called 'corridor' method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively.

The Group has no defined benefit plans, and therefore does not expect this standard to have a significant impact.

The Group will apply the new standard when it becomes operative, being from 1 July 2013.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 1 Summary of significant accounting policies (continued)

### (u) Parent entity financial information

The financial information for the parent entity, Lavomer Riah Holdings Pty Ltd, disclosed in note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### (i) *Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries are accounted for at cost in the financial statements of Lavomer Riah Holdings Pty Ltd. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

## 2 Revenue

	Consolidated	
	Year ended 30 June 2013 \$	Period ended 30 June 2012 \$
<b>From continuing operations</b>		
Retail sales	23,081,414	16,881,723
Rebates	644,873	755,822
Royalties	7,119,982	7,004,113
Contributions	1,456,257	1,146,777
	<u>32,302,528</u>	<u>25,788,435</u>
<i>Other revenue</i>		
Interest income	28,662	24,968
Net gain on sale of corporate stores	298,688	-
Sundry income	162,729	232,084
	<u>480,109</u>	<u>267,052</u>
	<u>32,792,635</u>	<u>26,045,487</u>

## 3 Expenses

	Consolidated	
	Year ended 30 June 2013 \$	Period ended 30 June 2012 \$
<b>Profit before income tax includes the following specific expenses:</b>		
<i>Depreciation</i>		
Plant and equipment	381,871	233,108
Leasehold improvements	14,851	63,046
Total depreciation	<u>376,522</u>	<u>296,154</u>
<i>Amortisation</i>		
Brand names	66,798	66,798
Total amortisation	<u>66,798</u>	<u>66,798</u>
Total depreciation and amortisation	<u>443,320</u>	<u>362,952</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	606,650	678,704
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	1,688,978	1,253,759

**4 Current assets - Cash and cash equivalents**

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Cash at bank and in hand	<u>2,064,821</u>	<u>213,647</u>

**(a) Reconciliation to cash at the end of the year**

The above figures are reconciled to cash at the end of the financial year as shown in the consolidated statement of cash flows as follows:

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Balances as above	2,064,821	213,647
Bank overdrafts (note 11)	-	(445,862)
Balances per consolidated statement of cash flows	<u>2,064,821</u>	<u>(232,215)</u>

**5 Current assets - Trade and other receivables**

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Trade receivables	1,128,132	1,442,844
Other receivables	105,050	187,776
Prepayments	3,700	1,452
	<u>1,237,882</u>	<u>1,632,072</u>

**6 Current assets - Inventories**

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Finished goods - at cost	2,866,305	3,384,084
Stock provision	(49,999)	-
Total inventory at net realisable value	<u>2,816,306</u>	<u>3,384,084</u>

**7 Non-current assets - Property, plant and equipment**

Consolidated	Plant and equipment \$	Leasehold improvements \$	Computer equipment and software \$	Total \$
<b>At 30 June 2012</b>				
Cost	1,862,153	270,932	494,847	2,627,932
Accumulated depreciation	(701,199)	(149,498)	(342,312)	(1,193,009)
Net book amount	<u>1,160,954</u>	<u>121,434</u>	<u>152,535</u>	<u>1,434,923</u>
<b>At 30 June 2013</b>				
Cost	1,324,482	278,642	293,474	1,896,598
Accumulated depreciation	(319,810)	(173,218)	(115,130)	(608,158)
Net book amount	<u>1,004,672</u>	<u>105,424</u>	<u>178,344</u>	<u>1,288,440</u>

**8 Non-current assets - Deferred tax assets**

	Consolidated 30 June 2013 \$	30 June 2012 \$
Net deferred tax assets	<u>533,871</u>	<u>566,937</u>
Deferred tax assets expected to be recovered within 12 months	290,563	198,322
Deferred tax assets expected to be recovered after more than 12 months	243,308	368,615
	<u>533,871</u>	<u>566,937</u>

**9 Non-current assets - Intangible assets**

Consolidated	Brands \$	Goodwill \$	Total \$
<b>At 30 June 2012</b>			
Cost	1,335,959	16,258,617	17,594,576
Accumulated amortisation and impairment	(66,798)	-	(66,798)
Net book amount	<u>1,269,161</u>	<u>16,258,617</u>	<u>17,527,778</u>
<b>At 30 June 2013</b>			
Cost	1,335,959	16,473,439	17,809,398
Accumulated amortisation and impairment	(133,488)	-	(133,488)
Net book amount	<u>1,202,471</u>	<u>16,473,439</u>	<u>17,675,910</u>



**10 Current liabilities - Trade and other payables**

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Trade payables	2,247,888	2,540,214
Accrued expenses	884,324	1,113,901
GST payables	79,270	168,753
	<b>3,181,493</b>	<b>3,820,868</b>

**11 Current liabilities - Borrowings**

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
<b>Secured</b>		
Bank overdrafts	-	445,882
		<b>445,882</b>

**12 Current liabilities - Provisions**

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Employee benefits (a)	<b>388,486</b>	<b>219,265</b>

**(a) Amounts not expected to be settled within 12 months**

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Leave obligations expected to be settled after 12 months	<b>44,282</b>	<b>7,846</b>

**13 Current liabilities - Deferred income**

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Deferred income	118,129	152,375

**14 Non-current liabilities - Accruals**

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Deferred lease incentive liability	308,944	426,681

**15 Non-current liabilities - Borrowings**

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
<b>Secured</b>		
Bank loans	7,000,312	7,850,000
<b>Unsecured</b>		
Loans from related parties	-	700,000
Total non-current borrowings	7,000,312	8,550,000

**16 Non-current liabilities - Deferred tax liabilities**

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Net deferred tax liabilities	12,776	-
Deferred tax liabilities expected to be settled within 12 months	12,776	-
Deferred tax liabilities expected to be settled after more than 12 months	-	-
	12,776	-

**17 Non-current liabilities - Deferred Income**

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Deferred income	<b>82,079</b>	<b>200,208</b>

**18 Non-current liabilities - Other non-current liabilities**

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Deferred rent liability (refer to note 1(f))	<b>70,215</b>	<b>106,270</b>

**19 Contributed equity**

	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	Shares	Shares	\$	\$
<b>(a) Share capital</b>				
Ordinary shares Fully paid	<b>9,989,369</b>	<b>10,039,381</b>	<b>9,989,369</b>	<b>10,039,381</b>

**(b) Movements in ordinary share capital:**

Date	Details	Number of shares	\$
21 June 2011	Opening balance	-	-
21 June 2011	Buy-back shares	10,039,381	10,039,381
30 June 2012	Closing balance	<b>10,039,381</b>	<b>10,039,381</b>
1 July 2012	Opening balance	10,039,381	10,039,381
	Buy-back shares	(50,012)	(50,012)
30 June 2013	Closing balance	<b>9,989,369</b>	<b>9,989,369</b>

**(c) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

**19 Contributed equity (continued)**

**(c) Ordinary shares (continued)**

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

**20 Retained earnings**

Movements in retained earnings were as follows:

	Consolidated	
	30 June 2013 \$	30 June 2012 \$
Opening balance	664,670	-
Net profit for the year/period	2,918,662	664,670
Balance 30 June	3,583,332	664,670

**21 Dividends**

**(a) Ordinary shares**

No dividends have been paid during the financial year (2012: nil).

**(b) Franked dividends**

The franked portions of the final dividends recommended after 30 June 2013 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2013.

	Year ended 30 June 2013 \$	Period ended 30 June 2012 \$
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2012 - 30%)	3,023,910	1,600,548

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 the reporting period, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the end of the reporting period.

## 22 Remuneration of auditors

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

### PwC Australia

	Consolidated	
	Year ended 30 June 2013 \$	Period ended 30 June 2012 \$
<i>Audit and other assurance services</i>		
Audit of financial statements and account compilation	78,000	85,390
Total remuneration for audit and other assurance services	78,000	85,390
<i>Taxation services</i>		
Tax compliance services	12,500	27,000
Total remuneration for taxation services	12,500	27,000
 Total remuneration of PwC Australia	 90,500	 112,390

## 23 Contingencies

### Bank Guarantees

Bank undertaking/guarantees issued in respect of rental leases amounted to \$501,504 (2012: \$384,676).

## 24 Commitments

### (a) Capital commitments

The Group had no capital commitments at 30 June 2013 (2012: nil).

### (b) Lease commitments: Group as lessee

	Consolidated	
	30 June 2013 \$	30 June 2012 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	1,739,723	1,304,548
Later than one year but not later than five years	4,749,290	3,740,260
Later than five years	-	349,329
	6,489,013	5,394,127

## 25 Subsidiaries

### Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2013 %	2012 %
Lavomer Riah Holdings Pty Ltd	Australia	Ordinary	100	100
Lavomer Riah Pty Ltd	Australia	Ordinary	100	100
Claydon Trading Co Pty Ltd *	Australia	Ordinary	-	100
Gozza Pty Ltd *	Australia	Ordinary	-	100
Tyquin Holdings Pty Ltd *	Australia	Ordinary	-	100
Shaver Shop Pty Ltd	Australia	Ordinary	100	100

\* These subsidiaries have been deregistered during the year.

\*\* The proportion of ownership interest is equal to the proportion of voting power held.

## 26 Reconciliation of profit after income tax to net cash inflow (outflow) from operating activities

	Consolidated	
	30 June 2013 \$	30 June 2012 \$
Profit for the year/period	2,018,662	664,670
Depreciation and amortisation	443,320	362,952
Net (gain) on sale of corporate stores	(298,688)	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	396,438	254,498
Decrease (increase) in inventories	567,779	(2,248,789)
Decrease (increase) in deferred tax assets	33,066	(157,939)
(Increase) decrease in other operating assets	(2,248)	169,458
(Decrease) increase in trade and other payables	(746,943)	963,409
(Decrease) in deferred income	-	(46,105)
Increase (decrease) in provision for income taxes payable	768,234	(3,600)
Increase in deferred tax liabilities	12,776	-
Net cash inflow (outflow) from operating activities	4,092,395	(41,448)

## 27 Parent entity financial information

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30 June 2013 \$	30 June 2012 \$
<b>Statement of financial position</b>		
Current assets	2,466	34,193
Non-current assets	<u>9,562,334</u>	<u>9,562,334</u>
<b>Total assets</b>	<u>9,564,800</u>	<u>9,596,527</u>
Current liabilities	-	4,031
Non-current liabilities	<u>154,875</u>	<u>154,875</u>
<b>Total liabilities</b>	<u>154,875</u>	<u>158,906</u>
<b>Net assets</b>	<u>9,409,925</u>	<u>9,437,621</u>
Contributed equity	<u>9,939,369</u>	<u>9,939,376</u>
Accumulated losses	<u>(579,444)</u>	<u>(501,755)</u>
<b>Total equity</b>	<u>9,409,925</u>	<u>9,437,621</u>
<b>(Loss) for the year/period</b>	<u>(77,689)</u>	<u>(145,005)</u>
<b>Total comprehensive (loss)</b>	<u>(77,689)</u>	<u>(145,005)</u>

### (b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012.

Lavomer Riah Holdings Pty Ltd  
Directors' declaration  
30 June 2013

As stated in note 1(a) to the consolidated financial statements, in the directors' opinion, the Company 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 *Corporations Act 2001* requirements.

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:

- (a) the financial statements and notes set out on pages 4 to 29 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company 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 directors.



Peter Claydon  
Director



Craig Mathieson  
Director

Melbourne  
Date: 31/10/2013





## **Independent auditor's report to the members of Lavomer Riah Holdings Pty Ltd**

### ***Report on the financial report***

We have audited the accompanying financial report, being a special purpose financial report, of Lavomer Riah Holdings Pty Ltd (the company), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Lavomer Riah Holdings Pty Ltd (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation 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 requirements of the *Corporations Act 2001* and 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.

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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## Independent auditor's report to the members of Lavomer Riah Holdings Pty Ltd (continued)

### *Auditor's opinion*

In our opinion, the financial report of Lavomer Riah Holdings Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the *Corporations Regulations 2001*.

### ***Basis of accounting and restriction on distribution and use***

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members of Lavomer Riah Holdings Pty Ltd.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', is written over a horizontal line.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Paul Lewis', is written over a horizontal line.

Paul Lewis  
Partner

Melbourne  
3 October 2013