

The Senate

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Economics

Legislation Committee

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Tax and Superannuation Laws Amendment  
(Better Targeting the Income Tax  
Transparency Laws) Bill 2015 [Provisions]

October 2015

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# Senate Economics Legislation Committee

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PO Box 6100  
Parliament House  
Canberra ACT 2600  
Ph: 02 6277 3540  
Fax: 02 6277 5719  
E-mail: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)  
Internet: [www.aph.gov.au/senate\\_economics](http://www.aph.gov.au/senate_economics)



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# Chapter 1

## Introduction and overview of the bill

1.1 The Tax and Superannuation Laws Amendment (Better Targeting the Income Tax Transparency Laws) Bill 2015 (the bill) was introduced by the government into the House of Representatives on 20 August 2015. On 10 September 2015, the Senate referred the provisions of the bill to the Senate Economics Legislation Committee for inquiry and report by 12 October 2015.

1.2 The bill, which contains one schedule, proposes to amend the *Taxation Administration Act 1953* (TAA 1953) so that Australian-owned private companies are exempt from the requirement for the Commissioner of Taxation (Tax Commissioner) to publish certain tax information in relation to corporate tax entities that report total income equal to or above \$100 million for an income year.

1.3 The proposed amendments reverse the changes made in June 2013 to the TAA 1953 that require the Tax Commissioner to publish certain information about the tax affairs of corporate tax entities that have a total income equal to or exceeding \$100 million for an income year. According to the Explanatory Memorandum, the changes:

...[will] ensure that the public release of information by the Commissioner of Taxation under the income tax transparency laws does not affect the privacy and personal security of the ultimate owners of Australian-owned private companies. It also removes the risk that the release of the information will harm Australian-owned private companies' market environments.<sup>1</sup>

1.4 Under the current income tax transparency laws contained in section 3C of the TAA 1953, the Tax Commissioner is required to publish the following information relating to a relevant corporate tax entity stipulated in subsection 3C(3):

- name and Australian Business Number;
- total income;
- taxable income or net income (if any); and
- income tax payable.

1.5 Under section 292 of the *Corporations Act 2001*, the requirement to report certain tax information and income in annual financial reports already applies to public companies, large proprietary companies and registered schemes.

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1 Explanatory Memorandum, *Tax and Superannuation Laws Amendment (Better Targeting the Income Tax Transparency Laws) Bill 2015*, p. 9.

### **Proposed amendments**

1.6 Item 1 of the bill narrows the application of section 3C by excluding Australian-owned private companies. This amendment is achieved by inserting the following conditions in paragraph 3C(1)(b):

- the company must be a resident private company for the income year;
- the company must not be the wholly-owned subsidiary of a foreign corporate group; or
- the company must not have a level of foreign shareholding greater than 50 per cent.<sup>2</sup>

1.7 The laws will continue to apply to multinational companies operating in Australia and Australian public companies.

1.8 Item 2 of the bill states that the amendment made in section 3C applies from the 2013–14 income year unless the Tax Commissioner has already made publicly available the information about the entity under subsection 3C(2) of the TAA 1953. The Tax Commissioner is expected to release the first publication under the laws in late 2015.<sup>3</sup>

1.9 The terms used in proposed subsection 3C(1) carries the same meaning as those used in the *Income Tax Assessment Act 1997* (ITAA 1997).

### **Conduct of the inquiry**

1.10 The committee advertised the inquiry on its website, and wrote directly to a range of organisations inviting written submissions. The committee received 9 submissions, which are listed at Appendix 1. On 22 September 2015, the committee held a public hearing in Canberra as part of the inquiry. A list of witnesses is at Appendix 2.

1.11 The committee thanks all who contributed to the inquiry.

### **Financial implications**

1.12 According to the Explanatory Memorandum, the measures in the bill will have nil financial impact.

### **Human rights implications**

1.13 The bill was considered by the Senate Standing Committee for the Scrutiny of Bills, which had no comment to make on the proposed legislation.<sup>4</sup> The Parliamentary

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2 Explanatory Memorandum, p. 13.

3 Explanatory Memorandum, p. 10.

4 Scrutiny of Bills Committee, Alert Digest, No.9 2015, p. 23,  
[http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Scrutiny\\_of\\_Bills/Alerts\\_Digests/2015/index](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Scrutiny_of_Bills/Alerts_Digests/2015/index) (accessed 17 September 2015).



Joint Committee on Human Rights also considered the bill and had no concerns around human rights issues.<sup>5</sup>

1.14 The Explanatory Memorandum went into greater detail about any human rights implications relating to the bill. According to the Explanatory Memorandum, the bill will promote human rights through the prohibition on interference with privacy contained in Article 17 of the *International Covenant on Civil and Political Rights*.

1.15 While the current income tax transparency laws only apply to corporate entities, the disclosure of information pertaining to closely held private companies 'effectively interferes with the privacy of their owners', and may interfere with individuals' rights to privacy and rights to legal protection from such interference. Accordingly, exempting Australian-owned private companies from the laws 'reflects that the current interference is not reasonable, necessary or proportionate to achieving the objectives of the laws'.<sup>6</sup>

1.16 For the above reasons, the bill promotes human rights and is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

## Background to the bill

1.17 The current income tax transparency laws requiring the disclosure of the information contained in subsection 3C(3) of the TAA 1953 were enacted by the *Tax Laws Amendment (2013 Measures No.2) Act 2013* on 29 June 2013. These laws were introduced in the context of a growing and shared concern by the former government and internationally by member countries of the G20 and most of the OECD, that some large corporate entities were engaged in profit shifting, with the consequential effect of eroding a country's tax base.

1.18 These income tax transparency measures took place against a background of international developments in relation to tax transparency: the G8's commitments to take actions to improve tax transparency standards in the extractive sector and to develop common reporting standards; and, the OECD's Base Erosion and Profit Shifting (BEPS) plan to address tax avoidance by multinational companies.<sup>7</sup>

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5 Parliamentary Joint Committee on Human Rights, Examination of legislation in accordance with the *Human Rights (Parliamentary Scrutiny) Act 2011*, *Twenty-seventh report of the 44<sup>th</sup> Parliament*, 8 September 2015, p. 1, [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Human\\_Rights/Completed\\_inquiries/2015/Twenty-seventh\\_report\\_of\\_the\\_44th\\_Parliament/c01](http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Human_Rights/Completed_inquiries/2015/Twenty-seventh_report_of_the_44th_Parliament/c01) (accessed on 17 September 2015).

6 Explanatory Memorandum, p. 16.

7 See Parliamentary Library, 'Tax and Superannuation Laws Amendment (Better Targeting the Income Tax Transparency Laws) Bill 2015', Bills Digest No. 24 2015-16, 16 September 2015, pp. 4–5, [http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=BillId\\_Phrase%3A%22r5518%22%20Dataset%3Abillsdgs;rec=0](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=BillId_Phrase%3A%22r5518%22%20Dataset%3Abillsdgs;rec=0) (accessed 17 September 2015).

1.19 Accordingly, the introduction of current income tax transparency laws were intended to: improve the transparency of the business tax system; discourage aggressive tax practices; and, inform public debate about corporate tax policy.<sup>8</sup>

1.20 On 29 May 2013, the then Assistant Treasurer, in his second reading on the bill, stated:

Policy makers and the Australian public should have more transparency around the levels of tax being paid by large and multinational businesses in Australia to allow for an informed debate about the efficiency and equity of our tax system. This is particularly the case when there are increasing demands for the government to provide evidence about the challenges that base erosion and profit shifting present to the sustainability of our corporate tax system. By increasing the transparency of our business tax system, the government will ensure that the public is well informed about the contributions made by large corporations. This is also intended to discourage aggressive tax minimisation practices by large and multinational businesses.<sup>9</sup>

1.21 However, the then Opposition (the current government) expressed a number of concerns with the laws; in particular, that the laws would not address the issue of profit-shifting by multinational entities but have unintended consequences effecting the competitiveness of Australian owned businesses. In his second reading on the bill on 6 June 2013, the then Shadow Treasurer stated:

What the Commissioner of Taxation is going to do—and this is the first time this has happened—is publish individual companies' tax...

We support the publication of aggregate tax information, unless that information can be reasonably attributed to a single person. But the government has gone one step further and said, 'No, we think individual companies should have their tax disclosed.'<sup>10</sup>

1.22 The then Shadow Treasurer cited the opinion of Ernst and Young (EY), one of the largest global accounting firms:

...it is premature for Australia as a small open economy to engage in this public disclosure proposal unless and until public disclosure of corporate tax is identified by a majority of the G20, G8, OECD stakeholders or countries in the Asia Pacific region...it represents a distraction from the much bigger task of adjusting the system for taxation of international business.<sup>11</sup>

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8 Explanatory Memorandum, p. 11.

9 The Hon. David Bradbury MP, 'Tax Laws Amendment (2013 Measures No.2) Bill 2013: Second Reading Speech', House of Representatives, *Hansard*, 29 May 2013, p. 4246.

10 The Hon. Joe Hockey MP, 'Tax Laws Amendment (2013 Measures No.2) Bill 2013: Second Reading Speech', House of Representatives, *Hansard*, 6 June 2013, p. 5551.

11 The Hon. Joe Hockey MP, 'Tax Laws Amendment (2013 Measures No.2) Bill 2013: Second Reading Speech', House of Representatives, *Hansard*, 6 June 2013, p. 5551.

1.23 On 4 June 2015, Treasury released an Exposure Draft for consultation to amend the income tax transparency laws to remove the Tax Commissioner's obligation to publish certain tax information of Australian-owned private companies with total income of at least \$100 million. The concerns raised by submissions to the Exposure Draft have also been discussed in the Explanatory Memorandum to the bill and reflected in some of the submissions to this bill inquiry.<sup>12</sup>

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12 See the Department of the Treasury, Better targeting the income tax transparency laws, Exposure Draft Consultation, 4 June 2015, <http://www.treasury.gov.au/ConsultationsandReviews/Consultations/2015/Better-targeting-the-income-tax-transparency-laws> (accessed 10 September 2015).



## Chapter 2

### Views on the proposed changes

2.1 The bill proposes to amend the TAA 1953 to exempt Australian-owned private companies from the requirement for the Commissioner of Taxation (Tax Commissioner) publish certain tax information in relation to corporate entities that report a total income of at least \$100 million for an income year. The exemption will only be available to companies that satisfy all of the following conditions:

- the company must be a resident private company;
- the company must not be a wholly-owned subsidiary of a foreign corporate group; and,
- the company must not have a level of foreign shareholding greater than 50 per cent.<sup>1</sup>

2.2 Submitters expressed a range of views on these changes to exempt Australian-owned private companies from the existing tax transparency disclosure laws. Most submissions raised issues of privacy and personal security; discrimination, fairness and equity; commercial disadvantage; public policy benefit; and compliance costs and reputational damage. Some submissions also covered the original intent of the existing legislation; potential for a company to restructure its tax affairs; and the effect on investment in Australia. Most of the issues raised reflected the concerns canvassed in the Explanatory Memorandum.

### Support for the bill

2.3 Although there was a wide array of views with regards to the bill—ranging from support to opposition—on the whole, most submitters were supportive of the bill as drafted. A couple of submitters argued strongly in favour of the proposed amendments on the basis of equity principles. For example, the Law Council of Australia (LCA) contended that the tax transparency laws in section 3C of the TAA 1953 were 'harsh, unjust and discriminatory'. In support of the bill and its enactment, it reasoned that the proposed legislation would:

...operate to alleviate that harshness, injustice and discrimination against a significantly adversely affected class of taxpayers—namely, private Australian companies.<sup>2</sup>

2.4 According to the LCA, the provisions of section 3C would 'continue to be discriminatory and unjust' and welcomed the removal of that discrimination for Australian private companies.<sup>3</sup> Likewise, the Council of Small Business Australia

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1 Explanatory Memorandum, pp. 12–13.

2 Law Council of Australia, *Submission 6*, p. 1.

3 Law Council of Australia, *Submission 6*, p. 5 and Family Office Institute Australia, *Submission 8*, p. 5

(COSBOA) was of the view that the current disclosure laws in section 3C were 'discriminatory and unjust towards certain classes of taxpayers and inappropriately overturned fundamental rights of taxpayer privacy for certain taxpayers'.<sup>4</sup> The Family Office Institute Australia (FOIA) believed that the bill should be passed into law so as 'to protect Australian private companies from being burdened with the adverse consequences of public reporting of its turnover and tax information'.<sup>5</sup>

2.5 In contrast, submitters not in support of the bill's passage were concerned the bill would dilute the public policy benefit of the current tax transparency provisions in the TAA 1953. They also questioned the concerns raised by proponents for the bill. The Tax Justice Network Australia (TJNA) submitted:

Such transparency [in the current section 3C of the TAA 1953] evens up the playing field between publicly listed domestic companies (whose financial reporting gives a clearer picture of the risks related to such companies) and private companies (whose lack of reporting may conceal the true risks associated with the entire company). Increased transparency also will boost confidence in the broader community that companies are being required to pay the taxes they should pay, and will require companies to have to explain their tax arrangements offering a significant deterrent to aggressive tax arrangements that might be legally contestable.<sup>6</sup>

### **Issues raised about the current income tax transparency laws**

2.6 In the Explanatory Memorandum to the bill, the government raised a number of concerns with the current laws, including:

- privacy and security concerns for Australian owners of closely held companies where the disclosure of the companies' information effectively discloses information about the owners' financial affairs;
- the information disclosed may not be currently available to the private company's competition, customers and suppliers, and its release may adversely affect smaller companies in commercial negotiations with larger firms;
- unintended consequences may result, such as the restructuring of a company's affairs in order to keep below the threshold. For example, private companies may be encouraged to restructure their affairs into trusts, which are not corporate tax entities, in order to minimise any commercial disadvantage; and,
- disproportionate costs could be associated with releasing additional information to provide context to the public about a company's tax affairs in order to avoid reputational damage.<sup>7</sup>

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4 Council of Small Business Australia, *Submission 4*, p. 2.

5 Family Office Institute Australia, *Submission 8*, p. 7.

6 Tax Justice Network Australia, *Submission 7*, p. 1.

7 Explanatory Memorandum, pp. 11–12.

2.7 These issues were also canvassed by submissions to the committee's inquiry, as outlined below.

***Original intent of the current legislation was to target multinationals' aggressive tax practices***

2.8 The Explanatory Memorandum and several stakeholders emphasised that the introduction of section 3C was intended to address the issue of multinational companies reporting 'quite low revenue'.<sup>8</sup> It was not intended to target Australian-owned private companies but to capture multinational corporates' aggressive tax minimisation practices.

2.9 The transparency measures introduced in June 2013 were an initiative arising from an international effort to develop common standards of reporting to address the issues of base erosion of profits and profit-shifting between jurisdictions by multinationals. For example, EY and the FOIA referred to recent comments by the Commissioner of Taxation who was quoted as saying that if you look at the history of the tax publication law in section 3C, it was 'really for multinational companies operating here, disclosing quite low revenue'.<sup>9</sup> The FOIA explained further:

The tax publication laws were introduced against a backdrop of measures to target base erosion and profit shifting by multinational corporations, and arguably there may be merit in having specific laws to deter aggressive taxpayers who do not 'pay their fair share of tax'. The Government has recently introduced legislation into Parliament for that purpose.<sup>10</sup>

2.10 The LCA noted that the measures contained in section 3C would place Australia out of step with other international tax jurisdictions and was:

...particularly concerned that Australia will effectively be an outlier in respect of these measures. No other country in the world publishes information in this way, and those that have in the past have actually abandoned it because of the harm and the prejudice to affected taxpayers. The other concern we have is that in some ways it jumps ahead of what is happening elsewhere in the world. The OECD is due to come down shortly with proposals to deal with multinational tax avoidance. The current government introduced legislation into parliament just last week to deal specifically with multinational tax avoidance.<sup>11</sup>

2.11 Some stakeholders have referred to the experience of various international jurisdictions with similar income tax disclosure measures. EY drew attention to Japan's abolition of public reporting of tax information as a relevant example for Australia. In Japan, the disclosure rules which were introduced in 1950 'had effects outside [their] intended purposes'. These rules, which required the public reporting of corporate tax, individual tax and inheritance tax, were intended to 'impose a

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8 Attributed to the Tax Commissioner, and cited in Law Council of Australia, *Submission 6*, p. 3.

9 Ernst & Young, *Submission 9*, p. 1 and *Submission 8*, p. 3.

10 Family Office Institute Australia, *Submission 8*, p. 3.

11 Law Council of Australia, *Proof Committee Hansard*, p. 2.

restraining effect on tax practices by monitoring by the public'. EY contended that harassment and the misuse of the information by marketeers and fund-raisers could be some of the unintended consequences of releasing tax information.<sup>12</sup>

2.12 Proponents for the bill consider the carve-out of Australian-owned private companies will not affect the bill's pursuit of income tax transparency requirements for multinational and publicly held companies, and would not weaken the stated focus of the G20 and OECD's objectives in regards to multinationals' tax obligations.<sup>13</sup>

2.13 On the other side, the TJNA countered that it was unaware that similar tax transparency measures adopted overseas—Denmark, Finland, Sweden and Norway—had negatively affected the functioning of these markets or increased security concerns to high wealth individuals in these jurisdictions. On the contrary, the TJNA cited research which found that in Norway greater public disclosure of tax affairs have led to increased reporting by some companies.<sup>14</sup>

### ***Privacy and personal security***

2.14 Most submissions noted that section 3C displaces the fundamental and long-held tenet of Australia's tax laws that a taxpayer's affairs should remain private between them and the Australian Taxation Office.<sup>15</sup> Some proponents of the bill have also referred to the United Nations' Universal Declaration of Human Rights:

No one shall be subject to arbitrary interference with his privacy, family, home or correspondence, nor attacks upon his honour and reputation.<sup>16</sup>

2.15 COSBOA upheld this view:

...small businesses are people, they are not entities in the sense that a big business is an entity. Small business is personal.<sup>17</sup>

2.16 As most Australian-owned private companies are owned by families, and represent the majority of a family's wealth, these disclosure laws would allow for the identification of individuals or families associated with these affected private companies. As only aspects of income tax information will be disclosed in isolation and absent context, disclosure would likely lead to the incorrect assumption that the income of private companies is also the income of the individuals or families associated with these private companies. Accordingly, the identification of individuals connected with successful businesses could also expose them to personal safety risks.

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12 Ernst & Young, *Submission 9*, p. 6.

13 The Tax Institute, *Submission 2*, p. 2.

14 Tax Justice Network Australia, *Submission 7*, p. 5.

15 Law Council of Australia, *Submission 6*, p. [1]; PricewaterhouseCoopers, *Submission 5*, pp. 1–2.

16 Family Office Institute Australia, *Submission 8*, p. 7.

17 Council of Small Business Australia, *Submission 4*, p. 3.



2.17 For example, EY contended that private companies were 'fundamentally different' from widely held public companies. The affairs of private companies related to family activities and thus:

...the individuals who are the owners of private companies should be entitled to the same human rights of privacy as are individuals more generally.<sup>18</sup>

2.18 Likewise, PricewaterhouseCoopers (PwC) noted that, unlike many multinational companies or large businesses, Australian-owned private companies were 'typically owned by families and, in most cases, represented the majority of their wealth'. In its view, without the proposed exemption, the privacy of these families and in some cases their personal security may be jeopardised.<sup>19</sup>

2.19 The LCA explained that the privacy of individuals associated with affected companies would be further compromised under current disclosure laws as they could be identified by a cross-reference using ASIC's public register of companies.

2.20 Indeed, Teys Australia Pty Ltd (Tey's), the second largest beef processor and exporter in Australia, submitted that if section 3C of the TAA 1953 takes effect, the release of such information would likely 'adversely affect the privacy and personal security of the Teys family shareholders, and the market environments in which [its] business operates'.<sup>20</sup> Teys further noted:

...public disclosure of taxation information creates the potential for serious impact on family shareholders, including...[b]eing the subject of criminal activity, as a result of disclosed personal information being used to target individuals on the basis of perceived wealth.<sup>21</sup>

2.21 The Tax Institute similarly raised disclosure concerns:

The public disclosure for the tax affairs of private companies risks disclosing the tax circumstances of the ultimate individual owners (via searches of the ASIC public registers). If this concern is not addressed, private companies may be encouraged to put in place nominee shareholding arrangements to conceal their interests in a private company. This in turn will result in reduced overall transparency in the public information as to corporate ownership available in ASIC records.<sup>22</sup>

2.22 Conversely, TJNA did not believe the current income tax transparency laws would increase the risk to the personal safety of individuals, and reported it is not aware of any advice received from the Australian Federal Police (AFP) in relation to

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18 Ernst & Young, *Submission 9*, p. 2.

19 PricewaterhouseCoopers, *Submission 5*, p. [1].

20 Teys Australia Pty Ltd, *Submission 2*, p. [1].

21 Teys Australia Pty Ltd, *Submission 2*, p. [2].

22 The Tax Institute, *Submission 1*, p. [1].

the increased risk of kidnapping and ransom if the new laws came into effect. The AFP confirmed it had not provided any such advice to Treasury.<sup>23</sup> The TJNA advised:

We regard as bizarre public claims that disclosure of income of corporate entities with total incomes of \$100 million or more will open up certain individuals to greater risk of kidnap for ransom. We wrote to the Minister for Finance and Acting Assistant Treasurer in December 2014 asking what advice the Australian Federal Police had provided on the likely increased risk of kidnapping for wealthy individuals based on the limited disclosures required under the *Tax Administration Act*. No reply has been received on that request. TJN-Aus notes that it has been reported in the press that the Transport Workers' Union made Freedom of Information applications to the AFP, the Attorney-General's department and the Australian Tax Office, that all came back saying no documents exist in relation to advice about the safety of individuals if the new regulations went ahead.<sup>24</sup>

2.23 TJNA further noted that the TAA 1953 does not disclose any personal information. However, in contrast, personal information on individuals—the names and addresses of all company directors—are already available for purchase through ASIC.<sup>25</sup>

### ***Discrimination, fairness and equity***

2.24 Several submissions in support of the bill argued that the current tax transparency laws in section 3C of the TAA 1953 are 'harsh, unjust and discriminatory' against a class of taxpayers—private Australian companies. The Law Council of Australia (LCA) stated:

The publication of private taxation information of particular corporate tax entities discriminates against such affected companies and other corporate taxpayers. Trusts and partnerships which are not taxed as companies (the great majority of trusts and partnerships), and even individuals, are not subject to section 3C. This injustice is further exacerbated for private Australian companies by the fact that ASIC maintains a public register of companies and a simple ASIC search could identify the shareholders of the private companies that are subject to the tax disclosure laws. This does not apply to public companies or foreign companies.<sup>26</sup>

2.25 The LCA goes further and believes section 3C of the TAA 1953 should be repealed entirely. In its view, the current proposed provisions in the bill remain discriminatory against privately-owned foreign companies and public companies.<sup>27</sup> The LCA elaborated:

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23 *Proof Committee Hansard*, 22 September 2015, p. 16.

24 The Tax Justice Network Australia, *Submission 7*, p. 3.

25 The Tax Justice Network Australia, *Submission 7*, p. 3.

26 Law Council of Australia, *Submission 6*, p. 2.

27 Law Council of Australia, *Submission 6*, p. 5.

To apply those laws, and that level of public scrutiny, to only one type of taxpayer entity—companies, and not trusts, partnerships, individuals, or otherwise—and only to those which exceed a certain threshold, creates a disproportionate and discriminatory rule which would be applied only against those companies who fall into the narrow class.<sup>28</sup>

2.26 The Tax Justice Network Australia (TJNA), which does not support the bill, believes that Australian-owned private companies should not be exempted from the current income tax transparency disclosure laws. The laws requiring the ATO to publish limited tax return information of companies with total income of at least \$100 million—total income, taxable income and income tax payable—should remain predicated on fairness, equity and transparency. The TJNA considers:

Such transparency evens up the playing field between publicly listed domestic companies (whose financial reporting gives a clearer picture of the risks related to such companies) and private companies (whose lack of reporting may conceal the true risks associated with the entire company). Increased transparency also will boost confidence in the broader community that companies are being required to pay the taxes they should pay, and will require companies to have to explain their tax arrangements offering a significant deterrent to aggressive tax arrangements that might be legally contestable.<sup>29</sup>

### ***Commercial disadvantage***

2.27 Most submissions to the inquiry raised the concern that commercially sensitive information will be made available to a company's competitors, or to other participants in the supply chain, which would disadvantage the affected company in commercial negotiations and in its customer or supplier relationships.<sup>30</sup> For example, PwC stated simply that 'market sensitive information may be publically released which could adversely affect the competitiveness and profitability of these private companies'.<sup>31</sup> The FOIA explained this concern in detail:

Very often, private Australian family companies specialise in the supply of a particular good or service rather than have a diversified business structure which is more common in public companies. As such, the financial information of such a private company will reflect its whole and sole business whereas the financial information of a public company may reflect its diversified businesses with its various business lines and investments. If a private company only has one business line, the gross income and taxable income of that company could potentially be used to estimate the profit margins of that business.

The disclosure of gross turnover and sales income and the net taxable income under the current disclosure laws therefore presents significant

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28 Law Council of Australia, *Submission 6*, p. 3.

29 The Tax Justice Network, *Submission 7*, p. 1.

30 Tey's Australia Pty Ltd, *Submission 2*, p. [2].

31 PricewaterhouseCoopers, *Submission 5*, p. [1].

commercial risk to private companies because stakeholders and competitors could potentially use such information to determine profit margins or other pricing information. This information could then be used to exert pressure or leverage when undertaking commercial negotiations with the private company, to target their now public total sales and undercut their perceived margin, or drive down prices to lower the net margin now published.<sup>32</sup>

2.28 The Tax Institute agreed with this assessment:

The current transparency law results in private companies having to publicly disclose information which can be used to determine their net profit margin. Such information can be highly sensitive for businesses and can impact on their business dealings. For example, the disclosure of this information in relation to a privately owned agricultural business supplying produce to large supermarket chains, may result in their significant customers using the information as leverage in commercial negotiations.<sup>33</sup>

2.29 Council of Small Business Australia (COSBOA) advanced a similar case:

Small businesses focus on key objectives of supplying goods and services at competitive prices and in accordance with the value proposition. Overwhelmingly, small businesses offer a single good or service. In comparison larger businesses offer multiple goods and services, often in different geographic markets. Consequently, it is difficult in relation to large companies to discern from their financial and tax data their profit and margins and mark ups on particular line items.

Therefore, policies which expose the gross revenue and taxation details of smaller business will damage the viability of smaller businesses by allowing large companies to engage in pricing and other incentive arrangements which will effectively eliminate competition. This will be to the detriment of small business in Australia.<sup>34</sup>

2.30 Further, the current tax transparency laws will disadvantage Australian-owned private companies with international operations vis-a-vis a foreign-owned Australian company with business operations in Australia. For this reason, The Tax Institute considered the exclusion of entities with an ultimate foreign parent company, or majority-owned by foreign shareholders from the bill's exemption an appropriate measure.<sup>35</sup> The LCA explained:

An Australian owned private company with international operations would (apart from disclosing all relevant worldwide income, foreign companies and branch operations, transfer pricing details and so on to the ATO) see the details of their worldwide income published. A foreign owned Australian company which conducts relevant Australian business only would see only the Australian operating income disclosed. By their very

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32 Family Office Institute Australia, *Submission 8* pp. 5–6.

33 The Tax Institute, *Submission 1*, p. 2.

34 Council of Small Business Australia, *Submission 4*, p. 2.

35 The Tax Institute, *Submission 1*, p. 2

nature private Australian companies are private, and not public, they do not have anonymous shareholders who require information.<sup>36</sup>

2.31 Submissions received in support for the current tax transparency laws questioned the extent of commercial disadvantage suffered by Australian resident private companies, since the same disadvantage would apply to domestic publicly listed companies with regards to their competitors, customers and suppliers who may even be privately listed companies.<sup>37</sup> The TJNA added:

Further, it is the understanding of TJN-Aus that when a private company is a supplier to a large company they are normally required by the customer company to disclose their financial details. The customer company will often want the certainty they are not entering into a contract with a company that is financially unstable.<sup>38</sup>

### ***Public interest benefit***

2.32 Proponents for the bill have reasoned that there is very little public benefit to disclosing the income tax information of a class of taxpayers with income over a certain threshold. Some have reiterated that any public benefit in publicly releasing confidential taxation information of privately owned Australian companies is trivial compared to the disproportionate burden on family shareholders to preserve their reputation and the impact on the affected company.<sup>39</sup>

2.33 As the business tax system in Australia is complex, selected information released without context could easily result in reputational damage to a narrow class of taxpayers.<sup>40</sup> Many stakeholders, including EY, LCA and FOIA have elaborated on this theme. EY argued that the ATO's public reporting would add 'unnecessary cost pressures for private companies and an additional regulatory cost and deadweight cost'. In its view, there was the potential for these companies to face queries relating to perceived low level of taxable income and low level of tax payable compared with their turnover. It stated further:

That information in the public arena will not explain the drivers of low taxable income which might include adverse trading conditions, or low yield capital assets, or large capital allowances or other incentives which reduce tax payable.<sup>41</sup>

2.34 The additional costs borne by private companies to provide explanatory materials within an environment of increased media attention would more likely impair public policy debate than enhance it. The FOIA noted the difficulties facing

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36 Law Council of Australia, *Submission 6*, p. 4.

37 Tax Justice Network Australia, *Submission 7*, p. 4.

38 Tax Justice Network Australia, *Submission 7*, p. 4.

39 Teys Australia Pty Ltd, *Submission 2*, p. [2].

40 Law Council of Australia, *Submission 6*, p. 3.

41 Ernst & Young, *Submission 9*, p. 2.

privately-owned companies in explaining their tax position compared to public companies:

Public companies, being public entities with disparate and anonymous shareholders, are accustomed and required as a private company to disclose financial information under the corporations law and listing rules. Often, large public companies have public relations and public media support and other measures in place to explain their financial positions and performances to their shareholders and other stakeholders.<sup>42</sup>

2.35 Several submitters have articulated that the damage arising from misinformation would be detrimental to public trust and confidence in the tax system. EY explained that:

...public reporting of 'total income', 'taxable income' and the 'income tax payable' of named corporate taxpayers whose total income is over \$100 million, may lead to information being misused and misinterpreted, thereby eroding public confidence in the integrity of the current tax system. The enacted tax transparency measures also have the potential to tarnish the reputation of Australian businesses—even if they have good standing and relations with the ATO or other countries' revenue authorities...

ATO consultation about the public reporting has already identified the concern that the public reporting might actually be misleading, because it does not outline the many legitimate reasons for a company in business to have low tax payable. Causes, such as companies recovering from and using prior year losses, companies in challenging markets with low profit margins, companies with large capital allowance and R&D and other expenditures giving rise to tax deductions, companies receiving dividend income, etc. So the ATO is, we understand, to develop an extensive disclaimer or warning message to casual readers of the proposed public reports (but query whether any such ATO information will be reported by the media).<sup>43</sup>

2.36 The LCA was similarly concerned that the publication of taxation information would likely be highly misleading—a comparison of gross accounting turnover to net taxable income is comparing apples to oranges because it is 'a subset of incomplete and unconnected information'. The LCA stated further:

...a comparison of gross turnover to net taxable income, whilst misleading, has the great problem, as we see it, of actually lowering the public confidence in the taxation system rather than raising it. The reason for that is that legitimate deductions, ordinary losses and legitimate exemptions that can exist in the act—credits, taxes paid at different levels of a corporate group—all reduce the net tax payable compared with gross turnover, and year after year of seeing that the public may well think that the system is broken when it is not.<sup>44</sup>

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42 Family Office Institute Australia, *Submission 8*, p. 4.

43 Ernst & Young, *Submission 9*, p. 3.

44 *Proof Committee Hansard*, 22 September 2015, p. 1.

2.37 Further, some submissions argued that the publication of taxation information does not change a company's legal obligations to the ATO, nor does public disclosure increase compliance to taxation obligations in Australia.<sup>45</sup> The ATO already has a more comprehensive picture of a company's tax affairs and the release of selected aspects of tax information would not add to an informed debate about tax policy and obligations. For example, the LCA maintained that the ATO obtains much more information than that required under the existing section 3C—'they see the full picture as they should'.<sup>46</sup> FOIA detailed the reporting obligations to the ATO:

Private companies the subject of section 3C are required to provide very detailed information to the Australian Taxation Office (ATO), setting out all items of income, type of income, expenses, deductions, exemptions, credits, overseas activities, transfer pricing details, restructures, capital gains and so on. What is provided to the ATO is the full picture of the company's tax affairs. The tax publication under section 3C will be a public disclosure of only very small and unconnected parts of that information: gross accounting turnover or income, net taxable income and tax payable. This comparison has been described by Treasury and the ATO themselves as "comparing an apple with an orange and not being about fruit" as well as being confusing and misleading to the public.<sup>47</sup>

2.38 EY also highlighted the fact that the ATO has 'ample sources of information' about private companies. This includes their taxable income, assets, gross income, deductions, structures, the income they pay to associates and 'all relevant information, supplemented by ATO queries about any issues of interest'. In EY's opinion, there is 'no value added to the ATO compliance supervision of private companies from any public reporting'.<sup>48</sup> This same argument was supported by the LCA during the committee's public hearing.<sup>49</sup>

2.39 Those who oppose the exclusion of Australian resident companies from the existing transparency measures believe 'increased transparency would boost confidence in the broader community that companies are being required to pay the taxes they should pay'. According to such a view, the potential that all companies with revenue over \$100 million may have to explain their tax arrangements would act as significant deterrent to aggressive tax minimisation.<sup>50</sup> Such a public interest benefit would therefore warrant extension of tax disclosure measures to companies under Australian tax law.<sup>51</sup>

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45 Teys Australia Pty Ltd, *Submission 2*, p. [2].

46 *Proof Committee Hansard*, 22 September 2015, p. 1.

47 Family Office Institute Australia, *Submission 8*, p. 3.

48 Ernst & Young, *Submission 9*, p. 8.

49 *Proof Committee Hansard*, 24 September, p. 1.

50 Tax Justice Network Australia, *Submission 7*, p. 1.

51 Tax Justice Network Australia, *Submission 7*, pp. 1–2.

2.40 Submissions in support of keeping the existing legislation raised concerns that the dilution of income tax transparency disclosure measures would represent an opportunity lost for the public benefit from the pressure on companies to 'comply fully with their tax obligations'.<sup>52</sup> The TJNA asserted that increased transparency would lead to better functioning of markets, with the most efficient and innovative companies rewarded by the exposure of efficiencies and risks.<sup>53</sup> The TJNA added:

Where a private company is paying little or no tax, it is not unreasonable to expect the company to explain why that is the case. There are plenty of companies that should explain their tax paying. Documents obtained under freedom of information revealed that 2,168 businesses identified by the ATO had a total annual income of more than \$100 million. Of these, the number of Australian-headquartered businesses that did not pay tax had increased to 29% in 2009. In 2012 this position had improved slightly with 26% Australian head-quartered companies with over \$100 million in income paying no tax.<sup>54</sup>

2.41 Further, the TJNA reported:

A document obtained from the Australian Taxation Office (ATO) under freedom of information has revealed that the private companies linked to Australian high wealth individuals have average profit margins lower than the other categories of companies (foreign owned and Australian publicly listed) in the group that the legislation applies to. Almost two-thirds have some form of international related party dealings. They account for most of all international related party dealings reported to the ATO, despite being only 21% of the businesses caught under the tax transparency measures of the *Tax Administration Act*. It is possible that the lower average profit is simply due to this category of companies performing worse on average than other categories of businesses. However, there is the possibility that the lower average reported profitability is due to aggressive tax practices.<sup>55</sup>

2.42 The Community and Public Sector Union (CPSU) also shared this view. In its submission, the CPSU emphasised the importance of increased disclosure and scrutiny as the 'best way' to strengthen public confidence.<sup>56</sup> The CPSU was concerned that the proposed amendments could potentially exempt 700 private companies from scrutiny and has cited ACOSS's calculation of '\$1 billion a year in revenue gained if the use of private companies to avoid income tax was curbed'.<sup>57</sup>

2.43 The CPSU cited the results of the 2015 Per Capita Tax Survey, which reported that 'more than three-fifths (61.1 per cent) of Australians believe that the tax system most favoured the wealthy and that nearly three-fifths (59.7 per cent) believe

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52 Tax Justice Network Australia, *Submission 7*, p. 3.

53 Tax Justice Network Australia, *Submission 7*, p. 4.

54 Tax Justice Network Australia, *Submission 7*, p. 1.

55 Tax Justice Network Australia, *Submission 7*, p. 1.

56 Community and Public Sector Union, *Submission 3*, p. 2.

57 Community and Public Sector Union, *Submission 3*, p. 1.



tax avoidance by business affects the fairness of the system a lot'. In their view, the proposed changes will only 'undermine rather than strengthen public confidence in [the] tax system'.<sup>58</sup>

2.44 Opponents of the bill maintained that transparency was not aimed at 'naming and shaming' taxpayers but rather used to 'determine how and why some taxpayers comply with the law but pay very little in tax'.<sup>59</sup>

***Compliance costs and reputational damage***

2.45 Most submissions in support of the bill shared the view that a disproportionate cost would be placed on affected companies to explain their tax affairs in the context of a complex business tax system. As previously canvassed by proponents of the bill, the likely misinformation and false assumptions from the disclosure of partial tax information of a select group of companies would not provide any 'demonstrative information to explain tax policy or engage a debate about it'.<sup>60</sup> It would only place additional costs on to Australian-owned private companies, and with no indication that these measures would discourage large companies from engaging in aggressive tax practices.

2.46 The additional costs to businesses, particularly smaller businesses, would likely result in the inefficient allocation of resources that would otherwise be invested in the business. The FOIA cited the observation that because the 'private company sector had generally lower profits than public companies, private companies in Australia do not have the same access to capital as public companies, and usually do not have the scale and other resources'.<sup>61</sup>

2.47 The Tax Institute supported this view. It expanded on the disadvantage to private companies:

Public companies are more accustomed to disclosing financial affairs due to the strict requirements imposed on such companies under the corporations law. Such companies are better equipped to deal with public enquiries in relation to their financial affairs than private companies who would likely face significant additional costs in preparing to deal with such enquiries.<sup>62</sup>

2.48 Further, the LCA does not believe there is evidence of widespread tax avoidance by Australian private companies with total income of at least \$100 million. The LCA cited the Tax Commissioner's comment that 'most wealthy Australians and their private groups do the right thing' and added:

Extensive information, significantly greater than the portion of information to be published under the corporate tax transparency obligations, is already

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58 Community and Public Sector Union, *Submission 3*, p. 2.

59 Community and Public Sector Union, *Submission 3*, p. 2.

60 Law Council of Australia, *Submission 6*, p. 3.

61 Family Office Institute Australia, *Submission 8*, p. 4.

62 The Tax Institute, *Submission 1*, p. 3.

provided to the ATO by affected companies. The ATO has significant powers to detect and deal with tax avoidance.<sup>63</sup>

2.49 Opponents of the bill emphasised the benefits of changed behaviour as a result of increased tax transparency. The TJNA claimed:

Research has shown that increased transparency increases the pressure on companies to comply fully with their tax obligations. Increasingly, a sense of social responsibility is seen as important to business and creates an expectation that company decision makers should also act in a broader social context in making business decisions including their tax paying practices.<sup>64</sup>

2.50 In this regard, it is worth noting Mr Jeremy Hirschhorn's, ATO, views on public transparency and behaviour. He observed:

...in terms of dramatic changes in people's behaviour because their affairs are published, we would say that people are fundamentally compliant so it will not change their behaviour. We say that most of the system is fundamentally compliant. Perhaps there are some behavioural aspects at the margin—perhaps.<sup>65</sup>

2.51 On a number of occasions during the committee's public hearing, the ATO representatives made the point that the carve out of Australian private-owned companies would not inhibit the ATO's compliance work.<sup>66</sup>

### ***Restructuring of tax affairs to avoid the threshold***

2.52 Several submissions have raised the unintended consequence of these disclosure laws having the effect of encouraging private companies to restructure their tax affairs to keep below the \$100 million threshold. As pointed out by The Tax Institute, this would encourage the establishment of additional companies and complex structures which would add inefficiency to the tax system.<sup>67</sup> The Tax Institute stated:

If this concern is not addressed, private companies may be encouraged to put in place nominee shareholding arrangements to conceal their interests in a private company. This in turn will result in reduced overall transparency in the public information as to corporate ownership available in ASIC records.<sup>68</sup>

2.53 As noted earlier, several submissions have observed that the original intention of the current income tax transparency disclosure initiative, as outlined in the

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63 Law Council of Australia, *Submission 6*, p. 3.

64 Tax Justice Network Australia, *Submission 7*, p. 3.

65 *Proof Committee Hansard*, 22 September 2015, p. 21.

66 See Mr Michael Cranston, Deputy Commissioner, ATO, *Proof Committee Hansard*, 22 September 2015, pp. 14, 15 and 16 and Mr Jeremy Hirschhorn, ATO, p. 20.

67 The Tax Institute, *Submission 1*, p. 3.

68 The Tax Institute, *Submission 1*, p. 2.

Explanatory Memorandum and above, was to 'better inform the public about the taxation of multinationals, including the nature and scope of base erosion and profit shifting'.<sup>69</sup> The inclusion of private-owned Australian companies was not the intention of the tax transparency initiative.

2.54 The FOIA cited a study which reported that the contribution to the Australian economy by family groups was approximately \$226 billion in 2011 and likely to be more in 2015. The FOIA claimed a large proportion of those family groups would likely be captured by the current tax disclosure laws, and has cautioned the current measures could compel private companies not only to restructure their corporate tax affairs (under multiple companies and trust structures), but also to transfer their operations in entities outside Australia. This would have an adverse effect on the Australian economy.<sup>70</sup> FOIA stated:

...with favourable economic conditions, such as improved currency in other jurisdictions, there is a growing trend to move resources offshore and imposing public tax reporting obligations on family groups would only encourage this. The Institute anticipates that many family offices have already been obtaining advice to move their corporate affairs or significant investments offshore as a result of the current tax publication laws.<sup>71</sup>

2.55 Submissions in favour of keeping the current tax transparency laws held the view that the threat that disclosure could encourage companies to restructure their affairs in order to remain below the threshold should not be a valid reason for exempting Australian companies from disclosure requirements. Instead, such behaviours should alert the ATO 'to take a closer look at the tax practices of the companies involved'.<sup>72</sup>

### ***Other issues raised***

#### ***Drafting clarification***

2.56 Finally, the LCA has raised concerns that section 3C of the bill, which limits the disclosure laws to foreign ultimate holding companies, or companies with foreign shareholding above 50 per cent, is not clear on whether it also applies to indirect shareholdings. The term 'foreign shareholding in the entity' as proposed in subsection 3C(1)(b)(iii) is not a defined term in the Income Tax Assessment Acts. The Explanatory Memorandum leaves the assessment to the Tax Commissioner based on the company's tax return information.<sup>73</sup>

2.57 The LCA believes this should be clarified in the TAA 1953 through Parliament and not left to the Tax Commissioner, which could potentially be subject to change. In its view, it was important that the 'principles of the rule of law require

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69 The Tax Institute, *Submission 1*, p. 3.

70 Family Office Institute Australia, *Submission 8*, pp. 1 and 5.

71 Family Office Institute Australia, *Submission 8*, p. 4.

72 Tax Justice Network Australia, *Submission 7*, p. 4.

73 Explanatory Memorandum, p. 13.

the law to be known, readily ascertainable and available to taxpayers, and not subject to arbitrary change'.<sup>74</sup>

### **Committee's view**

2.58 Evidence to this committee has identified a number of strong reasons to support the bill. First, section 3C as currently drafted would or has the potential to:

- offend the fundamental principle and long-standing tenet of Australia's tax laws—a taxpayers' affairs must remain private between the taxpayer and the ATO;
- disclose market sensitive information that could place a company at a competitive disadvantage;
- result in the publication of taxation information of privately-owned companies that could be misused, misinterpreted or mislead due to poor understanding of relationship between gross accounting turnover and net taxable income;
- place an unfair burden on companies that may be required to expend resources on clarifying such public misunderstanding; and
- lead to a lessening of confidence in the taxation system because of the potential for the tax information to be misinterpreted.

2.59 Second, the main driver for the introduction of 3C was concern over base erosion and profit shifting by multinational corporations and not necessarily Australian-owned private companies. These companies are typically owned by families and, without the proposed exemption, the privacy of these families and in some cases their personal security may be jeopardised. Importantly, these companies already provide very detailed information to the ATO and, as clearly stated by the ATO, the proposed exemption would not inhibit its work.

2.60 The committee is satisfied the proposed amendments will alleviate the disproportionate costs of compliance and remove the opportunities for unnecessary reputational damage and commercial disadvantage for Australian-owned private companies. The proposed amendments will restore the long-held general principle of the fundamental rights of taxpayers' privacy, a right that extends to Australian-owned private companies.

### **Recommendation 1**

**2.61 The committee recommends that the Senate pass the bill.**

**Senator Sean Edwards**

**Chair**

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74 Law Council of Australia, *Submission 6*, p. 4.

# **Dissenting Report by Labor Senators and the Australian Greens**

1.1 Labor and Greens Senators stand proudly by their record of increasing the level of tax transparency and scrutiny that large Australian private companies are subjected to.

1.2 Introducing this bill will erode public confidence not just in the transparency of our tax system, which has been the subject of unprecedented scrutiny over the past 12 months, but it should also have the effect of undermining any public confidence in the integrity of this government.

1.3 The ATO gave evidence during this inquiry that one in five private companies earning over \$100 million do not pay *any* tax. This government should be making scrutiny of large Australian private companies a higher priority.

1.4 The arguments being wielded clumsily in defence of this bill are absurd, illogical, and often lacking any evidence.

1.5 This bill has few supporters, and the government is evidently doing the bidding of a tiny number of very wealthy individuals. There were just a handful of submissions to this inquiry, and other than tax consultants and tax lawyers servicing large private companies, the only corporation to make a contribution was Teys Australia, a privately owned meat processing joint venture with the American company Cargill, based in Brisbane.

1.6 As noted in the Chairs draft, under the existing provisions of section 3C(3) of the Tax Administration Act, from December this year the ATO will be required to publish the following basic information about large privately owned Australian corporations with revenue in excess of \$100 million:

1. Australian Business Number (ABN)
2. Total income
3. Taxable income or net income (if any), and
4. Income tax payable.

1.7 Much of this information is already a matter of public record, and its availability will not be affected by the introduction of this bill.

1.8 The public can easily find a corporations ABN by searching the Australian Business Register. Teys also published theirs (38 009 872 600) in a privacy policy document on their own website.<sup>1</sup>

1.9 All Australian corporations must provide copies of their financial reports to ASIC (though there are some exceptions for small proprietary companies). The public can access a wide range of often detailed personal and financial information, including copies of documents lodged with ASIC. Financial reports can be purchased by the public, their competitors, nouse senators, or any other interested party (although we wish anyone trying to navigate the ASIC register the best of luck).

1.10 A copy of Teys 2014 financial report (7E7239508) is included as an appendix to this dissenting report. As anyone reading the summary on page 5 can quickly identify, Teys total income in 2014 was \$52,161,000, its net income was a loss of \$7,925,000, and its income tax payable was \$14,881,000.<sup>2</sup>

### **Unfounded logic**

1.11 Labor and Greens Senators reject the ridiculous arguments the government is mustering to conceal this information.

1.12 Firstly, an individual's right to privacy of their income and tax information remains preserved under current legislation. Private corporations with revenues in excess of \$100 million and a single shareholder are not subject to current disclosure requirements. Corporations do not enjoy the rights and privileges of natural people.

1.13 It is important to note with respect to any allegations that privacy would be violated that the name and address of any current or past company directors are already available from ASIC. For example, according to the current company extract, the following information is available for the four Teys brothers:

Name: ROBIN WINSTON TEYS 00987260F

Address: 45 George Street, BEENLEIGH QLD 4207

Born: 06/07/1944, BRISBANE, QLD

Appointment date: 25/01/1995

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1 <http://www.teysaust.com.au/wp-content/uploads/2014/12/Teys-Privacy-Policy-2015-final1.pdf>

2 There is a discrepancy in the report: total finance income is listed as \$375,000 on page 5, and \$376,000 on page 24.

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Name: GARY CHARLES TEYS 018325757

Address: 20 Eastbank Terrace, HELENSVALE QLD 4212

Born: 05/12/1941, BRISBANE, QLD

Appointment date: 04/12/1986

Name: CLIFFORD GEOFFREY TEYS 7E1128498

Address: 16 Garvary Street, HOLLAND PARK QLD 4121

Born: 16/07/1955, BRISBANE, QLD

Appointment date: 25/01/1995

Name: ALLAN WALTER TEYS 7E1319642

Address: Unit 8E, 39 Castlebar Street, KANGAROO POINT QLD 4169

Born: 05/04/1935, BRISBANE, QLD

Appointment date: 16/04/1975

1.14 The press have rightly mocked the government's claims that making information about total income, taxable income, and taxes paid more readily accessible will somehow lead to an increased personal security risk for wealthy people. No evidence has been presented by any government Minister or agency, including the Australian Federal Police, of any increased risk to person or property. The claim is preposterous and remains utterly unfounded.

1.15 Changing existing legislation will not prevent access to personal and financial information, but it will simply make it more difficult to access, identify, and scrutinise.

### **Special criticism**

1.16 Of the many criticisms Labor and Greens Senators have with the strawman logic being used to justify the introduction of this bill, none are in poorer taste than invoking section 17 of the International Covenant on Civil and Political Rights, the ICCPR.

1.17 Drafted at the United Nations General Assembly in 1966, section 17 of the ICCPR was drafted to prevent governments arbitrarily or unlawfully invading the privacy of people's homes and bedrooms:

1. No one shall be subjected to arbitrary or unlawful interference with his privacy, family, home or correspondence, nor to unlawful attacks on his honour and reputation.
2. Everyone has the right to the protection of the law against such interference or attacks.

1.18 In 1994, Nicholas Toonen challenged the Tasmanian government under section 17 at the United Nations Human Rights Committee in Geneva, overturning state laws criminalising consensual sexual activities between same-sex couples.<sup>3</sup> Section 17 was used as a defence in *Griffiths v Rose*, when an employer revealed that an employee was watching pornography at home after working hours on a company laptop.<sup>4</sup> It has also been used as a defence in immigration cases where a deportation would result in the separation of parents from children, including *Winata*,<sup>5</sup> and *Madaferri*.<sup>6</sup>

1.19 In evaluating the limits of the application section 17, the Australian Human Rights Commission observes that “the protection of privacy is necessarily relative. Balancing the rights to privacy and/or protection of reputation with the rights to freedom of information and expression presents challenges.”<sup>7</sup>

1.20 In case it needed any further emphasis, the Chairs draft (1.13-1.16) clarifies that both the Senate Standing Committee for the Scrutiny of Bills, and the Parliamentary Committee on Human Rights scrutinised the Bill and found no evidence that any human rights would be violated.

1.21 Labor Senators object to the invocation of section 17 of the ICCPR in the strongest possible terms. Invoking this instrument is an obnoxious attempt to misguide the public, press, and the parliament. It has no connection to tax privacy, and the claim deserves both derision and ridicule.

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3 <http://www1.umn.edu/humanrts/undocs/html/vws488.htm>

4 <http://www.austlii.edu.au/cgi-bin/sinodisp/au/cases/cth/FCA/2011/30.html>

5 <http://www1.umn.edu/humanrts/undocs/930-2000.html>

6 <http://www1.umn.edu/humanrts/undocs/html/1011-2001.html>

7 <https://www.humanrights.gov.au/publications/background-paper-human-rights-cyberspace/4-permissible-limitations-iccpr-right-freedom>



**Recommendation 1**

**The Labor and Greens Senators recommend that the bill not proceed.**

**Senator Sam Dastyari**

**Deputy Chair**

**Senator Peter Whish-Wilson**

**Australian Greens Senator for Tasmania**



**APPENDIX: copy of Teys Australia Pty Ltd  
financial statements (40 pages)**



# Copy of financial statements and reports

## Company details

Company name

**TEYS AUSTRALIA PTY LTD**

ACN

**009 872 600**

## Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

Dates on which financial  
year ends

Financial year end date  
**30-06-2014**

## Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?

**2399247000**

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

**735130000**

How many employees are employed by the large proprietary company and the entities that it controls?

**4573**

How many members does the large proprietary company have?

**2**

## Auditor's report

Were the financial statements audited?

**Yes**

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

**No**

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

**No**

---

## Details of current auditor or auditors

### Current auditor

Date of appointment **01-06-2005**

Name of auditor

**ERNST & YOUNG**

Address

**UNIT 51  
111 EAGLE STREET  
BRISBANE QLD 4000**

---

## Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

**Yes**

---

## Signature

Select the capacity in which you are lodging the form  
**Secretary**

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

**Yes**

---

## Authentication

This form has been submitted by

Name

**Kirstine Alana JACKSON**

Date

**24-08-2015**

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**Teys Australia Pty Ltd and its  
Controlled Entities**

**ACN 009 872 600**

Special purpose financial report for  
the year ended 30 June 2014

Teys Australia Pty Ltd and its Controlled Entities

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## Teys Australia Pty Ltd and its Controlled Entities

## Directors' report

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Your directors submit their report for the year ended 30 June 2014.

### Directors

The names of the directors of the Company in office during the financial year and up to the date of this report are:

A.W. Teys

G.C. Teys

C.G. Teys

R.W. Teys

W.A. Buckner

J.A. Keating

J.S. D'Souza

R.H. Selwood (Resigned: 30 July 2013)

J. Di Leo (Appointed: 30 July 2013)

### Corporate information

Teys Australia Pty Ltd ('the Company') is a for profit company limited by shares that is incorporated and domiciled in Australia. Teys Australia Pty Ltd has prepared a consolidated financial report incorporating the entities that it controlled during the financial year which are outlined below:

Teys Australia Pty Ltd and its controlled entities (together referred to as 'the consolidated entity'):

Company Name	% Ownership
Teys Australia Distribution Pty Ltd	100%
Teys Australia Beenleigh Pty Ltd	100%
Teys Australia Biloela Pty Ltd	100%
Teys Bros. (Japan) Pty Ltd	100%
Teys Australia Naracoorte Pty Ltd	100%
Teys Australia Condamine Pty Ltd	51%
Teys Australia Management Pty Ltd	100%
Teys Bros. (Innisfail) Pty Ltd	100%
Teys Australia Central Queensland Pty Ltd	100%
Teys Australia Food Solutions Pty Ltd	100%
Teys Australia Holdings Pty Ltd	100%
Teys Australia Meat Group Pty Ltd	100%
Consolidated Meat Holdings Unit Trust	100%
Consolidated Meat Processors Unit Trust	100%
Teys Australia Property Pty Ltd	100%
Teys Financial Services Pty Ltd	100%
Teys Australia Murgon Pty Ltd	100%
Teys Australia Southern Property Pty Ltd	100%
Teys Australia Southern Pty Ltd	100%
Teys Australia Trading Pty Ltd	100%

The registered office of the Company is 2728 Logan Rd, Eight Mile Plains, Queensland 4113.

The principal place of business of the Company is Logan River Road, Beenleigh, Queensland, 4207.

## Directors' report (continued)

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### Principal activities

The principal activities of the consolidated entity in the course of the financial year were the production, wholesaling and exporting of meat products, and there was no change in these activities during the year.

### Results and dividends

The profit after tax of the consolidated entity for the year ended 30 June 2014 was \$194,593,000 (2013: \$38,991,000).

During the financial year, a dividend of \$11,244,000 was declared and paid to the shareholders of Teys Australia Pty Ltd (2013: \$nil).

### Review of operations

Trading improved in this fiscal year as a result of improved global demand and increased production from strong cattle supply as a result of poor rainfalls in significant cattle supply areas.

### Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the consolidated entity and the Company during the current financial year.

### Likely developments and expected results

The directors expect global beef demand to remain strong however seasonal conditions may impact cattle supply in the years ahead.

### Environmental regulation and performance

The consolidated entity holds licenses issued by the Environmental Protection Authority, which specify limits for discharges to the environment which are due to the consolidated entity's operations. These licences regulate the management of discharges to the air and storm water run-off associated with the operations as well as the storage of hazardous materials. There have been no significant breaches of the consolidated entity's license conditions.

### Significant events after the balance date

On 25 July 2014, the Group purchased the assets of Charlton Feedlot located in Victoria. The assets were purchased for \$10 million. This is a natural expansion of our supply chain and will primarily supply our Wagga Wagga and Naracoorte beef processing plants.

There have been no other subsequent events occurring after the balance date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

### Rounding

The amounts contained in this report and in the financial statements have been rounded to the nearest \$1,000 under the option available to the Company under ASIC CO 98/0100. The Company is an entity to which the class order applies.

## Directors' report (continued)

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### Indemnification and insurance of directors

During the year the consolidated entity has paid premiums of \$77,709 in respect of a contract insuring all directors against legal costs incurred in defending proceedings for conduct other than: (a) a willful breach of duty; (b) a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by 199B of the *Corporations Act 2001*.

### Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

### Auditor independence

The directors have received a declaration for the auditor of Tey Australia Pty Ltd and its Controlled Entities. This has been included on page 4.

### Non-audit services

Non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Signed in accordance with a resolution of the directors.

A.W. Tey  
Director  
Brisbane  
28 October 2014

J.S. D'Souza  
Director  
Brisbane  
28 October 2014

## **Auditor's Independence Declaration to the Directors of Teys Australia Pty Ltd**

In relation to our audit of the financial report of Teys Australia Pty Ltd for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Wade Hansen  
Partner  
Brisbane  
28 October 2014

Teys Australia Pty Ltd and its Controlled Entities

# Statements of profit or loss and other comprehensive income

For the year ended 30 June 2014

		Consolidated		Company	
		2014	2013	2014	2013
	Notes	\$000	\$000	\$000	\$000
Revenue	3.1	2,399,247	2,020,842	26,125	22,630
Cost of sales	3.2	(1,958,588)	(1,805,995)	(22,920)	(22,918)
Other income	3.3	895	-	25,661	1,270
Distribution expenses		(125,137)	(108,852)	-	(83)
Sales, marketing and administrative expenses		(43,568)	(49,579)	(37,079)	(10,900)
Other expenses		(1,101)	(1,975)	(87)	(6)
Finance costs	3.4	(2,099)	(4,592)	(1)	-
Finance income	3.4	3,409	878	376	1,350
Share of equity accounted entities' profit		1,335	1,213	-	-
<b>Profit/(loss) before tax</b>		<b>274,393</b>	<b>51,940</b>	<b>(7,925)</b>	<b>(8,657)</b>
Income tax expense	4	(79,800)	(12,949)	(14,881)	(7,403)
<b>Profit/(loss) for the year</b>		<b>194,593</b>	<b>38,991</b>	<b>(22,806)</b>	<b>(16,060)</b>
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Actuarial gain on defined benefit plan (net of tax)		692	2,460	-	-
<b>Total comprehensive income/(loss) for the year, net of tax</b>		<b>195,285</b>	<b>41,451</b>	<b>(22,806)</b>	<b>(16,060)</b>
<b>Net profit/(loss) is attributable to:</b>					
Non-controlling interests		658	180	-	-
Owners of the parent		193,935	38,811	(22,806)	(16,060)
		<b>194,593</b>	<b>38,991</b>	<b>(22,806)</b>	<b>(16,060)</b>
<b>Total comprehensive income/(loss) attributable to:</b>					
Non-controlling interests		658	180	-	-
Owners of the parent		194,627	41,271	(22,806)	(16,060)
		<b>195,285</b>	<b>41,451</b>	<b>(22,806)</b>	<b>(16,060)</b>

The above statements of profit or loss should be read in conjunction with the accompanying notes.

## Teys Australia Pty Ltd and its Controlled Entities

## Statements of financial position

As at 30 June 2014

		Consolidated		Company	
		2014	2013	2014	2013
	Notes	\$000	\$000	\$000	\$000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	21	173,236	38,553	2	-
Trade and other receivables	5	120,554	113,131	13,993	22,698
Inventories	6	104,863	98,760	-	-
Derivative financial instruments		4,466	-	-	-
Biological assets - livestock	7	64,845	47,457	-	-
Other current assets	8	4,911	2,796	1,329	370
<b>Total current assets</b>		<b>472,875</b>	<b>300,697</b>	<b>15,324</b>	<b>23,068</b>
<b>Non-current assets</b>					
Intangible assets	9	1,451	1,562	-	-
Investments in controlled entities	10	-	-	73,887	73,887
Equity accounted investments in jointly controlled entities	11	3,221	2,503	790	789
Property, plant and equipment	12	236,642	230,488	7,981	8,033
Deferred tax assets		17,931	15,961	9,335	2,079
Other non-current assets	13	3,010	1,282	13,419	10,423
<b>Total non-current assets</b>		<b>262,255</b>	<b>251,796</b>	<b>105,412</b>	<b>95,211</b>
<b>Total assets</b>		<b>735,130</b>	<b>552,493</b>	<b>120,736</b>	<b>118,279</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	14	110,367	85,527	7,594	4,476
Interest bearing loans and borrowings	16	4,133	-	-	-
Current tax liability		71,364	17,303	17,718	7,895
Provisions	15	32,895	26,727	1,059	905
Derivative financial instruments		-	14,365	-	-
<b>Total current liabilities</b>		<b>218,759</b>	<b>143,922</b>	<b>26,371</b>	<b>13,276</b>
<b>Non-current liabilities</b>					
Provisions	15	40,005	18,542	26,431	3,019
Deferred tax liabilities		12,086	8,606	-	-
Interest bearing loans	16	-	101,184	-	-
Non-interest bearing loans	17	870	870	-	-
<b>Total non-current liabilities</b>		<b>52,961</b>	<b>129,202</b>	<b>26,431</b>	<b>3,019</b>
<b>Total liabilities</b>		<b>271,720</b>	<b>273,124</b>	<b>52,802</b>	<b>16,295</b>
<b>Net assets</b>		<b>463,410</b>	<b>279,369</b>	<b>67,934</b>	<b>101,984</b>
<b>Equity</b>					
Contributed equity	18	92,257	92,257	92,257	92,257
Retained earnings/(accumulated losses)	19	363,285	179,902	(24,323)	9,727
<b>Equity attributable to the Parent</b>		<b>455,542</b>	<b>272,159</b>	<b>67,934</b>	<b>101,984</b>
Non-controlling interests		7,868	7,210	-	-
<b>Total equity</b>		<b>463,410</b>	<b>279,369</b>	<b>67,934</b>	<b>101,984</b>

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

## Teys Australia Pty Ltd and its Controlled Entities

## Statements of changes in equity

## For the year ended 30 June 2014

Consolidated	Contributed equity (Note 18)	Retained earnings	Parent interests	Non- controlling interests	Total equity
	\$000	\$000	\$000	\$000	\$000
<b>As at 1 July 2013</b>	<b>92,257</b>	<b>179,902</b>	<b>272,159</b>	<b>7,210</b>	<b>279,369</b>
Profit for the year	-	193,935	193,935	658	194,593
Other comprehensive income	-	692	692	-	692
Total comprehensive income	-	194,627	194,627	658	195,285
Dividends paid (Note 24)	-	(11,244)	(11,244)	-	(11,244)
<b>At 30 June 2014</b>	<b>92,257</b>	<b>363,285</b>	<b>455,542</b>	<b>7,868</b>	<b>463,410</b>

  

	Contributed equity (Note 18)	Retained earnings	Parent interests	Non- controlling interests	Total equity
	\$000	\$000	\$000	\$000	\$000
<b>As at 1 July 2012</b>	<b>92,257</b>	<b>138,631</b>	<b>230,888</b>	<b>7,030</b>	<b>237,918</b>
Profit for the year	-	38,811	38,811	180	38,991
Other comprehensive income	-	2,460	2,460	-	2,460
Total comprehensive income	-	41,271	41,271	180	41,451
<b>At 30 June 2013</b>	<b>92,257</b>	<b>179,902</b>	<b>272,159</b>	<b>7,210</b>	<b>279,369</b>

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

## Teys Australia Pty Ltd and its Controlled Entities

**Statements of changes in equity (continued)****For the year ended 30 June 2014**

<b>Company</b>	<b>Contributed equity (Note 18) \$000</b>	<b>Retained earnings/ accumulated losses \$000</b>	<b>Total equity \$000</b>
<b>As at 1 July 2013</b>	<b>92,257</b>	<b>9,727</b>	<b>101,984</b>
Net loss for the year	-	(22,806)	(22,806)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(22,806)	(22,806)
Dividends paid (Note 24)	-	(11,244)	(11,244)
<b>At 30 June 2014</b>	<b>92,257</b>	<b>(24,323)</b>	<b>67,934</b>

  

	<b>Contributed equity (Note 18) \$000</b>	<b>Retained earnings \$000</b>	<b>Total equity \$000</b>
<b>As at 1 July 2012</b>	<b>92,257</b>	<b>25,787</b>	<b>118,044</b>
Net loss for the year	-	(16,060)	(16,060)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(16,060)	(16,060)
<b>At 30 June 2013</b>	<b>92,257</b>	<b>9,727</b>	<b>101,984</b>

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



## Teys Australia Pty Ltd and its Controlled Entities

## Statements of cash flows

For the year ended 30 June 2014

		Consolidated		Company	
		2014	2013	2014	2013
Notes		\$000	\$000	\$000	\$000
<b>Operating activities</b>					
		2,631,747	2,027,993	-	-
		(2,336,281)	(1,957,077)	(23,324)	(16,392)
		617	1,270	25,616	1,270
		3,409	878	376	1,350
		(2,098)	(4,592)	(1)	-
		(24,229)	(7,830)	(12,315)	(2,727)

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

## Notes to the financial statements

### For the year ended 30 June 2014

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#### 1. Summary of significant accounting policies

The special purpose financial report of Teys Australia Pty Ltd (the 'Company') and its controlled entities (together referred to as the 'consolidated entity' or 'Group') for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on the date the Directors' declaration was signed.

Teys Australia Pty Ltd ('the Company') is a company limited by shares that is incorporated and domiciled in Australia.

The registered office, principal place of business and nature of operations and principal activities are described in the Directors' report.

#### Basis of preparation

This special purpose financial report has been prepared for distribution to the members to fulfill the directors' financial reporting requirements under the *Corporations Act 2001*. The Group is a for-profit entity for the purpose of preparing the financial statements. The accounting policies used in the preparation of this financial report are in the opinion of the directors, appropriate to meet the needs of members:

- (i) The financial report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption.
- (ii) The requirements of Accounting Standards and other financial reporting requirements in Australia do not have mandatory applicability to Teys Australia Pty Ltd and its Controlled Entities because it is not a 'reporting entity'. The directors have, however, prepared the financial report in accordance with all Accounting Standards and other mandatory financial reporting requirements in Australia with the exception of the disclosure requirements of the following:

*AASB 3 Business Combinations*  
*AASB 7 Financial Instruments: Disclosures*  
*AASB 10 Consolidated Financial Statements*  
*AASB 11 Joint Arrangements*  
*AASB 12 Disclosure of Interests in Other Entities*  
*AASB 13 Fair Value Measurement*  
*AASB 112 Income Taxes*  
*AASB 119 Employee Benefits*  
*AASB 124 Related Party Disclosures*  
*AASB 127 Consolidated and Separate Financial Statements*  
*AASB 128 Investments in Associates and Joint Ventures*  
*AASB 132 Financial Instruments: Presentation*  
*AASB 136 Impairment of Assets*  
*AASB 137 Provisions, Contingent Liabilities and Contingent Assets*  
*AASB 141 Agriculture*

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 1. Summary of significant accounting policies (continued)

##### New accounting standards and interpretations

##### (i) *Changes in accounting policies, new and amended standards and interpretations*

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits (Revised 2011)*
- AASB 127 *Separate Financial Statements*
- AASB 128 *Investments in Associates and Joint Ventures*

The adoption of these standards or interpretations has not had a significant effect on the financial statements.

##### (ii) *Accounting Standards and Interpretations issued but not yet effective*

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2014. The directors have not early adopted any of these new or amended standards or interpretations. The directors have not yet fully assessed the impact of these new or amended standards (to the extent relevant to the Group) and interpretations, however do not expect them to have a material effect on the financial position or performance of the consolidated entity.

##### Significant accounting policies

##### (a) **Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

The directors are satisfied with the going concern assumption for the parent entity on the basis it has the ability to command dividends from controlled entities at any time, if required.

##### (b) **Basis of consolidation**

The financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 1. Summary of significant accounting policies (continued)

##### (b) Basis of consolidation (continued)

- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

##### (c) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

## Notes to the financial statements (continued)

For the year ended 30 June 2014

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### 1. Summary of significant accounting policies (continued)

#### (d) Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of equity accounted entities' profit in the statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### (e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

##### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 1. Summary of significant accounting policies (continued)

##### (e) Revenue recognition (continued)

###### *Rendering of services*

Revenue is recognised on the rendering of services when the outcome of a contract to provide services can be measured reliably and the service is performed.

###### *Interest*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset) to the net carrying amount of the financial asset.

###### *Government grants*

When a government grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When a government grant relates to an asset, the grant is credited against that asset.

##### (f) Taxes

###### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

###### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 1. Summary of significant accounting policies (continued)

##### (f) Taxes (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

##### *Goods and services tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

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

##### (g) Foreign currency translation

The functional and presentation currency of the Company and the consolidated entity is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. The resulted gain or loss on retranslation is included as profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The results of foreign subsidiaries are translated into presentation currency as at average rate and the assets and liabilities are translated at exchange rate prevailing at reporting date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 1. Summary of significant accounting policies (continued)

##### (h) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

##### (i) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprises cash at bank and in hand and money market investments readily convertible to cash within three months or less.

For purposes of the statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above.

##### (j) Trade and other receivables

Trade and other receivables are recognised at original invoice amounts less an allowance for uncollectible amounts. Collectability of trade receivables is assessed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence (financial difficulties of debtors, default payments etc.) that the Company will not be able to collect all of the amounts due according to the original terms.

##### (k) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows: Raw materials - weighted average.

Finished goods and work in progress - cost of direct materials and labour and a proportion of manufacturing overhead based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make a sale.



## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 1. Summary of significant accounting policies (continued)

##### (l) Biological assets

The Company's biological assets are cattle in transit to the abattoir and cattle on feedlot at year end. Cattle are measured at their net market value at each reporting date. The net market value is determined by reference to the original purchase cost (market value at saleyard auction or ex-property).

Market values of the herd are determined after assessing a number of key market indicators to ensure the values determined are representative of the consolidated entity's herd.

##### (m) Derivative financial instruments

The consolidated entity uses foreign currency contract to hedge its risks associated with foreign currency fluctuation. These hedges do not qualify for hedge accounting and changes in fair values are recognised immediately in profit or loss corresponding entry with receivables or payables. The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

##### (n) Property, plant and equipment

###### *Cost and valuation*

All classes of property, plant and equipment are currently carried at cost less accumulated depreciation and any impairment in value.

###### *Depreciation*

Depreciation is calculated on a straight line basis or diminishing value on all property, plant and equipment.

The estimated useful lives are:

	2014	2013
Freehold buildings	7 to 40 years	7 to 40 years
Leasehold land and improvements	10 to 23.5 years	10 to 23.5 years
Plant and equipment	5 to 15 years	5 to 15 years
Land is not depreciated		

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

###### *Derecognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

##### (o) Operating leases

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 1. Summary of significant accounting policies (continued)

##### (p) Intangibles

Intangibles assets acquired separately or through a business combination are measured at cost. The cost of an intangible asset acquired through a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or infinite. Intangibles assets with finite lives are amortised over the useful life and assessed for impairment wherever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset with a finite useful life is reviewed annually. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the assets are accounted for by changing the amortisation period or method as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite useful lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

The estimated useful lives are:

	2014	2013
Naracoorte gas pipeline	15 years	15 years
Beenleigh wastewater pipeline	40 years	40 years

Amortisation is calculated on a straight-line basis.

##### (q) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

##### (r) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services.

##### (s) Loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 1. Summary of significant accounting policies (continued)

##### (t) Provisions

###### *General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

###### *Wages, salaries and annual leave*

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

###### *Long service leave*

The liability for long service leave is recognised 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. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

###### *Self insurance*

The provision for self insurance represents the consolidated entity's present obligation for workers compensation claims. The provision is measured an estimate of its fair value at reporting date, being the amount an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time.

###### *Defined benefit plan*

The net position of the defined benefit plan is recognised on the statement of financial position. Any gains or losses with the exception of the actuarial gain or loss, arising from a change in the net position between reporting periods is recognised through the profit and loss account. Actuarial gains or losses are recognised directly through retained earnings, disclosed in the statement of comprehensive income.

Various actuarial assumptions are required when determining the consolidated entity's superannuation obligations.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

##### (u) Borrowing costs

Borrowing costs are recognised as an expense when incurred, except to the extent they are attributable to a qualifying asset.

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

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#### 1. Summary of significant accounting policies (continued)

##### (v) Derecognition of financial assets and liabilities

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the Company transfers substantially all the risks and rewards of the financial assets. If the consolidated entity neither remains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability is substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised as profit or loss.

## Notes to the financial statements (continued)

For the year ended 30 June 2014

### 2. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

##### *Impairment of non-financial assets*

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include financial performance, technology, economic and political environments. If an impairment trigger exists the recoverable amount of the asset is determined. This involved value in use calculations, which incorporate a number of key estimates and assumptions.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

##### *Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

##### *Estimation of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

##### *Self-insurance*

Teys Australia self insures its workers compensation liability for its operations in Queensland and South Australia.

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

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#### 2. Significant accounting judgements, estimates and assumptions (continued)

##### Estimates and assumptions (continued)

The Company accounts for the self insurance obligation in line with the requirements of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. AASB 137 requires the amount of the provision shall be the "best estimate" of the expenditure required to settle the present obligation at reporting date. This requirement has been interpreted to be the amount that the entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time. In this way, at reporting date the provision represents what the liability would be if the Group were to sell its obligation to an insurance company.

The Company utilises the services of an actuary to perform an actuarial assessment of the liability, which includes assumptions and estimates regarding the number and size of future claims and costs associated with those claims.

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 3. Revenue and expenses

##### 3.1 Revenue

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Sale of goods	2,366,353	1,989,986	-	-
Rendering of services	30,961	29,163	22,004	18,803
Other revenue	1,933	1,693	4,121	3,827
<b>Total Revenue</b>	<b>2,399,247</b>	<b>2,020,842</b>	<b>26,125</b>	<b>22,630</b>

##### 3.2 Cost of goods sold

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Cost of product	1,497,884	1,351,812	8	18
Operating expenses	435,667	431,355	20,193	21,464
Depreciation and amortisation	25,037	22,828	2,719	1,436
<b>Total cost of goods sold</b>	<b>1,958,588</b>	<b>1,805,995</b>	<b>22,920</b>	<b>22,918</b>

##### 3.3 Other income

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Net gain on disposal of property, plant and equipment	895	-	45	-
Dividends from jointly controlled entity	-	-	25,616	1,270
<b>Total Other income</b>	<b>895</b>	<b>-</b>	<b>25,661</b>	<b>1,270</b>

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 3. Revenue and expenses (continued)

##### 3.4 Finance (income)/costs - net

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
<b>Finance costs</b>				
Bank loans and overdrafts	2,099	4,592	1	-
<b>Total finance costs</b>	<b>2,099</b>	<b>4,592</b>	<b>1</b>	<b>-</b>
<b>Finance income</b>				
Interest from other bodies corporate	(3,409)	(878)	(85)	(61)
Interest from related bodies corporate	-	-	(291)	(1,289)
<b>Total finance income</b>	<b>(3,409)</b>	<b>(878)</b>	<b>(376)</b>	<b>(1,350)</b>
<b>Total finance (income)/costs - net</b>	<b>(1,310)</b>	<b>3,714</b>	<b>(375)</b>	<b>(1,350)</b>

#### 4. Income tax

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the consolidated entity's effective income tax rate for the years ended 30 June 2014 and 2013 is as follows:

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
<b>Accounting profit/(loss) before income tax</b>	<b>274,393</b>	<b>51,940</b>	<b>(7,925)</b>	<b>(8,657)</b>
At statutory income tax rate of 30% (2013: 30%)	82,318	15,582	(2,378)	(2,597)
Rebatable dividends intergroup	-	-	(7,500)	-
Trust distribution/share of trust profits	-	-	24,851	10,488
Temporary differences not recognised	-	(2,434)	-	-
Trading tax losses (recognised)/not recognised	(1,029)	1,692	-	-
Research and development tax offsets	(749)	(1,753)	-	-
Under/(over) provision for prior year	(1,162)	(146)	-	79
Other (net)	422	8	(92)	(567)
<b>Non-deductible expenses for tax purposes</b>				
<b>At the effective income tax rate of 30% (2013: 30%)</b>	<b>79,800</b>	<b>12,949</b>	<b>14,881</b>	<b>7,403</b>



## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 4. Income tax (continued)

Major components of income tax expense for the years ended 30 June 2014 and 2013 are:

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
<b>Statement of profit or loss and other comprehensive income</b>				
<b>Current income tax:</b>				
Current income tax charge	82,013	19,472	21,874	8,607
Previous period adjustments	(2,938)	(146)	(128)	79
<b>Deferred income tax:</b>				
Relating to (recognition)/utilisation of tax losses	(2,222)	(3,550)	-	-
Relating to the origination and reversal of temporary differences	2,947	(2,827)	(6,865)	(1,283)
	<b>79,800</b>	<b>12,949</b>	<b>14,881</b>	<b>7,403</b>

The consolidated entity has tax losses arising in Australia of \$13,094,591 (2013: \$22,558,000) that are available for offset against future taxable profits of the companies in which the losses arose.

At 30 June 2014, the consolidated entity has not recognised the income tax benefit of \$12,850,213 of tax losses (2013: \$20,284,000).

#### 5. Trade and other receivables

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
<b>Current</b>				
Trade debtors	108,011	90,868	756	15
Provision for doubtful debts	(1,194)	(1,720)	(8)	-
	<b>106,817</b>	<b>89,148</b>	<b>748</b>	<b>15</b>
<b>Non-current</b>				
GST recoverable	13,294	22,388	13,233	22,441
Other receivables	443	1,595	12	242
	<b>120,554</b>	<b>113,131</b>	<b>13,993</b>	<b>22,698</b>

#### 6. Inventories

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
<b>Current</b>				
Raw materials and stores	8,833	8,368	-	-
Finished goods	91,397	86,405	-	-
Work in progress	4,633	3,987	-	-
	<b>104,863</b>	<b>98,760</b>	<b>-</b>	<b>-</b>

## Teys Australia Pty Ltd and its Controlled Entities

**Notes to the financial statements (continued)****For the year ended 30 June 2014****7. Biological assets - livestock**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Current</b>				
Cattle at net market value	<u>64,845</u>	<u>47,457</u>	<u>-</u>	<u>-</u>

There are 63,522 head of cattle held on feedlots and on hand at abattoirs at 30 June 2014 (2013: 51,507).

**8. Other current assets**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Prepayments	<u>4,911</u>	<u>2,796</u>	<u>1,329</u>	<u>370</u>

**9. Intangible assets**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Naracoorte gas pipeline	1,217	1,217	-	-
Beenleigh wastewater pipeline	1,319	1,319	-	-
Accumulated amortisation	<u>(1,085)</u>	<u>(974)</u>	<u>-</u>	<u>-</u>
	<u>1,451</u>	<u>1,562</u>	<u>-</u>	<u>-</u>

**10. Investment in controlled entities**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Investments in controlled entities	<u>-</u>	<u>-</u>	<u>73,887</u>	<u>73,887</u>

The Company's investments in its controlled entities comprise:

<b>Consolidated Name</b>	<b>% equity interest</b>		<b>Investment \$000</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Teys Australia Distribution Pty Ltd	100%	100%	30	30
Teys Australia Beenleigh Pty Ltd	100%	100%	573	573
Teys Australia Biloela Pty Ltd	100%	100%	2,181	2,181
Teys Bros. (Japan) Pty Ltd	100%	100%	-	-
Teys Australia Naracoorte Pty Ltd	100%	100%	6,000	6,000
Teys Australia Condamine Pty Ltd	51%	51%	4,335	4,335
Teys Australia Management Pty Ltd	100%	100%	-	-
Teys Bros. (Innisfail) Pty Ltd (i)	-%	100%	-	-
Teys Australia Central Queensland Pty Ltd	100%	100%	-	-
Teys Australia Food Solutions Pty Ltd	100%	100%	17,119	17,119
Teys Australia Holdings Pty Ltd	100%	100%	-	-
Teys Australia Meat Group Pty Ltd	100%	100%	-	-
Consolidated Meat Holdings Unit Trust	100%	100%	1,721	1,721

## Teys Australia Pty Ltd and its Controlled Entities

## Notes to the financial statements (continued)

For the year ended 30 June 2014

## 10. Investment in controlled entities (continued)

Consolidated Name	% equity interest		Investment \$000	
	2014	2013	2014	2013
Consolidated Meat Processors Unit Trust	100%	100%	253	253
Teys Australia Property Pty Ltd	100%	100%	11,000	11,000
Teys Financial Services Pty Ltd	100%	100%	4,755	4,755
Teys Australia Murgon Pty Ltd	100%	100%	4,320	4,320
Teys Australia Southern Property Pty Ltd	100%	100%	21,600	21,600
Teys Australia Southern Pty Ltd	100%	100%	-	-
Teys Australia Trading Pty Ltd	100%	100%	-	-
			<b>73,887</b>	<b>73,887</b>

(i) Teys Bros. (Innisfail) Pty Ltd was deregistered on 12 September 2013.

## 11. Equity accounted investments in jointly controlled entities

	Consolidated		Company	
	2014	2013	2014	2013
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Gateway Wholesale Distributors Pty Ltd	2,041	1,900	300	300
Consolidated Provincial Meat Group Pty Ltd	1,180	603	490	489
	<b>3,221</b>	<b>2,503</b>	<b>790</b>	<b>789</b>

Consolidated Name	Balance date	% equity interest	
		2014	2013
Gateway Wholesale Distributors Pty Ltd	30 June	50%	50%
Consolidated Provincial Meat Group Pty Ltd	30 June	50%	50%

The principal activities of the jointly controlled entities during the financial year was the wholesaling of meat products.

The consolidated entity's share of the jointly controlled entities commitments and contingent liabilities are included in disclosures in note 22.

There have been no other matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect the associate's operations, the results of those operations or its state of affairs in financial years after the financial period ended 30 June 2014.

## Notes to the financial statements (continued)

For the year ended 30 June 2014

### 12. Property, plant and equipment

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
<i>Freehold land and improvements</i>				
At cost	11,582	8,987	-	-
Accumulated depreciation	(154)	(153)	-	-
<b>Net carrying amount</b>	<b>11,428</b>	<b>8,834</b>	<b>-</b>	<b>-</b>
<i>Building</i>				
At cost	109,475	107,207	220	210
Accumulated depreciation	(35,427)	(31,447)	(28)	(17)
<b>Net carrying amount</b>	<b>74,048</b>	<b>75,760</b>	<b>192</b>	<b>193</b>
<i>Plant and machinery</i>				
At cost	308,783	306,801	17,262	14,561
Accumulated depreciation	(173,684)	(162,467)	(9,779)	(7,333)
<b>Net carrying amount</b>	<b>135,099</b>	<b>144,334</b>	<b>7,483</b>	<b>7,228</b>
<i>Capital work in progress</i>				
At cost	16,067	1,560	306	612
<b>Net carrying amount</b>	<b>16,067</b>	<b>1,560</b>	<b>306</b>	<b>612</b>
<i>Total property, plant and equipment</i>				
At cost	445,907	424,555	17,788	15,383
Accumulated depreciation	(209,265)	(194,067)	(9,807)	(7,350)
<b>Net carrying amount</b>	<b>236,642</b>	<b>230,488</b>	<b>7,981</b>	<b>8,033</b>

### 13. Other non-current assets

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Receivables from controlled entities	-	-	12,032	9,423
Amounts receivables from jointly controlled entities	1,000	1,000	1,000	1,000
Defined benefit fund - asset	1,623	282	-	-
Make good asset	387	-	387	-
<b>Net carrying amount</b>	<b>3,010</b>	<b>1,282</b>	<b>13,419</b>	<b>10,423</b>

## Teys Australia Pty Ltd and its Controlled Entities

## Notes to the financial statements (continued)

## For the year ended 30 June 2014

## 14. Trade and other payables

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
<b>Current</b>				
Trade creditors	64,928	41,270	2,662	674
Other creditors	45,439	44,257	4,932	3,802
	<u>110,367</u>	<u>85,527</u>	<u>7,594</u>	<u>4,476</u>

## 15. Provisions

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
<b>Current</b>				
Employee benefits	29,458	23,552	1,059	905
Provision for self insurance	3,437	3,175	-	-
	<u>32,895</u>	<u>26,727</u>	<u>1,059</u>	<u>905</u>
<b>Non-current</b>				
Employee benefits	8,436	10,248	1,302	1,219
Other provisions	24,728	1,816	24,728	1,800
Make good provision	401	-	401	-
Provision for self insurance	6,440	6,478	-	-
	<u>40,005</u>	<u>18,542</u>	<u>26,431</u>	<u>3,019</u>

## 16. Interest bearing loans

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
<b>Current</b>				
Foreign currency facility (i)	4,155	-	-	-
Less: Deferred arrangement fee	(22)	-	-	-
	<u>4,133</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Non-current</b>				
Foreign currency facility (i)	-	21,500	-	-
Bank loans (ii)	-	80,000	-	-
Less: Deferred arrangement fee	-	(316)	-	-
	<u>-</u>	<u>101,184</u>	<u>-</u>	<u>-</u>

- (i) The company is currently in the process of refinancing it's bank facilities and have extended temporarily to 31 October 2014. The facility is secured by unlimited interlocking guarantees and assets of the Group (refer to note 22).

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 16. Interest bearing loans (continued)

- (ii) The loan was drawn down during 2012 for the acquisition of Teys Australia Southern Pty Ltd (formerly Cargill Meat Processors Pty Ltd) and other assets of Cargill Beef Australia. The loan bears interest at market rate and was repayable in four years from the date of drawdown. The loan was secured by unlimited interlocking guarantees and assets of the Group (refer to note 22). This loan has been fully re-paid in during the financial year.

#### 17. Non-interest bearing loans

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
<b>Non-current</b>				
Employee incentive loan	870	870	-	-

Employment incentive loan is interest free loan from the South Australian government. The loan repayable on demand, if Teys Australia Naracoorte Pty Ltd fails to satisfy certain minimum employment number conditions or after 99 years.

At reporting date, the directors' have assessed that they meet the minimum employment number conditions and will do so for the coming 12 months and on this basis have elected to disclose the liability as non-current.

#### 18. Contributed equity

##### 18.1 Issued and paid-up capital

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
1,050,000 A class ordinary shares fully paid	1,052	1,052	1,052	1,052
1,092,857 B class ordinary shares fully paid	91,205	91,205	91,205	91,205
	<u>92,257</u>	<u>92,257</u>	<u>92,257</u>	<u>92,257</u>

There have been no movements in the number of shares on issue in the current or prior financial year.

##### 18.2 Terms and conditions of ordinary shares

At reporting date, A Class and B Class ordinary shares rank equally. Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

##### 18.3 Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 19. Retained earnings

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
<b>Movement in retained earnings were as follows:</b>				
Balance at the beginning of year	179,902	138,631	9,727	25,787
Net profit/(loss) for the year	193,935	38,811	(22,806)	(16,060)
Dividends paid	(11,244)	-	(11,244)	-
Actuarial gain on defined benefit plan (net of tax)	692	2,460	-	-
Balance at the end of year	<u>363,285</u>	<u>179,902</u>	<u>(24,323)</u>	<u>9,727</u>

#### 20. Non-controlling interests

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
<b>Interests in:</b>				
Ordinary shares	4,165	4,165	-	-
Retained earnings	3,703	3,045	-	-
	<u>7,868</u>	<u>7,210</u>	<u>-</u>	<u>-</u>
<b>Movement in non-controlling interests</b>				
Balance at the beginning of the year	7,210	7,030	-	-
Net profit attributable for the year	658	180	-	-
Balance at the end of year	<u>7,868</u>	<u>7,210</u>	<u>-</u>	<u>-</u>

#### 21. Notes to statement of cash flow

##### 21.1 Reconciliation of cash and cash equivalents

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Cash at bank and on hand	133,236	38,553	2	-
Short-term deposits	40,000	-	-	-
	<u>173,236</u>	<u>38,553</u>	<u>2</u>	<u>-</u>

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 21. Notes to statement of cash flow (continued)

#### 21.2 Reconciliation of net profit/(loss) after tax to net cash flows from operations

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Profit/(loss) before tax	194,593	38,991	(22,806)	(16,060)
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation and amortisation	25,037	22,828	2,719	1,436
Management fees settled through intercompany transfer	-	-	(26,125)	-
(Gain)/loss on defined benefit plan	(352)	(412)	-	-
(Gain)/loss on disposal of property, plant and equipment	(895)	1,975	(44)	6
Change in fair value of derivatives	(18,831)	18,655	-	-
Share of equity accounted entities' profit	(1,335)	(1,213)	-	-
Working capital adjustments:				
(Increase)/decrease in trade and other receivables	(7,423)	(11,504)	8,705	(10,906)
(Increase)/decrease in inventory and biological assets	(23,492)	(13,986)	-	-
(Increase)/decrease in other assets	(2,796)	-	(1,346)	-
(Increase)/decrease in deferred tax assets	(1,970)	(5,613)	(7,257)	(1,283)
Increase/(decrease) in trade and other payables	25,456	5,381	3,117	4,178
Increase/(decrease) in current tax liability	54,320	2,117	9,823	5,959
Increase/(decrease) in employee provisions	27,632	1,709	23,566	171
Increase/(decrease) in other liabilities	-	2,477	-	-
Increase/(decrease) in deferred tax liabilities	3,221	(763)	-	-
<b>Cash flow from/(used in) operating activities</b>	<b>273,165</b>	<b>60,642</b>	<b>(9,648)</b>	<b>(16,499)</b>



## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 21. Notes to statement of cash flow (continued)

##### 21.3 Financing facilities

Long term foreign currency facilities of \$42.5 million (2013: \$43.4 million) were available to the consolidated entity at the end of the financial year. As at that date \$4.15 million excluding foreign exchange contracts, (2013: \$21.5 million) of these facilities were in use.

Bank overdraft facilities of AUD \$40.0 million (2013: AUD \$40.0 million) were available to the consolidated entity at the end of the financial year. As at that date none of the facilities were in use (2013: \$nil).

Commercial Bill Facilities of \$4,000,000 (2013: \$4,000,000) were available to the consolidated entity at the end of the financial year. As at that date no facilities were in use (2013: \$nil).

Refer to note 16 for utilised loan and other facilities.

#### 22. Commitments and contingencies

##### Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Within one year	4,837	3,840	1,556	80
After one year but not more than five years	10,226	4,428	4,559	128
More than five years	15,280	-	15,280	-
	<u>30,343</u>	<u>8,268</u>	<u>21,395</u>	<u>208</u>

##### Capital commitments

Estimated capital expenditure contracted for as at 30 June but not provided for:

	Consolidated		Company	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Within one year	<u>8,591</u>	<u>1,006</u>	<u>12</u>	<u>-</u>

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 22. Commitments and contingencies (continued)

##### Contingent liabilities

##### (a) *Financing facilities*

At 30 June 2014, the following Teys Group Companies have provided unlimited interlocking guarantees in respect of loan and other financing facilities totalling \$142 million (2013: \$214 million) held by Teys Financial Services Pty Ltd with external financiers.

Teys Australia Pty Ltd  
 Teys Australia Beenleigh Pty Ltd  
 Teys Australia Biloela Pty Ltd  
 Teys Financial Services Pty Ltd  
 Teys Australia Naracoorte Pty Ltd  
 Teys Australia Distribution Pty Ltd  
 Teys Bros. (Japan) Pty Ltd  
 Teys Australia Murgon Pty Ltd  
 Teys Bros. (Innisfail) Pty Ltd  
 Teys Australia Property Pty Ltd  
 Teys Australia Central Queensland Pty Ltd  
 Teys Australia Management Pty Ltd  
 Teys Australia Meat Group Pty Ltd  
 Teys Australia Holdings Pty Ltd  
 Teys Australia Southern Pty Ltd  
 Teys Australia Southern Properties Pty Ltd  
 Teys Australia Food Solutions Pty Ltd

##### (b) *Commercial bill payable*

At 30 June 2014, Teys Australia Condamine Pty Ltd had no commercial bills payable (2013: \$Nil) to National Australia Bank Limited and \$4,000,000 available for use (2013: \$4,000,000).

##### (c) *Other guarantees and contingent liabilities*

Teys Financial Services Pty Ltd has an Indemnity (Financial) Guarantee Facility of \$50,600,000 at 30 June 2014 (2013: 40,600,000). At reporting date \$35,800,000 (2013: \$29,361,389) of this facility was in use.

Teys Financial Service Pty Ltd has provided to various third parties performance bank guarantees totalling \$Nil (2013: \$938,300) as at 30 June 2014.

#### 23. Subsequent events

On 25 July 2014, the Group purchased the assets of Charlton Feedlot located in Victoria. The assets were purchased for \$10 million. This is a natural expansion of our supply chain and will primarily supply our Wagga Wagga and Naracoorte beef processing plants.

There have been no other subsequent events occurring after the balance date which may affect either the Group's operations or results of those operations or the Group's state of affairs.

## Notes to the financial statements (continued)

### For the year ended 30 June 2014

#### 24. Dividends paid and proposed

	Consolidated 2014 \$000	2013 \$000	Company 2014 \$000	2013 \$000
Declared and paid during the year:				
Dividends on ordinary shares:				
Franked dividends 12 cents per share (2013: \$Nil per share)	11,244	-	11,244	-
<b>Franking credit balance</b>				
The amount of franking credits available for the subsequent financial year are:				
- Franking account balance as at the end of the financial year at 30%	65,196	-	31,261	7,696
- Franking credits that will arise from the payment of current tax payable as at the end of the financial year	21,409	-	5,315	7,925
	<b>86,605</b>	<b>-</b>	<b>36,576</b>	<b>15,621</b>

The tax rate at which paid dividends have been franked is 30%. Dividends proposed will be franked at the rate of 30%.

#### 25. Deed of cross guarantee

##### Closed group class order disclosures

The financial statements include the financial statements of Teys Australia Pty Ltd and the subsidiaries listed in note 10.

##### Entities subject to class order relief

Pursuant to Class Order 98/1418, relief has been granted to Teys Australia Beenleigh Pty Ltd, Teys Australia Biloela Pty Ltd, Teys Australia Naracoorte Pty Ltd, Teys Australia Murgon Pty Ltd, Teys Australia Food Solutions Pty Ltd and Teys Australia Southern Pty Ltd from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Teys Australia Pty Ltd and the entities listed in the preceding paragraph (the "Closed Group"), entered into a Deed of Cross Guarantee on 7 December 2012. The effect of the deed is that Teys Australia Pty Ltd has guaranteed to pay any deficiency in the event of winding up of either controlled entity, or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Teys Australia Pty Ltd is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

## Teys Australia Pty Ltd and its Controlled Entities

**Notes to the financial statements (continued)****For the year ended 30 June 2014****25. Deed of cross guarantee (continued)**

	<b>Closed Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
Revenue	1,692,428	1,726,069
Cost of sales	(1,377,264)	(1,564,972)
<b>Gross profit</b>	<b>315,164</b>	<b>161,097</b>
Other expenses	(19)	(1,704)
Distribution expenses	(98,929)	(89,096)
Sales, marketing and administration expenses	(44,767)	(43,249)
Finance costs	5,807	(5,926)
<b>Profit before income tax</b>	<b>177,256</b>	<b>21,122</b>
Income tax expense	(76,040)	(13,990)
<b>Net profit for the period</b>	<b>101,216</b>	<b>7,132</b>
Retained earnings at the beginning of the period	103,110	95,978
<b>Retained earnings at the end of the period</b>	<b>204,326</b>	<b>103,110</b>

## Notes to the financial statements (continued)

For the year ended 30 June 2014

### 25. Deed of cross guarantee (continued)

	<b>Closed Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	108,370	25,645
Trade and other receivables	107,355	102,141
Inventories	79,955	71,410
Biological assets - livestock	64,704	47,218
Other current assets	3,612	1,818
Derivate financial assets	2,835	-
<b>Total current assets</b>	<b>366,831</b>	<b>248,232</b>
<b>Non-current assets</b>		
Intangible assets	1,451	1,562
Investment in associate	43,505	43,694
Equity accounted investments in jointly controlled assets	789	789
Property, plant and equipment	116,164	114,756
Deferred tax assets	12,801	10,333
Other non-current assets	2,623	1,282
<b>Total non-current assets</b>	<b>177,333</b>	<b>172,416</b>
<b>TOTAL ASSETS</b>	<b>544,164</b>	<b>420,648</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	84,747	68,411
Income tax payable	70,034	16,447
Provisions	11,735	15,450
<b>Total current liabilities</b>	<b>166,516</b>	<b>100,308</b>
<b>Non-current liabilities</b>		
Provisions	37,480	10,362
Deferred tax liabilities	3,169	118
Non-interest-bearing loans and borrowings	870	870
Other non-current liabilities	50,790	113,623
<b>Total non-current liabilities</b>	<b>92,309</b>	<b>124,973</b>
<b>TOTAL LIABILITIES</b>	<b>258,825</b>	<b>225,281</b>
<b>NET ASSETS</b>	<b>285,339</b>	<b>195,367</b>
<b>EQUITY</b>		
Contributed equity	92,257	92,257
Retained earnings	193,082	103,110
<b>TOTAL EQUITY</b>	<b>285,339</b>	<b>195,367</b>

## Teys Australia Pty Ltd and its Controlled Entities

**Notes to the financial statements (continued)****For the year ended 30 June 2014****26. Auditors' remuneration**

The auditor of Teys Australia Pty Ltd and its Controlled Entities is Ernst & Young.

	<b>Consolidated</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Amounts received or due and receivable by Ernst &amp; Young for:</i>				
- Auditing accounts	311,500	311,245	311,500	311,245
- Tax compliance and advice	247,501	219,755	247,501	219,755
- Financial statement compilation	12,250	11,870	12,250	11,870
	<b>571,251</b>	<b>542,870</b>	<b>571,251</b>	<b>542,870</b>

## Teys Australia Pty Ltd and its Controlled Entities

## Directors' declaration

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In accordance with a resolution of the directors of Tey Australia Pty Ltd and its Controlled Entities, we state that:

In the opinion of the directors:

- (a) the Group is not a reporting entity as defined in the Australian Accounting Standards;
- (b) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards to the extent described in note to the financial statements and complying with the *Corporations Regulations 2001*;
- (c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the board

A.W. Teys  
Director  
Brisbane  
28 October 2014

J.S. D'Souza  
Director  
Brisbane  
28 October 2014

## Independent auditor's report

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**To the members of Teys Australia Pty Ltd and its Controlled Entities**



# **Appendix 1**

## **Submissions received**

<b>Submission Number</b>	<b>Submitter</b>
1	The Tax Institute
2	Teys Australia
3	Community and Public Sector Union (CPSU)
4	Council of Small Business Australia (COSBOA)
5	PricewaterhouseCoopers (PwC)
6	Law Council of Australia
7	Tax Justice Network Australia
8	Family Office Institute Australia
9	Ernst & Young



## **Appendix 2**

### **Public hearings and witnesses**

**CANBERRA, 22 SEPTEMBER 2015**

APPLEBY, Mr Daniel, Member, Taxation Committee, Law Council of Australia

BRINE, Mr Matthew, Acting Division Head, Corporate and International Tax Division, Treasury

CRANSTON, Mr Michael, Deputy Commissioner, Private Groups and High Wealth Individuals, Australian Taxation Office

HIRSCHHORN, Mr Jeremy, Deputy Commissioner, Public Groups and Internationals, Australian Taxation Office

MATTHEWS, Mr Simon, Assistant Commissioner, Public Groups and Internationals, Australian Taxation Office

McCARTNEY, Mr Ian, Acting Deputy Commissioner, Operations, Australian Federal Police

McKENNA, Mr Brendan, Manager, Corporate and International Tax Division, Revenue Group, Treasury

WARD, Mr Jason, Senior Global Strategist, Tax Justice Network Australia

