PWA Holdings One Pty Ltd and its controlled entities

Special Purpose Financial Report

ACN 615 674 185

For the Year Ended

30 June 2018

Financial Report

Contents

Your directors present their report on PWA Holdings One Pty Limited (the Company) and its controlled entities (the Group) for the financial year ended 30 June 2018:

Directors

The names of the directors of the Company during or since the end of the financial year are:

Paul H Warren
Bernard F Friend
Justin J Ryan
Jonathan M Pearce

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activities of the Group during the financial year were the sale of new and used motor vehicles, related spare parts inventory and trade related services. There have been no significant changes in the nature of the Group's principal activities during the financial year.

Review of Operations

The Group's profit after tax amounted to $12,959,687 (2017: $37,417,854).

A review of the operations of the Group during the financial year and the results of those operations found that the Group continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant Changes in State of Affairs

On the 1 July 2017, the Group acquired an additional 49% in Sydney North Shore Automotive Pty Ltd. The acquisition increased the Group's ownership to 100%.

On 5 July 2017 the Group acquired James Frizelle Automotive Group, a Queensland based dealership group. The acquisition compliments the groups existing brands and locations and represents significant growth for the Group in Queensland.

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Groups' state of affairs in future financial years.

Likely developments and expected results of operations

The Group expects to continue to focus on growth and underlying profitability within the automotive retail sector.

Dividends

Dividends of $27,658,644 (2017: nil) have been paid during the financial year ended 30 June 2018.

Shares under option

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

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Indemnification of officers and auditors

During the financial year, the Group has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them, to the extent permitted by the Corporations Act 2001, in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company or a controlled entity, other than conduct involving a wilful breach of duty in relation to the Company or a controlled entity.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Environmental Issues

The Group is subject to environmental regulations in respect of its operations in waste oil and fuel. The directors are not aware of any material breaches of any environmental regulations during the financial year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 3 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Paul H Warren

Date: 25/10/2018

Sydney, 25 October 2018

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
PWA Holdings One Pty Limited
13 Hume Highway
Warwick Farm, NSW 2170

25 October 2018

Dear Directors

PWA Holdings One Pty Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of PWA Holdings One Pty Limited.

As lead audit partner for the audit of the financial statements of PWA Holdings One Pty Limited and its controlled entities for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and other Comprehensive Income

	Note	2018 $	2017 $
Continuing operations			
Revenue	2	1,435,599,482	830,154,539
Changes in inventories		(18,886,905)	5,959,689
Raw materials and consumables purchased		(1,193,635,833)	(711,926,262)
Employee benefits expense		(119,777,742)	(57,015,949)
Depreciation and amortisation expense		(4,197,641)	(1,959,502)
Occupancy costs		(19,837,858)	(10,282,732)
Other expenses		(43,198,076)	(27,386,851)
Finance costs		(17,282,602)	(6,621,645)
Profit before income tax		18,782,825	20,921,287
Income tax expense	3	(5,823,138)	(6,728,463)
Profit for the year from continuing operations		12,959,687	14,192,824
Discontinued operations			
Profit for the year from discontinued operations		-	23,225,030
Profit for the year		12,959,687	37,417,854
Other comprehensive income		-	-
Total comprehensive income for the year		12,959,687	37,417,854
Total comprehensive income attributable to:			
Owners of parent		12,959,687	36,282,928
Minority interests		-	1,134,926
		12,959,687	37,417,854

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2018 | PWA Holdings One Pty Limited

	Note	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	4	22,129,658	19,198,822
Trade and other receivables	5	66,448,433	67,412,394
Inventories	6	256,779,074	143,742,501
Income tax receivable	8 (a)	2,888,405	1,227,417
Total current assets		348,245,570	231,581,134
Non-current assets			
Plant and equipment	7	22,151,478	11,074,680
Financial assets	9	354,514	153,000
Deferred tax assets	8	4,720,772	3,446,979
Intangible assets	10	140,056,420	20,080,840
Total non-current assets		167,283,184	34,755,499
TOTAL ASSETS		515,528,754	266,336,633
LIABILITIES			
Current liabilities			
Trade and other payables	11	33,538,569	26,311,981
Borrowings	12	251,706,715	146,299,935
Provisions	13	13,251,167	7,735,467
Total current liabilities		298,496,451	180,347,383
Non-current liabilities			
Provisions	13	1,092,936	1,109,801
Borrowings	12	80,740,000	42,000,000
Total non-current liabilities		81,832,936	43,109,801
TOTAL LIABILITIES		380,329,387	223,457,184
NET ASSETS		135,199,367	42,879,449
EQUITY			
Issued capital	14	163,471,639	51,350,541
Retained earnings		23,035,258	37,734,215
Other reserves	15	(51,307,530)	(47,569,215)
		135,199,367	41,515,541
Minority Interest	16	-	1,363,908
TOTAL EQUITY		135,199,367	42,879,449

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,576,493,713	1,028,588,388
Payments to suppliers and employees		(1,549,463,838)	(1,009,134,037)
Interest received		200,157	138,097
Interest paid		(9,942,602)	(4,962,267)
Income taxes paid		(8,302,500)	(9,944,752)
Net cash generated from operating activities	19	8,984,930	4,685,429
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(6,496,832)	(2,516,152)
Proceeds from sale of plant and equipment		26,824	-
Payment for acquisition of subsidiaries, net of cash acquired		(77,124,737)	(1,407,733)
Net cash used in investing activities		(83,594,745)	(3,923,885)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds / (repayments) of related entity loans and advances		77,714,548	(123,222)
Repayment of borrowings		(173,897)	-
Net cash generated / (used) in financing activities		77,540,651	(123,222)
Net cash increase in cash and cash equivalents		2,930,836	638,322
Cash and cash equivalents at beginning of year		19,198,822	18,560,500
Cash and cash equivalents at end of year	4	**22,129,658**	**19,198,822**

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Issued capital $	Retained earnings $	Transactions with Non-controlling Interest $	Business Reorganisation reserve $	Minority Interest $	Total $
Balance at 1 July 2016	12,323,125	38,844,509	-	-	8,450,985	59,618,619
Profit for the year	-	36,282,928	-	-	1,134,926	37,417,854
Disposal of minority interest in PWA Regional Automotive Pty Limited	-	-	-	-	(625,902)	(625,902)
Non-controlling interest arising on acquisition of Sydney North Shore Automotive Pty Limited	-	-	-	-	1,612,100	1,612,100
Issue of C class shares	4,750,000	-	-	-	-	4,750,000
Business reorganisation	34,277,416	(37,393,222)	-	(34,277,416)	-	(37,393,222)
Acquisition of 49% remaining equity interest in WP Automotive Pty Ltd	-	-	(13,291,799)	-	(9,208,201)	(22,500,000)
Balance at 30 June 2017	**51,350,541**	**37,734,215**	**(13,291,799)**	**(34,277,416)**	**1,363,908**	**42,879,449**
Profit for the year	-	12,959,687	-	-	-	12,959,687
Dividend paid	-	(27,658,644)	-	-	-	(27,658,644)
Issue of B class shares	75,373,154	-	-	-	-	75,373,154
Issue of C class shares	36,747,944	-	-	-		36,747,944
Acquisition of minority interest	-	-	(3,738,315)	-	(1,363,908)	(5,102,223)
Balance at 30 June 2018	**163,471,639**	**23,035,258**	**(17,030,114)**	**(34,277,416)**	**-**	**135,199,367**

The accompanying notes form part of these consolidated financial statements.

1 Statement of significant accounting policies

General information
PWA Holdings One Pty Limited (the Company) is a proprietary company incorporated in Australia. The financial statements comprise the consolidated financial statements of the Company and its controlled entities (the Group).

New or amended Accounting Standards and Interpretations adopted
The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial statements of the Group.

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

Basis of preparation
In the directors' opinion, the Group is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purposes of complying with the Corporations Act 2001. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the owners of PWA Holdings One Pty Limited.

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

Historical cost convention
The financial statements have been prepared under the historical cost convention.

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

Notes to the Consolidated Financial Statements

1 Statement of significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company 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 intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

1 Statement of significant accounting policies

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

Sales revenue includes revenue from the sale of new, demonstrator and used vehicles and revenue from parts and service, as follows:

New, demonstrator and used vehicles
Revenue from the sale of vehicles is recognised when the buyer has accepted the risks and rewards of ownership, generally by taking delivery of the vehicle. Amounts disclosed as revenue are net of sales returns and trade discounts.

Parts and service
Revenue from the sale of parts is recognised when the buyer has accepted the risks and rewards of ownership, generally by taking delivery of the goods. Amounts disclosed as revenue are net of sales returns and trade discounts.

Service work on customers' vehicles is carried out under instructions from the customer. Service revenue is recognised based upon the percentage of completion of the work requested.

Finance and insurance revenue
Finance and insurance commissions are recognised in the period in which the related sale or rendering of service is provided.

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

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

Commercial income and rebates
Volume related and vehicle specific bonuses and rebates are credited to the carrying value of inventory to which they relate. Once the inventory is sold, the amount is then recognised in profit or loss as part of cost of sales. Bonuses and rebates are recognised when the right to receive payment is established.

1 Statement of significant accounting policies

Income tax

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. PWA Holdings One Pty Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the head entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

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

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

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

1 Statement of significant accounting policies

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

Inventories
New and demonstrator vehicles
New and demonstrator vehicles are stated at the lower of cost and net realisable value. Costs are assigned on the basis of specific identification. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Used vehicles
Used vehicles are stated at the lower of cost and net realisable value on a unit-by-unit basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Spare parts and accessories
Spare parts and accessories are stated at the lower of cost and net realisable value. Costs are assigned to individual items on the basis of weighted average cost. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Other inventory
Other inventory includes work in progress and are stated at cost. Costs are assigned to individual customers on the basis of specific identification. Cost includes labour incurred to date and consumables utilised during the service.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The age of the car is considered in determining selling price of used cars.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	3-15 years
Furniture and fittings	3-15 years
Motor vehicles	4-8 years
Leasehold improvements	Over the shorter of the useful life or term of the lease

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

1 Statement of significant accounting policies

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

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

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.
Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 *Share-based Payment* at the acquisition date
- Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

1 Statement of significant accounting policies

Business combinations (continued)
Where the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, or AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Goodwill
Goodwill arises on the acquisition of a business and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Impairment of non-financial assets
Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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

Loans and borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount and any consideration paid is recognised in profit or loss.

Vehicles secured under bailment plans are provided to the Group under bailment agreements with floorplan loan providers. The Group obtains title to the vehicles immediately prior to sale. Vehicles financed under bailment plans are recognised as inventory with the corresponding floorplan liability owing to the finance providers. Floorplan finance facilities are available for drawdown by specified dealerships on a vehicle by vehicle basis, with repayment as it relates to an individual vehicle required immediately after the vehicle is sold.

1 Statement of significant accounting policies

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

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

Provision for warranties
Provision is made for the estimated claims in respect of extended warranties provided on the majority of the Group's retail new and used vehicle sales.

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

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

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

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

1 Statement of significant accounting policies

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

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

The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be fully assessed by the Group.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be fully assessed by the Group.

1 Statement of significant accounting policies

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be fully assessed by the Group.

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

Goodwill
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Vehicle inventory valuation and provisioning
In determining the amount of write-downs required for demonstrator and used vehicle inventory, management has made judgements based on the expected net realisable value of that inventory based on historical experience, the Group's accounting policy on write-downs and observing current market prices.

	2018 $	2017 $
2 Revenue from continuing operations		
Sales Revenue	1,405,688,149	811,102,061
Interest Income	200,157	132,059
Finance and insurance income	27,292,353	15,450,358
Other revenue	2,418,823	3,470,061
	1,435,599,482	830,154,539
3 Income tax expense from continuing operations		
Prima facie tax on profit from ordinary activities		
Prima facie tax payable on profit from ordinary activities before income tax at 30%	5,694,833	6,276,386
Tax effect of:		
- other non-allowable items	20,821	189,950
- timing differences and adjustments to prior year tax balances	107,484	262,127
	5,823,138	6,728,463
Franking Account Balance		
Balance of the franking credit account for the financial year ended adjusted for the franking credits arising from payments of provision of income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years.	37,499,208	29,802,436
4 Cash and cash equivalents		
Cash on hand	12,072	6,100
Cash at Bank	22,117,586	19,192,722
	22,129,658	19,198,822
5 Trade and other receivables		
CURRENT		
Trade and other receivables	66,748,433	43,831,300
Allowance for doubtful debts	(300,000)	(130,000)
Amount receivable from related parties	-	23,711,094
	66,448,433	67,412,394

6 Inventories

	2018 $	2017 $
CURRENT		
New vehicles, at cost	152,259,409	95,207,094
Demonstrator vehicles, at net realisable value	52,086,749	12,556,878
Used & Drive vehicles, at net realisable value	32,065,561	24,943,016
Work in progress, at cost	118,978	106,298
Spare parts and accessories, at net realisable value	19,606,087	10,592,119
Petrol, oils and grease, at cost	642,290	337,096
	256,779,074	143,742,501

7 Plant and equipment

Plant and equipment at cost	43,401,059	28,917,160
Less: accumulated depreciation	(22,366,045)	(18,794,226)
	21,035,013	10,122,934
Leasehold improvements at cost	1,366,594	485,283
Less: accumulated depreciation	(1,247,144)	(378,681)
	119,450	106,602
Motor Vehicles at cost	1,557,929	1,213,818
Less: accumulated depreciation	(560,914)	(368,674)
	997,015	845,144
	22,151,478	11,074,680

8 Tax assets and liabilities

(a) Assets		
CURRENT		
Income tax receivable	2,888,405	1,227,417
NON-CURRENT		
Deferred tax asset	4,720,772	3,446,979

9 Financial assets

Available for sale investments	354,514	153,000

10 Intangible assets

	2018 $	2017 $
Goodwill	140,056,420	20,080,840
Opening balance	20,080,840	23,899,330
Additions from acquisitions	119,975,580	700,000
Disposals	-	(4,518,490)
Closing balance	140,056,420	20,080,840

11 Trade and other payables

	2018 $	2017 $
CURRENT		
Trade payables and accruals	33,538,569	26,311,981

12 Borrowings

	2018 $	2017 $
CURRENT		
Secured liabilities		
- Mercedes Benz Financial Services (floorplan) (i)	22,543,246	22,930,486
- Toyota Financial Services (floorplan) (ii)	120,377,051	119,469,449
- Toyota Financial Services (EMA loan) (ii)	5,900,000	3,900,000
- Volkswagen Financial Services (floorplan) (iii)	95,973,366	-
- St. George Bank (EMA loan) (iv)	6,000,000	-
- Hire purchase (v)	235,287	-
- Other borrowings	677,765	-
	251,706,715	146,299,935
NON-CURRENT		
Unsecured liabilities		
- Loan notes payable to related parties	80,740,000	42,000,000

Security Note:

(i) The floorplan from Mercedes Benz Financial Services are secured by the bailment agreements with Peter Warren Automotive Pty Ltd and Northshore Automotive Pty Ltd.

(ii) The floorplan & EMA loans from Toyota Financial Services are secured by way of first registered debenture charges over Sydney North Shore Automotive Pty Ltd, as well as second registered debenture charge over Peter Warren Automotive Pty Ltd and Sunshine Group Pty Ltd.

(iii) The floorplan loans from Volkswagen Financial Services are secured by the bailment agreements with James Frizelle's Automotive Group Pty Ltd.

(iv) The loans from St. George Bank are secured by bailment agreements with Robina Mazda Pty Ltd, Southport Mazda Pty Ltd, Lismore Mazda Pty Ltd and James Frizelle's Automotive Group Pty Ltd.

(v) The hire purchase liabilities are effectively secured over the hire purchase assets, recognised in the statement of financial position, revert to the financier in the event of default.

The carrying amount of assets pledged as security are:

	2018 $	2017 $
Total assets pledged as security	370,751,562	242,808,814

13 Provisions

	2018 $	2017 $
CURRENT		
Warranties	1,752,979	1,119,613
Other provisions	248,146	71,655
Employee benefits	11,250,042	6,544,199
	13,251,167	7,735,467
NON-CURRENT		
Employee benefits	1,092,936	1,109,801

14 Issued capital

	Ordinary shares	Class B shares	Class C shares	Class D shares	Total
Number of shares					
At 1 July 2017	115,181,818	37,818,182	10,000,000	1	163,000,001
Issue of shares		75,373,154	36,747,944		112,121,098
At 30 June 2018	115,181,818	113,191,336	46,747,944	1	275,121,099

	Ordinary shares	Class B shares	Class C shares	Class D shares	Total
Carrying amounts					
At 1 July 2017	34,550,930	10,736,038	6,063,572	1	51,350,541
Issue of shares		75,373,154	36,747,944		112,121,098
At 30 June 2018	34,550,930	86,109,192	42,811,516	1	163,471,639

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

Fully paid Class B shares carry no voting rights, but a right to dividends.

Fully paid Class C shares carry no voting rights, but a right to dividends.

Fully paid Class D share carries neither voting rights nor rights to any dividend or capital return, other than a special dividend.

15 Other reserves

	2018	2017
Business reorganisation reserve (i)	34,277,416	34,277,416
Transactions with non controlling interests reserve (ii)	17,030,114	13,291,799
	51,307,530	47,569,215

(i) The Business reorganisation reserve arises from the corporate reorganisation when PWA Holdings One Pty Limited became the parent entity on 18 November 2016.

(ii) The Transactions with non controlling interest reserve relates to the acquisition of remaining minority interests in WP Automotive Pty Limited on 31 March 2017 (49% interest acquired) and Sydney North Shore Automotive Pty Ltd on the 1 July 2017 (49% interest acquired).

16 Equity Attributable to Minority Interest

	2018 $
Minority interest	1,363,908
Acquisition of non-controlling interest	(1,363,908)
	-

17 Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

- PWA Holdings One Pty Limited
- PWA Holdings Three Pty Limited
- WP Automotive Pty Limited
- James Frizelle's Automotive Group Ltd
- Sydney North Shore Automotive Pty Ltd
- PWA Holdings Two Pty Limited
- Peter Warren Automotive Pty Limited
- North Shore Automotive Pty Limited
- Frizelle's Investments Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Statement of profit or loss and other comprehensive income	2018 $	2017 $
Revenue	1,353,576,100	797,286,244
Expenses		
Changes in inventories	(30,644,714)	5,959,689
Raw materials and consumables purchased	(1,111,277,122)	(684,433,108)
Employee benefits expense	(114,316,781)	(56,792,074)
Depreciation and amortisation expense	(4,004,013)	(1,885,498)
Occupancy costs	(18,676,901)	(8,766,461)
Other expenses	(39,026,640)	(22,936,097)
Finance costs	(16,847,104)	(6,343,676)
Profit before income tax	18,782,825	22,089,019
Income tax expense	(5,823,138)	(6,600,341)
Profit for the year from continuing operations	12,959,687	15,488,678
Profit for the year from discontinued operations, net of tax	-	22,892,732
Profit after income tax for the year	12,959,687	38,381,410
Other comprehensive income	-	-
Total comprehensive income for the year	12,959,687	38,381,410

17 Deed of cross guarantee (continued)

Statement of financial position	2018 $	2017 $
Current assets		
Cash and cash equivalents	20,005,163	17,644,504
Trade and other receivables	64,604,765	39,395,812
Inventories	245,021,266	137,584,268
Income tax receivable	2,888,405	1,161,035
Total current assets	332,519,598	195,785,619
Non-current assets		
Trade and other receivables	-	
Plant and equipment	22,151,478	10,216,282
Financial assets	354,514	1,836,002
Deferred tax assets	4,720,772	3,470,843
Intangible assets	140,056,420	19,387,295
Total non-current assets	167,283,184	34,910,422
TOTAL ASSETS	499,802,782	230,696,041
Current liabilities		
Trade and other payables	30,234,795	40,518,994
Borrowings	239,284,517	139,592,507
Provisions	13,251,167	7,354,518
Total current liabilities	282,770,479	187,466,019
Non-current liabilities		
Provisions	81,832,936	1,095,330
Total non-current liabilities	81,832,936	1,095,330
TOTAL LIABILITIES	364,603,415	188,561,349
NET ASSETS	135,199,367	42,134,692
EQUITY		
Issued capital	163,471,639	51,350,542
Retained earnings	23,035,258	38,353,365
Other reserves	(51,307,530)	(47,569,215)
Minority Interest	-	
TOTAL EQUITY	135,199,367	42,134,692

18 Parent entity information

PWA Holdings One Pty Limited was incorporated on 2nd November 2016 and became parent of the Group on 18th November 2016.

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

Summarised financial information	**2018** **$**	**2017** **$**
Summarised statement of financial position		
Current assets	2	1,867,546
Non-current assets	164,282,438	51,350,000
Total assets	164,282,440	53,217,546
Current liabilities	2,529,177	1,867,546
Total liabilities	2,529,177	1,867,546
Net assets	161,753,263	51,350,000
Statement of Comprehensive Income		
Professional fees	1,573,271	-
Income tax expense (credit)	(498,117)	-
	1,075,154	-

Other than the Deed of Cross Guarantee referred to above, the parent entity does not have any contingent liabilities, or contractual commitments and has not entered into any guarantees during or since the end of the financial year.

19 Cash flow information

Reconciliation of cash flow from operations with profit from ordinary activities after income tax

Net profit for the year	12,959,687	37,417,854
Cash flows excluded from profit from ordinary activities attributable to operating activities		
Depreciation	4,197,641	2,202,691
Impairment of financial assets	48,486	-
Movement in taxes	(2,007,466)	1,263,508
Capitalised finance costs on loan notes	7,340,000	2,000,000
Gain on disposal of discontinued operations	-	(21,206,736)
(Profit) / Loss on disposal of property, plant and equipment	(9,558)	38,620
Movement in assets and liabilities		
(Increase) / decrease in trade and term receivables	(2,455,047)	14,381,472
(Increase)/decrease in inventories - net of floorplan	(4,106,481)	6,964,142
Decrease in trade payables and accruals	(4,558,155)	(38,373,118)
Decrease in provisions	(2,424,177)	(3,004)
	8,984,930	4,685,429

20 Economic Dependence

The continuing sale of new vehicles and their related services is dependent on the ongoing franchise agreements with the distributors.

21 Segment reporting

The Group's operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.
The directors have determined that there is only one operating segment identified and located in Australia, being motor vehicle retailing. The information reported to the CODM is the consolidated results of the Group.

22 Operating lease commitments

	2018	2017
	$	$
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	21,157,451	8,542,116
One to five years	91,182,796	32,033,712
More than five years	75,810,042	28,989,460
	188,150,289	69,565,288

Operating lease commitments include contracted amounts for dealership operating premises under non-cancellable operating leases with various expiry dates, and in come cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

23 Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

24 Company details

Registered office:

The registered office and principal place of business of the company is:

13 Hume Highway
Warwick Farm
NSW 2170

Directors' Declaration

As detailed in Note 1 to the financial statements, the Company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs.

Accordingly, this "special purpose financial report" has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The directors of the Company declare that:

(a) the attached financial statements and notes comply with the Corporations Act 2001, Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

(b) the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;

(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; and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become subject, by virtue of the deed of cross guarantee described in Note 17 to the financial statements.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Director

Paul H Warren

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the members of PWA Holdings One Pty Limited

Opinion

We have audited the financial report, being a special purpose financial report of PWA Holdings One Pty Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 2018 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards to the extent described in note 1 and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Deloitte.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Deloitte.

• Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE TOUCHE TOHMATSU

Michael Kaplan
Partner
Chartered Accountants

Sydney, 25 October 2018