PACIFIC MERCHANTS GROUP LIMITED
(PREVIOUS NAMED: GOLD CROWN CHINESE RESTAURANT PTY LTD)
ABN 16 164 186 038

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 30 JUNE 2018, 2017, 2016

TABLE OF CONTENTS

DIRECTOR'S REPORT

The director presents his report, together with the consolidated financial statements of the group consisting of Pacific Merchants Group Ltd (referred to hereafter as the "company" or "parent entity") and Darling Harbour Pty Ltd, St Wells Pty Ltd, Surfers Paradise Pty Ltd (referred to hereafter as the "group"), for the financial years ended 30 June 2018, 2017 and 2016 and the auditor's report thereon.

Director

The following person was the sole director of the company during the whole financial year and up to the date of this report:

Mr Jhon Shen

Review of Operations

The profit of the company for the financial years after providing for income tax amounted to:

30 June 2016	$1,321,467
30 June 2017	$4,680,216
30 June 2018	$3,428,033

Significant Changes in State of Affairs

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

Principal Activities

The group operates in the retail and wholesale supply of Australian souvenirs and wool products in Australia. There were no significant changes in the principal activities of the group during the financial years.

Matters subsequent to the end of the financial year

The company changed its name to Pacific Merchants Group Limited on 17 August 2018 and became a public company on the same date.

There were no other matters or circumstances that have arisen since the end of the financial year which 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.

Future Developments

The company is currently preparing a prospectus for the Initial Public Offering and seeking to be listed on the Australian Securities Exchange (ASX).

Other likely developments in the operations of the group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the group.

Environmental Regulations

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

Dividends Paid or Declared

Dividends paid or declared during the financial years ending 2018, 2017 and 2016 were as follows:

a. There were no dividends paid or declared during the financial year 2016.
b. A fully franked dividend of $1,375,000 was declared on 12 April 2017 and paid on 12 April 2017.
c. A fully franked dividend of $8,000,000 was declared on 20 June 2018 and paid on 26 June 2018.

DIRECTOR'S REPORT (continued)

Shares Under Option

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

Shares Issued on the Exercise of Options

There were no shares issued on the exercise of options during the financial year and up to the date of this report.

Indemnification of Officers

No indemnities have been given or insurance premiums paid since the end of the financial year for any person who is or has been an officer or auditor of the company.

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 period.

This report is made in accordance with a resolution of the director.

Jhon Shen
Director

Sydney, 19 November 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

	Note	2018	2017	2016
		$	$	$
Revenue	2	34,083,675	26,969,538	31,476,539
Cost of sales		(3,836,791)	(2,616,671)	(3,637,649)
Gross profit		**30,246,884**	**24,352,867**	**27,838,890**
Other income		6,189	97,349	176,250
Marketing expenses		(20,134,559)	(12,532,951)	(21,017,564)
Occupancy expenses		(584,722)	(629,035)	(459,542)
Administrative expenses		(3,312,988)	(2,656,072)	(2,658,309)
Employee benefit expenses		(1,320,803)	(1,934,164)	(1,981,783)
Other expenses		(759)	-	(9,735)
Profit before income tax		**4,899,242**	**6,697,994**	**1,888,207**
Income tax expense	3	(1,471,209)	(2,017,778)	(566,740)
Profit after income tax for the financial year attributable to members of Pacific Merchants Group Ltd		**3,428,033**	**4,680,216**	**1,321,467**
Other comprehensive income		-	-	-
Total comprehensive income for the financial year attributable to members of Pacific Merchants Group Ltd		**3,428,033**	**4,680,216**	**1,321,467**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018, 2017 AND 2016

	Note	2018	2017	2016
		$	$	$
CURRENT ASSETS				
Cash and cash equivalents	4	8,002,675	9,460,520	2,638,889
Trade and other receivables	5	1,322,814	7,294,447	13,387,768
Inventories	6	468,905	640,278	383,553
Income tax receivable	3	-	-	280,137
TOTAL CURRENT ASSETS		**9,794,394**	**17,395,245**	**16,690,347**
NON-CURRENT ASSETS				
Plant and equipment	7	1,570,104	660,631	148,336
Investments		2	2	2
Deferred tax assets		120,574	124,751	62,277
TOTAL NON-CURRENT ASSETS		**1,690,680**	**785,384**	**210,615**
TOTAL ASSETS		**11,485,074**	**18,180,629**	**16,900,962**
CURRENT LIABILITIES				
Trade and other payables	8	5,476,603	6,619,316	9,845,744
Provisions	9	17,195	195,653	133,562
Income tax payable	3	336,371	1,138,788	-
TOTAL CURRENT LIABILITIES		**5,830,169**	**7,953,757**	**9,979,306**
TOTAL LIABILITIES		**5,830,169**	**7,953,757**	**9,979,306**
NET ASSETS		**5,654,905**	**10,226,872**	**6,921,656**
EQUITY				
Contributed equity	10	1	1	1
Retained earnings		5,654,904	10,226,871	6,921,655
TOTAL EQUITY		**5,654,905**	**10,226,872**	**6,921,656**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

	Contributed Equity	Retained Earnings	Total
	$	$	$
BALANCE AT 1 JULY 2015	1	5,600,188	5,600,189
Profit after income tax expense for the year	-	1,321,467	1,321,467
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	1,321,467	1,321,467
BALANCE AT 30 JUNE 2016	1	6,921,655	6,921,656
BALANCE AT 1 JULY 2016	1	6,921,655	6,921,656
Profit after income tax expense for the year	-	4,680,216	4,680,216
Transactions with owners in their capacity as owners			
Dividend paid or provided for the year	-	(1,375,000)	(1,375,000)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	3,305,216	3,305,216
BALANCE AT 30 JUNE 2017	1	10,226,871	10,226,872
BALANCE AT 1 JULY 2017	1	10,226,871	10,226,872
Profit after income tax expense for the year	-	3,428,033	3,428,033
Transactions with owners in their capacity as owners			
Dividend paid or provided for the year	-	(8,000,000)	(8,000,000)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(4,571,967)	(4,571,967)
BALANCE AT 30 JUNE 2018	1	5,654,904	5,654,905

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

	NOTE	2018	2017	2016
		$	$	$
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts from customers		34,675,110	27,664,570	32,300,027
Payments to suppliers and employees		(30,888,103)	(24,118,892)	(29,326,868)
Interest received		41,046	45,141	127,595
Interest paid		(758)	-	(9,735)
Net income taxes paid		(2,269,450)	(661,327)	(2,370,188)
Net cash provided by operating activities		1,557,845	2,929,492	720,831
CASH FLOW FROM INVESTING ACTIVITIES				
Payments to acquire plant and equipment		(992,483)	(549,004)	(122,815)
Receipts from related entities		335,990	6,179,916	1,785,116
Payments to related entities		(911,725)	(363,773)	(13,103,207)
Receipts upon maturity of short-term deposits		-	-	10,400,000
Net cash (used in)/provided by investing activities		(1,568,218)	5,267,139	(1,040,906)
CASH FLOW FROM FINANCING ACTIVITIES				
Dividend paid		(1,447,472)	(1,375,000)	-
Net cash used in financing activities		(1,447,472)	(1,375,000)	-
Net increase/(decrease) in cash held		(1,457,845)	6,821,631	(320,075)
Cash and cash equivalents at beginning of the financial year		9,460,520	2,638,889	2,958,964
Cash and cash equivalents at the end of the financial year	4	**8,002,675**	**9,460,520**	**2,638,889**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1.

Parent entity information

These financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 15.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Australian subsidiaries of Pacific Merchants Group Limited ('company' or 'parent entity') as at 30 June 2018, 30 June 2017 and 30 June 2016 and the results of those subsidiaries for the year then ended. Pacific Merchants Group Limited and the Australian subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (continued)

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Current and non-current classification

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

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

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

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

Plant and equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

All plant and equipment is depreciated on a straight-line basis over their useful lives to the group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of fixed assets	Depreciation rates
Motor vehicles	5 - 10 years
Furniture and fittings	3 - 40 years
Office equipment	1 - 5 years

An item of 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.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and Other Receivables (continued)

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

Impairment

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade and other receivable balances may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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.

Employee Benefits

Short-term employee benefits

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

Defined contribution superannuation expense

Contribution to defined contribution superannuation plans are expensed in the period in which they are incurred.

Inventories

Finished goods are stated at the lower of cost and net realisable value; the weighted average method is principally used to determine cost. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

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

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Income Tax

The income tax expense for the financial year is the tax payable on the current financial year's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

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

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The company and the other controlled entities have formed a multiple entry income tax consolidated group under the tax consolidation regime. The head entity and the subsidiaries in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax (continued)

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from subsidiaries in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

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 from customers.

Sale of goods

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

Interest

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

Other revenue

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

Goods and Service Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST. 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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Currency Transactions and Balances

The functional and presentation currency of the company is Australian Dollars. Foreign currency transactions during the financial year are converted into the functional currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at the reporting date are converted at the rates of exchange prevailing at that date. The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit or loss.

Fair value measurement

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

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

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued Capital

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

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 an obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, take 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.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

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.

Critical accounting judgements, estimates and assumptions

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

Provision for impairment of receivables

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

Provision for impairment of inventories

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

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets

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

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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

Income tax

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

Recovery of deferred tax assets

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

Employee benefits provision

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

Lease make good provision

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

Long Service Leave
As discussed above, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New, revised or amended Accounting Standards and interpretations

Any new, revised or amending Accounting Standards or Interpretations issued by the Australian Accounting Standards Board ('AASB') that are not yet mandatory have not been early adopted. Any significant impact on the accounting policies of the Group from the adoption for future periods of these Accounting Standards and Interpretations are disclosed below.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. This standard provides a single standard for revenue recognition. AASB 15 establishes a principle-based approach which requires identification of performance obligations within a transaction and an associated transaction price allocation to these obligations. The core intended 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 the goods or services. The transitional provisions of this Standard permit an entity to restate the contracts that existed in each prior period presented per *AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in *AASB 15).*

The director's assessment of AASB 15 on the group financial statements is ongoing. It is impracticable at this stage to provide a reasonable estimate of such impact but in the opinion of the director, the application of the standard is unlikely to have a material impact.

AASB 9 Financial Instruments and associated Amending Standards

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The changes in this Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, new rules for hedge accounting and a new methodology for measurement of impairment of financial assets including accounting for expected credit loss.

The director's assessment of AASB 9 on the group financial statements is ongoing. It is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in *AASB 117: Leases and related Interpretations.* AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and lease liability for all leases (excluding short-term leases with a lease term of 12 months or less of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New, revised or amended Accounting Standards and interpretations (continued)

AASB 16 Leases (continued)

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the director's anticipate that the adoption of AASB 16 will impact the group financial statements, at this time the variation has not been determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 2: REVENUE AND OTHER INCOME

	2018 $	2017 $	2016 $
Revenue:			
Sale of goods	29,598,652	23,477,164	27,999,076
Commission received	4,485,023	3,492,374	3,477,463
	34,083,675	26,969,538	31,476,539

NOTE 3: INCOME TAX EXPENSES

	2018 $	2017 $	2016 $
The components of income tax expenses comprise:			
Current tax	1,467,032	2,080,250	603,670
Deferred tax	4,177	(62,472)	(36,930)
Income tax expenses	1,471,209	2,017,778	566,740
Reconciliation of the effective tax rate:			
Profit before income tax	4,899,242	6,697,994	1,888,207
Tax at the Australian Tax Rate of 30% on 2016 - 2018	1,469,773	2,009,398	566,462
Non-deductible expenses	1,436	8,380	278
Income tax expenses	1,471,209	2,017,778	566,740
Income tax receivable/(payable)			
Net income tax receivable/(payable)	(336,371)	(1,138,788)	280,137

NOTE 4: CASH AND CASH EQUIVALENTS

	2018 $	2017 $	2016 $
Cash at bank and on hand	7,810,085	9,272,172	2,459,063
Term deposit	192,590	188,348	179,826
	8,002,675	9,460,520	2,638,889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 5: TRADE AND OTHER RECEIVABLES

	2018	2017	2016
	$	$	$
CURRENT			
Trade receivables	296,181	35,525	56,318
Other receivables:-			
- Loan to Premier Hospitality	-	6,367,873	6,340,000
- Loan to Michael Du Family Trust	-	-	4,182,242
- Loan to Success Trust	-	-	982,522
- Loan to Siyuan Du	-	335,900	-
- GST receivable	859,286	468,671	491,934
- Deposits	61,496	85,510	70,000
- Other receivables	105,851	968	1,264,752
	1,026,633	7,258,922	13,331,450
	1,322,814	**7,294,447**	**13,387,768**

NOTE 6: INVENTORIES

	2018	2017	2016
	$	$	$
Finished goods - at cost	468,905	640,278	383,553

NOTE 7: PLANT AND EQUIPMENT

CONSOLIDATED GROUP	Motor Vehicles $	Furniture and fittings $	Office Equipment $	Total $
Balance at 1 July 2015	-	27,004	15,549	42,553
Additions	-	119,633	2,426	122,059
Disposals	-	-	-	-
Depreciation expense	-	(9,935)	(6,341)	(16,276)
Balance at 30 June 2016	-	136,702	11,634	148,336
Additions	278,031	265,376	10,700	554,107
Disposals	-	(17,008)	-	(17,008)
Depreciation expense	(1,565)	(16,338)	(6,901)	(24,804)
Balance at 30 June 2017	276,466	368,732	15,433	660,631
Additions	51,066	895,056	62,404	1,008,526
Disposals	(15,779)	-	-	(15,779)
Depreciation expense	(45,823)	(31,113)	(6,338)	(83,274)
Balance at 30 June 2018	265,930	1,232,675	71,499	1,570,104

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 8: TRADE AND OTHER PAYABLES	2018	2017	2016
	$	$	$
CURRENT			
Trade payables	5,420,726	5,463,930	9,584,765
Other payables:-			
- Loan from Michael Du Family Trust	-	1,015,152	-
- PAYG tax payables	18,911	97,686	38,406
- Superannuation payable	29,794	38,436	33,166
- Sundry payables and accrued expenses	7,172	4,112	189,407
	55,877	1,155,386	260,979
	5,476,603	**6,619,316**	**9,845,744**

NOTE 9: PROVISIONS	2018	2017	2016
	$	$	$
Employee benefits	17,195	195,653	133,562

NOTE 10: CONTRIBUTED EQUITY	2018	2017	2016	2018	2017	2016
	No. of shares	No. of shares	No. of shares	$	$	$
Ordinary share capital - fully paid	1	1	1	1	1	1

Ordinary share capital entitles the holder to participate in dividends and the proceeds on the winding up of the parent company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

NOTE 11: CAPITAL AND LEASING COMMITMENTS	2018	2017	2016
	$	$	$
Operating lease commitments			
Non-cancellable operating leases contracted for but not capitalised in the financial statements:			
- not later than one year	470,614	460,909	451,423
- later than one year and not later than five years	572,981	1,043,595	1,504,504
- greater than five years	-	-	-
	1,043,595	**1,504,504**	**1,955,927**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 12: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consists mainly of deposit with banks, short-term investments, accounts receivables and payable, loans to and from subsidiaries, and leases.

The totals for each category of financial instruments, measured in accordance with *AASB 139: Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

CONSOLIDATED GROUP	Note	2018	2017	2016
		$	$	$
Financial assets				
Cash and cash equivalent	4	8,002,675	9,460,520	2,638,889
Loans and receivables	5	1,322,814	7,294,447	13,387,768
Total financial assets				
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and other payables	8	5,476,603	6,619,316	9,845,744
Total financial liabilities				

Financial risk management policies

The director's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effect on financial performance. Risk management policies are approved and reviewed by Director on a regular basis. These include the credit risk policies and future cash flow requirements.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Receivable balances are monitored on an ongoing basis. To mitigate the credit risk associated with cash and cash equivalents, contracts are taken out only with reputable financial institutions.
There was no concentration of credit risk with respect to the receivables of the Group.

NOTE 12: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Director. The Director has determined an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities. There were no changes in the group's liquidity risk management policies from previous periods.

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities.

Maturity analysis

30 June 2018	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Trade and other payables	5,476,603	-	-	-	-
	5,476,603	-	-	-	-

30 June 2017	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Trade and other payables	6,619,316	-	-	-	-
	6,619,316	-	-	-	-

30 June 2016	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Trade and other payables	9,845,744	-	-	-	-
	9,845,744	-	-	-	-

(c) Market risk

Market risk arises from the use of interest bearing, and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk).

(d) Price risk

The Group is not exposed to any significant price risk.

(e) Interest rate risk

The Group is not exposed to any significant interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 13: KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

CONSOLIDATED GROUP	2018 $	2017 $	2016 $
Aggregate compensation	498,374	491,413	497,807

NOTE 14. RELATED PARTY TRANSACTIONS

Subsidiaries
Interests in subsidiaries are set out in note 18.

Key management personnel
Disclosures relating to key management personnel are set out in note 13.

Transactions with related parties
Other than the below receivables from and payables to related parties, there were no additional transactions that occurred with related parties.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

CONSOLIDATED GROUP	2018 $	2017 $	2016 $
Current receivables:			
- Loan to Premier Hospitality*	-	6,367,873	6,340,000
- Loan to Michael Du Family Trust*	-	-	4,182,242
- Loan to Success Trust*	-	-	982,522
- Loan to Siyuan Du*	-	335,900	-
Current payables:			
- Loan from Michael Du Family Trust*	-	1,015,152	-

* These are director-related entities of Pacific Merchant Group Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 15: PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

	Parent 2018 $	Parent 2017 $	Parent 2016 $
Statement of profit or loss and other comprehensive income			
(Loss)/Profit after income tax	(177,427)	(85,101)	(66,343)
Total comprehensive income	(177,427)	(85,101)	(66,343)
Statement of financial position			
Total current assets	87,203	9,104,830	7,226,982
Total assets	1,333,569	9,220,532	7,619,980
Total current liabilities	1,457,942	7,135,257	5,462,413
Total liabilities	1,457,942	7,135,257	5,462,413
Equity			
Issued capital	1	1	1
Retained earnings / (Accumulated loss)	(124,374)	2,085,274	2,157,566
Total Equity	(124,373)	2,085,275	2,157,567

NOTE 16: CONTINGENT ASSETS

The Company had no contingent assets as at 30 June 2018, 30 June 2018 and 30 June 2016.

NOTE 17: CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 30 June 2018, 30 June 2018 and 30 June 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018, 2017 AND 2016

NOTE 18: INTERESTS IN SUBSIDIARIES

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

Parent Entity	Principal place of business / Country of Incorporation
Pacific Merchants Group Limited (Previous named: Gold Crown Chinese Restaurant Pty Ltd)	Australia

Consolidated Entities	Principal place of business / Country of Incorporation	% Ownership interest 2018	2017	2016
Darling Harbour Pty Ltd	Australia	100	100	100
St Wells Pty Ltd	Australia	100	100	100
Surfers Paradise Pty Ltd	Australia	100	100	100
Auckland Harbour Limited	New Zealand	100	100	100
Kiwi Wool Limited	New Zealand	100	100	100

NOTE 19: AUDITORS' REMUNERATION

	2018 $	2017 $	2016 $
Remuneration of the auditor BDO East Coast Partnership, for;			
- auditing the financial statements	54,058	86,103	87,870

NOTE 20: PARENT COMPANY DETAILS

Pacific Merchants Group Ltd is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business of the company is:

Suite 4, Level 19,
227, Elizabeth Street
SYDNEY
NSW 2000

NOTE 21: EVENTS AFTER THE REPORTING PERIOD

The company changed its name to Pacific Merchants Group Limited on 17 August 2018 and became a public company on the same date.

There were no other matters or circumstances that have arisen since the end of the financial year which 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.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Australian Accounting Standards - Reduced Disclosure Requirements and other mandatory professional reporting requirements;

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

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

Signed in accordance with a resolution of the director.

Jhøn Shen
Director

19 November 2018
Sydney

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Pacific Merchants Group Limited

Report on the Audit of the Financial Report

Qualified opinion

We have audited the financial report of Pacific Merchants Group Limited (the Company) and its Australian subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 30 June 2017 and 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three years then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion, except for the effects of the matters described in the *Basis for qualified opinion* section of our report, the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 30 June 2018, 30 June 2017 and 30 June 2016 and of its financial performance and its cash flows for the three years then ended in accordance with Australian Accounting Standards- Reduced Disclosure Requirements.

Basis for qualified opinion

In 2015 we were appointed as auditors of Gold Crown Chinese Restaurant Pty Ltd and all its subsidiaries (the 'legacy Group'), now known as Pacific Merchants Group Limited.

In August 2018 we were engaged to audit the financial report of the Company and its subsidiaries for the years ended 30 June 2016, 30 June 2017 and 30 June 2018. With respect to the audit of the legacy Group's financial report for the years ended 30 June 2016 and 30 June 2017, inventory quantities were immaterial. The subsequent change in scope has resulted in physical inventories at the beginning and end of the years ending 30 June 2016 and 30 June 2017 being material to the financial report.

We did not observe the counting of physical inventories as at the beginning and end of the years ended 30 June 2016 and 30 June 2017. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at these dates. Since both opening and closing inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income reported in the statement of comprehensive income and the net cash provided by operating activities reported in the statement of cash flows for the years ended 30 June 2016 and 30 June 2017.

In addition, since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income reported in the statement of comprehensive income and the net cash provided by operating activities reported in the statement of cash flows for the year ended 30 June 2018.

In addition to the above matter the consolidated financial report as presented excludes the New Zealand subsidiaries controlled by the Group. This is not in accordance with the requirements of AASB

10 *Consolidated Financial Statements* which requires the consolidation of all entities controlled by the Group.

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

Other information

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors Report, 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 accordingly 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 on the other information obtained prior to the date of this auditor's report, 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 management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of the members and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO East Coast Partnership

BDO

Arthur Milner
Partner

Sydney, 19 November 2018