Trajan Holdings Pty Ltd

ABN 38 152 617 706

Annual Financial Report

for the year ended 30 June 2018

Contents

Corporate Information

ABN

38 152 617 706

DIRECTORS

S.A. Tomisich, Chief Executive Officer
A.S. Tomisich
M.H. Lajoie
A.A. Gooley
R.J. Lyon

COMPANY SECRETARY

A.J. Hodges

REGISTERED OFFICE

7 Argent Place Ringwood
Victoria, Australia

PRINCIPAL PLACE OF BUSINESS

7 Argent Place Ringwood
Victoria, Australia

SOLICITORS

Michael Trumble Legal
404 Albert Street, East Melbourne
Victoria, Australia

BANKERS

HSBC Bank Australia Limited
Level 10, 333 Collins Street Melbourne
Victoria, Australia

AUDITORS

RSM Australia Partners
Level 21, 55 Collins Street, Melbourne
Victoria, Australia

Directors' Report

The Directors of Trajan Holdings Pty Ltd (Trajan) submit their report for the year ended 30 June 2018.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Stephen Andrew Tomisich
Angela Santina Tomisich
Marie Helene Lajoie (resigned 8th March 2018)
Andrew Arthur Gooley
Robert John Lyon

Company Secretary

Alister J. Hodges

PRINCIPAL ACTIVITIES

The principal activity of the Company for the period was the continued development, manufacture and sale of products for the Analytical, Pathology and Chromatography markets.

LOCATIONS

Trajan's corporate head office is located in Ringwood Victoria, Australia. The premises house the Trajan corporate team along with manufacturing for the Analytical and Life business segments, R&D and warehouse operations and ANZ warehousing and distribution. Trajan also has several staff located at the University of Adelaide, ANZ sales has customer service located in Sydney New South Wales.

Trajan also has international operations and sales offices in USA, Europe and Japan. Three locations in the USA include; Austin Texas housing manufacturing, warehouse, operations management, San Diego housing manufacturing and product development and Carrboro North Carolina housing research and development, sales, servicing, distribution and warehousing. In Europe there are two main locations in the UK; Milton Keynes housing sales, warehousing and distribution and Chester housing marketing. Trajan also has in field employees in France and Germany. Yokohama Japan houses sales, warehouse and distribution. A new office was opened in December 2016 in Penang Malaysia. The purpose of this location is initially to manufacture Gas Chromatography products, manufacturing to be transferred progressively from Australia.

OPERATING AND FINANCIAL REVIEW

The Company Annual Financial Report includes results for the twelve months ending 30 June 2018 with comparative values for the period ending 30 June 2017. For the twelve months ended 30 June 2018, the Company generated sales of $57.2 million (2017: $54.3 million), Gross Profit on sales of 42.3% (2017: 44.7%) or $24.2 million (2017: $24.3 million). Total costs are $22.6 million (2017: $23.3 million). Net profit before tax is $1.6 million (2017: $0.95 million).
Cash at 30 June 2018 totalled $3.5 million (2017: $2.3 million); refer to the Statement of Cash Flow. As at 30 June 2018 Shareholders' Equity totalled $13.6 million (2017: $11.4 million); refer to the Statement of Changes in Equity.

The principal activity of the Company for the period was the continued development, manufacture and sale of products for the Analytical, Pathology and Chromatography markets. The Company is also investing in new product development for products in new market segments.

The number of employees plus agency casuals at 30 June 2018 is 389 (2017: 379), FTE of 374.6 (2017: 352.8)

DIVIDENDS

During the financial year ended 30 June 2018, the directors of Trajan did not declare or pay a dividend on ordinary shares in respect of the 2018 financial year (2017: Nil).

ENVIRONMENTAL REGULATION AND PERFORMANCE

The entity holds licences issued by the relevant authorities relating to the storage and use of chemicals and products associated with the manufacturing of products.

There have been no significant known breaches of any environmental regulations to which the entity is subject.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company has paid $8,657 (2017: $8,017) in premiums in respect of a contract insuring all the directors of Trajan against legal costs incurred in defending proceedings for conduct other than:
(a) A wilful breach of duty
(b) A contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

INDEMNIFICATION OF AUDITORS

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the period to 30 June 2018 there was no significant change in the state of affairs of the entity other than that referred to in the annual financial report or notes thereto.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

LIKELY DEVELOPMENTS AND FUTURE RESULTS

Disclosure of information regarding likely developments in the operations of the entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the entity. Accordingly this information has not been disclosed in this report.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless stated otherwise).

NON-AUDIT SERVICES

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

RSM Australia Partners received or are due to receive the following amounts for the provision of non-audit services: tax compliance advice nil (2017: nil), employment advice nil (2017: nil), special audits $6,000 (2017: nil).

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. Trajan was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s307C of the *Corporations Act 2001* is set out on page 6.

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

Stephen Andrew Tomisich
Chairman

Dated this 31st day of October 2018

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Trajan Holdings Pty Ltd for the 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.

RSM

RSM AUSTRALIA PARTNERS

P A RANSOM
Partner

Date: 31 October 2018
Melbourne, Victoria

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2018

	Notes	Consolidated 30 June 2018 $'000	Consolidated 30 June 2017 $'000
Revenue			
Sale of goods		57,193	54,293
Cost of sales		(32,976)	(30,025)
Gross Profit		24,217	24,268
Other income	2a	(302)	1,270
Selling expenses		(429)	(529)
Advertising expenses	2b	(342)	(427)
Employee and Directors benefits expenses	2c	(16,003)	(16,686)
Occupancy expenses		(1,183)	(2,027)
Operational expenses		(635)	(1,181)
Communication expenses		(211)	(430)
Travel & Entertainment expenses		(1,233)	(1,405)
Professional and Licence Fees		(1,024)	(823)
Finance expenses	2d	(558)	(561)
Depreciation and Amortisation	2e	(713)	(519)
Other expenses		(1)	2
Profit/(Loss) before income tax		**1,583**	**952**
Income tax benefit/(expense)	3	(135)	(261)
Profit/(Loss) for the year after income tax		**1,448**	**691**
Other Comprehensive Income for the year		785	(465)
Total Other Comprehensive Income for the Year		**2,233**	**226**
Attributable to:			
Equity holders of the parent		2,232	226
Minority interests		1	-
		2,233	**226**

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

Consolidated statement of financial position

as at 30 June 2018

		Consolidated	
	Notes	**30 June 2018 $'000**	**30 June 2017 $'000**
ASSETS			
Current Assets			
Cash and cash equivalents	4	3,546	2,337
Trade and other receivables	5	8,114	7,557
Inventories	6	9,612	9,605
Other current assets	7	978	1,092
Total Current Assets		**22,250**	**20,591**
Non-current assets			
Financial assets	8	2,414	2,375
Property, plant and equipment	9	4,802	4,675
Goodwill and Intangibles	10	1,007	1,007
Deferred tax assets	13	2,072	2,021
Total Non-Current Assets		**10,295**	**10,078**
TOTAL ASSETS		**32,545**	**30,669**
LIABILITIES			
Current liabilities			
Trade and other payables	11	4,204	4,920
Provisions	12	4,929	4,618
Tax liabilities/(asset)	13	(47)	(209)
Interest bearing loans and borrowings	14	9,069	6,387
Total Current Liabilities		**18,155**	**15,716**
Non Current liabilities			
Provisions	12	715	769
Interest bearing loans and borrowings	14	48	2,790
Total Non Current Liabilities		**763**	**3,559**
TOTAL LIABILITIES		**18,918**	**19,275**
NET ASSETS		**13,627**	**11,394**
EQUITY			
Contributed equity		3	3
Retained Earnings		12,668	11,220
Foreign Currency Translation Reserve		956	171
TOTAL EQUITY		**13,627**	**11,394**

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

Consolidated statement of cash flows

for the year ended 30 June 2018

	Notes	Consolidated 30 June 2018 $'000	Consolidated 30 June 2017 $'000
Cash flows from operating activities			
Receipts from customers		56,749	53,849
Payments to employees		(31,479)	(31,368)
Income tax (paid)/received		(113)	100
Interest income		177	196
Finance expenses		(426)	(561)
Payments to suppliers		(23,214)	(20,109)
Net cash flows from operating activities	**17**	**1,694**	**2,107**
Cash flows from investing activities			
Purchase of property plant and equipment		(618)	(1,797)
Net cash flows from / (used in) investing activities		**(618)**	**(1,797)**
Cash flows from financing activities			
Proceeds from borrowings		3,625	1,049
Repayment of borrowings		(3,685)	(1,053)
Net cash flows from / (used in) financing activities		**(60)**	**(4)**
Net increase/(decrease) in cash and cash equivalents		1,016	306
Net foreign exchange difference		193	(56)
Cash and cash equivalents at beginning of the period		2,337	2,087
Cash and cash equivalents at end of the period	**4**	**3,546**	**2,337**

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

Consolidated statement of changes in equity

for the year ended 30 June 2018

2018	Entity Contributed Equity $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 01 July 2017	**3**	**171**	**11,220**	**11,394**
Profit for the period	-	-	1,448	1,448
Other comprehensive income	-	785	-	785
Total comprehensive income for the year	**3**	**956**	**12,668**	**13,627**
Transactions with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Dividends paid	-	-	-	-
Balance at 30 June 2018	**3**	**956**	**12,668**	**13,627**

2017	Entity Contributed Equity $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 01 July 2016	**3**	**636**	**10,529**	**11,168**
Profit for the period	-	-	691	691
Other comprehensive income	-	(465)	-	(465)
Total comprehensive income for the year	**3**	**171**	**11,220**	**11,394**
Transactions with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Dividends paid	-	-	-	-
Balance at 30 June 2017	**3**	**171**	**11,220**	**11,394**

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

Notes to the Financial Statements

for the year ended 30 June 2018

1 Corporate Information

The consolidated financial statements of Trajan Holdings Pty Ltd and its subsidiaries (collectively, Trajan or the Group) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 31st October 2018.

Trajan is a company limited by shares incorporated in Australia. The nature of the operations and principal activities of the company are described in the directors' report.

Basis of preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the Corporations Act 2001. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the Corporations Act 2001 and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

(a) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant rate of change in value.

For the purposes of the Statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of financial position.

(b) Provisions and employee benefits

General
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
When the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.
Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects the current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Warranty provisions
Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Restructuring provisions
Restructuring provisions are recognised only when the recognition criteria for provisions are fulfilled. The Group has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected have been notified of the plan's main features.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee leave benefits

Short-term employee benefits
Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits
Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within twelve months after the end of the annual reporting period in which the employees render the related service.

Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the re-measurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

Obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least twelve months after the end of the reporting period, in which case the obligations are presented as current provisions.

(c) Income Tax and other taxes

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current Income Tax
Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred Tax
Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to terms that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement of simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where:
a) a legally enforceable right of set-off exists; and
b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liability are expected to be recovered or settled.

(d) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:
- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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

(e) Goodwill and intangibles

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over Trajan's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating unit(s) that is expected to benefit from the synergies of the combination. Trajan is viewed as a single cash-generation unit.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Trajan performs its impairment testing as at 30 June each year using a value in use, discounted cash flow methodology.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

Intangible assets acquired both separately and from a business combination
Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure was incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss when the asset is derecognised.

(f) Impairment of non- financial assets other than goodwill

The company conducts an annual review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit). Non-financial assets other than goodwill that have previously been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(g) Trade and other payables

Trade payables and other payables are carried at amortised costs and are not discounted due to their short term nature. They represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are not secured and are usually paid within 30 days of recognition.

(h) Leases

Finance Leases
Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including and guaranteed residual values. Lease payments are allocated between the reduction of lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Operating Leases
Leases where the lessor retains substantial risks and reward of ownership are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Trajan has entered into commercial property leases for premises used for sales and distribution, warehousing, research and development, manufacturing and operating activities. The company has classified the leases as operating leases as the lessor retains all of the risks and rewards of ownership.

(i) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials
Purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.

Finished goods and work-in-progress
Cost comprises of direct materials, labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(j) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables, which generally have thirty to sixty day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.
Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified.

An impairment provision is recognised when there is objective evidence that the company will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than ninety days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(k) Property, Plant and Equipment

Property, Plant and Equipment
Freehold land and buildings, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight line basis over useful life commencing from the time the asset is held ready for use as follows:

Leasehold Improvements – 5 to 30 years.	Plant and equipment – 3 to 15 years.
Motor Vehicles – 4 to 6 years.	Furniture and Fittings – 5 to 20 years.
Computer Software – 2 to 5 years.	Computer Equipment – 2 to 10 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting period. When no future economic benefits are expected to arise from the continued use of an item of property, plant and equipment, it is derecognised. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognised.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised immediately in profit or loss. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings

(l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax.

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

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods and the costs in respect of the transaction can be reliably measured. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Provision of services
Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Dividends
Revenue is recognised when Trajan's right to receive the payment is established.

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

(m) Contributed equity

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

(n) Foreign currency translation

Functional and presentation currency
Both the functional and presentation currency of Trajan is Australian dollars ($).

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(o) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

(p) Financial Assets

Investments in subsidiaries held by Trajan are accounted for at cost in the separate financial statements of Trajan less any impairment charges.

Dividends received from subsidiaries are recorded as a component of other income in the income statement and do not impact the recorded cost of the investment.

Upon receipt of dividend payments from related parties, Trajan will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

(q) Business Combinations

Business combinations occur where an acquirer obtains control over one or more Businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination other than those associated with the issue of a financial instrument are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a Net Purchase Consideration.

(r) Research and Development

Trajan invests in research and development activities directly and partners with industry experts to help accelerate new product development. Partnering is an important priority for Trajan as it significantly increases the quantum, breadth of experience and scale of resources focussed on research and development of new technologies and products for target markets globally, driving future revenue growth.

During the financial year ended 30 June 2018 $3.8 million (2017: $4.3 million) was invested in research and development applied over a large number of projects.

(s) Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by Accounting Standards or as a result of changes in accounting policy.

(t) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

(u) New Accounting Standards for Application in Future Periods

Early adoption of Accounting Standards / Interpretations at the date of this financial report AASB 9, AASB15 and AASB 16, which may impact the entity in the period of initial application, have been issued but are not yet effective. These new Standards and Interpretations have not been applied in the presentation of this financial report. Other than changes to disclosure formats, it is not expected that the initial application of these Standards and Interpretations in the future will have any impact.

2. REVENUES AND EXPENSES

	30 June 2018 $'000	30 June 2017 $'000
a) Other Income		
Realised/Unrealised foreign currency gains/(losses)	(592)	409
Management Fees (related parties)	113	259
Government Grants	-	270
Interest	177	196
Insurance claim recovery	-	35
Sundry income	-	101
Total other income	**(302)**	**1,270**
b) Advertising Expenses		
Sales Conferences	(44)	(102)
Advertising & Promotion	(110)	(104)
Exhibitions & trade shows	(134)	(186)
Advertising allocated to cost of goods sold	3	-
Other Advertising expenses	(57)	(35)
Total Advertising expense	**(342)**	**(427)**
c) Employee and Directors benefits expense		
Salaries and wages	(26,715)	(26,290)
Superannuation	(2,410)	(2,955)
Benefits allocated to cost of goods sold	16,117	15,116
Taxes, Insurance & Amenities	(2,995)	(2,557)
Total salaries and employee benefits expense	**(16,003)**	**(16,686)**
d) Finance expenses		
Bank & sundry charges	(140)	(132)
Vendor Loan Interest	(158)	(231)
Interest and Administration expense	(260)	(197)
Bad Debts & Impairments	-	-
Finance expenses allocated to cost of goods sold	-	-
Total Finance expenses	**(558)**	**(561)**
e) Depreciation and amortisation		
Depreciation & Amortisation	(1,077)	(837)
Depreciation allocated to cost of goods sold	371	332
Minor assets expensed	(7)	(14)
Total Depreciation and amortisation expense	**(713)**	**(519)**

3. INCOME TAX EXPENSE

	30 June 2018 $'000	30 June 2017 $'000
Income tax benefit /(expense) reported in the Income Statement	(135)	(261)
A reconciliation between tax expense and the product of accounting profit multiplied by Australia's domestic tax rate as follows:		
Accounting Profit/(Loss) before income tax	1,583	952
At Australia's income tax rate of 30% (2015: 30%)	(475)	(286)
Tax effect of;		
Over-provision of tax in prior periods	77	(57)
Recognition of prior tax losses	-	-
Research & Development Tax Benefit	323	360
Effect of different tax rates in overseas entities	83	-
Other	(143)	(279)
Income Tax Benefit / (Expense)	**(135)**	**(261)**

4. CASH AND CASH EQUIVALENTS

	30 June 2018 $'000	30 June 2017 $'000
For the purposes of the statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	3,546	2,337
Total Cash and Cash Equivalents	**3,546**	**2,337**

5. TRADE AND OTHER RECEIVABLES

	30 June 2018 $'000	30 June 2017 $'000
Trade Receivables	8,114	7,557
Total Trade and Other Receivables	**8,114**	**7,557**

Trade receivables are non-interest bearing and are generally on 30-90 day terms.

6. INVENTORIES

	30 June 2018 $'000	30 June 2017 $'000
Raw Materials	3,224	3,115
Work in Progress	2,856	2,213
Finished Goods	4,919	5,786
Provision for Stock Obsolescence	(1,387)	(1,509)
Total Inventories	**9,612**	**9,605**

7. OTHER CURRENT ASSETS

	30 June 2018 $'000	30 June 2017 $'000
Prepayments	964	722
Foreign exchange contracts	-	351
Deposits on Purchases	14	19
Total Other Current Assets	**978**	**1,092**

8. FINANCIAL ASSETS

	30 June 2018 $'000	30 June 2017 $'000
Shares in LBPR Pty Ltd	128	99
Shares in Healthier Delivery Pty Ltd	69	60
Loan to Trajan Property Pty Ltd (related party)	2,217	2,216
Total Financial Assets	**2,414**	**2,375**

9. PLANT & EQUIPMENT

2018 2017 Movements	Plant & Equipment $'000	Furniture & Fittings $'000	Computer Software & Equipment $'000	Motor Vehicles $'000	Leasehold Improvement $'000	Total $'000
Cost at 1 July 2017	3,655	469	1,339	75	1,058	6,596
Exchange rate impact	27	5	12	-	43	87
Additions	727	35	212	-	151	1,125
Disposals	-	-	-	-	-	-
Balance at 30 June 2018	**4,409**	**509**	**1,563**	**75**	**1,252**	**7,808**
Depreciation and Impairment at 1 July 2017	(1,082)	(116)	(463)	(22)	(238)	(1,921)
Exchange rate impact	(13)	(2)	(5)	-	(1)	(21)
Depreciation charge	(560)	(56)	(232)	(13)	(203)	(1,064)
Disposals	-	-	-	-	-	-
Balance at 30 June 2018	**(1,655)**	**(174)**	**(700)**	**(35)**	**(442)**	**(3,006)**
Cost at 30 June 2018	4,409	509	1,563	75	1,252	7,808
Accumulated depreciation and impairment	(1,655)	(174)	(700)	(35)	(442)	(3,006)
Net carrying value at 30 June 2018	**2,754**	**335**	**863**	**40**	**810**	**4,802**

2017 2017 Movements	Plant & Equipment $'000	Furniture & Fittings $'000	Computer Software & Equipment $'000	Motor Vehicles $'000	Leasehold Improvement $'000	Total $'000
Cost at 1 July 2016	2,708	442	1,045	133	810	5,138
Exchange rate impact	(15)	(6)	(8)	-	(24)	(53)
Additions	1,047	41	320	-	272	1,680
Disposals	(85)	(8)	(18)	(58)	-	(169)
Balance at 30 June 2017	**3,655**	**469**	**1,339**	**75**	**1,058**	**6,596**
Depreciation and Impairment at 1 July 2016	(682)	(74)	(303)	(31)	(91)	(1,181)
Exchange rate impact	1	1	5	-	4	11
Depreciation charge	(408)	(43)	(165)	(16)	(152)	(783)
Disposals	7	-	-	25	-	32
Balance at 30 June 2017	**(1,082)**	**(116)**	**(463)**	**(22)**	**(239)**	**(1,921)**
Cost at 30 June 2017	3,655	469	1,339	75	1,058	6,596
Accumulated depreciation and impairment	(1,082)	(116)	(463)	(22)	(239)	(1,921)
Net carrying value at 30 June 2017	**2,573**	**353**	**876**	**54**	**819**	**4,675**

10. GOODWILL AND INTANGIBLES

	30 June 2018 $'000	30 June 2017 $'000
Goodwill on acquisition of Grale business	765	765
hemaPEN development costs	242	242
Total Goodwill and Intangibles	**1,007**	**1,007**

11. TRADE AND OTHER PAYABLES

	30 June 2018 $'000	30 June 2017 $'000
Trade Payables	4,062	4,920
Foreign exchange contracts	142	-
Total Trade and Other Payables	**4,204**	**4,920**

12. PROVISIONS

	30 June 2018 $'000	30 June 2017 $'000
Current Liability		
Annual Leave	2,155	2,094
Long Service Leave	2,774	2,524
Current Provisions	4,929	4,618
Non Current Liability		
Long Term Employee Incentive Plan	276	383
Long Service Leave	439	386
Non-Current Provisions	715	769
Total Provisions	**5,644**	**5,386**

13. TAX

	30 June 2018 $'000	30 June 2017 $'000
Liabilities/(Assets)		
Provision for income tax	**(47)**	**(209)**
Asset		
Deferred Tax Asset	2,547	2,503
Deferred Tax Liability	(475)	(482)
Total Net Deferred Tax Asset Balance	**2,072**	**2,021**

14. INTEREST BEARING LOANS AND BORROWINGS

	30 June 2018 $'000	30 June 2017 $'000
Current Liability		
Lease Unsecured	109	240
Deferred Consideration – secured (1)	-	1,053
Loan HSBC – secured (2)	8,960	5,094
Total Current Liabilities	**9,069**	**6,387**
Non Current Liability		
Lease Unsecured	48	158
Deferred Consideration - secured	-	2,632
Total Non Current Liabilities	**48**	**2,790**
Total Interest Bearing Loans and Borrowings	**9,117**	**9,177**

15. 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:

Name	Principal place of business / Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
Grale Scientific Pty Ltd	Australia	100%	100%
Scientific Glass Manufacturing (UK) Ltd	United Kingdom	100%	100%
Trajan Accelerator Pty Ltd	Australia	100%	100%
Trajan Holdings Pty Ltd	Australia	100%	100%
Trajan Nutrition Pty Ltd [1]	Australia	50%	-
Trajan Scientific Americas Inc	United States	100%	100%
Trajan Scientific and Medical Pty Ltd	Australia	100%	100%
Trajan Scientific Australia Pty Ltd	Australia	100%	100%
Trajan Scientific Europe Ltd [2]	United Kingdom	100%	100%
Trajan Scientific Germany GmbH	Germany	100%	100%
Trajan Scientific Japan Inc	Japan	100%	100%
Trajan Scientific Malaysia P/L	Malaysia	100%	100%
Trajan Scientific Switzerland	Switzerland	100%	-

1. Trajan Nutrition was incorporated on 3rd November 2017. Trajan Holdings Pty Ltd has effective control over Trajan Nutrition Pty Ltd due to its control of the board and management. Trajan directors hold the key positions Chairman on the board of directors and CEO which indicates the capacity to determine the outcome of decisions.

2. Trajan Scientific Europe Ltd includes a branch in France, Trajan Scientific France.

16. COMMITMENTS AND CONTINGENCIES

Trajan has entered into commercial leases on certain premises and computer equipment. At inception these leases have an average life of between three and five years with renewal options applicable to some premises leases. There are no restrictions placed upon Trajan by entering into these leases. These leases are all treated as operating leases.

Premises Lease Commitments

7 Argent Place Ringwood Victoria, Australia

Location of global corporate head office and utilized for research and development, manufacturing, warehousing office administration and sales activities. Lease commenced in January 2018 for an initial term of three years with an additional three year option in January 2021. Operating lease commitments recognized during the year were $679,846 (2017: $708,586).

University of Adelaide, South Australia

Trajan entered into a new operating lease to be utilised as a research and development, and manufacturing node in South Australia. Lease commenced May 2016, for a term of 5 years with a further 5 year option. Operating lease commitments recognized during the year were $11,130 (2017: $13,666).

1.01/5 Celebration Drive, Bella Vista, New South Wales, Australia

Relocation of Australian customer service from Wetherill Park in June 2016. Lease commenced May 2016 with an initial term of 3 years with no further options noted. Operating lease commitments recognized during the year were $46,799 (2017: $44,406).

1421 W Wells Branch Pkwy Pflugerville, TX USA

Utilised by Trajan America for office administration, warehousing, sales and manufacturing activities.
Lease commenced March 2016 for a term of seventy-six (76) months. Operating lease commitments recognized during the year were $186,232 (2017: $190,122).

4643 Mission Gorge Place, Suite B San Diego, CA USA
Utilised by Trajan America for R&D and manufacturing activities. Lease Commenced January 2016 for a term of twelve (12) months, extended to February 2017 by mutual agreement. Operating lease commitments recognized during the year were $nil (2017: $18,595).

7716 Arjons Drice, San Diego, CA USA
Utilised by Trajan America for R&D and manufacturing activities, relocation from 4643 Mission Gorge Place. Lease commenced November 2016 for a term of sixty one (61) months ending December 2021. Operating lease commitments recognized during the year were $96,728 (2017: $39,811).

610 Jones Ferry Rd Suite 100, Carrboro, NC USA
Utilised by Trajan America for office administration, warehousing, sales, R&D, and assembly activities.
Lease commenced April 2016 for a term of twelve (12) months. Operating lease commitments recognized during the year were $nil (2017: $175,558).

Southport Business Park, 101 South Centre Court, Morrisville, NC USA
Utilised by Trajan America for office administration, warehousing, sales, R&D, and assembly activities, relocation from 610 Jones Ferry Road. Lease commenced March 2017 for a term of sixty two (62) months, expiring May 2022. Operating lease commitments recognized during the year were $74,681 (2017: $9,707).

14 Vincent Avenue, Crownhill, Milton Keynes, United Kingdom
Utilised by Trajan Europe for office administration, warehousing and sales activities. Lease commenced January 2014 for an initial term of five years with option to extend for a further term of five years. Operating lease commitments recognized during the year were $42,146 (2017: $43,640).

Suite 3A, Merchants House, Hamilton Place, Chester, United Kingdom
Utilised by Trajan Europe for global marketing activities. Lease commenced September 2015 for an initial term of three years with option to extend for a further term of two years. Operating lease commitments recognized during the year were $34,729 (2017: $49,482).

3F RK Cube Building Otamachi. Nakaku, Yokohama-shi, Kanagawa, Japan
Utilised by Trajan Japan for office administration, warehousing and sales activities. Lease commenced May 2000, requires six months notice to terminate. Operating lease commitments recognized during the year were $70,216 (2017: $73,001).

No 314A, 1st Floor, Jalan Perindustrian Bukit Minyak 18, Penang Science Park, Seberbang Perai Tengah, Penang
Office utilized for manufacturing, warehousing office administration and sales activities. Lease commenced in December 2016 for an initial term of three years with an additional three year option. Operating lease commitments recognized during the year were $66,474 (2017: $58,801).

Total premises lease commitments are 2018 $1,308,981 (2017; $1,425,375)

Total Operating Lease Commitments

Non-cancellable operating leases relating to premises contracted for but not recognized in the financial statements.

	30 June 2018 $'000	**30 June 2017 $'000**
Payable – minimum lease payments:		
- Not later than 12 months	1,254	947
- Between 12 months and five years	1,899	1,471
- Later than five years	-	-
	3,153	**2,418**

Computer Equipment Financing Lease Commitments

Pronto Software
During the years ending 30 June 2016 and 30 June 2017 Trajan entered into seven (7) separate financing lease contracts for expenses associated with the acquisition and implementation of the Pronto Software System. The new Pronto system was commissioned on 1st November 2016. Total software lease commitments are 2018 $250,506 (2017 $: 210,374)

Total Financing Lease Commitments

Non-cancellable finance leases relating to software contracted for but not recognized in the financial statements.

	30 June 2018 $'000	30 June 2017 $'000
Payable – minimum lease payments:		
- Not later than 12 months	116	227
- Between 12 months and five years	49	198
- Later than five years	-	-
	165	**425**

17. CASH FLOW INFORMATION

(a) Reconciliation of cashflow from operations, with profit after income tax.

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Profit after income tax	**1,448**	**691**
Non Cash flows in profit:		
- Depreciation	713	851
- Net loss/(gain) on disposal of assets	-	-
Net (increase) / decrease in operating assets		
- Trade and other receivables	(557)	(455)
- Inventory	(7)	(575)
- Deferred tax assets	(51)	425
- Other assets	553	(518)
Net increase / (decrease) in operating liabilities		
- Trade and other payables	(716)	1,248
- Provisions	311	450
- Income tax payable	-	(10)
Net cash provided by/(used in) operating activities	**1,694**	**2,107**

18. PARENT ENTITY INFORMATION

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

	30 June 2018 $'000	30 June 2017 $'000
STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	460	494
Non-current assets	2,000	2,000
Total Assets	**2,460**	**2,494**
Liabilities		
Current liabilities	320	431
Non-current liabilities	2,000	2,000
Total Liabilities	**2,320**	**2,431**
Equity		
Contributed equity	140	63
Total Equity	**140**	**63**
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total comprehensive income for the year	140	63
	140	**63**

19. EVENTS AFTER THE BALANCE SHEET DATE

No events occurred between the balance sheet date and the date when these financial statements were authorised for issue.

20. DIVIDENDS PAID AND PROPOSED

No dividends were declared or paid to related parties during the year ended 30 June 2018 (2017: $Nil).

Directors' Declaration

In accordance with a resolution of the directors of Trajan Holdings Pty Ltd, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the entity are prepared in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the entity's financial position as at 30 June 2018 and of its performance for the period ended on that date; and
- (ii) complying with Accounting Standards as described in Note 1 to the financial statements

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

On behalf of the Board

Stephen Tomisich
Chairman

Melbourne
This 31st day of October 2018.

RSM Australia Partners
Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007
T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199
www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT
To the Members of Trajan Holdings Pty Ltd

Opinion

We have audited the financial report of Trajan Holdings Pty Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of 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 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.

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.

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 have 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

RSM

RSM AUSTRALIA PARTNERS

Philip A Ransom

P A RANSOM
Partner

Dated: 31 October 2018
Melbourne, Victoria