

Primero Group Pty Limited

ABN 96 149 964 045

Annual Report - 30 June 2017

Primero Group Pty Limited
Directors' report
30 June 2017

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2017.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Cameron Henry
Dean Ercegovic
Peter Grigsby
Ben Davies
Brett Grosvenor (Appointed 10th October 2016)

Principal activities

During the financial year the principal continuing activities of the company consisted of:

- Engineering and Design in the resources sector
- Construction in the resources sector
- Commissioning in the resources sector

Dividends

Dividends paid during the financial year were as follows:

	2017 \$	2016 \$
Final dividend for the year ended 30 June 2017 of \$1.63 (2016: \$23.59) per ordinary share	109,201	1,509,411

Review of operations

The profit (loss) for the company after providing for income tax amounted to \$1,151,142 (30 June 2016: \$954,466).

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation

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

Shares under option

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

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

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

Rounding of amounts

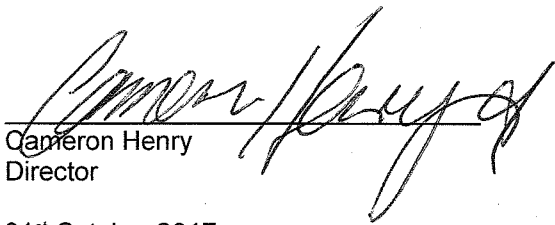
The company has applied the relief available to it under Australian Securities and Investment Commission Corporations (Rounding in Financial/Directors Report) Instrument 2016/191. Accordingly amounts in the financial statements have been rounded off to the nearest \$1,000.

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors


Cameron Henry
Director

31st October 2017

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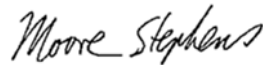
**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION
307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS
OF PRIMERO GROUP PTY LTD**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017, there have been:

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



NEIL PACE
PARTNER



MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 31st day of October 2017.

Primero Group Pty Limited

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30 June 2017

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General information

The financial statements cover Primero Group Pty Limited as an individual entity. The financial statements are presented in Australian dollars, which is Primero Group Pty Limited's functional and presentation currency.

Primero Group Pty Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

78 Hasler Road
OSBORNE PARK WA 6017

Principal place of business

78 Hasler Road
OSBORNE PARK WA 6017

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31st October 2017. The directors have the power to amend and reissue the financial statements.

Primero Group Pty Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Revenue	3	52,140	32,939
Other income	4	126	156
Expenses			
Cost of Sales	5	(46,617)	(28,185)
Bad Debts		-	(49)
Depreciation and amortisation expense	5	(565)	(539)
Other expenses		(3,017)	(2,609)
Finance costs	5	(405)	(354)
Profit (loss) before income tax expense		1,662	1,359
Income tax expense		(511)	(404)
Profit (loss) after income tax expense for the year attributable to the owners of Primero Group Pty Limited	22	1,151	955
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Primero Pty Limited		<u>1,151</u>	<u>955</u>

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

Primero Group Pty Limited
Statement of financial position
As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	13	-	1,590
Trade and other receivables	6	5,934	5,126
Inventories	7	1,078	588
Other	8	6,781	1,243
Total current assets		<u>13,793</u>	<u>8,547</u>
Non-current assets			
Property, plant and equipment	9	3,223	2,176
Intangibles	10	57	73
Deferred tax	11	187	106
Investments in Other Companies	12	150	10
Total non-current assets		<u>3,617</u>	<u>2,365</u>
Total assets		<u>17,410</u>	<u>10,912</u>
Liabilities			
Current liabilities			
Cash and cash equivalents	13	268	-
Trade and other payables	14	7,123	5,734
Borrowings	15	1,419	868
Income tax	16	593	348
Employee benefits	17	625	377
Provisions	18	22	21
Other	19	2,121	33
Total current liabilities		<u>12,171</u>	<u>7,381</u>
Non-current liabilities			
Borrowings	20	1,514	1,052
Total non-current liabilities		<u>1,514</u>	<u>1,052</u>
Total liabilities		<u>13,685</u>	<u>8,433</u>
Net assets		<u>3,725</u>	<u>2,479</u>
Equity			
Issued capital	21	348	144
Retained profits	22	3,377	2,335
Total equity		<u>3,725</u>	<u>2,479</u>

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

Primero Group Pty Limited
Statement of changes in equity
For the year ended 30 June 2017

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2015	144	0	2,890	3,034
Profit (Loss) after income tax expense for the year	-	-	955	955
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	955	955
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 23)	-	-	(1,510)	(1,510)
Balance at 30 June 2016	<u>144</u>	<u>0</u>	<u>2,335</u>	<u>2,479</u>
	Issued capital \$'000	Reserves \$'000	Retained Profits \$'000	Total equity \$'000
Balance at 1 July 2016	144	0	2,335	2,479
Profit after income tax expense for the year	-	-	-	-
Other comprehensive income for the year, net of tax	-	-	1,151	1,151
Total comprehensive income for the year	-	-	1,151	1,151
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 23)	-	-	(109)	(109)
Issue of Shares (note 21)	204	-	-	204
Balance at 30 June 2017	<u>348</u>	<u>0</u>	<u>3,377</u>	<u>3,725</u>

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

Primero Group Pty Limited
Statement of cash flows
For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		48,951	30,938
Payments to suppliers and employees (inclusive of GST)		(48,872)	(31,855)
		79	(917)
Interest received		23	49
Other revenue		91	93
Income taxes paid		(348)	(4)
Net cash from operating activities	28	(155)	(779)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,606)	(208)
Proceeds from disposal of property, plant and equipment		13	38
Receipts for Investments		110	175
Payments for Investments		(19)	-
Net cash used in investing activities		(1,502)	5
Cash flows from financing activities			
Proceeds from issue of shares		204	-
Dividends paid	23	(109)	(1,510)
Repayment of borrowings		(2,580)	(1,103)
Proceeds from Borrowings		2,343	3,302
Finance Costs		(59)	(18)
Net cash used in financing activities		(201)	671
Net increase (decrease) in cash and cash equivalents		(1,858)	(103)
Cash and cash equivalents at the beginning of the financial year		1,590	1,693
Cash and cash equivalents at the end of the financial year	13	(268)	1,590

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

Note 1. 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.

New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Basis of preparation

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

These are special purpose financial statements that have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of Primero Group Pty Limited. The company is a for profit entity for financial reporting purpose under the Australian Accounting Standards. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the owners of Primero Pty Limited.

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, 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 company'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 2.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Primero Group Pty Limited's functional and presentation currency.

Revenue recognition

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

Rendering of services

Rendering of services revenue is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

Interest

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

Other revenue

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

Note 1. Significant accounting policies (continued)

Income tax

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

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

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

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

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

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

Reduction in corporate tax

The corporate tax rate for eligible companies will reduce from 30% to 25% by 30 June 2027 providing certain turnover thresholds and other criteria are met. Deferred tax assets and liabilities are required to be measured at the tax rate that is expected to apply in the future income year when the asset is realised or the liability is settled. The Directors have determined that the deferred tax balances be measured at the tax rates stated.

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 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 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.

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Note 1. Significant accounting policies (continued)

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 company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable 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.

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

Inventories

Inventories and work in progress are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and estimated costs necessary to make the sale.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3-40 years
Plant and equipment	2-10 years
Motor Vehicles	8 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

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

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Note 1. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software

Significant costs associated with software are deferred and amortised on a diminishing value over the period of their expected benefit, being their finite life of 2.5 years.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

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

Borrowings

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

Finance costs

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

Provisions

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

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 measured at the amounts expected to be paid when the liabilities are settled.

Note 1. Significant accounting policies (continued)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

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.

Issued capital

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.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

Rounding of amounts

The company has applied the relief available to it under Australian Securities and Investment Commission Corporations (Rounding in Financial/Directors Report) Instrument 2016/191. Accordingly amounts in the financial statements have been rounded off to the nearest \$1,000.

New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the company, together with an assessment of the potential impact of such pronouncements on the company when adopted in future periods, are discussed below:

Note 1. Significant accounting policies (continued)

AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors anticipate that the adoption of AASB 9 will not have a significant impact on the company's financial instruments.

AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The directors anticipate that the adoption of AASB 15 will not have a significant impact on the company's financial statements.

AASB 16: *Leases* (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.

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);

Note 1. Significant accounting policies (continued)

- 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.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 2. 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 debtors financial position.

Estimation of useful lives of assets

The company 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

The company assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the company 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 company 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 company recognises liabilities for anticipated tax audit issues based on the company'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 company 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.

Note 3. Revenue

	2017	2016
	\$'000	\$'000
<i>Sales revenue</i>		
Rendering of services	51,121	32,890
	<u>51,121</u>	<u>32,890</u>
<i>Other revenue</i>		
Interest	19	49
	<u>19</u>	<u>49</u>
Revenue	<u><u>52,140</u></u>	<u><u>32,939</u></u>

Note 4. Other income

	2017	2016
	\$'000	\$'000
Net gain on disposal of property, plant and equipment	4	-
Profit on Sale of Investments	31	62
Other	91	94
	<u>91</u>	<u>94</u>
Other income	<u><u>126</u></u>	<u><u>156</u></u>

Note 5. Expenses

	2017 \$'000	2016 \$'000
Profit before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of sales	46,617	28,185
<i>Depreciation</i>		
Leasehold improvements	34	43
Plant and equipment	322	297
Motor Vehicles	170	130
Total depreciation	526	470
<i>Amortisation</i>		
Software	39	69
Total amortisation	39	69
Total depreciation and amortisation	565	539
Interest and finance charges paid/payable	300	192
Debtor Funding Charges	105	162
Finance costs expensed	405	354
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	341	265
<i>Superannuation expense</i>		
Defined contribution superannuation expense	1,767	1,016

Note 6. Current assets - trade and other receivables

	2017 \$'000	2016 \$'000
Trade receivables	5,787	4,998
Less: Provision for impairment of receivables	-	-
	5,787	4,998
Retentions	141	118
Interest receivable	6	10
	5,934	5,126

Primero Group Pty Limited
Notes to the financial statements
30 June 2017

Note 7. Current assets - inventories

	2017 \$'000	2016 \$'000
Work in progress	510	329
Small tools and Consumables	568	259
	<u>1,078</u>	<u>588</u>

Note 8. Current assets - other

	2017 \$'000	2016 \$'000
Accrued revenue	6,567	1,089
Prepayments	200	144
Security deposits	14	10
	<u>6,781</u>	<u>1,243</u>

Note 9. Non-current assets - property, plant and equipment

	2017 \$'000	2016 \$'000
Leasehold improvements - at cost	395	395
Less: Accumulated depreciation	(121)	(87)
	<u>274</u>	<u>308</u>
Plant and equipment - at cost	3,224	2,046
Less: Accumulated depreciation	(1,121)	(800)
	<u>2,103</u>	<u>1,246</u>
Motor Vehicles	1,315	947
Less: Accumulated depreciation	(469)	(325)
	<u>846</u>	<u>622</u>
	<u>3,223</u>	<u>2,176</u>

Note 9. Non-current assets - property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements \$'000	Plant and equipment \$'000	Motor Vehicles \$'000	Total \$'000
Balance at 1 July 2015	351	1,402	738	2,491
Additions	-	141	54	195
Disposals	-	-	(40)	(40)
Depreciation expense	(43)	(297)	(130)	(470)
Balance at 30 June 2016	308	1,246	622	2,176
Additions	-	1,179	403	1,582
Disposals	-	-	(9)	(9)
Depreciation expense	(34)	(322)	(170)	(526)
Balance at 30 June 2017	274	2,103	846	3,223

Property, plant and equipment secured under finance leases

Refer to note 26 for further information on property, plant and equipment secured under finance leases.

Note 10. Non-current assets - intangibles

	2017 \$'000	2016 \$'000
Software - at cost	340	316
Less: Accumulated amortisation	(283)	(243)
	57	57

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Software \$'000	Total \$'000
Balance at 1 July 2015	128	128
Additions	14	14
Amortisation expense	(69)	(69)
Balance at 30 June 2016	73	73
Additions	23	23
Amortisation expense	(39)	(39)
Balance at 30 June 2017	57	57

Note 11. Non-current assets - deferred tax

	2017 \$'000	2016 \$'000
Deferred tax asset	187	106

Note 12. Investment in Other Companies

	2017 \$'000	2016 \$'000
Shares in listed companies	150	10

Note 13. Current liabilities - cash and cash equivalents

	2017 \$'000	2016 \$'000
Cash at bank	1,091	(68)
Cash on deposit	(823)	(1,522)
	268	(1,590)

Note 14. Current liabilities - trade and other payables

	2017 \$'000	2016 \$'000
Trade payables	3,363	2,420
Other payables	3,760	3,314
	7,123	5,734

Note 15. Current liabilities - borrowings

	2017 \$'000	2016 \$'000
Related Parties	633	432
Lease liability	786	436
	1,419	868

Refer to note 20 for further information on assets pledged as security and financing arrangements.

Note 16. Current liabilities - income tax

	2017 \$'000	2016 \$'000
Provision for income tax	593	348

Note 17. Current liabilities - employee benefits

	2017 \$'000	2016 \$'000
Employee benefits	625	377

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the company does not have an unconditional right to defer settlement. However, based on past experience, the company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	2017 \$'000	2016 \$'000
Employee benefits obligation expected to be settled after 12 months	-	-

Note 18. Current liabilities - provisions

	2017 \$'000	2016 \$'000
Audit Fees	22	21
	22	21

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Audit \$'000
2017	
Carrying amount at the start of the year	21
Additional provisions recognised	22
Amounts transferred from non-current	-
Amounts used	(21)
Unused amounts reversed	
Carrying amount at the end of the year	22

Note 19. Current liabilities – other

	2017 \$'000	2016 \$'000
Unearned Revenue	2,121	33
	2,121	33

Note 20. Non-current liabilities - borrowings

	2017 \$'000	2016 \$'000
Lease liability	1,514	1,052
	<u>1,514</u>	<u>1,052</u>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2017 \$'000	2016 \$'000
Lease liability	1,514	1,052
	<u>1,514</u>	<u>1,052</u>

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Note 21. Equity - issued capital

	2017 Shares	2016 Shares	2017 \$'000	2016 \$'000
Ordinary shares - fully paid	66,779	63,989	348	144

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 22. Equity - retained profits

	2017 \$'000	2016 \$'000
Retained profits at the beginning of the financial year	2,335	2,890
Profit after income tax expense for the year	1,151	955
Dividends paid (note 23)	(109)	(1,510)
Retained profits at the end of the financial year	<u>3,377</u>	<u>2,335</u>

Note 23 Equity - dividends

Dividends

Dividends paid during the financial year were as follows:

	2017 \$'000	2016 \$'000
Final dividend for the year ended 30 June 2017 of \$1.63 (2016: \$23.59) per ordinary share	109	1,510

Franking credits

	2017 \$'000	2016 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	626	388

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Moore Stephens, the auditor of the company:

	2017 \$	2016 \$
<i>Audit services – Moore Stephens</i>		
Audit of the financial statements	22,000	21,000
<i>Other services - Moore Stephens</i>		
Preparation of the tax return	-	-
	22,000	21,000

Note 25. Contingent liabilities

Primero Group Pty Ltd has provided bank guarantees to various customers for satisfactory contract performance in the amount of \$891,136.

There are no contingent liabilities other than those listed above.

Note 26. Commitments

	2017 \$'000	2016 \$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	333	398
One to five years	1,005	739
	<u>1,338</u>	<u>1,137</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	903	525
One to five years	1,625	1,133
	<u>2,528</u>	<u>1,658</u>
Total commitment	2,528	1,658
Less: Future finance charges	(228)	(170)
	<u>2,300</u>	<u>1,488</u>
Net commitment recognised as liabilities		
	<u>2,300</u>	<u>1,488</u>
Representing:		
Lease liability - current (note 15)	786	436
Lease liability - non-current (note 20)	1,514	1,052
	<u>2,300</u>	<u>1,488</u>

Operating lease commitments includes warehouses and offices under non-cancellable operating leases expiring within one to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of \$2,475,626 (2016: \$1,588,000) under finance leases expiring within one to five years. Under the terms of the leases, the company has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 27. Events after the reporting period

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 28. Reconciliation of profit after income tax to net cash from operating activities

	2017 \$'000	2016 \$'000
Profit after income tax expense for the year	1,151	955
Adjustments for:		
Depreciation and amortisation	565	539
Net (gain)/Loss on disposal of non-current assets	(34)	(25)
Finance Costs	405	355
Related Party Loan Interest		-
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(1,036)	(1,590)
(Increase)/Decrease in inventories	(490)	(279)
(Increase)/Decrease in deferred tax assets	(81)	51
(Increase)/Decrease in accrued revenue & retentions	(5,501)	472
(Increase)/Decrease in prepayments	(59)	(27)
Increase/(decrease) in trade and other payables	2,343	(1,305)
Increase/(decrease) in provision for income tax	245	348
Increase/(decrease) in employee benefits	248	164
Increase/(decrease) in other provisions	1	-
Increase/(decrease) in unearned revenue	2,088	(437)
Net cash from operating activities	<u>(155)</u>	<u>(779)</u>

Note 29. Non-cash investing and financing activities

	2017 \$'000	2016 \$'000
Acquisition of plant and equipment by means of finance leases	1,657	55
	<u>1,657</u>	<u>55</u>

Primero Group Pty Limited
Directors' declaration
30 June 2017

In the directors' opinion:

- the company is not a reporting entity because there are no users dependent on general purpose financial statements. Accordingly, as described in note 1 to the financial statements, the attached special purpose financial statements have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of Primero Group Pty Limited;
- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards as described in note 1 to the financial statements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2017 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 directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors


Cameron Henry
Director

31st October 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRIMERO GROUP PTY LTD

Opinion

We have audited the financial report of Primero Group Pty Ltd (the Company) which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and directors' declaration.

In our opinion the accompanying financial report of Primero Group Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the period ended; and
- ii. complying with Australian Accounting Standards to extent described in Note 1 and complying with 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 Company in accordance with the 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 with the Code.

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

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 of 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PRIMERO GROUP PTY LTD (CONTINUED)**

Responsibility 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 of the financial report are appropriate to meet the requirements of the *Corporations Act 2001* and to meet the needs of the members. The directors' responsibility also includes such internal controls as the directors determine necessary to enable the preparation of a 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 Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility 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 include the economic decisions of the 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 Standard Board website at www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our audit report.



NEIL PACE
PARTNER



MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 31st day of October 2017.