Hydrox Holdings Pty Ltd and controlled entities

ABN 94 138 990 593

Annual report for year ended 30 June 2019

Your director presents his report on the consolidated entity consisting of Hydrox Holdings Pty Ltd ("the Company") and the entities it controlled at the end of, or during, the financial year ended 30 June 2019. Throughout the report, the company and its controlled entities is referred to as the group.

Directors

The following person was a director of Hydrox Holdings Pty Ltd during the whole of the financial year and up to the date of this report:

David Di Pilla

Principal activities

During the financial year the principal continuing activities of the group consisted of investing in and managing property including repurposing freehold and leasehold properties for leasing to receive rental income and to achieve capital growth. There was no substantial change in the group activities during the year.

Dividends

No dividends have been paid during the financial year. The directors do not recommend a dividend be paid in respect of the financial year (30 June 2018: $nil).

Review of operations

The loss from ordinary activities after income tax amounted to $22,583,000 (30 June 2018 profit : $516,295,000).

Significant changes in the state of affairs

During the year, the group sold 4 investment properties of which 2 were held for sale at the end of the last reporting period for gross proceeds of $43m.

During the financial year, the company exchanged a sale agreement to acquire a leased property at Coffs Harbour, NSW, and a put and call option agreement in relation to another leased property at Upper Coomera, QLD. Deposits were paid in relation to each agreement which have been recorded as Investment Property - Freehold.

There have been no other significant changes in the state of affairs of the group during the year.

Events since the end of the financial year

After the end of the financial year, the group exchanged a sale contract and paid a full deposit for the acquisition of a leasehold property, Hawthorn East, VIC. This property, as well as the 2 properties referred to above, are expected to settle prior to 31 December 2019.

Subsequent to the end of the financial year the group has signed a binding commitment letter with a syndicate of lenders for a new $500 million senior debt facility to replace the existing facilities. The facility is subject to satisfying certain conditions, including successfully completing an equity raising.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

Further information on likely developments in the operations of the group and the expected results of operations have not been included in this Annual Report because the director believes it would be likely to result in unreasonable prejudice to the group.

Environmental regulation

The Director of the group is satisfied that adequate systems are in place to manage the group's environmental responsibility and compliance with regulations. The Director of the group is not aware of any material breaches of environmental regulations and, to the best of his knowledge and belief, all activities have been undertaken in compliance with environmental requirements.

Shares under option

No options were granted as remuneration to the directors or any of the five highest remunerated officers of the company and the group during the year or since the end of the year.

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year, Hydrox Holdings Pty Ltd paid a premium to insure the executive officers and secretaries of the company and controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

(b) Indemnity of auditors

Hydrox Holdings Pty Ltd has not agreed to indemnify their auditors, PwC.

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.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

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 page 4.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the director's report. Amounts in the director's report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors.

David Di Pilla
Director

Sydney
23 August 2019

Auditor's Independence Declaration

As lead auditor for the audit of Hydrox Holdings Pty Ltd for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of 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.

This declaration is in respect of Hydrox Holdings Pty Ltd and the entities it controlled during the period.

Adam Thompson
Partner
PricewaterhouseCoopers

Sydney
23 August 2019

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Hydrox Holdings Pty Ltd and controlled entities

ABN 94 138 990 593

Annual report - 30 June 2019

These financial statements are the consolidated financial statements of Hydrox Holdings Pty Ltd and its controlled entities. A list of subsidiaries is included in note 28. The financial statements are presented in Australian dollars ($).

Hydrox Holdings Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Hydrox Holdings Pty Ltd
19 Bay Street
Double Bay NSW 2028

A description of the nature of the consolidated entity's operations and its principal activities is included in the director's report on page 1, which is not part of these financial statements.

The financial statements were authorised for issue by the director on 23 August 2019. The director has the power to amend and reissue the financial statements.

Hydrox Holdings Pty Ltd and controlled entities
Consolidated statement of comprehensive income
For the year ended 30 June 2019

	Notes	**30 June 2019 $'000**	30 June 2018 $'000
Revenue			
Property income		**49,246**	14,156
Expenses			
Property expenses		**(30,505)**	(14,114)
Corporate expenses		**(7,876)**	(3,810)
Reorganisation costs incurred prior to change in control	7	**-**	(49,349)
		10,865	(53,117)
Unrealised gain/(loss) including change in fair value through profit or loss			
Investment properties - freehold	13	**3,194**	74,725
Investment properties - leasehold	14	**1,837**	-
Impairment reversal	7	**-**	378,551
Realised gain - sale of investment properties		**153**	2,616
Operating profit		**16,049**	402,775
Finance costs - net	8	**(45,930)**	(14,744)
(Loss)/profit before income tax		**(29,881)**	388,031
Income tax benefit	9	**7,298**	128,277
(Loss)/profit for the year		**(22,583)**	516,308
Items that may be reclassified to profit or loss			
Reversal of reserves	22(a)	**-**	(13)
Other comprehensive income for the year, net of tax		**-**	(13)
Total comprehensive income for the year		**(22,583)**	516,295
(Loss)/profit is attributable to:			
Owners of Hydrox Holdings Pty Ltd		**(22,583)**	516,308
Total comprehensive income for the year is attributable to:			
Owners of Hydrox Holdings Pty Ltd		**(22,583)**	516,295

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	**30 June 2019 $'000**	30 June 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	**36,288**	29,501
Trade and other receivables	12	**23,628**	6,145
Assets classified as held for sale	10	**11,639**	19,500
Total current assets		**71,555**	55,146
Non-current assets			
Receivables	12	**-**	10,791
Investment properties - Freehold	13	**771,049**	704,673
Investment properties - Leasehold	14	**129,911**	-
Deferred tax assets	15	**135,575**	128,277
Total non-current assets		**1,036,535**	843,741
Total assets		**1,108,090**	898,887
LIABILITIES			
Current liabilities			
Trade and other payables	16	**28,105**	23,143
Borrowings	17	**332,866**	-
Provisions	18	**-**	44,571
Employee benefit obligations	19	**630**	266
Lease liabilities	20	**14,183**	-
Total current liabilities		**375,784**	67,980
Non-current liabilities			
Borrowings	17	**78,397**	270,144
Provisions	18	**3,410**	114,226
Lease liabilities	20	**226,545**	-
Total non-current liabilities		**308,352**	384,370
Total liabilities		**684,136**	452,350
Net assets		**423,954**	446,537
EQUITY			
Contributed equity	21	**3,291,155**	3,291,155
Reserves	22(a)	**486,659**	486,659
Accumulated losses	22(b)	**(3,353,860)**	(3,331,277)
Total equity		**423,954**	446,537

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Notes	Attributable to owners of Hydrox Holdings Pty Ltd and controlled entities: Contributed equity $'000	Other reserves $'000	Profits reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017		3,486,444	13	-	(3,360,926)	125,531
Profit for the year		-	-	-	516,308	516,308
Other comprehensive income		-	(13)	-	-	(13)
Transfer to profits reserve		-	-	486,659	(486,659)	-
Total comprehensive income for the year		**-**	**(13)**	**486,659**	**29,649**	**516,295**
Transactions with owners in their capacity as owners:						
Share buy-back	21	(195,289)	-	-	-	(195,289)
Balance at 30 June 2018		**3,291,155**	**-**	**486,659**	**(3,331,277)**	**446,537**
Balance at 1 July 2018		3,291,155	-	486,659	(3,331,277)	446,537
Loss for the year		-	-	-	(22,583)	(22,583)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**-**	**(22,583)**	**(22,583)**
Balance at 30 June 2019		**3,291,155**	**-**	**486,659**	**(3,353,860)**	**423,954**

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

Hydrox Holdings Pty Ltd and controlled entities
Consolidated statement of cash flows
For the year ended 30 June 2019

	Notes	30 June 2019 $'000	30 June 2018 $'000
Cash flows from operating activities			
Receipts from vendors and tenants (inclusive of goods and services tax)		**35,922**	12,131
Payments to suppliers and employees (inclusive of GST)		**(42,769)**	(360,461)
		(6,847)	(348,330)
Interest received		**485**	397
Finance costs paid		**(25,426)**	(21,796)
Net cash (outflow) from operating activities	31	**(31,788)**	(369,729)
Cash flows from investing activities			
Payments for property, plant and equipment (leasehold improvements)		**-**	(11,804)
Payments for repurposing of investment properties		**(103,899)**	(72,418)
Proceeds from sale of properties		**-**	412,823
Proceeds from sale of investment properties		**41,771**	-
Changes to restricted cash		**725**	(7,836)
Net cash (outflow) inflow from investing activities		**(61,403)**	320,765
Cash flows from financing activities			
Proceeds from borrowings		**138,866**	276,799
Principle elements of lease payments		**(28,809)**	-
Loan to/from related party		**(9,354)**	(121,303)
Payments for shares bought back		**-**	(195,289)
Net cash inflow (outflow) from financing activities		**100,703**	(39,793)
Net increase (decrease) in cash and cash equivalents		**7,512**	(88,757)
Cash and cash equivalents at the beginning of the financial period		**21,665**	110,422
Cash and cash equivalents at end of period	11	**29,177**	21,665

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

Contents of the notes to the financial statements

1 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Hydrox Holdings Pty Ltd and its controlled entities.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Hydrox Holdings Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Hydrox Holdings Pty Ltd and controlled entities group also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments), and certain classes of investment; and
- assets held for sale - measured at fair value less costs of disposal.

(iii) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time in the annual reporting period commencing 1 July 2018:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*
- AASB 16 *Leases*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration.*

The group had to change its accounting policies and has made adjustments to the accounting under the accounting standards from 1 July 2018 following the adoption of AASB 9 and AASB 15 and AASB 16 (which was early adopted). This is disclosed in note 2.

The group has elected to apply AASB 16 *Leases* in accordance with the transition provisions in AASB 16 retrospectively with the cumulative effect of initially applying the new standard recognised on 1 July 2018. Comparatives for the 2018 financial year have not been restated. These leases were previously classified as "operating leases" under the principles of AASB 117, whereby the leases were classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) Going concern

As at 30 June 2019 the group had current liabilities that exceeded current assets by $304.229 million and bank facilities of $415.665 million allocated across two facilities that expire in April 2020 and July 2020.

Subsequent to the end of the financial year the group has signed a binding commitment letter with a syndicate of lenders for a new $500 million senior debt facility that is subject to satisfying certain conditions, including successfully completing an equity raising. The group intends to use this facility to replace the existing facilities of $415.665 million as at 30 June 2019. In the event that the group does not satisfy the conditions in the commitment letter the group will need to arrange a new finance facility and may also need to raise further capital from its existing shareholders to continue as a going concern. The group is confident of satisfying the conditions in the commitment letter and if events out of the group's control impact the group's ability to satisfy the conditions in the commitment letter the group is confident of raising alternate bank facilities against the existing property values and also raising further equity from the existing shareholders to continue as a going concern.

Accordingly, the annual report has been prepared on a going concern basis. However, while the Director is confident of the group continuing as a going concern, meeting debt obligations on the existing facilities and being able to continue to fund the business expansion, the going concern is dependent on replacing the facilities that mature in April 2020 and July 2020 and raising equity. As a result of the group being dependent on the above matters, there is a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

(b) Principles of consolidation

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

The acquisition method of accounting is used to account for business combinations by the group.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and consolidated balance sheet respectively.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars ($), which is Hydrox Holdings Pty Ltd and controlled entities' functional and presentation currency.

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(d) Revenue

Revenue is recognised for the major business activities using the methods outlined below.

Rental income

Rental income comprises the majority of the group's revenue and is generated through operating leases which create a legally enforceable right of use of the underlying assets by the tenant and require the group to provide other services. Base rent is brought to account on a straight-line basis over the lease term for leases with fixed rate or guaranteed minimum rent review clauses, net of incentives. If not received at balance date, rental income is reflected in the consolidated balance sheet as a receivable.

Outgoings recoveries

The group recognises direct and indirect outgoings based on actual costs incurred in accordance with the terms of the related leases. Actual costs reflect the service provided. The amount of recoveries revenue is determined by the actual cost incurred and the terms in the lease. The outgoings recovered are recognised over the period the services are provided.

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1 Summary of significant accounting policies (continued)

(e) Income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Tax consolidation legislation

Effective from 20 October 2009, Hydrox Holdings Pty Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Hydrox Holdings Pty Ltd, and the controlled entities, as stated in note 28, in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone tax payer in its own right.

In addition to its own current and deferred tax amounts, Hydrox Holdings Pty Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Hydrox Holdings Pty Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Hydrox Holdings Pty Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from head entity, which is issued as soon as practicable after the end of each financial period. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

1 Summary of significant accounting policies (continued)

(f) Leases

The group leases various properties under head lease agreements (ground leases) for the sub-letting to tenants. Leases range in term from 4 to 16 years. Lease terms are negotiated on an individual basis and contain a wide range of different term and conditions.

Leases are recognised as a right of use asset and a corresponding liability at the date at which the lessee obtains control over the use of the asset. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period so as to provide a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is valued in accordance with the investment property accounting policy set out in note 1(k).

Lease liabilities are measured at the present value of the lease payments expected to be payable under lease agreements, discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right of use assets are measured at fair value. The fair value reflects the expected cash flows, including variable lease payments that are expected to become payable. The value of any recognised lease liability is then added back to the fair value to determine the carrying amount of the investment property.

(g) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

(h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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, and bank overdrafts.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Trade receivables are usually settled within 30 days and therefore are all classified as current.

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables that considers the followings:

- probability that the debtor will enter bankruptcy or financial reorganisation, and probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within property expenses. Subsequent recoveries of amounts previously written off are credited against property expenses.

1 Summary of significant accounting policies (continued)

(j) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

(k) Investment properties

Freehold

Investment properties being freehold properties are held for long term rental yields and capital growth and are carried at fair value. Changes in fair value are presented on the statement of profit and loss. Gains and losses resulting from the sale of freehold property is measured as the difference between the latest carrying value of the asset at the date of disposal and is recognised when control over the property has been transferred.

Leasehold

The group holds investment properties that are located on leased land. In turn these leases are often for long periods of time. The group is a lessee in respect of the lease and applies AASB 16 *Leases* to these leases.

Right of use assets are measured at fair value. The fair value reflects the expected cash flows, including variable lease payments that are expected to become payable. The value of any recognised lease liability is then added back to the fair value to determine the carrying amount of the investment property.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1 Summary of significant accounting policies (continued)

(m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the year of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

(n) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(o) Make good provision

The group is required to restore the leased premises of its leasehold properties held for rental income to their original condition at the end of their respective lease terms.

A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the leasehold accounting for the investment properties as described in note 1(k).

(p) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

1 Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

(ii) Other long-term employee benefit obligations

The group has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(q) Contributed equity

Ordinary shares are classified as equity where consideration is paid, including any directly attributable costs that is deducted from equity attributable to the owners of the company.

(r) Profits reserve

The profits reserve is an amount allocated from retained earnings available for distribution as dividends in future years.

(s) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting year but not distributed at the end of the reporting year.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or payables in the consolidated balance sheet.

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 taxation authority, are presented as operating cash flows.

Commitments and contingencies set out in notes 26 and 25 are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(u) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

1 Summary of significant accounting policies (continued)

(v) Parent entity financial information

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the financial statements of the company. Dividends and distributions from trusts received from controlled entities are recognised in the parent entity's profit or loss when its right to receive the dividend is established. A dividend reserve is recognised in the parent accounts when distributions and dividends are received.

2 Changes in accounting policies

This note explains the impact of the adoption of new accounting standards AASB 9 *Financial Instruments*, AASB *15 Revenue from Contracts with Customers* and *AASB 16 Leases* on the group's financial statements. As a result of the changes in the entity's accounting policies, prior year financials were not required to be updated because the new rules did not affect the comparative information.

(a) AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. There is no hedge accounting.

There are no adjustments made to line items in the statement of comprehensive income for the year ended 30 June 2018.

As a result, there is no impact on the group's retained earnings as at 1 July 2018.

(i) Classification and measurement

On 1 July 2018 (the date of initial application of AASB 9), management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate AASB 9 categories.

On the date of initial application, 1 July 2018, the financial instruments of the group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (AASB 139)	New (AASB 9)	Original $'000	New $'000	Difference $'000
Current financial assets					
Cash and cash equivalents	Amortised cost	Amortised cost	29,501	29,501	-
Trade and other receivables	Amortised cost	Amortised cost	6,145	6,145	-
Non-current financial assets					
Receivables	Amortised cost	Amortised cost	10,791	10,791	-
Current financial liabilities					
Trade and other payables	Amortised cost	Amortised cost	23,143	23,143	-

2 Changes in accounting policies (continued)

(a) AASB 9 Financial Instruments (continued)

(ii) Impairment of financial assets

The group has two types of financial assets that are subject to AASB 9's new expected credit loss model:

- trade receivables
- other receivables from transactions outside the usual operating activities of the group.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, no impairment loss was identified.

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

There is no impact on the loss allowance for trade and other receivables during the current reporting period.

(b) AASB 15 Revenue from Contracts with Customers

The group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The adoption of AASB 15 has not resulted in any changes as to how revenue is recognised by the group and as a result there has been no change in the opening retained earnings as at 1 July 2018.

(c) AASB 16 Leases

The group has elected to early apply AASB 16 *Leases*. In accordance with the transition provisions in AASB 16 the new rules have been adopted applying the modified retrospective approach with the cumulative effect of initially applying the new standard recognised on 1 July 2018 (which was nil). Comparatives for the 2018 financial year have not been restated.

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of the previous accounting standard AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate as of 1 July 2018. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2018 was 7.48%.

The associated right-of use assets for property leases were measured in accordance with note 1(f) and 1(k).

The change in accounting policy affected the following items in the balance sheet on 1 July 2018:

- Onerous lease provisions - decrease by $155,387,000
- Investment properties - leasehold (Right-of-use assets) - increase by $94,889,000
- Lease liabilities - increased by $250,276,000.

3 Financial risk management

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the company's functional currency

Amounts recognised in profit or loss and other comprehensive income

During the period, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	30 June 2019 $'000	30 June 2018 $'000
Net gain (losses) recognised in other comprehensive income (note 22(a))		
Other reserves	-	(13)

(ii) Cash flow and fair value interest rate risk

The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. Amounts payable to/receivable from related parties, trade and other payables and trade and other receivables are not impacted by movements in interest rates.

The group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates.

The exposure of the group's borrowing to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting year are as follows:

	30 June 2019 $'000	**% of total loans**	30 June 2018 $'000	% of total loans
Variable rate borrowings - repricing dates:				
6 months or less	**415,665**	**100.0%**	276,799	100.0%
	415,665	**100.0%**	276,799	100.0%

Interest rate sensitivity
A change in the variable interest rate at balance date of +/- 50 bps would impact the Group's cash interest cost for the next 12 months by $2.1 million (30 June 2018: $1.4 million).

Further information on borrowings is provided in note 17.

3 Financial risk management (continued)

(b) Credit risk

(i) Impairment of financial assets

Trade receivables

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses trade receivables have been grouped based on shared credit risks characteristics and the days past due. The expected loss rates are based on the payment profiles of rent due and outgoings charged since the tenants commenced their lease agreement and the historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has determined the retail trading environment to be the most relevant factor associated with the customer and has adjusted the historical loss rates based on expected changes from this factor. The group also considers the guarantees they hold from tenants.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

There is no restatement for the change of accounting policy of impairment of trade receivables. There is no restatement for the change of accounting policy of impairment of other financial assets at amortised cost.

(ii) Net impairment losses on financial assets recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

	30 June 2019 $'000	30 June 2018 $'000
As at 30 June - calculated under AASB 139	-	-
Amounts restated through opening retained earnings	-	-
Increase in loan loss allowance recognised in profit and loss during the year	766	-
As at 30 June calculated under AASB 9	766	-

3 Financial risk management (continued)

(c) Liquidity risk

Management monitors rolling forecasts of the group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 11) on the basis of expected cash flows. In addition, the group's liquidity management policy involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(i) Financing arrangements

The group had access to the following undrawn borrowing facilities at the end of the reporting year:

	30 June 2019 $'000	30 June 2018 $'000
Floating rate		
- Expiring within one year (bank loans)	**12,732**	-
- Expiring beyond one year (bank loans)	**-**	23,201
	12,732	23,201

Refinancing risk is the risk credit is unavailable or is only available at unfavourable interest rates and credit market conditions resulting in an unacceptable increase in the company's interest cost. Refinancing risk arises when the company is required to obtain debt to fund existing and new debt positions.

The company manages the risk by spreading sources, and counter parties of borrowings to minimise debt concentration risk, allowing access to funds in a manner that reduces risk of refinance and reducing interest costs and refinance amounts. As at 30 June 2019 the company's exposure to refinance risk was managed through having arranged new debt facilities from three sources that will be available before the existing facility expires.

(ii) Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

3 Financial risk management (continued)

(c) Liquidity risk (continued)

(ii) Maturities of financial liabilities (continued)

The amounts disclosed in the table are the contractual undiscounted cash flows except for lease liabilities which are discounted.

Contractual maturities of financial liabilities **At 30 June 2019**	**Less than 6 months $'000**	**6 - 12 months $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount (assets)/ liabilities $'000**
Non-derivatives							
Trade and other payables	**28,105**	**-**	**-**	**-**	**-**	**28,105**	**28,105**
Borrowings	**-**	**337,268**	**78,397**	**-**	**-**	**415,665**	**415,665**
Lease liabilities	**6,885**	**7,298**	**16,248**	**55,129**	**155,168**	**240,728**	**240,728**
Total non-derivatives	**34,990**	**344,566**	**94,645**	**55,129**	**155,168**	**684,498**	**684,498**
At 30 June 2018							
Non-derivatives							
Trade and other payables	23,143	-	-	-	-	23,143	23,143
Borrowings	-	-	276,799	-	-	276,799	276,799
Total non-derivatives	23,143	-	276,799	-	-	299,942	299,942

(d) Recognised fair value measurements - Non-financial assets

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Investment properties				
Freehold	**-**	**-**	**771,049**	**771,049**
Leasehold	**-**	**-**	**129,911**	**129,911**
Total non-financial assets	**-**	**-**	**900,960**	**900,960**

30 June 2018	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Investment properties				
Freehold	-	-	704,673	704,673
Total non-financial assets	-	-	704,673	704,673

3 Financial risk management (continued)

(d) Recognised fair value measurements - Non-financial assets (continued)

(i) Fair value hierarchy (continued)

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting year.

There were no transfers between levels for recurring fair value measurements during the year.

(ii) Valuation techniques used to determine level 2 and level 3 fair values

The group obtains independent valuations for its freehold investment properties periodically.

At the end of each reporting year, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 3.

Other than described above, there were no changes in valuation techniques during the year.

4 Capital management

The group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

5 Critical estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and assumption is set out below:

5 Critical estimates, judgements and errors (continued)

(a) Significant estimates and judgements

The area involving significant estimates or judgements are:

(i) Impairment of financial assets

The group has financial assets that are subject to the expected credit loss model. The group applied AASB 9 simplified approach to measuring expected credit loses which uses a lifetime expected losses allowance.

The group has concluded that the expected loss rates for trade receivables are a reasonable approximation of loss rates.

(ii) Fair value of investment property

Investment property - Freehold is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Investment property - leasehold is measured initially as a right of use asset under AASB 16 *Leases*. After initial recognition, all investment property (both freehold and leasehold) is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. These valuations form the basis for the carrying amounts in the consolidated financial statements.

(iii) Recognition of deferred tax for carried forward tax losses

Significant estimates are required in determining the provision for income taxes and the recognition of deferred tax assets. The deferred tax assets recognised have been based on future profitability assumptions. In the event of changes to these profitability assumptions the tax assets recognised may be adjusted.

The deferred tax assets include carried forward tax losses of the group. The company has bought to account tax losses incurred since the date the control of the company was transferred to the current parent. The group has concluded that the deferred assets (tax losses and temporary differences) will be recoverable while using the estimated future taxable income based on the approved business plans and budgets.

(iv) Make good provisions

Provision has been made for the future expected costs of returning leasehold property under operating head leases (ground leases) to original condition as per the lease agreement.

(v) Operating leases

Operating leases accounted for under AASB 16 *Leases* are measured at the present value of the cash flows relating to the head lease and sub leases which requires significant estimation of the cash flows including the expected lease payments, expected rental incomes, and costs associated with the leasehold property. The cash inflows and outflows are discounted by interest rates,(including the incremental borrowing rate for the determination of the lease liability). The group has determined that the inputs in the model that derive the Right of Use asset and the associated lease liability are reflective of the current expected cash flows and the discount rates and incremental borrowing rates are reflective of the current market rates for the company.

6 Segment information

The segment information provided to the key decision makers for the reportable segments for the year ended 30 June 2019 is as follows:

2019	**Freehold properties** $'000	**Leasehold properties** $'000	**Total** $'000
Property Rental Income	37,460	8,082	45,542
Other property income *	1,872	470	2,342
Straight lining and amortisation	837	525	1,362
Total revenue	**40,169**	**9,077**	**49,246**
Property expenses	(23,783)	(6,722)	(30,505)
Corporate expenses	(4,915)	(2,961)	(7,876)
Total operating expenses	**(28,698)**	**(9,683)**	**(38,381)**
Operating EBITDA	11,471	(606)	10,865
Net change in the fair value of investment properties	3,194	1,837	5,031
Realised gain - sale of investment properties	153	-	153
Finance costs - net	(16,969)	(28,961)	(45,930)
Net profit before tax	(2,151)	(27,730)	(29,881)
Income tax benefit	4,554	2,744	7,298
Net profit after tax	**2,403**	**(24,986)**	**(22,583)**

* Includes recoveries from tenants recognised in accordance with AASB 15 *Revenue from contracts with customers.*

7 Reversal of impairment and reorganisation costs prior to change in control

	30 June 2019 $'000	30 June 2018 $'000
Reversal of impairment of PPE prior to change in control	-	378,551

7 Reversal of impairment and reorganisation costs prior to change in control (continued)

	30 June 2019 $'000	30 June 2018 $'000
Gain on disposal of onerous leases prior to change in control	-	168,212
Recognition of onerous leases prior to change in control	-	(191,864)
Other costs for period prior to change in control	-	(25,697)
Reorganisation costs prior to change in control	-	(49,349)

8 Finance costs - net

	30 June 2019 $'000	30 June 2018 $'000
Finance income		
Interest income	**485**	397
Finance income	**485**	397
Finance costs		
Interest and finance charges paid/payable	**22,835**	11,996
Interest implicit to lease liabilities	**18,736**	-
Amortisation of borrowing costs	**4,844**	3,145
Finance costs expensed	**46,415**	15,141
Net finance costs	**(45,930)**	(14,744)

9 Income tax benefit

(a) Income tax benefit

	30 June 2019 $'000	30 June 2018 $'000
Deferred tax		
Decrease/(increase) in deferred tax assets (note 15)	**(7,298)**	(128,277)
Income tax benefit	**(7,298)**	(128,277)

9 Income tax benefit (continued)

(b) Numerical reconciliation of income tax benefit to prima facie tax payable

	30 June 2019 $'000	30 June 2018 $'000
(Loss)/profit before income tax benefit	**(29,881)**	388,031
Tax at the Australian tax rate of 30.0% (2018 - 30.0%)	**(8,964)**	116,409
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable income	**-**	(162,236)
Permanent differences and others	**1,666**	84
Current year losses not recognised	**-**	8,548
Recognition of previously unrecognised deferred tax assets	**-**	(91,082)
Income tax (benefit)/expense	**(7,298)**	(128,277)

(c) Tax losses

	30 June 2019 $'000	30 June 2018 $'000
Unused capital and revenue tax losses for which no deferred tax asset has been recognised	**2,216,805**	2,173,009
Potential tax benefit @ 30.0%	**665,042**	651,903

The tax losses that are unused and not recognised were incurred prior to the change of control of the company in October 2017.

10 Assets and liabilities classified as held for sale

	30 June 2019 $'000	30 June 2018 $'000
Asset classified as held for sale	**11,639**	19,500

The group has signed a conditional agreement prior to 30 June 2019 to sell part of a block of land at Roxburgh Park VIC to a third party subject to the satisfaction of certain conditions precedent. Therefore this asset is classified as held for sale. The book value of this asset is equal to the contracted value of $11.6m.

11 Cash and cash equivalents

	30 June 2019 $'000	30 June 2018 $'000
Current assets		
Cash at bank and on hand	**36,288**	29,501

11 Cash and cash equivalents (continued)

(a) Restricted cash

The above includes the following cash that is subject to restrictions.

	30 June 2019 $'000	30 June 2018 $'000
Cash backed bank guarantee	**(1,598)**	(1,591)
6 month interest reserve	**(5,513)**	(6,245)
	(7,111)	(7,836)
Unrestricted cash	**29,177**	21,665

12 Trade and other receivables

	30 June 2019			30 June 2018		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Trade receivables	**1,597**	**-**	**1,597**	926	-	926
Provision for credit loss	**(766)**	**-**	**(766)**	-	-	-
	831	**-**	**831**	926	-	926
Loans to related parties	**20,145**	**-**	**20,145**	-	10,791	10,791
Other receivables	**2,145**	**-**	**2,145**	1,646	-	1,646
Prepayments	**507**	**-**	**507**	3,573	-	3,573
	23,628	**-**	**23,628**	6,145	10,791	16,936

(a) Provision for credit loss

Movements in the provision for credit loss are as follows:

	30 June 2019 $'000	30 June 2018 $'000
At 1 July	**-**	-
Increase in provision for credit loss during the year	**766**	-
At 30 June	**766**	-

13 Investment properties - freehold

	30 June 2019 $'000	30 June 2018 $'000
Non-current freehold assets - at fair value		
Opening balance at 1 July 2018	**704,673**	-
Transfer from property, plant and equipment	**-**	575,905
Acquisitions	**1,800**	-
Additions	**94,302**	88,584
Disposals	**(22,118)**	(15,800)
Classified as held for sale or disposals	**(11,639)**	(19,500)
Net unrealised gain from fair value adjustments	**3,194**	74,725
Straight-lining and amortisation of rent	**837**	759
Closing balance at 30 June 2019	**771,049**	704,673

Investment properties, principally retail properties, are held for long term rental yields and are not occupied by the group. They are carried at fair value. Changes in fair value are presented in profit and loss.

(i) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See note 3(d)(ii) above for the valuation techniques adopted.

	Fair value at			**Range of inputs (probability - weighted average)**		
Description	**30 June 2019 $'000**	**30 June 2018 $'000**	**Unobservable inputs**	**2019**	**2018**	**Relationship of unobservable inputs to fair value**
Freehold Properties	$771,049	$704,673	Capitalisation rate	6.00%-8.25% (6.94%)	6.00%-8.50% (7.25%)	A higher capitalisation rate, discount rate, or terminal yield will lead to a lower fair value.
			Discount rate	6.50%-9.00% (7.31%)	7.25%-9.00% (8.13%)	
			Terminal yield	6.25%-8.50% (7.20%)	6.25%-8.50% (7.48%)	
			Rental growth	2.31%-3.31% (2.64%)	2.31%-3.34% (2.60%)	A higher rental growth rate will lead to a higher fair value.

(ii) Amounts recognised in profit or loss for investment properties - freehold

	30 June 2019 $'000	30 June 2018 $'000
Rental income	**40,169**	14,156
Direct operating expenses from property that generated rental income	**(23,783)**	(14,114)
Fair value gain	**3,194**	74,725

13 Investment properties - freehold (continued)

(iii) Leasing arrangements

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum undiscounted lease payments receivable on leases of investment properties are as follows:

	30 June 2019 $'000	30 June 2018 $'000
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within one year	**38,884**	18,896
Later than one year but not later than 5 years	**171,511**	79,803
Later than 5 years	**181,932**	44,512
	392,327	143,211

14 Investment properties - leasehold

	30 June 2019 $'000	30 June 2018 $'000
Non-current assets - at fair value		
Opening balance	**-**	-
Recognised on adoption of AASB 16	**94,889**	-
Additions	**32,660**	-
Net gain from fair value adjustments	**1,837**	-
Straight-lining of rent	**525**	-
	129,911	-

(i) Leasing arrangements

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum undiscounted lease payments receivable on leases of investment properties are as follows:

	30 June 2019 $'000	30 June 2018 $'000
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within one year	**12,443**	1,531
Later than one year but not later than 5 years	**46,279**	9,004
Later than 5 years	**43,684**	18,265
	102,406	28,800

14 Investment properties - leasehold (continued)

(ii) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See note 3(d)(ii) above for the valuation techniques adopted.

	Fair value at			Range of inputs (probability - weighted average)		
Description	**30 June 2019 $'000**	**30 June 2018 $'000**	**Unobservable inputs**	**2019**	**2018**	**Relationship of unobservable inputs to fair value**
Leasehold Properties	$129,911	-	Discount rate	7.25%-8.50% (8.09%)	-	A higher discount rate will lead to a lower fair value.
			Rental growth	2.50%-3.64% (2.84%)	-	A higher rental growth rate will lead to a higher fair value.

(iii) Fair value of leasehold properties

The fair value of the investment property - leasehold is net of the lease liability set out in note 20. The fair value is measured as the fair value of the investment property plus the carrying value of the lease liability.

15 Deferred tax balances

	30 June 2019 $'000	30 June 2018 $'000
The balance comprises temporary differences attributable to:		
Onerous provisions	-	46,616
Tax losses	**45,484**	20,751
Investment property	**51,509**	55,451
Net lease liabilities	**33,245**	-
Others	**5,337**	5,459
Net deferred tax assets	**135,575**	128,277

Movements	**Tax losses $'000**	**Onerous Provision $'000**	**Investment property $'000**	**Net lease liabilities $'000**	**Other $'000**	**Total $'000**
At 1 July 2017	-	-	-	-	-	-
(Charged)/credited - to profit or loss	20,751	46,616	55,451	-	5,459	128,277
At 30 June 2018	20,751	46,616	55,451	-	5,459	128,277

15 Deferred tax balances (continued)

Movements	**Tax losses $'000**	**Onerous Provision $'000**	**Investment property $'000**	**Net lease liabilities $'000**	**Other $'000**	**Total $'000**
At 30 June 2018	20,751	46,616	55,451	-	5,459	128,277
Adoption of AASB16	-	(46,616)	-	46,616	-	-
(Charged)/credited - to profit or loss	24,733	-	(3,942)	(13,371)	(122)	7,298
At 30 June 2019	45,484	-	51,509	33,245	5,337	135,575

16 Trade and other payables

	30 June 2019			30 June 2018		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Trade payables	**22,310**	**-**	**22,310**	6,083	-	6,083
Accrued expenses	**5,795**	**-**	**5,795**	17,060	-	17,060
	28,105	**-**	**28,105**	23,143	-	23,143

17 Borrowings

	30 June 2019			30 June 2018		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured						
Bank loan	**337,268**	**78,397**	**415,665**	-	276,799	276,799
Capitalised borrowing costs	**(4,402)**	**-**	**(4,402)**	-	(6,655)	(6,655)
Total secured borrowings	**332,866**	**78,397**	**411,263**	-	270,144	270,144

The bank loans are secured by first mortgages over the group's freehold land and buildings, including those classified as investment properties.

The group has complied with the financial covenants of its borrowings facilities during 2018 and 2019 reporting periods. Under the terms of the borrowing facilities the group is required to comply with the following financial covenants:

- Loan to value ratio of less than 50% on senior debt facility
- Minimum cash requirement of $15m

18 Provisions

	30 June 2019 Current $'000	**30 June 2019 Non-current $'000**	**30 June 2019 Total $'000**	30 June 2018 Current $'000	30 June 2018 Non-current $'000	30 June 2018 Total $'000
Onerous lease provision	-	-	-	44,571	110,816	155,387
Make good provision	-	**3,410**	**3,410**	-	3,410	3,410
	-	**3,410**	**3,410**	44,571	114,226	158,797

(a) Information about individual provisions and significant estimates

Onerous lease provision

The provision was held at 30 June 2018 in relation to the lease agreements (head lease over leasehold properties) for premises across Australia. The provision represented the lesser of the amount payable upon termination of the lease agreements or the discounted net cash out flow expected to be incurred up to the end of the lease. In conjunction with the transition to new Accounting Standard AASB16 - *Leases*, the onerous lease provision was considered in the accounting for Leases under the new Accounting Standard and was included in the calculation of the right of use asset and lease liability and as such is no longer recognised separately in an onerous lease provision account.

Make good provision

The group is required to restore the leased premises of its retail sites to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements.

(b) Movements in provisions

2019	**Make good provision $'000**	**Onerous lease provision $'000**	**Total $'000**
Carrying amount at start of year	3,410	155,387	158,797
Adjustment on adoption of AASB 16	-	(155,387)	(155,387)
Carrying amount at end of year	3,410	-	3,410

2018	**Make good provision $'000**	**Onerous lease provision $'000**	**Total $'000**
Carrying amount at start of year	74,826	386,261	461,087
Utilised prior to change in control	(70,526)	(218,049)	(288,575)
Charged/(credited) to profit or loss			
- additional provisions recognised	-	200,300	200,300
- unused amounts reversed upon disposal	-	(168,212)	(168,212)
Amounts utilised during the year	(890)	(44,913)	(45,803)
Carrying amount at end of year	3,410	155,387	158,797

19 Employee benefit obligations

	30 June 2019 Current $'000	30 June 2019 Non-current $'000	30 June 2019 Total $'000	30 June 2018 Current $'000	30 June 2018 Non-current $'000	30 June 2018 Total $'000
Salaries and wage accruals	**502**	**-**	**502**	203	-	203
Leave obligations	**128**	**-**	**128**	63	-	63
Total employee benefit obligations	**630**	**-**	**630**	266	-	266

(i) Leave obligations

The leave obligations cover the group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits.

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required year of service and also for those employees that are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations.

20 Lease liabilities

	30 June 2019 Current $'000	30 June 2019 Non-current $'000	30 June 2019 Total $'000	30 June 2018 Current $'000	30 June 2018 Non-current $'000	30 June 2018 Total $'000
Other financial liability	**219**	**8,408**	**8,627**	-	-	-
Lease liabilities	**13,964**	**218,137**	**232,101**	-	-	-
	14,183	**226,545**	**240,728**	-	-	-

(a) Maturity analysis

	30 June 2019 $'000	30 June 2018 $'000
Contractual undiscounted cash flows in relation to non-cancellable leases are payable as follows:		
Within one year	**30,888**	28,665
Later than two years but not later than five years	**123,684**	114,659
Later than five years	**198,711**	229,139
	353,283	372,463

21 Contributed equity

(a) Share capital

	30 June 2019 Shares	30 June 2018 Shares	**30 June 2019 $'000**	30 June 2018 $'000
Ordinary shares				
Fully paid	**1,287,740,632**	1,287,740,632	**3,291,155**	3,291,155

(b) Movements in ordinary shares:

Details	**Number of shares '000**	**Total $'000**
Opening balance 26 June 2017	3,486,444	3,486,444
Share buy-back during the period	(2,198,704)	(195,289)
Balance 30 June 2018	1,287,740	3,291,155
Opening balance 1 July 2018	1,287,740	3,291,155
Balance 30 June 2019	1,287,740	3,291,155

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Share buy-back

In the previous financial period, a share buy-back occurred as part of the group reorganisation, specified in the share purchase agreement, prior to change in control.

A total of 2,198,703,564 shares were bought back for cash consideration of $195,288,709.

22 Other reserves and accumulated losses

(a) Other reserves

The following table shows a breakdown of the consolidated balance sheet line item 'Reserves' and the movements in these reserves during the year.

	30 June 2019 $'000	30 June 2018 $'000
Movements:		
Profits reserve		
Opening balance	**486,659**	-
Profits transferred for future dividend payments	-	486,659
Balance 30 June	**486,659**	486,659
Foreign currency translation		
Opening balance	-	13
Disposal of controlled entities	-	(13)
Balance 30 June	-	-

(b) Accumulated losses

Movements in accumulated losses were as follows:

	30 June 2019 $'000	30 June 2018 $'000
Balance 1 July	**(3,331,277)**	(3,360,926)
Net profit for the period	**(22,583)**	516,308
Transfer to profits reserve	-	(486,659)
Balance 30 June	**(3,353,860)**	(3,331,277)

23 Dividends

Franked dividends

Future dividends may be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in future years.

	30 June 2019 $'000	30 June 2018 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2018 - 30.0%)	**40,901**	40,901

The above amounts are calculated from the balance of the franking account as at the end of the reporting year, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

24 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) PwC

(i) Audit and other assurance services

	2019 $	2018 $
Audit and review of financial statements	**250,000**	179,000
Other services		
Other assurance services	**130,000**	48,000
Advisory services	**-**	404,000
Total remuneration for audit and other services	**380,000**	631,000

25 Contingent liabilities

At 30 June 2019 the group holds twelve operating leases of which Woolworths Limited (the previous parent) remains the guarantor. If more than 5 of these Woolworths guarantees remain in place by the last business day of the month during which the 5th anniversary of change of control occurs (i.e. by 31 October 2022) a liability of $5,000,000 will be due to Woolworths Limited.

No other contingent liabilities exist at 30 June 2019.

26 Commitments

(a) Capital commitments

Significant capital expenditure contracted for in relation to investment properties at the end of the reporting year but not recognised as liabilities is as follows:

	30 June 2019 $'000	30 June 2018 $'000
Capital expenditure	**41,546**	42,286
Property acquisitions	**135,450**	-
	176,996	42,286

27 Related party transactions

(a) Parent entities

The group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest 2019	Ownership interest 2018
Home Investment Consortium Trust	Ultimate and immediate parent entity	Australia	100%	100%

(b) Key management personnel compensation

	30 June 2019 $	30 June 2018 $
Total key personnel management compensation	**1,015,000**	1,075,000

(c) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2019 $	30 June 2018 $
An entity controlled by the director charged the group for office space and associated administrative costs during the period and for management fees up to 31 December 2017	**240,000**	485,000

27 Related party transactions (continued)

(d) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting year in relation to transactions with related parties:

	30 June 2019 $	30 June 2018 $
Included in trade and other payables:		
Entity controlled by director as described above	**131,000**	35,000

(e) Loans to/from related parties

	30 June 2019 $	30 June 2018 $
Loans from Woolworths Limited (parent entity before change in control)		
Beginning of the year	-	110,512,000
Loans repayments made	-	(110,512,000)
End of year	-	-
Loans to Home Investment Consortium Trust (parent entity)		
Beginning of the year	**10,791,000**	-
Loans advanced	**9,354,000**	10,791,000
End of year	**20,145,000**	10,791,000

28 Interests in other entities

(a) Material subsidiaries

The Company's principal subsidiaries as at 30 June 2019 are set out below. The country of incorporation or registration is also their principal place of business.

Name of entity	**Place of business/ country of incorporation**	**Ownership interest held by the group** **2019 %**	2018 %	**Principal activities**
Hydrox Nominees Pty Ltd*	Australia	**100**	100	Trustee of Hydrox Property Trust
Masters Home Improvement Australia Pty Ltd*	Australia	**100**	100	Lessor of leasehold property
Hydrox Property Trust*	Australia	**100**	100	Owner of freehold property

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC instrument 2016/785. For further information refer to note 29.

29 Deed of cross guarantee

Hydrox Holdings Pty Ltd and controlled entities, Masters Home Improvement Australia Pty Ltd and Hydrox Nominees Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and director's report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.*

The performance and position of the closed group are the same as that of the consolidated entity.

30 Events occurring after the reporting period

After the end of the financial year, the group exchanged a sale contract and paid a full deposit for the acquisition of a leasehold property, Hawthorn East, VIC. This property is expected to settle prior to 31 December 2019.

Subsequent to the end of the financial year the group has signed a binding commitment letter with a syndicate of lenders for a new $500 million senior debt facility to replace the existing facilities. The facility is subject to satisfying certain conditions, including successfully completing an equity raising.

No other matters or circumstances has arisen since 30 June 2019 that has significantly affected the group's operations, results or state of affairs, or may do so in future periods.

31 Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities

	30 June 2019 $'000	30 June 2018 $'000
(Loss)/profit for the year	**(22,583)**	516,308
Adjustment for		
Amortisation of borrowing costs	**4,844**	3,145
Impairment reversal	**-**	(378,551)
Provision for doubtful debt	**766**	-
Interest on lease liabilities	**18,736**	-
Fair value adjustment to investment property - Freehold	**(3,194)**	(74,725)
Fair value adjustment to investment property - Leasehold	**(1,837)**	-
Net (gain) on sale of investment properties	**(153)**	(2,616)
Straight - lining of rent	**(16,223)**	(7,610)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**(695)**	(4,291)
Decrease/(increase) in deferred tax assets	**(7,298)**	(128,277)
(Decrease)/increase in trade and other payables	**(4,718)**	(2,881)
Increase/(decrease) in other provisions	**567**	(290,231)
Net cash (outflow) from operating activities	**(31,788)**	(369,729)

32 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30 June 2019 $'000	30 June 2018 $'000
Balance sheet		
Current assets	**38,433**	31,109
Non-current assets	**662,310**	530,523
Total assets	**700,743**	561,632
Current liabilities	**(216)**	(117)
Non-current liabilities	**(411,263)**	(270,144)
Total liabilities	**(411,479)**	(270,261)
Net assets	**289,264**	291,371
Shareholders' equity		
Issued capital	**3,291,155**	3,291,155
Profit reserve	**486,659**	486,659
Retained earnings	**(3,488,550)**	(3,486,443)
	289,264	291,371
Profit or (loss) for the year	**(2,106)**	486,659
Total comprehensive income	**(2,106)**	486,659

(b) Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees as at 30 June 2019 or 30 June 2018 other than under the cross guarantee (refer to note 29).

(c) Contingent liabilities of the parent entity

Refer to note 25 for details.

The parent entity did not have any other contingent liabilities as at 30 June 2019 or 30 June 2018.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity had no contractual commitments for the acquisition of property, plant and equipment as at 30 June 2019 or 30 June 2018.

In the director's opinion:

(a) the financial statements and notes set out on pages 5 to 43 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and

(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, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 29 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 29.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

David Di Pilla
Director

Sydney
23 August 2019

Independent auditor's report

To the member of Hydrox Holdings Pty Ltd

Our opinion

In our opinion:

The accompanying financial report of Hydrox Holdings Pty Ltd (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the Consolidated balance sheet as at 30 June 2019
- the Consolidated statement of comprehensive income for the year then ended
- the Consolidated statement of changes in equity for the year then ended
- the Consolidated statement of cash flows for the year then ended
- the Notes to the financial statements, which include a summary of significant accounting policies
- the Director's declaration.

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

Independence

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.

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Emphasis of matter: Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements which indicates that as at 30 June 2019, current liabilities exceeded current assets by $304.229 million. The Group has two bank facilities in place as at 30 June 2019 that expire in April 2020 and July 2020. The going concern of the Group is dependent on these facilities being renewed or refinanced. These conditions set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The director is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the director for the financial report

The director of the Company is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the director 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 director is 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 director 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 the 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Adam Thompson
Partner

Sydney
23 August 2019