Instreet Investment Australia Ltd and Controlled Entities

ABN 24 622 827 589

Financial Report for the Year Ended 30 June 2018

DIRECTORS' REPORT

Directors present their report on Instreet Investment Australia Ltd, the company, and its controlled entities for the financial year ended 30 June 2018. The consolidated entity is referred to as "the Group".

Directors

The names of the directors in office at any time during, or since the end of, the year are:

David Gordon	Appointed 14 November 2017
George Lucas	Appointed 14 November 2017
Ian Rae	Appointed 14 November 2017

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

Principal Activities

The principal activity of the consolidated group during the financial year was the provision of investment products for retail investors.

No significant change in the nature of these activities occurred during the year.

Review of Operations

The consolidated after-tax profit of the Group for the financial year amounted to $937,381.

Instreet Investment Australia Ltd was incorporated on 14 November 2017. On 26 February 2018, Instreet Investment Australia Ltd acquired the following entities:

- Instreet Structured Investments Pty Ltd
- The Emerald Club Ltd
- Vestin Financial Pty Ltd
- Wealth Know How Pty Limited

A review of the operations of the company during the financial year showed that Instreet successfully completed its strategy during the year and made a profit.

During the financial year we focused on writing business using our own insurance capabilities via Instreet Structured Investment Pty Ltd through the financial planning networks.

Significant Changes in the State of Affairs

No significant changes in the company's or Group's state of affairs occurred during the financial year.

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Likely Developments and Expected Results of Operations

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

Dividends

Dividends paid or declared since the start of the financial year are as follows:

- No dividends were declared or recommended but not paid during the financial year.

Environmental Regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Options

No options over issued shares or interests in the company or the controlled entity were granted during or since the end of the financial year, and there were no options outstanding as at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification of Officers

The company has paid premiums to insure directors under a Directors and Officers Insurance policy. The details of the indemnity insurance are as follows:

- The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The total premium paid amounted to $122,651.76.

Further disclosure of information relating to this policy is not permitted under the contract of insurance.

No indemnification has been obtained for the auditors of the company or the Group.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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

Information on Directors

Mr George Lucas

Qualifications: BSc UNSW

Special Responsibilities: Managing Director

George Lucas has over 35 years of experience in the investment banking and funds management industries specialising in developing, managing and structuring financial products. George was previously a director of two listed investment trusts, the Chief Investment officer of Mariner Financial, the head of the London equity derivative trading and structuring department for First Chicago and the head trader of equity derivatives with Citibank in the United Kingdom.

Mr David Gordon

Qualifications: CPA, Bachelor of Business UTS

Special Responsibilities: Non-Executive Director

David Gordon has over 36 years of experience in the advisory industry specialising in financial, tax and business advisory. He has been a partner since 1988 in GHR Accounting Group, a BRW top 100 accounting practice and is a foundation director of Premium Wealth Management Ltd. David has extensive experience in portfolio construction and in ensuring that managed investment schemes and structured and other financial products are relevant for individual investment portfolios.

Mr Ian Rae

Qualifications: CPA, Bachelor of Business UTS. Fellow of the Tax Institute of Australia

Special Responsibilities: Non-Executive Director

Ian Rae has over 35 years of experience in the advisory industry specialising in financial, tax and business advisory. Ian has been a partner since 1993 at GHR Accounting Group, a BRW Top 100 Accounting practice. He has extensive experience in portfolio construction and in ensuring that managed investment schemes and structured and other financial products are relevant for individual investment portfolios.

Directors' Meetings

During the financial year, 4 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
Directors	**Eligible to Attend**	**Attended**
George Lucas	4	4
David Gordon	4	4
Ian Rae	4	4

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Martin Conley

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 4.

No officer of the company/Group is or has been a partner/director of any auditor of the Group.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Director ………………………………………………………………………………………….

George Lucas

Dated the 29th day of October 2018

INSTREET INVESTMENT AUSTRALIA LTD
AND CONTROLLED ENTITIES
ABN 24 622 827 589

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF INSTREET INVESTMENT AUSTRALIA LTD

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been no contraventions of:

(i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

DREW TOWNSEND
Partner
Date: 29 October 2018

Instreet Investment Australia Ltd and Controlled Entities

ABN 24 622 827 589

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

	Note	Consolidated Group
		2018
		$
Revenue	2	3,766,353
Advisor Fees		(427,962)
Finance Costs	3	(845,497)
Professional Fees		(1,159,109)
Depreciation and Amortisation	3	(56,562)
Employee Benefits Expenses		(3,617)
Marketing Expenses		(11,315)
Other Expenses		(20,955)
Profit / (Loss) Before Income Tax		1,241,337
Tax Expense	4	(303,956)
Profit / (Loss) After Income Tax		937,381
Other comprehensive income		
Other Comprehensive Income for the Year, Net of Tax		-
Total Other Comprehensive Income for the Year		-
Total Comprehensive Income for the Year		937,381
Profit Attributable to:		
Owners of the Parent Entity		940,548
Non-Controlling Interest		(3,167)
		937,381

The accompanying notes form part of these financial statements.

Instreet Investment Australia Ltd and Controlled Entities

ABN 24 622 827 589

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Consolidated Group 2018 $
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	6	10,596,626
Trade and Other Receivables	7	3,534,071
Financial Assets	8	35,183,383
Other Current Assets	9	116,664
TOTAL CURRENT ASSETS		49,430,744
NON-CURRENT ASSETS		
Financial Assets	8	87,929,036
Intangible Assets	10	195,223
Deferred Tax Assets		7,563
TOTAL NON-CURRENT ASSETS		88,131,823
TOTAL ASSETS		137,562,567
LIABILITIES		
CURRENT LIABILITIES		
Trade and Other Payables	12	13,142,133
Financial Liabilities	14	35,183,383
Current Tax Liabilities		365,179
TOTAL CURRENT LIABILITIES		48,690,695
NON-CURRENT LIABILITIES		
Deferred Tax Liabilities	13	45,465
Financial Liabilities	14	87,923,026
TOTAL NON-CURRENT LIABILITIES		87,968,491
TOTAL LIABILITIES		136,659,186
NET ASSETS		903,381
EQUITY		
Issued Capital	15	858,324
Retained Earnings		940,548
Reserves	11	(861,327)
Equity Attributable to the Owners of the Parent		937,545
Non-Controlling Interest		(34,164)
TOTAL EQUITY		903,381

The accompanying notes form part of these financial statements.

Instreet Investment Australia Ltd and Controlled Entities

ABN 24 622 827 589

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Note	Ordinary Share Capital	Retained Earnings	Common Control Reserve	Attributable to Non-Controlling Interests	Total
		$	$	$	$	$
Consolidated Group						
Balance at 1 July 2017		-	-	-	-	-
Issue of shares		858,324	-	-	-	858,324
Recognition of non-controlling interest		-	-	-	(30,996)	(30,996)
Recognition of common control reserve from acquisition	11	-	-	(861,327)	-	(861,327)
Profit or (loss) for the year		-	940,548	-	(3,167)	937,381
Balance at 30 June 2018		858,324	940,548	(861,327)	(34,164)	903,381

The accompanying notes form part of these financial statements.

Instreet Investment Australia Ltd and Controlled Entities

ABN 24 622 827 589

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated Group
		2018
		$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Clients		(748,857)
Payments to Suppliers and Employees		7,385,410
Interest Received		2,138,955
Interest Paid		(845,497)
Net Cash Provided by Operating Activities	18	7,880,011
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash from Acquisition Under Common Control, Net of Consideration Paid		2,716,615
Net Cash Used in Investing Activities		2,716,615
Net Increase in Cash Held		10,596,626
Cash and Cash Equivalents at Beginning of Year		-
Cash and Cash Equivalents at End of Year	6	10,596,626

The accompanying notes form part of these financial statements.

The consolidated financial statements and notes represent those of Instreet Investment Australia Ltd and Controlled Entity (the "consolidated group" or "group"). Instreet Investment Australia Ltd is a company limited by shares, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Instreet Investment Australia Ltd have also been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 29 October 2018 by the directors of Instreet Investment Australia Ltd.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar unless stated otherwise.

Accounting Policies

a. **Principles of Consolidation**

The general purpose consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Instreet Investment Australia Ltd) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it 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 over the entity. A list of the subsidiaries is provided in Note 11.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

b. **Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

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

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

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

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less accumulated impairment losses.

Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (ie reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139: *Financial Instruments: Recognition and Measurement*, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds a less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value ("full goodwill method") or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ("proportionate interest method"). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

c. **Income Tax**

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

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(a) the initial recognition of goodwill; or

(b) the initial recognition of an asset or liability in a transaction which:

  (i) is not a business combination; and

  (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the entity in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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

Tax consolidation

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Instreet Investment Australia Ltd. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

d. **Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

e. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value, as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(h) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

f. **Leases (the group as lessee)**

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

Finance leases are capitalised by recognising an asset and a liability at the lower of the fair value of the leased property and the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

g. **Financial Instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the financial instrument. For financial assets, this is the date that the entity commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised as expenses in profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Hedging costs arising from the offering of structured investment products are recognised in full in the statement of profit or loss once they are incurred as opposed to being deferred across the life of the structured product. This is on the basis that the group has performed all its services and related obligations at this point in time.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less repayments made and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

For the purpose of the parent entity's separate financial statements, investments in subsidiaries, joint ventures and associates are accounted for at cost.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are contingent consideration that may be paid by an acquirer as part of a business combination to which AASB 3: *Business Combinations* applies, held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount included in profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains and losses arising on remeasurement recognised in profit and loss. The net gain or loss recognised in profit and loss includes any dividend or interest earned of the financial asset and is included in other gains and losses of the face of the statement of profit and loss and other comprehensive income.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies is classified as a financial liability and measured at fair value through profit or loss.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale equity instruments, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for shares classified as available-for-sale. For all other financial assets, including redeemable notes classified as available-for-sale and finance lease receivables, objective evidence of impairment could include: significant financial difficulty of the issuer or counterparty; breach of contract, such as a default or delinquency in interest or principal payments; it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or the disappearance of an active market for that financial asset because of financial difficulties. For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

At the end of each reporting period the group assessed whether there is any objective evidence that a financial asset or group of financial assets is impaired (other than financial assets classified as at fair value through profit or loss).

Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract issued by a group entity are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of: the amount of the obligation under the contract, as determined in accordance with AASB 137: *Provisions, Contingent Liabilities and Contingent Assets*; and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the

Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

h. **Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

i. **Intangible Assets Other than Goodwill**

Software and website development costs

Software and website development costs are capitalised only when the Group can demonstrate all of the criteria outlined in AASB 138.57. Software and developed websites are considered as having finite useful lives and are amortised on a systematic basis over their useful lives so as to match the economic benefits received to the periods in which the benefits are received. Amortisation begins when the software or websites become operational.

An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;

- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amortisation rates used for each class of intangible asset with a finite useful life are:

Class of Intangible Asset	Amortisation Rate
Intellectual Property	20%

j. **Employee Benefits**

Short-term employee benefits

Provision is made for the Group's (including the parent's) obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations due to changes in assumptions for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

k. **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

l. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as borrowings in current liabilities on the statement of financial position.

m. **Revenue and Other Income**

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

Revenue comprises management, brokerage and other fees received by the Group as trustee, responsible entity and administrator. Revenue is deferred when management fees are received upfront but where associated services are yet to be performed.

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

- Deferred fee income is recognised as amounts that reflect known income that is collectable by the Group over a deferred period of between one and four years.
- Administration fees are earned on an instalment basis as the work is performed.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax.

n. **Trade and Other Receivables**

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

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(g) for further discussion on the determination of impairment losses.

o. **Trade and Other Payables**

Trade and other payables are initially measured at fair value and subsequently measured at cost using the effective interest method.

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

p. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from financing and investing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

q. **Critical Accounting Estimates and Judgements**

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

Key estimates

(i) *Impairment*

The Group assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations, which incorporate various key assumptions.

Key judgements

(i) *Employee benefits*

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As the Group expects that all its employees would use all their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, the directors consider that obligations for annual leave entitlements satisfy the definition of short-term employee benefits and, therefore, can be measured at the (undiscounted) amounts expected to be paid to employees when the obligations are settled.

t. **New Accounting Standards for Application in Future Periods**

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

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

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

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

  Based on a preliminary assessment performed over each line of business and product type, the effects of AASB 9 are not expected to have a material effect on the Group.

  AASB 2014-7: *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

  AASB 2014-7 (issued December 2014) gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issue of AASB 9:

Financial Instruments (December 2014). More significantly, additional disclosure requirements have been added to AASB 7: *Financial Instruments: Disclosures* regarding credit risk exposures of the entity. This Standard also makes various editorial corrections to Australian Accounting Standards and an Interpretation. AASB 2014-7 mandatorily applies to annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted, provided AASB 9 (December 2014) is applied for the same period.

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

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

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

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

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements.

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Based on a preliminary assessment performed over each line of business and product type, the effects of AASB 15 are not expected to have a material effect on the Group.

– AASB 2014-5: *Amendments to Australian Accounting Standards arising from AASB 15*

This Standard is applicable to annual reporting periods beginning on or after 1 January 2017 and makes consequential amendments to various Australian Accounting Standards arising as a result of the issue of AASB 15: *Revenue from Contracts with Customers*. AASB 2014-5 is not expected to impact the Group's financial statements.

– AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*

This Standard amends the mandatory effective date (application date) of AASB 15: *Revenue from Contracts with Customers* so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. Therefore, this Standard also defers the consequential amendments that were originally set out in AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15. This deferral is achieved in a variety of ways because some of the Standards amended by AASB 2014-5 have been superseded by new principal versions issued in 2015 that apply to annual reporting periods beginning on or after 1 January 2017 or 2018. This Standard amends Interpretation 1052: *Tax Consolidation Accounting* to update the crossreferences to Standards and to remove the references to dividends and other distributions, so that the wording of Int 1052.45 is appropriate for annual reporting periods beginning on or after 1 January 2018. AASB 15 is also reformatted to follow the structure of the new principal versions of other Standards by deleting or moving the Aus-numbered "Application" paragraphs.

– AASB 2016-7: *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*

This Standard amends the mandatory effective date (application date) of AASB 15 for not-for-profit entities so that AASB 15 is required to be applied by such entities for annual reporting periods beginning on or after 1 January 2019 instead of 1 January 2018.

Therefore, this Standard also defers, for not-for-profit entities, the consequential amendments that were originally set out in AASB 2014-5: *Amendments to Australian Accounting Standards arising from AASB 15*. This deferral is achieved by restating the effective date of the amendments set out in AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15* as they apply to not-for-profit entities.

Earlier application of AASB 15 is permitted for not-for-profit entities for annual reporting periods beginning before 1 January 2019, provided AASB 1058*: Income of Not-for-Profit Entities* (Appendix D) is also applied to the same period.

This Standard applies to annual periods beginning on or after 1 January 2017, which was the original mandatory effective date of AASB 15.

– AASB 2016-3 (issued May 2016) makes amendments to AASB 15 to:

- clarify the requirements for assessing whether two or more promises to transfer goods or services to a customer are separately identifiable when identifying performance obligations in accordance with AASB 15.27(b) and the factors indicating this assessment;
- elaborate on the assessment of "control" over goods or services when determining whether an entity is acting as a principal or agent;
- clarify the timing of revenue recognition from licensing transactions; and
- extend the application of practical expedients on transition to AASB 15.

AASB 2016-3 mandatorily applies to annual reporting periods beginning on or after 1 January 2018, with earlier application permitted.

– AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

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

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

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

Based on a preliminary assessment performed over each line of business and product type, the effect of AASB 16 is not expected to have a material effect on the Group. It is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 2: REVENUE AND OTHER INCOME

	Note	Consolidated Group
		2018
		$
Revenue		
Interest revenue		2,138,955
Fee, commission and operating Income		784,219
Dividend revenue		23
Other revenue		843,156
Total Revenue		3,766,353

NOTE 3: PROFIT/(LOSS) BEFORE INCOME TAX

Profit before income tax from continuing operations includes the following expenses:

Expenses	
Finance Costs	845,170
Amortisation of intangible assets	56,562
Rental expense on operating leases:	
– minimum lease payments	7,596

NOTE 4: TAX EXPENSE

a. The components of tax expense (income) comprise:	
– current tax expense (income)	365,179
– deferred tax expense (income) relating to the origination and reversal of temporary differences	(20,489)
– adjustments for under/(over)-provision of current income tax of previous years	(40,734)
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:	1,241,337
Prima facie tax payable on profit from ordinary activities before income tax at 27.5%	341,368
Add/less tax effect of:	
– adjustments in respect of current income tax of previous years	40,734
– utilisation of previously unrecognised carried forward tax losses	-
– other non-allowable items	-
- tax losses & timing differences not recognised	3,322
Income tax attributable to entity	303,956

NOTE 5: AUDITOR'S REMUNERATION

	Note	Consolidated Group
		2018
		$
Remuneration of the auditor of the parent entity is as follows:		
Auditing or reviewing the financial statements		35,000
Taxation and other services		2,500
Total auditor's remuneration		37,500

NOTE 6: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	10,596,626
	10,596,626

NOTE 7: TRADE AND OTHER RECEIVABLES

CURRENT

Trade Receivables	
Trade Receivables	3,434,214
	3,434,214
Other Receivables	
GST Receivables	99,857
	99,857
Total Current Receivables	3,534,071

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 8: FINANCIAL ASSETS

	Note	Consolidated Group 2018 $
CURRENT		
Derivative assets		15,732,606
Receivables from Masti products		19,450,777
Total current financial assets		35,183,383
NON-CURRENT		
Derivative assets		16,280,041
Receivables from Masti products		71,642,985
Investments in listed shares		6,010
Total non-current financial assets		87,929,036

Financial instruments used by the Group

The group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in the value of its investment products issued to the group's investors in accordance with the group's financial risk management policies.

The group enters into hedging instruments with financial institutions to hedge its exposure to fluctuations in the value of its investment and loan products. The hedging instruments are fair valued by financial institutions to reflect the market value of the hedged instruments. The hedge assets are selected so that the fair value of the hedged liabilities equates to the fair value of the hedged assets and loans. In this way the liabilities and assets are hedged and the risk associated with changes in market conditions has been neutralized.

NOTE 9: OTHER ASSETS

CURRENT	
Prepayments	116,664
	116,664

NOTE 10: INTANGIBLE ASSETS

Intellectual property	
At cost	1,524,575
Accumulated amortisation	(1,329,352)
Net carrying amount	195,223

NOTE 11: INTERESTS IN SUBSIDIARIES

a. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation or registration.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group	Proportion of Non-Controlling Interests
		2018	2018
		%	%
Instreet Strutcured Investment Pty Limited	Australia	100	-
Instreet Strutcured Investment 2 Pty Limited	Australia	100	-
Emerald Club Limited	Australia	100	-
Vestin Financial Pty Ltd	Australia	80	20
The Wealth Know How Pty Ltd	Australia	69.5	30.5

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

b. **Significant Restrictions**

There are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

c. **Common Control Acquisition of Controlled Entities**

Acquisition of the Emerald Club Pty Ltd

On 26 February 2018, the parent entity acquired a 100% interest in the Emerald Club Pty Ltd (a company previously owned by Instreet Investment Limited). The acquisition resulted in Instreet Investment Australia Ltd obtaining control of the Emerald Club Pty Ltd.

	Note	Fair Value
		$
Purchase consideration:		
Issued Capital		150,000
		150,000
Less:		
Cash		7,084
Trade and other receivables		41,835
Trade and other liabilities		(9,152)
Identifiable assets acquired and liabilities assumed		39,767
Common Control Reserve		110,233

NOTE 11: INTERESTS IN SUBSIDIARIES

c. **Common Control Acquisition of Controlled Entities**

Acquisition of Instreet Structured Investment Pty Ltd

On 26 February 2018, the parent entity acquired a 100% interest in Instreet Structured Investment Pty Ltd (a company previously owned by Instreet Investment Limited). The acquisition resulted in Instreet Investment Australia Ltd obtaining control of Instreet Structured Investment Pty Ltd.

	Note	Fair Value
		$
Purchase consideration:		
Issued Capital		100
		100
Less:		
Cash		2,690,101
Trade and other receivables		665,723
Financial assets		121,927,974
Intangible assets		212,333
Trade and other liabilities		(3,786,166)
Financial liabilities		(121,921,864)
Deferred tax liabilities		(99,125)
Identifiable assets acquired and liabilities assumed		311,024
Common Control Reserve		311,123

Acquisition of Vestin Financial Pty Ltd

On 26 February 2018, the parent entity acquired an 80% interest in Vestin Financial Pty Ltd (a company previously owned by Instreet Investment Limited). The acquisition resulted in Instreet Investment Australia Ltd obtaining control of Vestin Financial Pty Ltd.

Purchase consideration:	
Issued Capital	80
Non-controlling interests (i)	(34,369)
	(34,289)
Less:	
Cash	16,671
Trade and other receivables	2,034
Intangible assets	18,564
Trade and other liabilities	(209,111)
Identifiable assets acquired and liabilities assumed	(171,843)
Common Control Reserve	137,554

NOTE 11: INTERESTS IN SUBSIDIARIES

c. **Common Control Acquisition of Controlled Entities**

(i) A 20% interest in Vestin Financial Pty Ltd is held by non-controlling interests. The fair value of the non-controlling interests at acquisition date has been recognised at ($34,369) based on the fair value of the identifiable net assets.

Acquisition of Wealth Know How Pty Ltd

On 26 February 2018, the parent entity acquired a 69.5% interest in Wealth Know How Pty Ltd (a company previously owned by Instreet Investment Limited). The acquisition resulted in Instreet Investment Australia Ltd obtaining control of Wealth Know How Pty Ltd.

	Note	Fair Value
		$
Purchase consideration:		
Issued Capital		310,101
Non-controlling interests (i)		3,372
		313,473
Less:		
Cash		2,759
Trade and other receivables		82
Intangible assets		20,888
Trade and other liabilities		(12,673)
Identifiable assets acquired and liabilities assumed		11,057
Common Control Reserve		302,417

(i) A 30.5% interest in Wealth Know How Pty Ltd is held by non-controlling interests. The fair value of the non-controlling interests at acquisition date has been recognised at ($3,372) based on the fair value of the identifiable net assets.

NOTE 12: TRADE AND OTHER PAYABLES

CURRENT	6,966,948
Trade payables	6,175,185
Other creditors and accruals	13,142,133

NOTE 13: TAX BALANCES

Current liabilities	
Income tax payable	365,179
Non-current assets	
Deferred tax assets	7,563

NOTE 13: TAX BALANCES

	Note	Consolidated Group 2018 $
Non-current liabilities		
Deferred tax liabilities		45,465

	Balance as at 1 July 2018 $	Recognised in Profit and Loss $	(Charged)/Credited to Equity $
Consolidated Group			
Deferred Tax Assets			
Annual leave, other accruals and provisions for doubtful debts	7,563	7,563	-
	7,563	7,563	-
Deferred tax liabilities			
Accelerated depreciation for tax purposes	45,465	45,465	-
	45,465	45,465	-
Net Amount	(37,902)	(37,902)	-

NOTE 14: FINANCIAL LIABILITIES

	Note	Consolidated Group 2018 $
CURRENT		
Derivative liabilities		15,732,606
Payables to Masti investors		19,450,777
Total current financial liabilities		35,183,383
NON-CURRENT		
Derivative liabilities		16,280,041
Payables to Masti investors		71,642,985
Total non-current financial liabilities		87,923,026

NOTE 14: ISSUED CAPITAL

2,486,378 fully paid ordinary shares	858,324
Total Share Capital	858,324

a. **Movements in issued capital**

Fully paid ordinary shares:	
At the beginning of the reporting period	-
Shares issued during the year	858,324
At the end of the reporting period	858,324

Ordinary shareholders participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

b. **Capital management**

Management controls the capital of the Group in order to maintain a satisfactory debt to equity ratio and to ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. Currently, the Group does not consider it necessary to finance its operations through debt capital. Accordingly, the Group's only material financial liabilities at the end of the reporting period are trade and other payables.

Management manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

NOTE 15: CAPITAL AND LEASING COMMITMENTS

There are no operating lease commitments on the basis the group is on a month by month agreement.

NOTE 16: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities at balance date.

NOTE 17: EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any significant events since the end of the reporting period.

NOTE 18: CASH FLOW INFORMATION

Reconciliation of cash flows from operating activities with profit for the year	
Net profit	937,381
Non-cash items:	
Depreciation	56,562
	56,562
Changes in assets and liabilities:	
(Increase)/decrease in trade and other receivables	(2,824,397)
(Increase)/decrease in prepayments	(116,664)
Increase/(decrease) in deferred tax assets	(7,563)
Increase/(decrease) in trade and other payables	9,523,173
Increase/(decrease) in current tax liabilities	365,174
Increase/(decrease) in deferred tax liabilities	(53,660)
	6,886,068
Net cash provided by operating activities	7,880,011

NOTE 19: RELATED PARTY TRANSACTIONS

The Group's main related parties are as follows:

a. **Entities that exercise control over the Group**

The ultimate parent entity, which exercises control over the Group, is Instreet Investment Australia Ltd.

b. **Controlled Entities**

Controlled entities are entities over which Instreet Investment Australia Ltd has the power to govern the financial and operating policies so as to obtain benefits from their activities. As intercompany transactions and balances involving controlled entities are eliminated on consolidation, controlled entities are considered related parties only in the case of the parent entity's separate financial statements. A list of controlled entities is provided in Note 11.

c. **Key management personnel of the Group**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Group or any of the Group's parent entities (as described in (a) above), directly or indirectly, including any director (whether executive or otherwise) of the entity, is considered key management personnel.

d. **Other related parties of the Group**

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

Transactions and outstanding balances with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties (ie at arm's length) unless the terms and conditions disclosed below state otherwise. The following transactions occurred with related parties:

(i)	*Key management personnel:*	
	Management & Service fee – George Lucas	210,310
	Management & Service fee – David Gordan	210,310
	Total Compensation	420,620
(ii)	*Other related parties – director-related entities:*	
	Amounts paid/payable to GHR Financial Planning Pty Ltd on behalf of Ian Rae for Director Fees	20,000
	Total Paid/Payable to Director Related Entities	20,000

NOTE 20: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and hedged financial assets and liabilities.

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

	Note	Consolidated Group
		2018
		$
Financial assets		
Cash and cash equivalents	6	10,596,626
Trade and other receivables	7	3,534,071
Financial assets	8	123,112,419
Total financial assets		137,243,116
Financial liabilities		
Trade and other payables	12	13,142,133
Financial liabilities	14	123,106,409
Total financial liabilities		136,248,542

Financial Risk Management Policies

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

Senior executives meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk, and market risk relating to interest rate risk and other price risk.

a. **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. The Group's objective in managing credit risk is to minimise the credit losses incurred, mainly on trade and other receivables and loans. There is no significant credit risk exposure on available-for-sale financial assets and held-to-maturity investments.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board of Directors has otherwise cleared as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses or obtaining security by way personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

The financial products issued by Instreet Structured Investment Pty Limited (Issuer) are secured obligations of the Issuer. The Issuer may not be able to meet its obligations but has granted Investors a charge which is held on trust by the Security Trustee (Australian Equity Trustee). If the Issuer fails to (i) make a payment or delivery on its due date; or (ii) meet any other obligation and in the Security Trustee's opinion the failure is materially adverse to the investors and cannot be remedied (or has not been remedied within 5 business days of written notice), the Security Trustee may enforce the charge. In this case the investors are unsecured creditors of the provider of the Hedge assets. Investors' rights of recourse against the Issuer on a default are limited to the assets subject to the charge. This structure has the effect of passing through the credit rating of the provider of the hedge asset and protecting different financial product series from cross-liability issues (other than on an insolvency of either the Issuer or the provider of the hedge asset). The Issuer will only deal with investment-grade or better bank or a subsidiary of an investment-grade or better bank.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 7.

All cash and cash equivalents are held with large reputable financial institutions within Australia and therefore credit risk is considered minimal.

b. **Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group is not currently exposed to any significant liquidity risk on the basis that the realisable value of financial assets is greater than the financial liabilities due for settlement. The Group manages its liquidity risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

Financial liability and financial asset maturity analysis

	Note	Within 1 Year	1 to 5 Years	Over 5 Years	Total
		2018	2018	2018	2018
		$	$	$	$
Consolidated Group					
Financial liabilities due					
Trade and other payables	12	13,142,133	-	-	13,142,133
Financial Liabilities	14	35,183,383	87,923,026	-	123,106,409
Total expected outflows		48,325,516	87,923,026	-	136,248,542
Financial assets realisable					
Cash and cash equivalents	6	10,596,626	-	-	10,596,626
Trade and other receivables	7	3,534,071	-	-	3,534,071
Financial assets	8	35,183,383	87,929,036	-	123,112,419
Total anticipated inflows		49,314,080	87,929,036	-	137,243,116
Net inflow/(outflow)		988,564	6,010	-	994,574

c. **Market risk**

(i) *Interest rate risk*

Exposure to interest rate risk arises on interest-bearing financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect either the future cash flows (in the case of variable interest instruments) or the fair value financial instruments (in the case of fixed rate instruments).

The Group's exposure to interest rate risk is by cash and cash equivalents and loans receivable.

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and equity prices. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated Group	Consolidated Group
	Profit	Equity
	$	$
Year ended 30 June 2018		
+/– 1% in interest rates (interest income)	12,413	12,073

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Refer to Note 21 for detailed disclosures regarding the fair value measurement of the Group's financial assets and financial liabilities.

	Note	Carrying Amount	Fair Value
		2018	2018
		$	$
Financial assets			
Cash and cash equivalents (i)	6	10,596,626	10,596,626
Trade and other receivables (i)	7	3,534,071	3,534,071
Financial assets	8	123,112,419	123,112,419
Total financial assets		137,243,116	137,243,116
Financial liabilities			
Trade and other payables (i)	12	13,142,133	13,142,133
Financial Liabilities	14	123,106,409	123,106,409
Total financial liabilities		136,248,542	136,248,542

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments whose carrying amounts approximate their fair values. Trade and other payables exclude amounts relating to the provision of annual leave and deferred revenue, which are outside the scope of AASB 139.

NOTE 21: FAIR VALUE MEASUREMENTS

The Group measures and recognises its financial products at fair value on a recurring basis after initial recognition.

The Group does mark to market valuations of its financial products at 30 June 2018.

a. **Fair Value Hierarchy**

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	**Level 2**	**Level 3**
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach* uses prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach* converts estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach* reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

		30 June 2018			
	Note	Level 1	Level 2	Level 3	Total
		$	$	$	$
Recurring fair value measurements					
Financial assets					
Financial assets	8	6,010	123,106,409	-	123,112,419
Total financial assets carried at fair value		**6,010**	**123,106,409**	-	**123,112,419**
Financial liabilities					
Financial liabilities	14	-	123,106,409	-	123,106,409
Total financial liabilities carried at fair value		-	**123,106,409**	-	**123,106,409**

NOTE 22: PARENT INFORMATION

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

Instreet Investment Australia Ltd and Controlled Entities

ABN 24 622 827 589

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 22: PARENT INFORMATION

	Consolidated Group 2018 $
Statement of financial position	
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	3,531
Trade and other receivables	15,065
Other assets	116,664
TOTAL CURRENT ASSETS	135,260
NON-CURRENT ASSETS	
Financial assets	1,010,281
TOTAL NON-CURRENT ASSETS	1,010,281
TOTAL ASSETS	1,145,541
LIABILITIES	
CURRENT LIBILITIES	
Trade and other payables	376,283
TOTAL CURRENT LIABILITIES	376,283
TOTAL LIABILITIES	376,283
NET ASSETS	769,258
EQUITY	
Issued capital	858,324
Retained Earnings	(89,066)
TOTAL EQUITY	769,258
Statement of comprehensive income	
Profit / (loss) for the year	89,066
Other comprehensive income for the year, net of tax	-
Total comprehensive income for the year	89,066

Instreet Investment Australia Ltd and Controlled Entities

ABN 24 622 827 589

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Instreet Investment Australia Ltd, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 38, are in accordance with the *Corporations Act 2001* and:

    a. comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and

    b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the company and consolidated group.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

……………………………………………………………………………………………

George Lucas (Director)

Dated the 29th day of October 2018

INSTREET INVESTMENT AUSTRALIA LTD
AND CONTROLLED ENTITIES
ABN 24 622 827 589

SYDNEY
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Australia
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INDEPENDENT AUDITOR'S REPORT TO THE OWNERS OF INSTREET INVESTMENT AUSTRALIA LTD

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Instreet Investment Australia Ltd and Controlled Entities (the Group), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information and the director's declaration.

In our opinion:

a. the accompanying financial report of Instreet Investment Australia Ltd and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

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

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

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

Information Other than the Financial Report and Auditor's Report Thereon

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

INSTREET INVESTMENT AUSTRALIA LTD
AND CONTROLLED ENTITIES
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INDEPENDENT AUDITOR'S REPORT TO THE OWNERS OF INSTREET INVESTMENT AUSTRALIA LTD

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

INSTREET INVESTMENT AUSTRALIA LTD
AND CONTROLLED ENTITIES
ABN 24 622 827 589

INDEPENDENT AUDITOR'S REPORT TO THE OWNERS OF
INSTREET INVESTMENT AUSTRALIA LTD

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

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

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney, NSW 2000

DREW TOWNSEND
Partner
Dated: 29 October 2018