

Independent Auditor's Report to the Members of Pure Foods Tasmania Pty Ltd

Opinion

We have audited the financial report, being a special purpose financial report, of Pure Foods Tasmania Pty Ltd and its controlled entities (the Group) which comprises the balance sheet as at 30 June 2018, the profit and loss statement, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by those charged with governance.

In our opinion, except for the effects of the matter described in the *Qualification* section of our report, the accompanying financial report of the Group presents fairly, in all material respects, the financial position of the Group as at 30 June 2018, and of its financial performance for the year then ended in accordance with Australian Accounting Standards to the extent described in Note 2.

Basis of 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 Entity in accordance with 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2 of the financial report which describes the basis of accounting used to prepare the financial report. The financial report has been prepared to assist the Group to meet the requirements of its Shareholders Agreement. As a result, this financial report may not be suitable for another purpose.

Qualification

The Group maintains a level of stock in the course of its daily operations and therefore at the end of the financial year a stock value is recorded in the balance sheet of the Group. No audit stock take procedure was completed in order to verify the existence of these stock items at balance date, therefore it is not possible to conclude the existence of stock held at balance date.

Liability limited by a scheme approved under Professional Standards Legislation.

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Entity'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 Entity 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.

We communicate with those charged with governance 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.



Nick Carter

Partner

Wise Lord & Ferguson

Date: 22 July 2019

PURE FOODS TASMANIA PTY LTD & CONTROLLED ENTITIES

DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

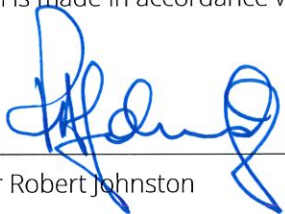
The directors of the company declare that:

1. The financial statements and notes, as set out on pages present fairly the company's financial position as at 30 June 2018 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
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.

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

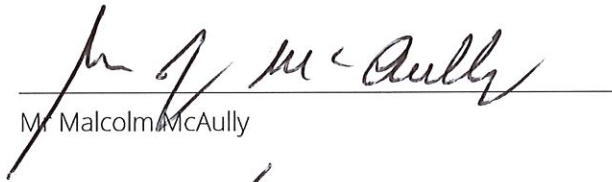
Director:

Mr Robert Johnston

 18/7/19

Director:

Mr Malcolm McAully



Dated:

18-7/19

PURE FOODS TASMANIA PTY LTD & CONTROLLED ENTITIES

BALANCE SHEET
AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	95,123	252,713
Trade and other receivables	4	378,596	312,879
Inventories	5	151,653	114,775
Other current assets	6	22,321	-
TOTAL CURRENT ASSETS		647,693	680,367
NON-CURRENT ASSETS			
Property, plant and equipment	7	643,651	637,368
Intangible assets	8	1,090,127	1,090,127
TOTAL NON-CURRENT ASSETS		1,733,778	1,727,495
TOTAL ASSETS		2,381,471	2,407,862
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	365,070	312,377
Borrowings	10	38,831	29,925
Provisions	11	92,057	92,400
Tax liabilities	12	5,441	5,441
TOTAL CURRENT LIABILITIES		501,399	440,143
NON-CURRENT LIABILITIES			
Borrowings	10	203,302	134,286
Provisions	11	302,266	1,866
TOTAL NON-CURRENT LIABILITIES		505,568	136,152
TOTAL LIABILITIES		1,006,967	576,295
NET ASSETS		1,374,504	1,831,567
EQUITY			
Issued capital	13	1,887,000	1,844,500
Accumulated losses	14	(512,496)	(12,933)
TOTAL EQUITY		1,374,504	1,831,567

The accompanying notes form part of these financial statements.
These statements should be read in conjunction with the attached compilation
report of WLF Accounting & Advisory.

PURE FOODS TASMANIA PTY LTD & CONTROLLED ENTITIES

PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
SALES		
Sales	<u>3,580,782</u>	<u>3,119,334</u>
LESS: COST OF GOODS SOLD		
Purchases	<u>1,550,305</u>	<u>1,178,512</u>
LESS: MANUFACTURING COSTS		
Direct Costs	787,196	752,814
Freight & Cartage	<u>237,250</u>	<u>213,487</u>
	<u>1,024,446</u>	<u>966,301</u>
GROSS PROFIT FROM TRADING	<u>1,006,031</u>	<u>974,521</u>
OTHER INCOME		
Interest Received	3	1,570
Subsidies & Grants	49,764	172,966
Insurance Recoveries	5,443	20,164
Other Income	-	10,017
Miscellaneous Income	<u>15,249</u>	<u>8,297</u>
	<u>70,459</u>	<u>213,014</u>
	<u>1,076,490</u>	<u>1,187,535</u>

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report of WLF Accounting & Advisory.

PURE FOODS TASMANIA PTY LTD & CONTROLLED ENTITIES

PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
EXPENSES		
Accountancy, Advisory & Bookkeeping Fees	59,270	48,626
Audit Fees	8,000	7,900
Advertising	85,490	32,420
Bad Debts Written Off	29,600	-
Bank Charges	3,669	3,540
Borrowing Costs	115	-
Cleaning	20,265	17,428
Computer Expenses	8,277	6,274
Depreciation	160,541	117,499
Directors' Fees	37,500	21,250
Directors Share Issues	42,500	-
Electricity	59,382	48,192
Entertainment Expenses	3,677	3,700
Hire of Plant & Equipment	2,443	3,541
Insurance	72,070	34,568
Interest Paid	28,935	9,905
Laboratory Testing	13,710	20,641
Legal Costs	20,973	14,590
Motor Vehicle Expenses	28,155	35,504
Permits, Licences & Fees	6,033	6,010
Pest Control	2,610	1,769
Postage	422	1,213
Printing & Stationery	9,503	11,644
Protective Clothing	11,140	-
Provision for Leave	57	23,150
Product Development	2,488	-
Quality Assurance	24,668	21,195
Rates & Taxes	3,273	2,347
Rent	90,364	93,001
Repairs & Maintenance	53,923	61,395
Rubbish & Waste Removal	15,644	7,646
Security Costs	910	518
Small Asset Purchases	4,632	9,019

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PURE FOODS TASMANIA PTY LTD & CONTROLLED ENTITIES

PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$	2017 \$
Staff, Employment and IR Advice	51,238	57,039
Subcontractors	-	960
Subscriptions	7,039	2,969
Sundry Expenses	11,706	7,383
Superannuation Contributions	34,110	23,264
Telephone	14,906	14,433
Travelling Expenses	55,749	53,524
Wages	491,066	299,570
Weights & Measures	-	1,515
	<u>1,576,053</u>	<u>1,125,142</u>
(Loss) Profit before income tax	<u>(499,563)</u>	<u>62,393</u>
Income tax expense	-	5,441
(Loss) Profit after income tax	<u><u>(499,563)</u></u>	<u><u>56,952</u></u>

The accompanying notes form part of these financial statements.
These statements should be read in conjunction with the attached compilation
report of WLF Accounting & Advisory.

PURE FOODS TASMANIA PTY LTD & CONTROLLED ENTITIES

PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
(Loss) Profit before income tax		(499,563)	62,393
Income tax expense		-	5,441
(Loss) Profit after income tax		(499,563)	56,952
Accumulated losses at the beginning of the financial year		(12,933)	(69,885)
Total available for appropriation		(512,496)	(12,933)
Accumulated losses at the end of the financial year		(512,496)	(12,933)

The accompanying notes form part of these financial statements.
These statements should be read in conjunction with the attached compilation report of WLF Accounting & Advisory.

PURE FOODS TASMANIA PTY LTD & CONTROLLED ENTITIES

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

The financial statements cover the business of Pure Foods Tasmania Pty Ltd & Controlled Entities and have been prepared to meet the needs of stakeholders and to assist in the preparation of the tax return.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The Company is non reporting since there are unlikely to be any users who would rely on the general purpose financial statements.

The special purpose financial statements have been prepared in accordance with the significant accounting policies described below and do not comply with any Australian Accounting Standards unless otherwise stated.

The financial statements have been prepared on an accruals 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.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Summary of Significant Accounting Policies

Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income). The company does not apply deferred tax.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid (recovered from) the relevant taxation authority.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on a first-in first-out basis.

PURE FOODS TASMANIA PTY LTD & CONTROLLED ENTITIES

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

Property, Plant and Equipment

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

Depreciation

Property, plant and equipment excluding freehold land, is depreciated on a straight line basis over the assets useful life to the company, commencing when the asset is ready for use.

Intangibles

Goodwill is measured at the amount by which the purchase price of a business exceeds the value attributed to the interest in identifiable assets and liabilities at the date of acquisition.

Other intangibles

Trademarks, business acquisition costs, formation costs and the Salamanca Stall, have been recognised and recorded in the Balance Sheet of the group at cost at time of acquisition.

Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cash flows. Changes in the measurement of the liability are recognised in profit or loss.

PURE FOODS TASMANIA PTY LTD & CONTROLLED ENTITIES

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

Provisions

Provisions are recognised when the company 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.

Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and cessation of all involvement in those goods.

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

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

Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of GST.

PURE FOODS TASMANIA PTY LTD & CONTROLLED ENTITIES

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

	2018 \$	2017 \$
3	Cash and Cash Equivalents	
	800	800
	Deposits	
	Cash at Bank	251,913
	<u>94,323</u>	<u>251,913</u>
	<u>95,123</u>	<u>252,713</u>
4	Trade and Other Receivables	
	Current	
	-	274
	Sundry Debtors	
	Trade Debtors	281,917
	333,877	
	GST Receivable	30,521
	44,102	
	Other Debtors	167
	617	
	<u>378,596</u>	<u>312,879</u>
5	Inventories	
	Current	
	151,653	114,775
	Stock on Hand	
6	Other Assets	
	Current	
	21,161	-
	Prepayments	
	Prepaid Borrowing Expenses	-
	1,275	
	Less Amortisation	-
	(115)	
	<u>22,321</u>	<u>-</u>

PURE FOODS TASMANIA PTY LTD & CONTROLLED ENTITIES

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

	2018 \$	2017 \$
7		
Property, Plant and Equipment		
Land and Buildings		
Buildings	325,074	293,248
Less: Accumulated Depreciation	<u>(10,407)</u>	<u>(2,359)</u>
	314,667	290,889
Total Land and Buildings	<u>314,667</u>	<u>290,889</u>
Plant & Equipment	530,644	419,709
Less: Accumulated Depreciation	<u>(232,895)</u>	<u>(112,788)</u>
	297,749	306,921
Motor Vehicles	51,339	51,339
Less: Accumulated Depreciation	<u>(23,125)</u>	<u>(16,614)</u>
	28,214	34,725
Low Value Pool	12,237	12,237
Less: Accumulated Depreciation	<u>(9,216)</u>	<u>(7,404)</u>
	3,021	4,833
Total Plant and Equipment	<u>328,984</u>	<u>346,479</u>
Total Property, Plant and Equipment	<u>643,651</u>	<u>637,368</u>
8		
Intangible Assets		
Formation Expenses	3,777	3,777
Salamanca Stall	<u>42,912</u>	<u>42,912</u>
	46,689	46,689
Goodwill	997,094	997,094
Less Accumulated Amortisation	<u>-</u>	<u>-</u>
	997,094	997,094
Business Acquisition Costs	39,822	39,822
Patents & Trademarks	<u>6,522</u>	<u>6,522</u>
Total	<u>1,090,127</u>	<u>1,090,127</u>

PURE FOODS TASMANIA PTY LTD & CONTROLLED ENTITIES

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

	2018 \$	2017 \$
9 Trade and Other Payables		
Current		
Vendor Loan	-	18,750
Accrued Expenses	18,871	7,701
Trade Creditors	259,004	228,449
PAYGW Payable	46,122	45,875
Superannuation Payable	41,073	11,602
	<u>365,070</u>	<u>312,377</u>
10 Borrowings		
Current		
Hire Purchase Liability	20,683	6,673
Less: Unexpired Hire Purchase Liability	(2,459)	(1,811)
Loans - Bank	23,054	25,063
Less Unexpired Interest	(2,447)	-
Total current borrowings	<u>38,831</u>	<u>29,925</u>
Non-Current		
Hire Purchase Liability	117,201	37,606
Less Unexpired Hire Purchase Liability	(13,935)	(3,673)
Insurance Loan	17,950	-
Less Unexpired Interest	(367)	-
Loans - Bank	92,241	100,353
Less Unexpired Interest	(9,788)	-
Total non-current borrowings	<u>203,302</u>	<u>134,286</u>
Total borrowings	<u>242,133</u>	<u>164,211</u>
11 Provisions		

PURE FOODS TASMANIA PTY LTD & CONTROLLED ENTITIES

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

	2018 \$	2017 \$
Current		
Provision for Long Service Leave	30,949	38,574
Provision for Annual Leave	<u>61,108</u>	<u>53,826</u>
	<u>92,057</u>	<u>92,400</u>
Non-Current		
Provision for Long Service Leave	2,266	1,866
Loan - J G Lewis Trust No 2	200,000	-
Loan - Krisami Investments	<u>100,000</u>	<u>-</u>
	<u>302,266</u>	<u>1,866</u>
12 Tax		
Liabilities		
Current		
Provision for Income Tax	<u>5,441</u>	<u>5,441</u>
13 Issued Capital		
Share Issue	1,892,500	1,850,000
Capital Raising Expenses	<u>(5,500)</u>	<u>(5,500)</u>
	<u>1,887,000</u>	<u>1,844,500</u>
14 Accumulated Losses		
Accumulated losses at the beginning of the financial year	(12,933)	(50,465)
(Net loss) Net profit attributable to members of the company	(499,563)	56,952
Retrospective Adjustments	<u>-</u>	<u>(19,420)</u>
Accumulated losses at the end of the financial year	<u>(512,496)</u>	<u>(12,933)</u>