

Special purpose financial statements

789 Group

For the year ended 30 June 2016

Contents

	Page
Auditor's Independence Declaration	3
Consolidated Statement of Profit or Loss and Other Comprehensive Incc	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	19
Independent Auditor's Report	20

Auditor's Independence Declaration

789 Group
Special purpose financial statements

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2016

	Note	2016 \$	2015 \$
Revenues	3	7,533,675	8,666,729
Other income		-	3,814
Commissions expenses		2,754,057	3,196,131
Marketing expenses		110,170	424,839
Depreciation expense		49,603	42,486
Rent expense		177,610	245,460
Salaries and wages		727,149	488,418
Legal expenses		8,484	34,684
Other expenses		366,805	354,939
Finance costs		1,964	-
Profit before income tax expense		3,337,833	3,883,586
Income tax expense	4	<u>(997,963)</u>	<u>(1,166,418)</u>
Profit after income tax expense for the year		2,339,870	2,717,168
Other comprehensive income			
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>2,339,870</u>	<u>2,717,168</u>
Profit for the year is attributable to:			
Owners of 789 Group		<u>2,339,870</u>	<u>2,717,168</u>
		<u>2,339,870</u>	<u>2,717,168</u>
Total comprehensive income for the year is attributable to:			
Owners of 789 Group		<u>2,339,870</u>	<u>2,717,168</u>
		<u>2,339,870</u>	<u>2,717,168</u>

The financial statements should be read in conjunction with the accompanying notes.

Statement of Financial Position
as at 30 June 2016

	Note	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	5	135,355	596,301
Trade and other receivables	6	2,200,081	1,363,862
Other assets	7	337,478	239,392
Total current assets		<u>2,672,914</u>	<u>2,199,555</u>
Non-current assets			
Property, plant and equipment	8	192,305	241,908
Deferred tax assets (net)	4b	-	-
Total non-current assets		<u>192,305</u>	<u>241,908</u>
Total assets		<u>2,865,219</u>	<u>2,441,463</u>
Liabilities			
Current liabilities			
Trade and other payables	9	551,210	625,681
Borrowings	10	-	46,606
Provision for income tax	11	194,499	43,434
Employee benefits provision	12	16,031	15,863
Total current liabilities		<u>761,740</u>	<u>731,584</u>
Non-current liabilities			
Employee benefits provision	12	841	481
Deferred tax liability (net)	4b	320,214	110,522
Total non-current liabilities		<u>321,055</u>	<u>111,003</u>
Total liabilities		<u>1,082,795</u>	<u>842,587</u>
Net assets		<u>1,782,424</u>	<u>1,598,876</u>
Equity			
Issued capital		102	102
Retained profits	13	1,782,322	1,598,774
Equity attributable to the owners of 789 Group		<u>1,782,424</u>	<u>1,598,876</u>
Total equity		<u>1,782,424</u>	<u>1,598,876</u>

The financial statements should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
for the year ended 30 June 2016

	Issued capital \$	Retained profits \$	Total equity \$
Combined			
Balance at 1 July 2014	102	2,177,590	2,177,692
Profit after income tax expense for the year	-	2,717,168	2,717,168
Other comprehensive loss for the year, net of tax	-	-	-
Total comprehensive income for the year	-	2,717,168	2,717,168
<i>Transactions with owners in their capacity as owners</i>			
Transfers out (See Note 1)	-	(3,295,984)	(3,295,984)
Balance at 30 June 2015	102	1,598,774	1,598,876
	Issued capital \$	Retained profits \$	Total equity \$
Combined			
Balance at 1 July 2015	102	1,598,774	1,598,876
Profit after income tax expense for the year	-	2,339,870	2,339,870
Other comprehensive loss for the year, net of tax	-	-	-
Total comprehensive income for the year	-	2,339,870	2,339,870
<i>Transactions with owners in their capacity as owners</i>			
Transfers out (See Note 1)	-	(2,156,322)	(2,156,322)
Balance at 30 June 2016	102	1,782,322	1,782,424

The financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows
For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and service tax)		7,490,820	10,711,376
Payments to suppliers and employees (inclusive of goods and service tax)		(5,709,421)	(6,797,528)
		<u>1,781,399</u>	<u>3,913,848</u>
Interest received		1,838	2,938
Other revenue		62,339	8,832
Income taxes paid		<u>(103,594)</u>	<u>(77,048)</u>
Net cash from operating activities	15	<u>1,741,982</u>	<u>3,848,570</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>-</u>	<u>(134,274)</u>
Net cash used in investing activities		<u>-</u>	<u>(134,274)</u>
Cash flows from financing activities			
Transfers out (See Note 1)		(2,156,322)	(3,295,984)
Repayment of leases		<u>(46,606)</u>	<u>(23,759)</u>
Net cash used in financing activities		<u>(2,202,928)</u>	<u>(3,319,743)</u>
Net (decrease) / increase in cash and cash equivalents		(460,946)	394,553
Cash and cash equivalents at the beginning of the financial year		<u>596,301</u>	<u>201,748</u>
Cash and cash equivalents at the end of the financial year	5	<u><u>135,355</u></u>	<u><u>596,301</u></u>

The financial statements should be read in conjunction with the accompanying notes.

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

In the directors opinion, the 789 Group is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the intended users of these special purpose financial statements.

Preparation of Historical Financial Information for listing purposes

789 Holdings Limited (789 HL) was incorporated as the holding company on 13 August 2018. On listing, it will acquire all of the shares in the following companies:

- Home 789 Resources Pty Ltd (Home789); and
- Great Fortune Investment Pty Ltd (GFI).

The above entities together are referred to as the "789 Group".

These Financial Statements have been prepared for listing purposes only and include certain assets, liabilities, revenues and expenses of the 789 Group and a related entity of the 789 Group that will be combined together in the operations of the 789 Group on listing.

Due to its nature, these Financial Statements do not represent the 789 Group's actual performance, cash flows or financial position as the financial statements have been prepared as if the 789 Group had operated as a single combined entity since 1 July 2014.

The net contribution, after the elimination of the intercompany transactions with the related entity of the 789 Group, to the Comprehensive Income of the Combined Entity for the financial year ended 30 June 2016 is recorded as transfers out to the owners of the Combined Entity in the Statements of Cash Flows and Changes in Equity.

Historical cost convention

The financial statements have been prepared under the historical cost convention, unless otherwise stated in the significant accounting policies below.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 789 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Foreign currency translation

The financial statements are presented in AUD which is the 789 Group's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into AUD using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the 789 Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Note 1. Significant accounting policies (continued)

Rendering of Services - real estate sales commissions

Revenue from a contract to provide services (i.e. arranging the sales of the units in the development properties) is recognised by reference to the sale of an individual unit that forms part of the development property. 50% of the total commission earned for the sale of an individual unit is recognised at the exchange of the contract between the vendor and the buyer and the remaining 50% of the total commission earned is recognised at settlement.

Rendering of Services - letting and property management

Letting fees are earned (normally one weeks rent) from the letting of properties and management fees are earned for the usual property management and charged as a percentage of the rent (approximately 5%).

Other revenue

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

Income tax

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

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

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

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

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

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Combined Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the 789 Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Note 1. Significant accounting policies (continued)

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30-60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the 789 Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Combined Entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Impairment of financial assets

The 789 Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Note 1. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and bringing the asset to working condition for its intended use.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the 789 Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful lives. Property, plant and equipment under work-in-progress are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Office equipment	5-7 years
Furniture and fittings	5-10 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in other property, plant and equipment. Upon, reviewed, adjustment or impairment shall be made, if required.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Trade and other payables

These amounts represent liabilities for goods and services provided to the 789 Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 1. Significant accounting policies (continued)

Borrowings

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

Provisions

Provisions are recognised when the 789 Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Combined Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the 789 Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

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

Dividends

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Combined Entity are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. AASB 9 replaces earlier versions of AASB 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. AASB 9 when effective will replace AASB 139 Financial Instruments: Recognition and Measurement.

AASB 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in AASB 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. AASB 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under AASB 139.

The adoption of AASB 9 will result in a change in accounting policy. The 789 Group is currently examining the financial impact of adopting AASB 9.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and related UIG Interpretations. The Combined Entity is in the process of assessing the impact of this Standard. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Note 1. Significant accounting policies (continued)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The 789 Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the 789 Group.

Adoption of above Australian Accounting Standards is not expected to have any significant impact on the financial statements of the 789 Group.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

The 789 Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Estimation of the percentage of completion of the real estate sales contracts

The Directors of the 789 Group have determined that the percentage of completion method best reflects the efforts that the 789 Group contributed into arranging the sales of the individual units that form part of the contract with the property developers. The Directors of the 789 Group estimate that on average 50% of these efforts on an individual unit are expended before the exchange of the contract between the vendor and the buyer and the remaining 50% is expended before and at the time of settlement (i.e. in line with the contractual entitlements for the sales commissions).

3. Revenue

	Combined	
	2016	2015
	\$	\$
Real estate sales commissions	7,469,497	8,655,835
Other revenue	62,339	7,956
Interest revenue	1,838	2,938
	<u>7,533,675</u>	<u>8,666,729</u>

4. Income tax

(a) Income tax expense

Current tax	254,660	89,085
Current tax (paid/payable by Australian Sunshine Pty Ltd)	533,611	852,591
Deferred tax	<u>209,692</u>	<u>224,742</u>
	<u>997,963</u>	<u>1,166,418</u>

Numerical reconciliation of income tax expense to prima facie tax payable

Profit before tax for the year	3,337,833	3,883,586
Tax at the Australian tax rate of 30% (2015 – 30%)	1,001,350	1,165,076
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry items	<u>(3,387)</u>	<u>1,342</u>
	<u>997,963</u>	<u>1,166,418</u>

(b) Deferred tax liability (net)

Fixed assets	9,942	1,962
Employee provisions	5,062	4,904
(Deferred) commission expenses	(322,408)	(114,033)
Accrued commissions receivable	<u>(12,810)</u>	<u>(3,354)</u>
	<u>(320,214)</u>	<u>(110,521)</u>

(c) Recovery of deferred tax assets / (liabilities)

Deferred tax liabilities expected to be recovered within 12 months	(330,156)	(112,483)
Deferred tax assets expected to be recovered after more than 12 months	<u>9,942</u>	<u>1,962</u>
	<u>(320,214)</u>	<u>(110,521)</u>

Note 5. Current assets - cash and cash equivalents

Cash on hand	-	6
Cash at bank	<u>135,355</u>	<u>596,295</u>
	<u>135,355</u>	<u>596,301</u>

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	<u>135,355</u>	<u>596,301</u>
Balance as per statement of cash flows	<u>135,355</u>	<u>596,301</u>

Note 6. Current assets - trade receivables

Trade debtors	54,364	20,029
Sales commission receivable from developers (collected by Australia Sunshine Pty Ltd)	1,974,646	1,172,762
Loans receivables - related party	<u>171,071</u>	<u>171,071</u>
	<u>2,200,081</u>	<u>1,363,862</u>

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Past due but not impaired:

As at 30 June 2016, trade receivables of \$Nil (2015 – \$Nil) were past due but not impaired

Note 7. Current assets - other

Bonds refundable	75,668	47,273
Payroll advance	16,184	-
Prepaid commissions	<u>245,626</u>	<u>192,119</u>
Other assets	<u>337,478</u>	<u>239,392</u>

Note 8. Non-current assets - property, plant and equipment

	Combined	
	2016	2015
	\$	\$
Furniture and fittings - at cost	83,572	83,572
Less: Accumulated depreciation	<u>(30,584)</u>	<u>(16,747)</u>
	<u>52,988</u>	<u>66,825</u>
Office equipment - at cost	109,374	114,699
Less: Accumulated depreciation	<u>(37,130)</u>	<u>(24,416)</u>
	<u>72,244</u>	<u>90,283</u>
Motor vehicles - at cost	141,818	141,818
Less: Accumulated depreciation	<u>(74,745)</u>	<u>(57,018)</u>
	<u>67,073</u>	<u>84,800</u>
	<u>192,305</u>	<u>241,908</u>

Reconciliations

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

	Furniture and fittings	Office equipment	Motor vehicles	Total
	\$	\$	\$	\$
Combined				
Balance at 30 June 2014	19,277	28,316	102,527	150,120
Additions	57,546	76,728	-	134,274
Depreciation expense	<u>(9,998)</u>	<u>(14,761)</u>	<u>(17,727)</u>	<u>(42,486)</u>
Balance at 30 June 2015	66,825	90,283	84,800	241,908
Additions	-	-	-	-
Depreciation expense	<u>(13,837)</u>	<u>(18,039)</u>	<u>(17,727)</u>	<u>(49,603)</u>
Balance at 30 June 2016	<u>52,988</u>	<u>72,244</u>	<u>67,073</u>	<u>192,305</u>

Note 9. Current liabilities - trade and other payables

	Combined	
	2016	2015
	\$	\$
Trade payables	176,399	217,673
Accrued commissions payables	(5,410)	316,494
Sales commissions received in advance	250,353	138
GST payable (net)	98,743	62,850
PAYG payable	22,863	18,574
Payroll liabilities	-	7,383
Other liabilities	<u>8,263</u>	<u>2,569</u>
	<u>551,210</u>	<u>625,681</u>

Note 10. Current liabilities - borrowings

Secured		
Lease liability	-	46,606
	<u>-</u>	<u>46,606</u>

Refer to note 14 for further information on financial instruments.

Note 11. Current liabilities - income tax

Provision for income tax	<u>194,499</u>	<u>43,434</u>
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Note 12. Employee benefits

	Combined	
	2016	2015
	\$	\$
Current liabilities - Employee benefits	<u>16,031</u>	<u>15,863</u>
Non-current liabilities - Employee benefits	<u>841</u>	<u>481</u>

Note 13. Equity - retained profits

Retained profits at the beginning of the financial year	1,598,774	2,177,590
Profit after income tax expense for the year	2,339,870	2,717,168
Transfers out (See Note 1)	<u>(2,156,322)</u>	<u>(3,295,984)</u>
Retained profits at the end of the financial year	<u>1,782,322</u>	<u>1,598,774</u>

Note 14. Financial instruments

Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal

The following table analyses the financial assets and financial liabilities in the statement of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables	Financial liabilities measured at amortised cost	Total
	\$	\$	\$
2015			
Financial Assets			
Trade receivables	1,363,862	-	1,363,862
Cash and bank balances	<u>596,301</u>	<u>-</u>	<u>596,301</u>
	<u>1,960,163</u>	<u>-</u>	<u>1,960,163</u>
Financial Liabilities			
Trade payables	-	217,673	217,673
Accrued commissions payables	-	316,494	316,494
GST payable (net)	-	62,850	62,850
PAYG payable	-	18,574	18,574
Payroll liabilities	-	7,383	7,383
Other liabilities	-	2,569	2,569
Borrowings	-	<u>46,606</u>	<u>46,606</u>
	-	672,149	672,149
2016			
Financial Assets			
Trade receivables	2,200,081	-	2,200,081
Cash and bank balances	<u>135,355</u>	<u>-</u>	<u>135,355</u>
	<u>2,335,436</u>	<u>-</u>	<u>2,335,436</u>
Financial Liabilities			
Trade payables	-	176,399	176,399
Accrued commissions payables	-	(5,410)	(5,410)
GST payable (net)	-	98,743	98,743
PAYG payable	-	22,863	22,863
Other liabilities	-	<u>8,263</u>	<u>8,263</u>
	-	300,858	300,858

	WA rate	1 year or less	Between 1 and 5 years	Over 5 years	Remaining contractual maturities
	%	'000	'000	'000	'000
Consolidated at 30 June 2016					
Trade payables	Nil	176,399	-	-	176,399
Accrued commissions payables	Nil	(5,410)	-	-	-5,410
GST payable (net)	Nil	98,743	-	-	98,743
PAYG payable	Nil	22,863	-	-	22,863
Other liabilities	Nil	8,263	-	-	8,263
		<u>300,858</u>	<u>-</u>	<u>-</u>	<u>300,858</u>
at 30 June 2015					
Trade payables	Nil	217,673	-	-	217,673
Accrued commissions payables	Nil	316,494	-	-	316,494
GST payable (net)	Nil	62,850	-	-	62,850
PAYG payable	Nil	18,574	-	-	18,574
Payroll liabilities	Nil	7,383	-	-	7,383
Other liabilities	Nil	2,569	-	-	2,569
Borrowings	7.9%	46,606	-	-	46,606
		<u>672,149</u>	<u>-</u>	<u>-</u>	<u>672,149</u>

Note 15. Reconciliation of profit after income tax to net cash from operating activities

	2016	2015
Profit after income tax expense for the year	2,339,870	2,717,168
Adjustments for:		
Depreciation and amortisation & write off	49,603	42,486
Change in operating assets and liabilities:		
(Increase)/decrease in trade receivables	(836,219)	812,348
(Increase) in other assets	(98,086)	(181,511)
(Decrease)/increase in trade and other payables	(79,471)	211,446
Increase in deferred tax liability	209,692	224,761
Increase in provision for income tax	151,065	12,037
Increase/(decrease) in employee benefits	528	9,835
Net cash from operating activities	<u>1,741,982</u>	<u>3,848,570</u>

Note 16. Contingent liability and Commitments

Payroll tax contingent liability

The 789 Group is currently the subject of investigation by the NSW Revenue Department ("Department") regarding its payroll tax liability. The 789 Group believes that it has complied with its payroll tax obligations, and that it has no liability to the Department. However, there is a risk that the Department may find that the 789 Group's commission payments ought to have been included in determining payroll tax liability, and that the 789 Group did not pay the correct amount of payroll tax.

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements.

Total operating lease expenditure contracted for at balance date but not recognised as liabilities

	Combined	
	2016	2015
	\$	\$
Payable within one year	184,646	179,268
Payable later than one year but not later than five years	254,658	439,304
	<u>439,304</u>	<u>618,572</u>

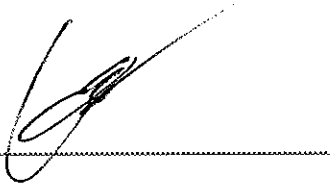
Directors' Declaration

In the directors' opinion:

- a. the 789 Group is not a reporting entity because there are no users dependent on general purpose financial statements. Accordingly, as described in note 1 to the financial statements, the attached special purpose financial statements have been prepared to meet the needs of the intended users of these special purpose financial statements.
- b. the attached financial statements and notes comply with accounting policies as described in note 1 to the financial statements;
- c. the attached financial statements and notes give a true and fair view of the 789 Group's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- d. there are reasonable grounds to believe that the 789 Group will be able to pay its debts as and when they become due and payable.

On behalf of the directors

Director

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a series of loops and a long horizontal stroke extending to the right, positioned above a dotted line.

Dated the 12th September 2018

