

SIS Australia Holdings Pty Ltd

ABN 65 132 211 459

**Annual Report
for the year ended 31 March 2018**

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Directors' report

Your directors present their report on SIS Australia Holdings Pty Ltd (referred to hereafter as the Group) consisting of SIS Australia Holdings Pty Ltd and the entities it controlled for the year ended 31 March 2018.

Directors

The following persons were directors of SIS Australia Holdings Pty Ltd during the whole of the financial year and up to the date of this report:

Uday Singh
 Rituraj Sinha
 Rivoli Sinha
 Michael McKinnon

Principal activities

The principal activities of the consolidated entity during the financial year were the provision of services relating to all aspects of physical security, and paramedic and emergency response services.

Dividends

Dividends paid to the shareholder during the financial year amounted to \$nil (2017: \$nil).

Review of operations

A summary of consolidated revenues and results is set out below:

	31 March 2018 \$'000	31 March 2017 \$'000
Revenue	605,397	478,286
Earnings before interest, depreciation and amortisation, taxation, and other items	32,062	22,878
Other Items	-	-
Earnings before interest, depreciation and amortisation, and taxation	32,062	22,878
Depreciation and amortisation	(3,260)	(1,095)
Earnings before interest and taxation	28,802	21,783
Finance costs	(5,892)	(3,370)
Earnings before taxation	22,910	18,413
Income tax expense	(6,387)	(5,433)
Profit after tax	16,523	12,980

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group from the beginning of the financial year to the date of this report, other than those listed below.

During the period the Group acquired additional shares in Andwills Pty Ltd (Andwills). Andwills is now recognised as a subsidiary of the Group. Refer to note 27 to the financial statements for further details.

During the period the Group amended its financing agreement with the National Australia Bank. The amended agreement provides for a maximum facility of \$120m. As at reporting date \$61.75m of the facility had been drawn down. The facility has a maturity date of 30 April 2021.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 March 2018 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in these financial statements because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under either Commonwealth or State legislation.

Insurance of officers

During the financial year, a related entity, MSS Security Pty Limited, paid a premium to insure the directors and officers of the Group.

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

Proceedings on behalf of the Group

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

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

Auditor's independence declaration

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

Rounding of amounts

The Group is of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 325 of the *Corporations Act 2001*.

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



Uday Singh
Director



Michael McKinnon
Director

Sydney
3 August 2018



Auditor's Independence Declaration

As lead auditor for the audit of SIS Australia Holdings Pty Ltd for the year ended 31 March 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in blue ink, appearing to read "DN Kelly", with a stylized flourish at the end.

DN Kelly
Partner
PricewaterhouseCoopers

Sydney
3 August 2018

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These financial statements cover both the separate financial statements of SIS Australia Holdings Pty Ltd as an individual entity and the financial statements of the consolidated entity consisting of SIS Australia Holdings Pty Ltd and its subsidiaries. The financial statements are presented in the Australian currency.

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

SIS Australia Holdings Pty Ltd Level 2, 63- 79 Parramatta Road Silverwater NSW 2128

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 1 to 3, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 3 August 2018. The directors have the power to amend and reissue the financial statements.

SIS Australia Holdings Pty Ltd
Statements of comprehensive income
For the year ended 31 March 2018

	Notes	Consolidated		Parent entity	
		For the year ended 31 March 2018 \$'000	31 March 2017 \$'000	For the year ended 31 March 2018 \$'000	31 March 2017 \$'000
Revenue from continuing operations	3	605,397	478,286	805	945
Fair value gain on acquisition		4,082	-	-	-
Employee benefits expense		(460,405)	(385,560)	(39)	(203)
Subcontractors		(87,382)	(50,658)	-	-
Rental and lease expense	4	(4,882)	(4,033)	-	-
Depreciation and amortisation expense	4	(3,260)	(1,095)	-	-
Other expenses		(24,989)	(15,633)	(724)	(741)
Other Items					
Finance costs	4	(5,892)	(3,370)	-	(0)
Share of net profit of associate accounted for using the equity method	33	241	476	-	-
Profit before income tax		22,910	18,413	42	1
Income tax (expense)/benefit	5	(6,387)	(5,433)	364	322
Profit for the year		16,523	12,980	406	323
Other comprehensive income					
Changes in the fair value of cash flow hedges		60	(60)	-	-
Income tax relating to components of other comprehensive income		(18)	18	-	-
Other comprehensive income for the year		42	(42)	-	-
Total comprehensive income for the year		16,565	12,938	406	323
Profit attributable to:					
Owners of SIS Australia Holdings Pty Ltd		15,657	12,302	406	323
Non-controlling interest		866	678	-	-
		16,523	12,980	406	323
Total comprehensive income for the Year attributable to:					
Owners of SIS Australia Holdings Pty Ltd		15,696	12,262	406	323
Non-controlling interest		869	676	-	-
		16,565	12,938	406	323

The above statements of income should be read in conjunction with the accompanying notes.

SIS Australia Holdings Pty Ltd
Statements of financial position
For the year ended 31 March 2018

		Consolidated		Parent entity	
		As at		As at	
		31 March	31 March	31 March	31 March
Notes		2018	2017	2018	2017
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	82,821	63,514	918	1,217
Trade and other receivables	7	92,118	69,737	1,709	1,971
Inventory		337	-	-	-
Other current assets	9	-	788	-	-
Total current assets		175,276	134,039	2,627	3,188
Non-current assets					
Investments accounted for using the equity method	10	26,826	32,571	-	-
Other financial assets	11	20,575	15,104	15,010	15,010
Property, plant and equipment	12	5,609	3,091	-	-
Deferred tax assets	13	4,816	3,162	25	13
Intangible assets	14	87,361	23,017	-	-
Total non-current assets		145,187	76,945	15,035	15,023
Total assets		320,463	210,984	17,662	18,211
LIABILITIES					
Current liabilities					
Trade and other payables	15	55,797	30,058	11,228	14,148
Borrowings	16	2,863	17,971	-	-
Derivative financial instruments	17	117	174	-	-
Current tax liabilities	18	3,436	632	2,597	632
Provisions	19	40,993	34,841	-	-
Total current liabilities		103,206	83,676	13,825	14,780
Non-current liabilities					
Borrowings	20	66,871	36,605	-	-
Other financial liabilities	21	42,846	-	-	-
Provisions	23	7,880	7,569	-	-
Total non-current liabilities		117,597	44,174	-	-
Total liabilities		220,803	127,850	13,825	14,780
Net assets		99,660	83,134	3,837	3,431
EQUITY					
Contributed equity	24	4,000	4,000	4,000	4,000
Retained earnings (accumulated losses)	25	90,066	74,370	(163)	(569)
Capital attributable to owners of SIS Australia Holdings PTY Ltd		94,066	78,370	3,837	3,431
Non-controlling interests		5,594	4,764	-	-
Total Equity		99,660	83,134	3,837	3,431

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

SIS Australia Holdings Pty Ltd
Statements of changes in equity
For the year ended 31 March 2018

	Notes	Attributable to owners of SIS Australia Holdings Pty Ltd			Non- controlling interests \$'000	Total equity \$'000
		Contribute Equity \$'000	Retained earnings \$'000	Total \$'000		
Consolidated						
Balance at 1 April 2016		4,000	62,108	66,108	4,138	70,246
Profit for the year		-	12,302	12,302	678	12,980
Other comprehensive income		-	(40)	(40)	(2)	(42)
Total comprehensive income for the year		-	12,262	12,262	676	12,938
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	26	-	-	-	(50)	(50)
		-	-	-	(50)	(50)
Balance at 31 March 2017		4,000	74,370	78,370	4,764	83,134
Balance at 1 April 2017		4,000	74,370	78,370	4,764	83,134
Profit for the year		-	15,656	15,656	867	16,523
Other comprehensive income		-	40	40	2	42
Total comprehensive income for the year		-	15,696	15,696	869	16,565
Transactions with owners in their capacity as owners:						
Issue of shares to non-controlling	32	-	-	-	-	-
Transfer to non-controlling interests	25	-	-	-	-	-
Dividends provided for or paid	26	-	-	-	(39)	(39)
Balance at 31 March 2018		4,000	90,066	94,066	5,594	99,660

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

SIS Australia Holdings Pty Ltd
Statements of changes in equity
For the year ended 31 March 2018
(continued)

Parent entity	Notes	Contributed Equity \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 April 2016		4,000	(892)	3,108
Profit for the year		-	323	323
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	323	323
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	26	-	-	-
Balance at 31 March 2017		4,000	(569)	3,431
 Balance at 1 April 2017		4,000	(569)	3,431
Profit for the year		-	406	406
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	406	406
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	26	-	-	-
Balance at 31 March 2018		4,000	(163)	3,837

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

SIS Australia Holdings Pty Ltd
Statements of cash flows
For the year ended 31 March 2018

	Notes	Consolidated For the year ended		Parent entity For the year ended	
		31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		644,097	517,846	345	(0)
Payments to suppliers and employees (inclusive of goods and services tax)		(606,645)	(498,360)	(889)	(784)
		37,452	19,486	(544)	(784)
Dividends received	3	-	0	800	943
Interest received	3	1,931	1,260	5	2
Borrowing costs paid		(5,499)	(2,967)	-	-
Income tax paid		(5,237)	(4,434)	-	-
Net cash inflow from operating activities	35	28,647	13,345	261	161
Cash flows from investing activities					
Investment in bonds		-	(15,027)	-	-
Payments for acquisition of subsidiary, net of cash acquired	27	(17,794)	-	-	-
Payments for property, plant and equipment	12	(2,334)	(1,168)	-	-
Payments for intangibles	14	(515)	(627)	-	-
Payments for investments in associates		-	-	-	-
Proceeds from the sale of property, plant and equipment		155	57	-	-
Dividends received from associate	33	117	136	-	-
Net cash (outflow) from investing activities		(20,371)	(16,629)	-	-
Cash flows from financing activities					
Proceeds from borrowings		14,740	20,502	-	-
Repayment of borrowings		(6,958)	(6,033)	-	-
Proceeds from finance leases		4,270	-	-	-
Dividends paid to company's shareholders		(38)	(50)	-	-
Transactions with non-controlling amounts to related parties		(1,593)	52	(477)	515
Amounts from related parties		610	-	(83)	423
Net cash (outflow) from financing activities		11,138	14,471	(560)	938
Net increase (decrease) in cash and cash equivalents		19,307	11,187	(299)	1,099
Cash and cash equivalents at the beginning of the financial year	6	63,514	52,327	1,217	118
Cash and cash equivalents at end of year	6	82,821	63,514	918	1,217

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

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1 Summary of 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.

(a) Basis of preparation

(i) Special purpose financial statements

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

These are special purpose financial statements that have been prepared for the sole purpose of complying with the *Corporations Act 2001* requirements to prepare and distribute financial statements to the members and must not be used for any other purpose.

The financial statements have been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. They contain only those disclosures considered necessary by the directors to meet the needs of the members. The Group is a for-profit entity for the purpose of preparing the financial statements.

(ii) Historical cost convention

The financial statements have been prepared in accordance with the historical cost convention on an accrual and going concern basis, except for the following material items which have been measured at fair value as required by relevant AASB:

- a) certain financial assets and financial liabilities (including derivative financial instruments) and contingent consideration that are measured at fair value;
- b) share based payments; and
- c) The defined benefit asset/(liability) which is recognised as the present value of defined benefit obligation less fair value of plan assets.

Accounting policies have been applied consistently to all periods presented in these financial statements.

For clarity, various items are aggregated in the statements of profit and loss and balance sheet. These items are disaggregated separately in the notes to the financial statements, where applicable.

(iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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.

(iv) Financial statement presentation

Comparative information is reclassified where appropriate to enhance comparability or in conformity with revised standards and interpretations.

(v) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(v) Current versus non-current classification

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency 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 of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the statement of comprehensive income. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other income or other expenses.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SIS Australia Holdings Pty Ltd as at 31 March 2018 and the results of all subsidiaries for the year then ended. SIS Australia Holdings Pty Ltd and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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

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

The consolidated entity applies a policy of treating transactions with non-controlling interests as transactions with parties external to the consolidated entity. Disposals to non-controlling interests result in gains and losses for the consolidated entity that are recorded in the consolidated statements of comprehensive income. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

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

Investments in subsidiaries are accounted for at cost in the separate financial statements of SIS Australia Holdings Pty Ltd.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statements of comprehensive income, statements of changes in equity and statements of financial position.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below:

(i) Services

Revenue for services such as guarding, alarm response, paramedic and emergency response is taken up when the services have been provided.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. Interest income is recognised using the original effective interest rate.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(e) Income tax

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

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

Deferred tax assets are recognised 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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

(i) Tax consolidation legislation

SIS Australia Holdings Pty Ltd and its wholly-owned Australian controlled entities are members of a consolidated group under the tax consolidation legislation.

The head entity SIS Australia Holdings Pty Ltd and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

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

1 Summary of significant accounting policies (continued)

(f) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(g) Impairment of assets

Goodwill and 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 they might be impaired. Other assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statements of financial position.

(i) Trade receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. 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.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in statement of comprehensive income within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

1 Summary of significant accounting policies (continued)

(j) Inventories

Inventories are valued at the lower of the cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Cost includes custom duty, freight and other charges as applicable. The Company periodically reviews inventories to provide for diminution in the value of, and/or any unserviceable or obsolete, inventories.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Traded goods: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on first in, first out weighted average method basis.

Stores and Spares: cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on first in, first out basis.

(k) Investments in associates

A subsidiary is an entity over which the Company has control. The company controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiaries are accounted for at cost.

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statements, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(l) Investments and other financial assets

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

1 Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in the profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost comprises the purchase price and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Property, plant and equipment under construction and cost of assets not ready for use at the year-end are disclosed as capital work-in-progress.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. Assets acquired under finance lease are depreciated over the asset's useful life, or over shorter of the estimated useful life of the asset and the related lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term. Leasehold improvements are amortized over the shorter of estimated useful life of the asset or the related lease term. Freehold land is not depreciated.

The estimated useful lives of assets are as follows:

- | | |
|--------------------------|---------------------------------|
| - Leasehold improvements | Shorter of 10% or life of lease |
| - Plant and equipment | 10% - 33% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at reporting date.

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 are included in profit or loss.

1 Summary of significant accounting policies (continued)

(n) Intangible assets

(i) Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is allocated to cash generating units and tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Brand name

Brand name is not amortised and tested annually for impairment.

(iii) Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services, and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

(iv) Customer contracts

Customer contracts acquired in a business combination are amortised on a straight line basis over their expected future benefit.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

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

(q) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Borrowing costs include interest on bank overdrafts, short-term and long-term borrowings, and finance lease charges.

(r) Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1 Summary of significant accounting policies (continued)

(s) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, long service leave and annual leave expected to be settled within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as trade and other payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within twelve months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income.

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

(iii) Retirement benefit obligations

Contributions to superannuation funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(t) Equity settled stock-based compensation

Employees (including senior executives) of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. The fair value of options granted under various Employee Share option plans is recognised as an employee benefit expense with a corresponding increase in equity.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with corresponding adjustment to equity.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions, if any, are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

(u) Contributed equity

Ordinary shares are classified as equity.

(v) Dividends

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

1 Summary of significant accounting policies (continued)

(w) Dividends

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

(x) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statements 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 taxation authority, are presented as operating cash flows.

(y) Rounding of amounts

The Group is of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2017 reporting periods and have not been early adopted by the Group. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. When adopted, the standard will affect in particular the consolidated entity accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in statement of comprehensive income.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from *AASB 139 Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

(ii) AASB 15 Revenue from Contracts with Customers (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

1 Summary of significant accounting policies (continued)

(z) New accounting standards and interpretations (continued)

The mandatory application date for AASB 15 is for financial years commencing on or after 1 January 2018. The Group will make more detailed assessments of the impact of the new rules over the next twelve months. The expected date of adoption by the Group is 31 March 2019.

(iii) AASB 16 Leases (effective from 1 January 2019)

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has operating lease commitments. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments will be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The mandatory application date for AASB 16 is for financial years commencing on or after 1 January 2019. The Group will make more detailed assessments of the impact of the new rules over the next twelve months. The expected date of adoption by the company is 31 March 2020.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 Critical accounting estimates and judgements

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

(a) Key estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Litigation provision

At reporting date, the Group assesses its litigation provision. Management is required to use estimates and assumptions in calculating the balance included within this provision.

(ii) Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. There are no reasonably foreseeable changes in these key estimates which would have caused an impairment of these asset.

(iii) Valuation of Tranche 2 liability

The Group assesses the fair value of the contingent consideration in a business combination. Refer to note 27 to the financial statements for further details.

3 Revenue

	Consolidated		Parent entity	
	For the year ended		For the year ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	\$	\$	\$	\$
Services	603,466	477,026	-	-
Interest	1,931	1,260	5	2
Dividends	-	-	800	943
	<u>605,397</u>	<u>478,286</u>	<u>805</u>	<u>945</u>

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4 Expenses

	Consolidated For the year ended		Parent entity For the year ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	\$	\$	\$	\$
Profit before income tax includes the following specific expenses:				
<i>Depreciation and amortisation</i>				
Plant and equipment	1,759	837	-	-
Software	97	109	-	-
Acquired contracts	1,233	-	-	-
Leasehold improvements	171	149	-	-
Total depreciation and amortisation	3,260	1,095	-	-
<i>Finance costs</i>				
Interest and finance charges paid/payable	5,892	3,370	-	0
Net (profit) / loss on disposal of property, plant and equipment	(69)	(14)	-	-
<i>Rental expense relating to operating leases</i>				
Minimum lease payments	4,882	4,033	-	-
<i>Provision for bad and doubtful debts (write back of provision) expense</i>				
	110	(155)	-	-

5 Income tax expense

(a) Income tax expense (benefit)

	Consolidated For the year ended		Parent entity For the year ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	\$	\$	\$	\$
Current tax	8,712	5,207	(352)	(314)
Deferred tax	(2,325)	226	(12)	(8)
	6,387	5,433	(364)	(322)

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

Profit from continuing operations before income tax expense	22,910	18,413	42	2
Tax at the Australian tax rate of 30.0% (2017 - 30.0%)	6,873	5,524	13	1
Tax effect of amounts which are not deductible in calculating taxable income:				
Share of net profit of associate	(29)	(100)	-	-
Non-taxable dividends	0	-	(240)	(283)
Permanent differences	(320)	50	-	1
Franked dividend credits	(137)	(41)	(137)	(41)
Total Income tax expense (benefit)	6,387	5,433	(364)	(322)

SIS Australia Holdings Pty Ltd
Notes to the consolidated financial statements
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6 Current assets - Cash and cash equivalents

	Consolidated As at		Parent entity As at	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	\$	\$	\$	\$
Cash at bank and in hand	82,821	63,514	918	1,217
	<u>82,821</u>	<u>63,514</u>	<u>918</u>	<u>1,217</u>

7 Current assets - Trade and other receivables

	Consolidated As at		Parent entity As at	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	\$	\$	\$	\$
Trade receivables	47,818	31,081	-	-
Provision for impairment of receivables	(275)	(166)	-	-
	<u>47,543</u>	<u>30,915</u>	<u>-</u>	<u>-</u>
Related party receivable	2,898	1,305	1,683	1,600
Other debtors	3,121	1,957	26	371
Deposits	362	77	-	-
Accrued revenue	38,194	35,483	-	-
	<u>92,118</u>	<u>69,737</u>	<u>1,709</u>	<u>1,971</u>

8 Current assets - Current tax assets

	Consolidated For the year ended		Parent entity For the year ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	\$	\$	\$	\$
Income tax	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

9 Current assets - Other current assets

	Consolidated As at		Parent entity As at	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	\$'000	\$'000	\$'000	\$'000
Term Deposits	0	788	-	-
	<u>0</u>	<u>788</u>	<u>-</u>	<u>-</u>

10 Non-current assets - Investments accounted for using the equity method

	Consolidated As at		Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
Investments in associates (Note 33)	26,826	32,571	-	-

During the year, the ultimate parent entity, Security and Intelligence Services (India) Limited, demerged a number of immovable properties from the Group, including three previously owned by subsidiaries of Service Master Clean Limited, an associated entity. These assets were transferred to the new entity at book value in exchange for preference shares in the new entity in direct proportion to the company's current ownership of Service Master Clean Limited. The value is \$3.459m in Other financial assets of note 11.

11 Non-current assets - Other financial assets

	Consolidated As at		Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
Investment in subsidiaries (note 32)	-	-	15,010	15,010
Investments in bonds (amortised cost)	14,992	15,104	-	-
Other financial asset (note 33)	5,583	-	-	-
	20,575	15,104	15,010	15,010

12 Non-current assets - Property, plant and equipment

Consolidated	Plant and equipment \$'000	Leasehold improvement \$'000	Capital work in progress \$'000	Total \$'000
At 1 April 2016				
Cost	6,125	1,340	(0)	7,465
Accumulated depreciation	(4,138)	(375)	-	(4,513)
Net book amount	1,987	965	(0)	2,952
For the year ending 31 March 2017				
Opening net book amount	1,987	965	(0)	2,952
Additions	1,139	8	21	1,168
Disposals	(43)	-	-	(43)
Depreciation charge	(837)	(149)	-	(986)
Closing net book amount	2,246	824	21	3,091
At 31 March 2017				
Cost	6,940	1,348	21	8,309
Accumulated depreciation	(4,694)	(524)	-	(5,218)
Net book amount	2,246	824	21	3,091
For the year ending 31 March 2018				
Opening net book amount	2,246	824	21	3,091
Additions	2,302	8	24	2,334
Disposals	(86)	-	-	(86)
Transfer in (out)	21	-	(21)	-
Acquisition of subsidiary	1,984	216	-	2,200
Depreciation charge	(1,759)	(171)	-	(1,930)
Closing net book amount	4,708	877	24	5,609
At 31 March 2018				
Cost	11,161	1,572	24	12,757
Accumulated depreciation	(6,453)	(695)	-	(7,148)
Net book amount	4,708	877	24	5,609

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13 Non-current assets - Deferred tax assets

	Consolidated		Parent entity	
	As at		As at	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
Employee benefits	16,110	13,042	-	-
Doubtful debts	97	50	-	-
Litigation	229	229	-	-
Accruals and other	959	665	25	13
Fixed Assets	(1,154)	117	-	-
Total deferred tax assets	16,241	14,103	25	13
Set-off of deferred tax liabilities pursuant to set-off provisions (note 22)				
	(11,425)	(10,941)	-	-
Net deferred tax assets	4,816	3,162	25	13

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Notes to the consolidated financial statements
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14 Non-current assets - Intangible assets

Consolidated	Goodwill \$'000	Acquired Contracts \$'000	Brand Name \$'000	Software \$'000	Capital in progress \$'000	Total \$'000
At 1 April 2016						
Cost	22,166	-	31	6,850	20	29,067
Accumulated amortisation	-	-	-	(6,568)	-	(6,568)
Net book amount	22,166	-	31	282	20	22,499
For the year ending 31 March 2017						
Opening net book amount	22,166	-	31	282	20	22,499
Additions	-	-	-	4	623	627
Transfers in (out)	-	-	-	-	-	-
Amortisation charge	-	-	-	(109)	-	(109)
Closing net book amount	22,166	-	31	177	643	23,017
At 31 March 2017						
Cost	22,166	-	31	6,854	643	29,694
Accumulated depreciation	-	-	-	(6,677)	-	(6,677)
Net book amount	22,166	-	31	177	643	23,017
For the year ending 31 March 2018						
Opening net book amount	22,166	-	31	177	643	23,017
Additions	11	21	-	264	219	515
Acquisition of subsidiary	59,994	4,932	-	233	-	65,159
Amortisation charge	-	(1,233)	-	(97)	-	(1,330)
Closing net book amount	82,171	3,720	31	577	862	87,361
At 31 March 2018						
Cost	82,171	4,953	31	7,351	862	95,368
Accumulated amortisation	-	(1,233)	-	(6,774)	-	(8,007)
Net book amount	82,171	3,720	31	577	862	87,361

15 Current liabilities - Trade and other payables

	Consolidated As at		Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
Trade payables	2,544	246	-	-
Amounts due to related parties	389	237	11,091	13,885
Accrued expenses	52,864	29,575	137	263
	55,797	30,058	11,228	14,148

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Notes to the consolidated financial statements
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16 Current liabilities - Borrowings

	Consolidated As at		Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
Secured				
Bank loans	-	17,871	-	-
Asset Finance(note 30)	2,863	100	-	-
Total current borrowings	<u>2,863</u>	<u>17,971</u>	<u>-</u>	<u>-</u>

17 Derivative financial instruments

	Consolidated As at		Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
Interest rate swap contract - cash flow hedge	117	174	-	-
Total current derivative financial instrument	<u>117</u>	<u>174</u>	<u>-</u>	<u>-</u>

Borrowings of the Group operate with a mix of variable interest rates and interest rate swap contracts which effectively provide a fixed interest rate. It is policy to protect part of the loans from exposure to fluctuations in interest rates.

Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Swaps currently in place cover approximately 57% (2017:79%) of the loan principal outstanding and are timed to expire as each loan repayment falls due. The contracts require settlement of net interest receivable or payable each quarter. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instrument at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. There was no hedge ineffectiveness in the current or prior year.

18 Current liabilities - Current tax liabilities

	Consolidated As at		Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
Income tax	3,436	632	2,597	632
	<u>3,436</u>	<u>632</u>	<u>2,597</u>	<u>632</u>

19 Current liabilities - Provisions

	Consolidated As at		Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
Employee benefits (a)	40,229	34,077	-	-
Provisions for claims	764	764	-	-
	40,993	34,841	-	-

(a) Amounts not expected to be settled within 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service. This portion of the long service leave provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long leave or require payment within the next twelve months. The following amounts reflect leave that is not expected to be taken or paid within the next twelve months.

	Consolidated As at		Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
Leave obligations expected to be settled after twelve months	3,744	4,361	-	-

20 Non-current liabilities - Borrowings

	Consolidated As at		Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
Secured				
Bank loans	64,996	36,237	-	-
Lease liabilities (note 30)	1,875	368	-	-
Total non-current borrowings	66,871	36,605	-	-

21 Non-current liabilities – Other financial liabilities

	Consolidated As at		Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
Tranche 2 liability (note 27)	40,743	-	-	-
Escrow account	2,103	-	-	-
Total other financial liabilities	42,846	-	-	-

22 Non-current liabilities - Deferred tax liabilities

	Consolidated As at		Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
The balance comprises temporary differences attributed to:				
Prepayments	(26)	27	-	-
Accrued revenue	11,005	10,647	-	-
Receivables	442	267	-	-
Borrowing costs	4	-	-	-
Total deferred tax liabilities	11,425	10,941	-	-
Set-off of deferred tax liabilities pursuant to set-off provisions (note 13)	(11,425)	(10,941)	-	-
Net deferred tax liabilities	-	-	-	-

23 Non-current liabilities - Provisions

	Consolidated As at		Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
Employee benefits	7,880	7,569	-	-

24 Contributed equity

(a) Share capital

	31 March 2018 Shares	31 March 2017 Shares	31 March 2018 \$'000	31 March 2017 \$'000
Ordinary shares Fully paid	501	501	4,000	4,000

(b) Ordinary shares

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

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

Ordinary shares have a \$1 par value and the Group does not have a limited amount of authorised capital.

25 Retained earnings

Movements in retained earnings were as follows:

	Consolidated As at		Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
Opening balance	74,370	62,108	(569)	(892)
Comprehensive income for the year	15,696	12,262	406	323
Dividends	-	-	-	-
Closing balance	90,066	74,370	(163)	(569)

26 Dividends

	Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000

(a) Ordinary shares

Total dividend - fully franked

- -

(b) Franked dividends

31 March 2018 \$'000	31 March 2017 \$'000
----------------------------	----------------------------

Franking credits available for subsequent reporting periods based on a tax rate of 30% (2017 - 30%)

32,675 28,206

The above amounts represent the balance of the

- (a) franking credits that will arise from the
- (b) franking debits that will arise from the reporting period, and
- (c) franking credits that will arise from the reporting period.

27 Business Combination

(a) Acquisition of Andwills Pty Limited

On 1 July 2017, SIS Australia Group Pty Limited (a Group subsidiary) acquired 50.1% of the voting shares of Andwills Pty Limited (and its subsidiaries), a non-listed company based in Australia and specialising in physical security and mobile patrols, in exchange for cash consideration of \$17.8m AUD. The Group acquired Andwills Pty Limited because it significantly enlarges the range of products in the security and mobile patrols segment that can be offered to its clients.

SIS Australia Holdings Pty Ltd
Notes to the consolidated financial statements
31 March 2018
(continued)

This purchase effectively resulted in the Group acquiring 41% ownership rights of Southern Cross Protection Pty Ltd, which together with the 10% existing shareholdings, resulted in the Group owning 51% of Southern Cross Protection Pty Ltd.

As part of the acquisition, SIS Group Pty Limited is nearly certain to acquire all remaining shares it does not already own on 1 July 2020.

The Group is deemed to have acquired 100% of Andwills on 1 July 2017 and has elected to measure the interests in the acquiree at fair value.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Andwills Pty Limited as at the date of acquisition were:

	Fair value recognised on acquisition AUD (\$)
Assets	
Property, plant and equipment	2,197,960
Cash and cash equivalents	2,702,059
Trade and other receivables	8,994,466
Inventories	160,936
Intangible assets	232,836
Other assets	1,539,700
Total assets	15,827,957
Liabilities	
Trade and other payables	6,394,633
Borrowings	7,070,466
Provisions	2,923,548
Deferred tax liability	643,255
Other liabilities	551,615
Total liabilities	17,583,517
Total identifiable net assets at fair value	(1,755,560)
Non-controlling interests measured at fair value	-
Goodwill arising on acquisition (Note 14)	59,991,580
Acquired contracts on acquisition (Note 14)	4,931,700
Purchase consideration transferred	63,167,720

(i) Significant estimate: contingent consideration

In the event that certain pre-determined EBITDA is achieved by the Andwills group for the year ended 30 June 2020, additional consideration currently estimated as \$44,878,893 will be payable in cash on 1 July 2020.

The fair value of the contingent consideration of \$39,056,708 was estimated by calculating the present value of the future expected cash outflows. The estimates are based on a discount rate of 3.86%.

The contingent consideration will be remeasured at each balance date and any movement will be taken through the profit and loss account. The unwind of the discount is recognized as a finance cost.

(ii) Acquired receivables

The fair value of the trade receivables amounts to \$8,994,466. The gross amount of trade receivables is \$9,254,554, of which \$260,088 is expected to be uncollectable.

(iii) Goodwill

The goodwill of \$59,991,580 comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the Andwills as a whole as the business is deemed as one operating segment. None of the goodwill recognised is expected to be deductible for income tax purposes.

SIS Australia Holdings Pty Ltd
Notes to the consolidated financial statements
31 March 2018
 (continued)

(iv) Revenue and profit contribution

From the date of acquisition, Andwills has contributed \$71,883,458 of revenue and \$3,464,670 to the profit before tax from continuing operations of the Group.

If the combination had taken place at the beginning of the year, revenue from continuing operations would have been \$93,928,613 and the profit before tax from continuing operations for the Group would have been \$4,932,702.

(b) Purchase consideration - cash outflow

	AUD (\$)
Purchase consideration	
Carrying value of investment in associate at 30 June 2017	2,234,626
Remeasure to fair value	4,082,146
Tranche 1 payment	17,794,240
Tranche 2 PV of liability	39,056,708
Total consideration	63,167,720

Transaction costs of \$393,217 have been expensed and are included in other expenses.

28 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity:

	Consolidated For the year ended		Parent entity For the year ended	
	2018	2017	2018	2017
	\$	\$	\$	\$
(a) PricewaterhouseCoopers Australia				
<i>(i) Audit and other assurance services</i>				
Audit and review of financial statements	323,637	330,103	61,539	184,989
Other services	6,424	5,000	-	5,000
Total remuneration for audit and other services	330,061	335,103	61,539	189,989
<i>(ii) Taxation services</i>				
Tax services	25,511	25,708	-	-
Total remuneration for taxation services	25,511	25,708	-	-
Total remuneration of auditors	355,572	360,811	61,539	189,989
(a) Other auditors – Grant Thornton				
<i>(i) Audit and other assurance services</i>				
Audit and review of financial statements	74,800	-	-	-
Other services	58,500	-	-	-
Total remuneration for audit and other services	133,300	-	-	-

29 Contingencies

The Group had no contingent liabilities at 31 March 2018 (31 March 2017: \$nil).

30 Commitments

(i) Non-cancellable operating leases

The Group leases various offices and remote residential properties under non-cancellable operating leases expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group also leases motor vehicles and various plant and equipment under non-cancellable operating leases expiring within one to five years.

30 Commitments (continued)

(i) Non-cancellable operating leases (continued)

	Consolidated As at		Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	3,339	3,172	-	-
Later than one year but not later than five years	8,427	8,221	-	-
Later than five years	5,689	6,615	-	-
	<u>17,455</u>	<u>18,008</u>	<u>-</u>	<u>-</u>

(ii) Finance leases

The Group leased various plant and equipment under finance leases in prior years.

	Consolidated As at		Parent entity As at	
	31 March 2018 \$'000	31 March 2017 \$'000	31 March 2018 \$'000	31 March 2017 \$'000
Commitments in relation to finance leases are payable as follows:				
Within one year	1,600	123	-	-
Later than one year but not later than five years	3,363	406	-	-
Future finance charges	(225)	(61)	-	-
Total lease liabilities	<u>4,738</u>	<u>468</u>	<u>-</u>	<u>-</u>
Representing lease liabilities:				
Current (note 16)	2,863	100	-	-
Non-current (note 20)	1,875	368	-	-
Minimum lease payments	<u>4,738</u>	<u>468</u>	<u>-</u>	<u>-</u>

31 Related party transactions

(a) Parent entities

The ultimate parent entity and ultimate controlling party is Security and Intelligence Services (India) Limited (incorporated in India).

(b) Subsidiaries

Interests in subsidiaries are set out in note 32.

32 Subsidiaries

(a) Investment in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1.

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2018 %	2017 %
SIS Australia Group Pty Ltd	Australia	Ordinary	94.94	94.94
SIS Group International Holdings Pty Ltd	Australia	Ordinary	100	100

** The proportion of ownership interest is equal to the proportion of voting power held.

33 Investments in associates

Movements in carrying amounts

	Consolidated		Parent Entity	
	As at 31 March 2018 \$'000	As at 31 March 2017 \$'000	As at 31 March 2018 \$'000	As at 31 March 2017 \$'000
Carrying amount at the beginning of the financial year	32,571	32,231	-	-
Transfer	(2,411)	-	-	-
(Increase) in Other financial assets	(3,458)	-	-	-
New investments during the year	-	-	-	-
Share of profits after income tax	241	476	-	-
Dividends received/receivable	(117)	(136)	-	-
Carrying amount at the end of the financial year	26,826	32,571	-	-

34 Events occurring after the reporting date

No matter or circumstance has occurred subsequent to reporting date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

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

	Consolidated For the year ended		Parent entity For the year ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	\$	\$	\$	\$
Profit for the year	16,523	12,980	406	323
Depreciation and amortisation	3,260	1,095	-	-
Net (profit) on sale of non-current assets	(69)	(14)	-	-
Share of profits of associate	(241)	(476)	-	-
Fair value (gain) on acquisition	(4,082)	-	-	-
Non-Cash interest expenses	392	344	-	-
Change in operating assets and liabilities				
(increase) decrease in trade and other receivables	(20,788)	(6,881)	346	(0)
(increase) in deferred tax assets	(2,137)	(905)	(12)	(8)
Decrease (increase) in other financial assets	451	(22)	-	-
(Decrease) increase in trade and other payables	2,298	170	-	-
Increase (decrease) in accrued expenses	23,289	2,538	(126)	159
Increase in provision for income tax payable	2,804	849	1,965	849
Increase in provision for tax payable to head entity in tax consolidated group	-	0	-	(0)
Increase (decrease) in provision for income taxes payable arising from subsidiaries in tax consolidated group	-	-	(2,318)	(1,162)
(Decrease) increase in deferred tax liabilities	484	1,114	-	-
Increase in employee provisions	6,463	2,933	-	-
Increase in other provisions	-	(380)	-	-
Net cash inflow from operating activities	28,647	13,345	261	161

SIS Australia Holdings Pty Ltd
Directors' declaration
31 March 2018

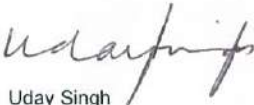
As stated in note 1 (a) to the financial statements, in the directors' opinion, the Group is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements that have been prepared to meet *Corporations Act 2001* requirements.

The financial statements have been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in note 1 (a).

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 38 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2018 and of their performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Uday Singh
Director



Michael McKinnon
Director

Sydney
3 August 2018



Independent auditor's report

To the members of SIS Australia Holdings Pty Ltd

Our opinion

In our opinion:

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

- (a) giving a true and fair view of the Parent entity's and Group's financial positions as at 31 March 2018 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

What we have audited

The Parent entity and Group financial report comprises:

- the Consolidated and Parent entity statements of financial position as at 31 March 2018
- the Consolidated and Parent entity statements of comprehensive income for the year then ended
- the Consolidated and Parent entity statements of changes in equity for the year then ended
- the Consolidated and Parent entity statements of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the declaration of the directors'.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Parent entity and 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.

PricewaterhouseCoopers, ABN 52 780 433 757

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Emphasis of matter - basis of accounting and restriction on use

We draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for SIS Australia Holdings Pty Ltd and its members and should not be used by parties other than SIS Australia Holdings Pty Ltd and its members. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 March 2018, including the Director's report, 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors' for the financial report

The directors of the Parent entity are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes 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 Parent entity and 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 Parent entity or the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'DN Kelly'.

DN Kelly
Partner

Sydney
3 August 2018