

Oliver's Real Food Limited

(formerly Oliver's Australia Holdings Pty Ltd)

ABN 33 166 495 441

Financial Report For the half-year ended 31 December 2016



Oliver's Real Food Limited and Controlled Entities

ABN 33 166 495 441

Half Year Report

For the 6 months to 31 December 2016

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Directors	Jason Antony Gunn Katherine Hatzis John Flower Diddams (appointed on 11 August 2016) Mark Anthony Richardson (appointed on 26 November 2016) Peter Rodwell (appointed on 26 November 2016)
Company secretaries	Jason Antony Gunn (resigned on 21 April 2017) Katherine Hatzis (appointed on 1 September 2016 and resigned on 21 April 2017) Emma Catherine Lawler (appointed on 21 April 2017)
Registered office	Oliver's Real Food Building 10 Amsterdam Circuit Wyong NSW 2259 Australia Phone: + 61 4353 8055
Principal place of business	Oliver's Real Food Building 10 Amsterdam Circuit Wyong NSW 2259 Australia Phone: + 61 4353 8055
Auditor	RSM Australia Partners Level 13 60 Castlereagh Street Sydney NSW 2000 Australia
Website	www.oliversrealfood.com.au



Directors' report

31 December 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Oliver's Real Food Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

On 16 January 2017, the Company changed its name from Oliver's Australia Holdings Pty Ltd to Oliver's Real Food Ltd and the Company also converted from a proprietary company to a public company.

Directors

The following persons were directors of Oliver's Real Food Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Jason Antony Gunn
Katherine Hatzis
John Flower Diddams (appointed on 11 August 2016)
Mark Anthony Richardson (appointed on 26 November 2016)
Peter Rodwell (appointed on 26 November 2016)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of management and franchising of Quick Service Restaurants ("QSR") under the branding of "**Oliver's Real Food**"

Dividends

No dividends were paid or proposed during the period.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to **\$1,046,957** (31 December 2015: profit of \$862,847).

The company operated a total of nineteen (19) quick service restaurants throughout the half-year. One (1) new company owned restaurant (Oliver's Chinderah) opened during the financial half-year.

During the financial half-year, the restaurant at Oliver's Coffs Harbour was bought back from the franchisee.

The company has twelve (12) company owned QSRs and seven (7) franchised QSRs.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the Reporting Period

Refer to Note 9 to the financial statements for a summary of the significant events occurred after the end of the Reporting Period.

Likely developments and expected results of operations

Nil to report

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Directors' report

31 December 2016

Company secretary

Emma Catherine Lawler (appointed on 21 April 2017)

Jason Antony Gunn (resigned on 21 April 2017)

Katherine Hatzis (resigned on 21 April 2017)

Additional information

The Earnings Before Interest, Tax, Depreciation and Amortisation* ("EBITDA") of the consolidated entity for the two half-years to 31 December 2016 are summarised below:

	31 Dec 2016	31 Dec 2015
	\$	\$
Revenue from continuing operations	9,084,924	8,369,556
(Loss)/Profit After Tax	(1,046,957)	862,847
Add Back:		
Income Tax	(117,127)	245,935
Interest Expense (net)	118,545	119,681
Depreciation	321,961	246,166
Amortisation	28,649	11,256
EBITDA	(694,929)	1,485,885
	(7.6%)	17.8%

* EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non-cash and significant items. The directors consider EBITDA to reflect the core earning of the consolidated entity

Shares under option

On 11 August 2016, 400 options with an exercise price of \$100 (and an option expiry date of 2019) were issued to Whitfield Investments Pty Ltd, a company associated with John F. Diddams, a director of the Company. Subsequently on 14 November 2016, the number of options became 3,000,000 options with an exercise price of \$0.01 as a result of the 1:7500 share split.

The Options have certain vesting conditions related to a possible future Initial Public Offering of the Company.

The Company intends to implement an executive option and employee incentive plan in the future.

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 immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.



John F Diddams
Director

Dated: 28 April 2017

Oliver's Real Food Limited (formerly Oliver's Australia Holdings Pty Ltd)

Statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2016

	Consolidated	
	Half year ended	Half year ended
Note	31 Dec 2016	31 Dec 2015
	\$	\$
Revenue from continuing operations	9,084,924	8,369,556
Other income	97,975	1,665,501
Expenses		
Raw materials and consumables used	(3,113,128)	(3,111,668)
Employee benefits expense	(3,638,364)	(3,088,622)
Other Administration Expenses	(3,124,533)	(2,347,162)
Depreciation and amortisation expense	(350,610)	(257,422)
Finance costs	(120,348)	(121,401)
Profit before income tax expense	(1,164,084)	1,108,782
Income tax expense	117,127	(245,935)
Profit after income tax expense for the period	(1,046,957)	862,847
Other comprehensive income		
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	(1,046,957)	862,847
Profit for the year is attributable to:		
Non-controlling interest	(11,699)	(17,835)
Owners of Oliver's Real Food Limited	(1,035,258)	880,682
	(1,046,957)	862,847
Earnings per share		
Basic	(\$0.01)	\$0.01
Diluted	(\$0.01)	\$0.01

The accompanying notes form part of these financial statements

Statement of financial position

As at 31 December 2016

		Consolidated	
	Note	As at 31 Dec 2016 \$	As at 30 June 2016 \$
Assets			
Current assets			
Cash and cash equivalents	3	1,457,223	838,598
Trade and other receivables		1,120,637	856,323
Inventories		1,173,785	947,888
Other		321,124	140,708
Total Current Assets		4,072,769	2,783,517
Non-current assets			
Receivables		25,000	62,500
Property, plant and equipment		5,468,625	4,006,704
Intangibles		1,027,579	1,055,007
Deferred tax		432,070	144,029
Other		256,121	367,581
Total non-current assets		7,209,395	5,635,821
Total assets		11,282,164	8,419,338
Liabilities			
Current liabilities			
Trade and other payables		2,527,311	1,823,837
Borrowings		2,052,729	1,446,176
Income tax		447,692	331,986
Employee benefits		136,903	131,858
Other		185,914	58,663
Total current liabilities		5,350,549	3,792,520
Non-current liabilities			
Borrowings		1,430,668	907,886
Deferred tax		102,403	47,195
Other liabilities		369,029	307,684
Provisions		258,289	250,100
Total non-current liabilities		2,160,389	1,512,865
Total liabilities		7,510,938	5,305,385
Net assets		3,771,226	3,113,953
Equity			
Issued capital	5	3,410,438	1,795,438
Share option reserve		89,230	-
Retained profits		164,745	1,200,003
Equity attributable to the owners of Oliver's Real Food Limited		3,664,413	2,995,441
Non-controlling interest		106,813	118,512
Total equity		3,771,226	3,113,953

Oliver's Real Food Limited (formerly Oliver's Australia Holdings Pty Ltd)

Statement of changes in equity

For the half-year ended 31 December 2016

Consolidated	Issued capital \$	Retained profits \$	Share Option reserve \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2015	1,008,900	537,582	-	(3,507)	1,542,975
Profit/(loss) after income tax expense for the year	-	880,682	-	(17,835)	862,847
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	880,682	-	(17,835)	862,847
<i>Transactions with owners in their capacity as owners:</i>					
Issued shares	786,538	-	-	-	786,538
	786,538	-	-	-	786,538
Balance at 31 December 2015	1,795,438	1,418,264	-	(21,342)	3,192,360

Consolidated	Issued capital \$	Retained profits \$	Share Option reserve \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2016	1,795,438	1,200,003	-	118,512	3,113,953
Profit/(loss) after income tax expense for the year	-	(1,035,258)	-	(11,699)	(1,046,957)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	(1,035,258)	-	(11,699)	(1,046,957)
<i>Transactions with owners in their capacity as owners:</i>					
Issued shares – for cash	1,290,000	-	-	-	1,290,000
Issued shares – for non-cash	325,000	-	-	-	325,000
Shares option	-	-	89,230	-	89,230
	1,615,000	-	89,230	-	1,704,230
Balance at 31 December 2016	3,410,438	164,745	89,230	106,813	3,771,226

The accompanying notes form part of these financial statements

Statement of cash flows

For the half-year ended 31 December 2016

Note	Consolidated	
	Half year ended 31 Dec 2016 \$	Half year ended 31 Dec 2015 \$
Cash flows from operating activities		
	8,817,660	7,355,770
Receipts from customers (inclusive of GST)		
	(8,921,651)	(8,755,625)
Payments to suppliers and employees (inclusive of GST)		
	(103,991)	(1,399,855)
Interest received	1,803	1,720
Other revenue	113,568	32,412
Interest and other finance costs paid	(120,348)	(121,401)
Income taxes paid	-	(48,504)
Net cash from operating activities	(108,968)	(1,535,628)
Cash flows from investing activities		
	11,619	-
Payment for purchase of business, net of cash acquired		
	(1,440,691)	(1,267,460)
Payments for property, plant and equipment		
	35,768	3,639,220
Proceeds from sale of property, plant and equipment		
Net cash used in investing activities	(1,393,304)	2,371,760
Cash flows from financing activities		
	1,270,000	735,938
Proceeds from issue of shares		
	927,500	437,500
Proceeds from borrowings		
	(76,603)	(380,000)
Repayment of borrowings		
Net cash used in financing activities	2,120,897	793,438
Net increase/(decrease) in cash and cash equivalents	618,625	1,629,570
Cash and cash equivalents at the beginning of the financial period	838,598	523,385
Cash and cash equivalents at the end of the financial period	1,457,223	2,152,955

Note 1. Significant accounting policies

The financial statements cover Oliver's Real Food Ltd as a consolidated entity comprising Oliver's Real Food Ltd and the entities it controlled during the half-year. The financial statements are presented in Australian dollars, which is the group's functional and presentation currency.

Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

The principal accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2016. These accounting policies are consistent with Australian Accounting Standards.

Critical accounting judgements, estimates and assumptions

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. All critical accounting estimates and judgements are consistent with those applied and included in the annual financial statements for the year ended 30 June 2016.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity operates exclusively in the Quick Service Restaurant ("QSR") segment in Australia.

Note 3. Reconciliation of Cash and Cash Equivalent

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Cash at the end of the period as shown in the statement of cashflows is reconciled to the items in the statement of financial position as follows:		
Cash on hand	47,104	45,360
Cash at bank	1,324,210	307,816
Cash on deposits	85,909	485,093
Restricted cash	-	329
	<u>1,457,223</u>	<u>838,598</u>

Note 4. Business combinations

On 30 November 2016, the company acquired all the equity issued by Revilo's Pty Limited for total provisional consideration of \$275,000 (which was settled by the issue of 1,833,330 ordinary shares at a fair value of \$0.15 per share). Revilo's Pty Limited is the holding company of its wholly-owned subsidiaries: a) Coffs Harbour Franchise Pty Ltd which is the franchisee of the Oliver's franchised store; and b) Slacks Creek Pty Ltd which is the franchisee of the Oliver's Slacks Creek store.

Details of the acquisition are as follows:

	Provisional Fair value \$
Cash and cash equivalents	11,619
Other net tangible assets	<u>213,381</u>
Net tangible assets acquired	225,000
Goodwill / Intangible assets	<u>50,000</u>
Provisional Acquisition-date fair value of the total consideration transferred	<u>275,000</u>
Representing:	
Shares issued to vendor	<u>275,000</u>
Acquisition costs expensed to profit or loss	<u>-</u>

The directors are currently undertaking on exercise to confirm the provisional valuation of the net assets acquired and the purchase consideration.

Note 5. Equity - issued capital

	Consolidated			
	31 Dec 2016 Shares	30 Jun 2016 Shares	31 Dec 2016 \$	30 Jun 2016 \$
Ordinary shares - fully paid	<u>84,125,831</u>	10,409	<u>3,410,438</u>	<u>1,795,438</u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
Balance	1 July 2016	10,409		1,795,438
Shares split – 1:7500	14 November 2016	78,057,091		-
Balance		<u>78,067,500</u>		<u>1,795,438</u>
Issue of shares – for cash	November 2016	2,666,667	\$0.30	800,000
Issue of shares – for non-cash (fair value)	November 2016	2,166,664	\$0.15	325,000
Issue of shares	December 2016	1,225,000	\$0.40	490,000
Balance	31 December 2016	<u>84,125,831</u>		<u>3,410,438</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

On 21 April 2017, it was resolved by the Board that the issue price for all the shares issued in December 2016 will be adjusted to \$0.24 per share and additional shares will be issued accordingly,

Note 6. Equity - non-controlling interest

Non-controlling interests have a 25.0% (2015: 0.0%) equity holding in Delicious and Nutritious Food Co Pty Ltd

Non-controlling interests have a 24.0% (2015: 24.0%) equity holding in Retail Technology Services Pty Ltd

Note 7. Contingent liabilities

The consolidated entity has given bank guarantees as at 31 December 2016 of \$220,469 to various landlords.

Note 8. Related party transactions (continued)

Taonga Nui Holdings Limited (a New Zealand Company) is the owner of the "Oliver's Real Food" and associated brands. Under an Intellectual Property Licensing Agreement Royalty agreement with Taonga Nui Holdings Limited, the Company pays 1.0% (2015: 1%) of all store turnover for the use of the Oliver's Real Food brand.

Jason Antony Gunn and Katherine Hatzis are directors of Taonga Nui Holdings Ltd

Receivable from and payable to related parties

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

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
Loans to/from related parties:		
Innernet Pty Ltd	200,000	200,000
Gunn-arr Pty Ltd – loan 1	237,355	400,000
Gunn-arr Pty Ltd – loan 2	364,570	-
Graham Andrew Darroch	144,272	-
	946,197	600,000

Terms and conditions

Innernet Pty Ltd

Innernet Pty Ltd was a shareholder of Oliver's Hexham Pty Ltd (a member of the consolidated group) and provided \$200,000 of debt funding to Oliver's Hexham Pty Ltd under a loan agreement dated 5 March 2009. In accordance with a Deed of Settlement entered during the year ended 30 June 2015, \$200,000 is payable to Innernet Pty Ltd by Oliver's Hexham Pty Ltd. No interest is payable on this loan.

Gunn-arr Pty Ltd – loan 1

Gunn-arr Pty Ltd is a company of which Jason Antony Gunn is a director and shareholder. Debt funding has been provided to Oliver's Australia Holding Pty Ltd. This loan was due and payable at the latter of 19 December 2015 or completion of a proposed equity investment in Oliver's Real Food Limited. This loan accrues interest at a rate of 12.0% per annum calculated monthly.

Gunn-arr Pty Ltd – loan 2

Gunn-arr Pty Ltd is a company of which Jason Antony Gunn is a director and shareholder. Debt funding has been provided to Gundagai Properties Pty Ltd (a member of the consolidated group). This loan is due and payable at the earlier of 14 March 2018 or completion of a proposed equity investment in Oliver's Real Food Limited. This loan accrues interest at a rate of 20.0% per annum calculated monthly.

Graham Andrew Darroch

Graham Andrew Darroch is a director and shareholder of The Delicious and Nutritious Food Co Pty Ltd. Mr Darroch entered a loan agreement with The Delicious & Nutritious Food Co Pty Ltd during the year ended 30 June 2016. The loan is repayable in ten (10) equal annual instalments commencing 30 June 2019. Interest is payable at a rate of 2.0% per annum commencing from 30 June 2019

Note 9. Events after the end of the period

During the period from January to the date of this report:

1. the company raised a further \$7,285,000 in equity via a private placement at \$0.40 per share (with a conditional price mechanism) over the period from January 2017 to March 2017. On 21 April 2017, it was resolved by the Board that the issue price for all of these shares issued will be adjusted to \$0.24 per share and additional shares will be issued accordingly,
2. the company acquired the Oliver's stores from franchisee at Eastlink Inbound in Victoria, Hexham and Wyong Northbound in NSW on 23 January 2017, 22 February 2017 and 7 March 2017 respectively.
3. the company entered into a contract to acquire the Oliver's store from franchisee at Goulburn in NSW, which will be completed on 1 May 2017.
4. the company acquired the business located at Aratula in Queensland on 31 January 2017, Bulahdelah in NSW on 1 March 2017, Ferry Park in NSW on 31 March 2017 and Ballarat in Victoria on 26 April 2017. These sites are scheduled to be developed into an Oliver's Real Food Restaurant during 2017.
5. the company acquired the land and building located at Bulahdelah in NSW on 1 March 2017 which is scheduled to be developed into an Oliver's Real Food Restaurant during 2017.
6. the company entered into a contract to acquire the land and building located at Aratula in Queensland which is scheduled to be completed on 1 May 2017.
7. the company acquired 24% equity interest in Retail Technology Services Pty Ltd on 26 April 2017 by the issue of 500,000 ordinary shares of Oliver's Real Food Limited at \$0.24 per share.

There is no further significant event occurred after the end of the reporting period.

Directors' declaration

31 December 2016

In accordance with a resolution of the directors of Oliver's Real Food Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 13:
 - a) Comply with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b) Give a true and fair value of the consolidated entity's financial position as at 31 December 2016 and of its performance for the period ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



John F Diddams
Director

Dated: 28 April 2017

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
OLIVER'S REAL FOOD LIMITED
(FORMERLY OLIVER'S AUSTRALIA HOLDINGS PTY LTD)

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Oliver's Real Food Limited (Formerly Oliver's Australia Holdings Pty Ltd) which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Oliver's Australia Holdings Pty Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Oliver's Real Food Limited (Formerly Oliver's Australia Holdings Pty Ltd), would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Oliver's Real Food Limited (Formerly Oliver's Australia Holdings Pty Ltd) is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

David Talbot

David Talbot
Partner

Sydney, NSW
Dated: 28 April 2017

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Oliver's Real Food Limited (Formerly Oliver's Australia Holdings Pty Ltd) for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

David Talbot

David Talbot
Partner

Sydney, NSW
Dated: 28 April 2017