

# **A1 Investments & Resources Ltd and its controlled entities**

**ABN 44 109 330 949**

**Annual Report - 30 June 2017**

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**A1 Investments & Resources Ltd and its controlled entities****Corporate directory****30 June 2017**

Directors	Charlie Nakamura Peter Ashcroft Hiroyuki Ogawa
Company secretary	Peter Ashcroft
Notice of annual general meeting	The annual general meeting of A1 Investments & Resources Ltd will be held at: the offices of Hall Chadwick Chartered Accountants and Business Advisors Level 40 2 Park Street Sydney NSW 2000 11:00 AM on Thursday, 16 November 2017
Registered office	Suite 606 / 37 Bligh Street Sydney NSW 2000 Australia Tel: +61 2 9114 6888 Fax: +61 2 9232 8883
Principal place of business	Suite 606 / 37 Bligh Street Sydney NSW 2000 Australia
Share register	Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford VIC 3067 Tel: 1300 787 272 Fax: +61 3 9473 2500
Auditor	Hall Chadwick Chartered Accountants and Business Advisors Level 40 2 - 26 Park Street Sydney NSW 2000
Stock exchange listing	A1 Investments & Resources Ltd shares are listed on the Australian Securities Exchange (ASX code: AYI)
Website	<a href="http://www.a1investments.com.au">www.a1investments.com.au</a>
Corporate Governance Statement	The Corporate Governance Statement was approved by the Board of Directors at the same time as the Annual Report and can be found on the Investor Relations page at <a href="http://www.a1investments.com.au">www.a1investments.com.au</a>

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of A1 Investments & Resources Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

#### **Directors**

The following persons were directors of A1 Investments & Resources Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Charlie Nakamura  
Peter Ashcroft  
Hiroyuki Ogawa

#### **Principal activities**

The principal activities of the consolidated entity during the financial year were those of an investment company focusing on projects in Australia.

There were no significant changes in the consolidated entity's principal activities during the financial year in so far as the consolidated entity's principal activities remained general investment. There was, however, a change in focus during the financial year when the company took the opportunity to reduce its exposure to its investments in the tourism and food retail sectors.

The consolidated entity will continue to focus on the food sector in Australia in the next financial year.

#### **Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

#### **Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$1,806,937 (30 June 2016: \$770,903).

There has been substantial changes to the focus of the businesses of the consolidated entity since the end of the financial year on 30 June 2017. Nonetheless, throughout the year to 30 June 2017 the consolidated entity remained focused on food production businesses and this will continue to be the focus of the consolidated entity for the future.

#### *Strategic Alliance with Fulfillment Japan and the Purchase of a Queensland farm*

In August 2016 the consolidated entity entered a strategic alliance with Fulfillment Holdings Co. Limited ('Fulfillment') a Japanese corporation with an alleged extensive food industry network in Japan. Fulfillment was looking to establish a pasture to the plate distribution network of Australian food products to Japanese consumers. Fulfillment also undertook to assist in the further development of EQ Foods at Brookvale. Fulfillment requested the consolidated entity obtain a farm for the production of vegetables for export to Japan. On 30 September 2016, Fulfillment provided a guarantee to the consolidated entity in relation to a proposed purchase of a property at Jondaryan in southern Queensland. WIN A1 Pty Limited (at that time a wholly owned subsidiary of the company) entered into a contract to purchase the property and settled the purchase on 22 December 2016 with loans provided by WIN Corporation Co. Ltd ('WIN Corporation') a related company to Fulfillment. The consolidated entity sought to settle a supply agreement for products produced on the farm for sale and distribution in Japan. No agreement was or could be reached when it became clear Fulfillment had no established market for the production. Without this revenue, the consolidated entity could not proceed to settle an acceptable financing arrangement for the loans for the property. In order to ensure the solvency of the consolidated entity, the consolidated entity agreed to the sale of WIN A1 Pty Limited (now called WIN Properties Australia Pty Limited) for a sum of \$1 on 27 June 2017 to WIN Corporation, and all loans used to acquire the property would be assumed by the purchaser.

The strategic alliance with Fulfillment ceased on 27 June 2017.

#### *The consolidated entity to Manage Farming Properties*

As part of the sale of WIN Properties Australia Pty Ltd ('WIN Properties') to WIN Corporation, it was agreed that the consolidated entity would manage the property for the mutual benefit of the consolidated entity and WIN Corporation, and that the property would remain for the benefit of the A1 Qualipac joint venture (see below). WIN Corporation also agreed as part of the overall transaction, that WIN Properties would seek to mortgage Hirschbrooke to permit the purchase of a further property to also be included in the A1 Qualipac joint venture. All properties to be managed by the consolidated entity would be focused on vegetable production as part of the consolidated entity's primary business focus being the production of food.

In the future, the consolidated entity intends to seek new investors to purchase farms to be managed by the consolidated entity for further food production.



*Joint Venture with Qualipac*

In November and December 2016, the consolidated entity commenced negotiations with the Qualipac group in Queensland ('Qualipac') seeking a joint venture whereby Qualipac would farm the Jondaryan farm to be acquired by WIN A1 Pty Ltd (at the time a wholly owned subsidiary of the company). Qualipac were a group of unrelated companies operated by the Qualishefski family in southern Queensland. The Qualishefski family companies were a well established vegetable production group having farmed the Lockyer Valley west of Brisbane for over 120 years. Fulfillment represented to the consolidated entity and the Qualishefski family that it could provide a significant benefit to a producer securing entry to the Japanese market in a low cost manner. In January 2017, it became clear to the consolidated entity that Fulfillment could not fulfil its representations. The consolidated entity then concluded a joint venture with Qualipac Agriculture for the farming of the purchased property and the sale of production into the Australian domestic market, using the existing marketing expertise of Qualipac.

The consolidated entity and Qualipac commenced farming on the property, now known as "Hirchbrooke" in late January 2017. The first crop of broccoli was planted in February 2017 and harvested in June 2017 producing over 410 tonnes of high quality broccoli from the irrigable area of the property.

Onions have been planted on part of the southern pivot area and harvesting is expected in late 2017 with a further broccoli crop. All product that is being produced on Hirchbrooke is destined for the domestic Australian market, although up to 10% of the production may be exported to Singapore or Taiwan, if the opportunity arises.

The consolidated entity is now planning for improved production on Hirchbrooke with installation of a new lateral irrigator in early 2018. This will increase irrigable land from 38 hectares to 105 hectares.

The consolidated entity's business of producing and selling vegetables is now conducted by the Company's trading subsidiary A1 Investments Operations Pty Limited trading as EQ Foods and EQ Foods International.

*Sale of Tournet Oceania*

In early July 2015 the consolidated entity acquired 100% of Tournet Oceania which provided tourist services primarily to Japanese in-bound tourists in Australia. Despite the purchase of a further tour bus to assist the operations and profitability of Tournet in the year to 30 June 2016 the consolidated entity was not confident that the short or medium term future of Tournet Oceania would be profitable or cash flow positive. The consolidated entity therefore sold Tournet Oceania to a purchaser who agreed to retain all staff for a sum of \$10,000 on 31 March 2017.

*Cessation of Ramen Restaurant Business*

In August 2015 the consolidated entity acquired 100% of the business of Ikkyu Ramen in the Haymarket district of Sydney. The acquisition of this business was part of a strategic plan to strengthen the food credentials of the group.

Despite the consolidated entity continuing to pursue an aggressive cost cutting program for Ikkyu Ramen the consolidated entity determined that it would cease operating the business in January 2017 and the restaurant has therefore been closed. The consolidated entity had previously written off the goodwill of the acquisition of this business in the year to 30 June 2016.

*Cessation of Manufacturing by EQ Foods*

In November 2015 the consolidated entity acquired a wholesale food production business which required new premises, management and additional capital to prosper. The consolidated entity formed a new business that it has called EQ Foods and commenced operations in Brookvale on the northern beaches of Sydney.

EQ Foods produced a range of products for the restaurants of Sydney. Despite the assistance of the added management of A1 and its Japanese consultants, EQ Foods did not prosper. EQ Foods had also entered a strategic alliance with a large food wholesaler with a potential to expand the product range throughout Australia, but the revenue that was generated could not underpin the business. In January 2017, the consolidated entity elected to reduce production at EQ Foods and focus on the supply of product to the company's primary wholesaler. During the first quarter of 2017, it became clear the target revenues for the business would not be achieved and the business would remain cash flow negative and unprofitable. The consolidated entity has elected to cease production and has surrendered the lease at Brookvale (September 2017).

**Significant changes in the state of affairs**

The following significant changes in the state of affairs of the parent entity occurred during the financial year.

*Joint Venture with Qualipac*

The consolidated entity entered into a joint operation arrangement with the Qualipac Group in Queensland for the production of vegetables. Qualipac were a group of unrelated companies operated by the Qualishefski family in southern Queensland. The Qualishefski family companies were a well established vegetable production group having farmed the Lockyer Valley west of Brisbane for over 120 years.

*Sale of Ikkyu Ramen Business*

On 28 January 2017, the consolidated entity disposed of the Ikkyu Ramen Business for \$19,000. The sale of the Ikkyu Ramen business generated a profit on disposal of \$10,751.

*Sale of Tournet Oceania Pty Limited*

On 31 March 2017, the consolidated entity disposed of 100% of the share capital in Tournet Oceania Pty Limited for \$10,000. The sale of Tournet Oceania Pty Limited generated a profit on disposal of \$121,574.

*Sale of WIN Properties Australia Pty Limited*

On 27 June 2017, the consolidated entity disposed of 100% of the share capital in WIN Properties Australia Pty Limited (formerly WIN A1 Pty Limited) for \$1. The sale of WIN Properties Australia Pty Limited generated a profit on disposal of \$232,529.

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

**Matters subsequent to the end of the financial year**

The consolidated entity elected to cease production of the EQ Foods business in April 2017 and subsequently surrendered the lease of its manufacturing site at Brookvale in September 2017.

On 24 July 2017 the Company entered into a working capital loan agreement with Plus JPS Pte Limited amounting to US\$1,000,000. This loan has a maturity date and repayment date of 31 July 2020.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Likely developments and expected results of operations**

The consolidated entity is continuing to examine opportunities as they may be presented.

The consolidated entity has determined that its primary focus will be food production businesses in Australia, including export food businesses.

A1 will remain focused on the following industry sectors:

**1. Wholesale Food businesses**

- The supply of vegetables produced by the A1 Qualipac joint venture
- The supply of vegetables to Asia, primarily Singapore, Taiwan and Japan.
- The wholesale supply of other agricultural food products to Japan, Vietnam and other Asian markets. The consolidated entity is in discussions with several parties in respect to the establishment of new joint ventures for the supply of fresh meat and meat products to Vietnam. The consolidated entity has established sales, logistics and marketing chains in Vietnam that have the capacity to substantially reduce the cost of Australian export meat products to end users in Vietnam.
- The expansion of the A1 Qualipac joint venture to further producing properties, primarily in southern Queensland.

**2. Food industry investment opportunities**

- The consolidated entity is examining other food industry investment opportunities including the possibility of acquiring a substantial interest in an existing successful wholesale food business

The consolidated entity has a target consolidated revenue for the year to 30 June 2018 of A\$3 million.

**Environmental regulation**

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

**Information on directors**

**Name:** Charlie Nakamura  
**Title:** Managing Director and Chief Executive Officer  
**Qualifications:** B.IE (U.Nihon, Japan), MBA (U.Dubuque, USA)  
**Experience and expertise:** Charlie Nakamura worked for the Tokai Bank (a major Japanese bank that has merged and become the current Bank of Tokyo-Mitsubishi UFJ) from 1991 to 2002. During his time in Tokai Bank, Charlie's major activities included corporate finance, project finance, structure finance and international trading. In 1998, Charlie transferred to Tokai Australia Finance Corporation, Tokai Bank's Australian subsidiary. Charlie was a head of the corporate finance department for the Japanese corporations, which included Toyota, Mitsubishi Corporation, Mitsui Corporation and many other major Japanese companies in Australia. In 2000, Tokai joined the project finance ('PF') deal between BHP and Mitsubishi Corporation. Charlie was Tokai's representative for this PF, which was well known as the "Blackwater" coking coal mining project. After a successful completion of the Blackwater project, Charlie was involved in various resource projects and made extensive networks in Australia.

**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** None  
**Interests in shares:** 140,593,862 ordinary shares  
**Interests in rights:** 200,000,000 rights over ordinary shares

**Name:** Peter Ashcroft  
**Title:** Executive Chairman  
**Qualifications:** LLB (University of Sydney), Solicitor of the Supreme Court of NSW and High Court of Australia (no longer practicing)  
**Experience and expertise:** Peter Ashcroft was a commercial law specialist with over 35 years' experience. He has assisted various companies in recent years to list, finance their operations with both debt and equity as well as manage their legal risks. Peter has worked with development and investment companies throughout Australia and has advised on joint ventures in Indonesia, New Zealand, the Philippines, India, USA, Sweden, Ghana, Canada and Madagascar. Peter has for many years lectured on natural resource law, trade practices, company law and corporate governance and compliance.

**Other current directorships:** Peter provides specialist commercial and corporate advice to the company and its joint operations.  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Torian Resources NL, Goldsearch Limited  
**Company Secretary**  
**Interests in shares:** None  
**Interests in rights:** 200,000,000 rights over ordinary shares

**Name:** Hiroyuki Ogawa  
**Title:** Non-Executive Director  
**Qualifications:** B.Ec (Yokohama National University), CFA (Chartered Financial Analyst)  
**Experience and expertise:** Hiro Ogawa has over 27 years experience in the finance and securities industries. His experiences range from providing advice on corporate structure and finances to trading of various securities. He has worked as specialist financial advisor particularly in transnational projects and Mr Ogawa maintains offices in Singapore and Japan.

**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** None  
**Interests in shares:** None  
**Interests in options:** None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

**Company secretary**

Peter Ashcroft is an experienced company secretary and occupies this role along with being an executive director of the company. Refer to Information on Directors for further details on Peter.

### Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Charlie Nakamura	16	16
Peter Ashcroft	16	16
Hiroyuki Ogawa	12	16

Held: represents the number of meetings held during the time the director held office.

All directors attended all meetings, although Mr Ogawa on occasions attended by electronic means.

Corporate Governance Committee matters were dealt with by the Full Board.

### Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

### *Principles used to determine the nature and amount of remuneration*

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity and company.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executives on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

#### *Non-executive directors remuneration*

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may seek the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market (see 'use of remuneration consultants' section below). The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 25 November 2011, where the shareholders approved an aggregate remuneration of \$90,867.

#### *Executive remuneration*

The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

Long-term incentives ('LTI') include long service leave and share-based payments. The shareholders approved a performance rights plan at the 2015 AGM. Performance rights are awarded to executives over a period of up to three years based on long-term incentive measures, as well as continued employment. Long-term incentive measures include financial performance of the consolidated entity, increases in shareholder value relative to the entire market and an increase in shareholder value relative to the consolidated entity's direct competitors.

#### *Consolidated entity performance and link to remuneration*

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. Incentive payments are dependent on defined earnings before interest, tax, depreciation and amortisation ('EBITDA') targets being met.

#### *Use of remuneration consultants*

During the financial year ended 30 June 2017, the company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

#### *Voting and comments made at the company's 2016 Annual General Meeting ('AGM')*

At the last AGM 100% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2016. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

#### **Details of remuneration**

##### *Amounts of remuneration*

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of A1 Investments & Resources Ltd:

- Charlie Nakamura - Managing Director and Chief Executive Officer
- Peter Ashcroft - Executive Chairman
- Hiroyuki Ogawa - Non-Executive Director

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Employee leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
<b>2017</b>							
<i>Executive Directors:</i>							
Charlie Nakamura	66,667	-	3,300	6,633	-	-	76,600
Peter Ashcroft	66,667	-	-	6,633	-	-	73,300
	<u>133,334</u>	<u>-</u>	<u>3,300</u>	<u>13,266</u>	<u>-</u>	<u>-</u>	<u>149,900</u>

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Employee leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
<b>2016</b>							
<i>Executive Directors:</i>							
Charlie Nakamura	100,000	-	3,500	9,500	-	-	113,000
Peter Ashcroft	100,000	-	-	9,500	-	-	109,500
	<u>200,000</u>	<u>-</u>	<u>3,500</u>	<u>19,000</u>	<u>-</u>	<u>-</u>	<u>222,500</u>

#### **Service agreements**

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: C Nakamura  
Title: Executive Director and Chief Executive Officer  
Agreement commenced: 1 June 2015  
Term of agreement: 3 years  
Details: 2 months' notice required to terminate. Entitled to 6 months gross salary.

Name: P Ashcroft  
Title: Executive Chairman  
Agreement commenced: 1 June 2015  
Term of agreement: 3 years  
Details: 2 months' notice required to terminate. Entitled to 6 months gross salary.

Name: H Ogawa  
Title: Non-Executive Director  
Agreement commenced: 26 June 2015  
Term of agreement: 3 years  
Details: 2 months' notice required to terminate.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

#### **Share-based compensation**

##### *Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2017.

##### *Options*

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2017.

There were no options over ordinary shares granted to or vested in directors and other key management personnel as part of compensation during the year ended 30 June 2017.

*Performance rights*

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Fair value per right at grant date*
12/11/2015	30/09/2017	30/09/2017	\$0.000
12/11/2015	30/09/2019	30/09/2019	\$0.000

\* The fair value of the performance rights granted during the year ended 30 June 2016 is nil.

Performance rights granted carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Number of rights granted during the year 2017	Number of rights granted during the year 2016	Number of rights vested during the year 2017	Number of rights vested during the year 2016
Charlie Nakamura	-	400,000,000	-	-
Peter Ashcroft	-	400,000,000	-	-

Details of performance rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Grant date	Vesting date	Number of rights granted	Value of rights granted \$	Value of rights vested \$	Number of rights lapsed
Charlie Nakamura	12/11/2015	30/09/2017	100,000,000	-	-	-
Charlie Nakamura	12/11/2015	30/09/2019	100,000,000	-	-	-
Peter Ashcroft	12/11/2015	30/09/2017	100,000,000	-	-	-
Peter Ashcroft	12/11/2015	30/09/2019	100,000,000	-	-	-

400,000,000 performance rights issued granted on 12 November 2015 lapsed during the year ended 30 June 2016.

***Additional disclosures relating to key management personnel***

*Shareholding*

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Charlie Nakamura	140,593,862	-	-	-	140,593,862
	140,593,862	-	-	-	140,593,862

\* Disposals/other represents no longer KMP, not necessarily a disposal of holding.

*Performance rights holding*

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Charlie Nakamura	200,000,000	-	-	-	200,000,000
Peter Ashcroft	200,000,000	-	-	-	200,000,000
	<u>400,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000,000</u>

*Other transactions with key management personnel and their related parties*

During the year ended 30 June 2017, the consolidated entity obtained a loan of \$49,080 from the Director related entity. The loan had a 12 month term, incurred interest at 10% per annum and is unsecured. The loan incurred interest of \$4,908 during the year ended 30 June 2017. The loan was repaid in full on 27 July 2017.

***This concludes the remuneration report, which has been audited.***

**Shares under option**

There were no unissued ordinary shares of A1 Investments & Resources Ltd under option outstanding at the date of this report.

**Shares under performance rights**

Unissued ordinary shares of A1 Investments & Resources Ltd under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
12/11/2015	30/09/2017	\$0.0000	200,000,000
12/11/2015	30/09/2019	\$0.0000	200,000,000
			<u>400,000,000</u>

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

**Shares issued on the exercise of options**

There were no ordinary shares of A1 Investments & Resources Ltd issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

**Shares issued on the exercise of performance rights**

There were no ordinary shares of A1 Investments & Resources Ltd issued on the exercise of performance rights during the year ended 30 June 2017 and up to the date of this report.

**Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.



**Proceedings on behalf of the company**

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

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

**Officers of the company who are former partners of Hall Chadwick Chartered Accountants and Business Advisors**

There are no officers of the company who are former partners of Hall Chadwick Chartered Accountants and Business Advisors.

**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.

**Auditor**

Hall Chadwick Chartered Accountants and Business Advisors continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Charlie Nakamura  
Director

29 September 2017  
Sydney

**A1 INVESTMENTS AND RESOURCES LIMITED  
ABN 44 109 330 949  
AND ITS CONTROLLED ENTITY**

**SYDNEY**  
Level 40  
2 Park Street  
Sydney NSW 2000  
Australia

GPO Box 3555  
Sydney NSW 2001

Ph: (612) 9263 2600  
Fx : (612) 9263 2800

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF A1 INVESTMENTS AND RESOURCES LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

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



Hall Chadwick  
Level 40, 2 Park Street  
Sydney NSW 2000



**DREW TOWNSEND**

Partner

Dated: 29 September 2017

A Member of PrimeGlobal  
An Association of Independent  
Accounting Firms

 **PrimeGlobal**

**A1 Investments & Resources Ltd and its controlled entities**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2017**



	<b>Note</b>	<b>Consolidated 2017 \$</b>	<b>2016 \$</b>
<b>Revenue from continuing operations</b>	5	309,265	76,796
Investment and other income	6	-	631,144
<b>Expenses</b>			
Raw materials and consumables used		(31,815)	-
Subcontracting expense		(201,957)	-
Employee benefits expense		(333,495)	(405,562)
Depreciation expense		(15,251)	(8,627)
Impairment of goodwill		(137,994)	-
Consultancy and professional fees		(512,046)	(378,415)
Travel expenses		(119,447)	(57,528)
Share registry and listing expenses		(35,600)	(47,160)
Impairment of receivables		(183,724)	-
Net loss on disposal of financial assets through profit or loss		-	(22,471)
Other expenses		(121,761)	(131,738)
Finance costs		<u>(24,918)</u>	<u>(16,999)</u>
<b>Loss before income tax expense from continuing operations</b>		(1,408,743)	(360,560)
Income tax expense	8	<u>-</u>	<u>-</u>
<b>Loss after income tax expense from continuing operations</b>		(1,408,743)	(360,560)
Loss after income tax expense from discontinued operations	9	<u>(398,194)</u>	<u>(410,343)</u>
<b>Loss after income tax expense for the year attributable to the owners of A1 Investments &amp; Resources Ltd</b>		(1,806,937)	(770,903)
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gains reclassified to profit or loss as other income from other comprehensive income		<u>-</u>	<u>(616,536)</u>
Other comprehensive income for the year, net of tax		<u>-</u>	<u>(616,536)</u>
<b>Total comprehensive income for the year attributable to the owners of A1 Investments &amp; Resources Ltd</b>		<u><u>(1,806,937)</u></u>	<u><u>(1,387,439)</u></u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(1,408,743)	(977,096)
Discontinued operations		<u>(398,194)</u>	<u>(410,343)</u>
		<u><u>(1,806,937)</u></u>	<u><u>(1,387,439)</u></u>

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**A1 Investments & Resources Ltd and its controlled entities**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2017**



	<b>Note</b>	<b>Consolidated</b>	
		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for loss from continuing operations attributable to the owners of A1 Investments &amp; Resources Ltd</b>			
Basic earnings per share	36	(0.013)	(0.003)
Diluted earnings per share	36	(0.013)	(0.003)
<b>Earnings per share for loss from discontinued operations attributable to the owners of A1 Investments &amp; Resources Ltd</b>			
Basic earnings per share	36	(0.004)	(0.004)
Diluted earnings per share	36	(0.004)	(0.004)
<b>Earnings per share for loss attributable to the owners of A1 Investments &amp; Resources Ltd</b>			
Basic earnings per share	36	(0.017)	(0.007)
Diluted earnings per share	36	(0.017)	(0.007)

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

	<b>Note</b>	<b>Consolidated 2017 \$</b>	<b>2016 \$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	26,305	856,843
Trade and other receivables	11	40,422	256,202
Inventories	12	-	145,345
Other	13	7,000	5,458
Total current assets		<u>73,727</u>	<u>1,263,848</u>
<b>Non-current assets</b>			
Property, plant and equipment	14	86,083	599,264
Intangibles	15	-	277,994
Total non-current assets		<u>86,083</u>	<u>877,258</u>
<b>Total assets</b>		<u>159,810</u>	<u>2,141,106</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	92,152	400,443
Borrowings	17	419,004	79,874
Total current liabilities		<u>511,156</u>	<u>480,317</u>
<b>Non-current liabilities</b>			
Borrowings	18	47,988	253,186
Total non-current liabilities		<u>47,988</u>	<u>253,186</u>
<b>Total liabilities</b>		<u>559,144</u>	<u>733,503</u>
<b>Net assets/(liabilities)</b>		<u>(399,334)</u>	<u>1,407,603</u>
<b>Equity</b>			
Issued capital	19	30,378,956	30,378,956
Reserves	20	819,702	819,702
Accumulated losses		<u>(31,597,992)</u>	<u>(29,791,055)</u>
<b>Total equity/(deficiency)</b>		<u>(399,334)</u>	<u>1,407,603</u>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes*

**A1 Investments & Resources Ltd and its controlled entities**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2017**



<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2015	29,818,956	1,586,238	(29,020,152)	2,385,042
Loss after income tax expense for the year	-	-	(770,903)	(770,903)
Other comprehensive income for the year, net of tax	-	(616,536)	-	(616,536)
Total comprehensive income for the year	-	(616,536)	(770,903)	(1,387,439)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 19)	410,000	-	-	410,000
Transfer from share-based payments reserve to issued capital	150,000	(150,000)	-	-
Balance at 30 June 2016	<u>30,378,956</u>	<u>819,702</u>	<u>(29,791,055)</u>	<u>1,407,603</u>
<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total deficiency in equity \$</b>
Balance at 1 July 2016	30,378,956	819,702	(29,791,055)	1,407,603
Loss after income tax expense for the year	-	-	(1,806,937)	(1,806,937)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,806,937)	(1,806,937)
Balance at 30 June 2017	<u>30,378,956</u>	<u>819,702</u>	<u>(31,597,992)</u>	<u>(399,334)</u>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

**A1 Investments & Resources Ltd and its controlled entities**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2017**



		<b>Consolidated</b>	
	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		2,712,860	4,513,847
Payments to suppliers and employees (inclusive of GST)		(4,046,227)	(5,364,776)
		(1,333,367)	(850,929)
Interest received		19,043	34,526
Interest and other finance costs paid		(47,264)	(76,089)
Income taxes paid		-	(46,568)
Net cash used in operating activities	35	(1,361,588)	(939,060)
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	30	-	(350,876)
Payments for property, plant and equipment		(3,285,223)	(286,708)
Proceeds from sale of investments		-	117,529
Cash flow from disposal of business/subsidiary, net of cash disposed		(90,683)	12,335
Proceeds from disposal of property, plant and equipment		71,175	9,091
Net cash used in investing activities		(3,304,731)	(498,629)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	19	-	200,000
Proceeds from borrowings		3,829,230	1,117,721
Repayment of borrowings		-	(60,000)
Proceeds from/(repayment of) leases		6,551	(32,936)
Net cash from financing activities		3,835,781	1,224,785
Net decrease in cash and cash equivalents		(830,538)	(212,904)
Cash and cash equivalents at the beginning of the financial year		856,843	1,069,747
Cash and cash equivalents at the end of the financial year	10	26,305	856,843

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*



## **Note 1. General information**

The financial statements cover A1 Investments & Resources Ltd as a consolidated entity consisting of A1 Investments & Resources Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is A1 Investments & Resources Ltd's functional and presentation currency.

A1 Investments & Resources Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 606 / 37 Bligh Street  
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 September 2017. The directors have the power to amend and reissue the financial statements.

## **Note 2. 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.

### **New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

### **Going concern**

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the consolidated entity is dependent upon it maintaining sufficient funds for its operations and commitments.

The working capital position as at 30 June 2017 of the consolidated entity is an excess of current liabilities over current assets of \$437,429 (2016: excess of current asset over current liabilities of \$783,531). The consolidated entity made a loss after tax of \$1,806,937 during the financial year (2016: loss of \$770,903) and the net operating cash outflow was \$1,361,588 (2016: \$939,060). The cash balance as at 30 June 2017 was \$26,305 (30 June 2016: \$856,843).

The directors recognise that without further cash the consolidated entity may not be able to meet its debts as and when they fall due. In assessing the appropriateness of the going concern concept the following factors have been taken into consideration by the Directors:

- on 24 July 2017 the Company entered into a working capital loan agreement with Plus JPS Pte Limited for US\$1,000,000. This loan has a maturity date and repayment of 31 July 2020; and
- the Qualipac joint operation will generate sufficient funds to enable the consolidated entity to meet its debts as and when they fall due.

In making their assessment, the Directors acknowledge that the liability of the consolidated entity to continue as a going concern is dependent on the Qualipac joint operation meeting sales and profitability forecasts and generating positive cash flows.

The financial statements have been prepared on the going concern basis for the above reasons. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accrual basis.



## **Note 2. Significant accounting policies (continued)**

### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and available-for-sale financial assets.

### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity'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 3.

### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of A1 Investments & Resources Ltd ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. A1 Investments & Resources Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### **Foreign currency translation**

The financial statements are presented in Australian dollars, which is A1 Investments & Resources Ltd's functional and presentation currency.

### *Foreign currency transactions*

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

### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### **Revenue recognition**

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

### *Sale of goods*

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

**Note 2. Significant accounting policies (continued)**

*Rendering of services*

Rendering of services revenue is recognised as the service is provided.

*Dividend revenue*

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

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

**Income tax**

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

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

**Discontinued operations**

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

**Current and non-current classification**

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

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

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

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

## **Note 2. Significant accounting policies (continued)**

### **Cash and cash equivalents**

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

### **Trade and other receivables**

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

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

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

### **Inventories**

Raw materials and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **Associates**

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

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

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### **Joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The consolidated entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

### **Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	Lease term
Plant and equipment	13% - 40%
Motor vehicles	17% - 25%

## **Note 2. Significant accounting policies (continued)**

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Motor vehicles and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### **Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are 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 consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

### **Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

### **Goodwill**

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed.

### **Impairment of non-financial assets**

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

### **Trade and other payables**

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

### **Borrowings**

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

## **Note 2. Significant accounting policies (continued)**

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### **Employee benefits**

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the 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 the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### **Fair value measurement**

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

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

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### **Issued capital**

Ordinary shares are classified as equity.

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

### **Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

## **Note 2. Significant accounting policies (continued)**

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### **Earnings per share**

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of A1 Investments & Resources Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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

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

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

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

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

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

**Note 2. Significant accounting policies (continued)**

*AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018. It is not expected to significantly impact the financial statements on the basis that the main financial assets recognised represent cash and cash equivalent and trade receivables that do not carry a significant financing component and involve a single cash flow representing the repayment of principal, which in the case of trade receivables is the transaction price. Both asset classes will continue to be measured at face value. Other financial asset classes are not material to the consolidated entity. Financial liabilities of the consolidated entity are not impacted as the group does not carry them at fair value.

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018. It is not expected to significantly impact the financial statements on the basis that most of the consolidated entity's revenue is recognised at the time of transfer of units to customer which represents the satisfaction of the primary performance obligation.

*AASB 16 Leases*

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



### **Note 3. Critical accounting judgements, estimates and assumptions**

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

#### *Fair value measurement hierarchy*

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

#### *Estimation of useful lives of assets*

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

#### *Goodwill and other indefinite life intangible assets*

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

#### *Impairment of non-financial assets*

The consolidated entity assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

#### *Impairment of property, plant and equipment*

The consolidated entity assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

#### *Income tax*

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

### **Note 4. Operating segments**

#### *Identification of reportable operating segments*

During the years ended 30 June 2017 and 30 June 2016, the consolidated entity is organised into four operating segments:

- General investment;
- Food\*;
- Tourism\*; and
- Advertising\*\*.

\* Part of the food segment and all of the tourism operating segment were disposed of during the year ended 30 June 2017.

\*\*The advertising operating segment was disposed of during the year ended 30 June 2016.



#### **Note 4. Operating segments (continued)**

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments although the food segment comprises all food production businesses including retail, wholesale and primary industry production of food.

The CODM reviews EBITDA (earnings before interest, tax, depreciation, amortisation and other items which are determined to be outside of the control of the respective segments). EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-specific non-cash and significant items. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

##### *Types of products and services*

The principal products and services of each of these operating segments are as follows:

General investment	investment operations focusing on diversified investment portfolios
Food	the operation of a commercial kitchen and restaurants predominantly in Sydney, Australia and the production of food for sale from farms primarily in Queensland;
Tourism	the provision of tourism services for Japanese clients in Sydney, Australia
Advertising	the provision of advertising services predominantly in Japan

##### *Major customers*

No single customer contributed 10% or more to the consolidated entity's external revenue during the half years ended 30 June 2017 and 30 June 2016.

However, sales of the food produced on the Queensland farms and attributable to the company are made to Australian wholesalers and major Australian super market chains (including Woolworths) which comprise 22% of the total sales from such project.

##### *Operating segment information*

	General investment \$	Food \$	Tourism \$	Total \$
<b>Consolidated - 2017</b>				
<b>Revenue</b>				
Sales to external customers	-	1,465,730	1,351,124	2,816,854
Interest	19,043	1,634	5	20,682
Other revenue	23,786	-	13,490	37,276
<b>Total revenue</b>	<u>42,829</u>	<u>1,467,364</u>	<u>1,364,619</u>	<u>2,874,812</u>
<b>EBITDA</b>	(2,122,966)	407,595	139,631	(1,575,740)
Depreciation and amortisation	(15,251)	(47,176)	(32,070)	(94,497)
Write off of assets	(137,994)	(140,000)	-	(277,994)
Impairment of assets	(183,724)	-	-	(183,724)
Profit/(loss) on disposal of discontinued operation	364,854	-	-	364,854
Interest revenue	19,043	1,634	5	20,682
Finance costs	(24,918)	(3,275)	(32,325)	(60,518)
<b>Profit/(loss) before income tax expense</b>	<u>(2,100,956)</u>	<u>218,778</u>	<u>75,241</u>	<u>(1,806,937)</u>
Income tax expense				-
<b>Loss after income tax expense</b>				<u>(1,806,937)</u>
<b>Assets</b>				
Segment assets	<u>320,098</u>	<u>50,787</u>	-	<u>370,885</u>
Intersegment eliminations				<u>(211,075)</u>
<b>Total assets</b>				<u>159,810</u>
<b>Liabilities</b>				
Segment liabilities	<u>553,923</u>	<u>216,296</u>	-	<u>770,219</u>
Intersegment eliminations				<u>(211,075)</u>
<b>Total liabilities</b>				<u>559,144</u>

**Note 4. Operating segments (continued)**

	General investment \$	Food \$	Tourism \$	Advertising \$	Total \$
<b>Consolidated - 2016</b>					
<b>Revenue</b>					
Sales to external customers	-	1,510,657	1,488,342	2,443,915	5,442,914
Interest	34,521	1	4	11	34,537
Other revenue	42,275	2,152	511	-	44,938
<b>Total revenue</b>	<u>76,796</u>	<u>1,512,810</u>	<u>1,488,857</u>	<u>2,443,926</u>	<u>5,522,389</u>
<b>EBITDA</b>	(369,451)	(365,116)	29,940	90,061	(614,566)
Depreciation and amortisation	(8,626)	(18,936)	(36,249)	-	(63,811)
Profit on disposal of discontinued operation	18,242	-	-	-	18,242
Interest revenue	34,521	1	4	11	34,537
Finance costs	(16,999)	(241)	(20,942)	(37,907)	(76,089)
<b>Profit/(loss) before income tax expense</b>	<u>(342,313)</u>	<u>(384,292)</u>	<u>(27,247)</u>	<u>52,165</u>	<u>(701,687)</u>
Income tax expense					(69,216)
<b>Loss after income tax expense</b>					<u>(770,903)</u>
<b>Assets</b>					
Segment assets	<u>1,868,032</u>	<u>704,703</u>	<u>610,644</u>	<u>-</u>	<u>3,183,379</u>
Intersegment eliminations					(1,042,273)
<b>Total assets</b>					<u>2,141,106</u>
<b>Liabilities</b>					
Segment liabilities	<u>48,892</u>	<u>1,088,991</u>	<u>685,884</u>	<u>-</u>	<u>1,823,767</u>
Intersegment eliminations					(1,090,264)
<b>Total liabilities</b>					<u>733,503</u>

*Geographical information*

	<b>Sales to external customers</b>		<b>Geographical non-current assets</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Australia	2,816,854	2,998,999	86,083	877,258
Japan	-	2,443,915	-	-
	<u>2,816,854</u>	<u>5,442,914</u>	<u>86,083</u>	<u>877,258</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post employment benefits assets and rights under insurance contracts.

**Note 5. Revenue**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Sales of goods - fresh produce	266,436	-
<i>Other revenue</i>		
Research fees	-	38,000
Interest	19,043	34,521
Other revenue	23,786	4,275
	42,829	76,796
Revenue from continuing operations	309,265	76,796

**Note 6. Investment and other income**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Net foreign exchange gain	-	14,608
Net gain on disposal of available-for-sale financial assets	-	616,536
Investment and other income	-	631,144

**Note 7. Expenses**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	-	3,810
Plant and equipment	9,427	18,537
Motor vehicles	5,824	41,464
Total depreciation	15,251	63,811
<i>Impairment</i>		
Impairment of receivables	183,724	-
<i>Impairment of investment in associate</i>		
Impairment of investment in COTY Guam	-	1,938
<i>Finance costs</i>		
Interest and finance charges paid/payable	24,918	38,182
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	35,615	181,097
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	23,845	131,373
Employee benefits expense	309,650	1,676,724
Total employee benefits expense	333,495	1,808,097

**Note 8. Income tax expense**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Income tax expense is attributable to:		
Loss from discontinued operations	-	69,216
Aggregate income tax expense	-	69,216
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(1,408,743)	(360,560)
Loss before income tax expense from discontinued operations	(398,194)	(341,127)
	(1,806,937)	(701,687)
Tax at the statutory tax rate of 27.5% (2016: 30%)	(496,908)	(210,506)
Current year tax losses not recognised	496,908	279,722
Income tax expense	-	69,216

**Note 8. Income tax expense (continued)**

As at 30 June 2017 unused tax losses for which no deferred tax asset has been recognised amounted to \$13,936,134 (2016: \$12,182,042). The potential tax benefit at 27.5% (2016: 27.5%) is \$3,832,437 (2016: \$3,350,062).

As at 30 June 2017 unused capital losses for which no deferred tax asset has been recognised amounted to \$12,915,747 (2016: \$12,553,022). The potential tax benefit at 27.5% (2016: 27.5%) is \$3,551,830 (2016: \$3,452,081).

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

**Note 9. Discontinued operations**

*Description*

The discontinued operations during the year ended 30 June 2017 represents:

- Disposal of the Ikkyu Ramen business for total consideration of \$19,000 on 28 January 2017;
- Disposal of 100% of the share capital in Tournet Oceania Pty Ltd for total consideration of \$10,000 on 31 March 2017; and
- Disposal of 100% of the share capital in WIN Properties Australia Pty Limited (formerly WIN A1 Pty Limited) for total consideration of \$1 on 27 June 2017.

During the previous year, on 8 June 2016, the consolidated entity disposed of its entire investment in A1 Investment Japan Co. Ltd and its controlled entities for total consideration of \$12,335 (JPY1,000,000).

**Note 9. Discontinued operations (continued)**

*Financial performance information*

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Rendering of services - advertising	-	2,443,915
Rendering of services - tourism	1,351,124	1,488,343
Sales of food and beverages	1,199,295	1,512,809
Interest	1,638	15
Other income	13,490	511
Total revenue	<u>2,565,547</u>	<u>5,445,593</u>
Raw materials and consumables used	(724,048)	(3,139,360)
Subcontracting expense	(454,288)	(562,082)
Employee benefits expense	(1,063,688)	(1,240,697)
Commission fees	-	(90,458)
Professional and consultancy fees	(191,894)	(253,230)
Occupancy expenses	(186,985)	(146,467)
Depreciation expense	(79,246)	(55,185)
Write off of goodwill	(140,000)	-
Other expenses	(452,846)	(258,393)
Finance costs	(35,600)	(59,090)
Total expenses	<u>(3,328,595)</u>	<u>(5,804,962)</u>
Loss before income tax expense	(763,048)	(359,369)
Income tax expense	-	(69,216)
Loss after income tax expense	<u>(763,048)</u>	<u>(428,585)</u>
Gain on disposal of A1 Investment Japan Co. Ltd before income tax	-	18,242
Gain on disposal of Tournet Oceania Pty Ltd before income tax	121,574	-
Gain on disposal of WIN A1 Pty Limited	232,529	-
Gain on disposal of Ikkyu Ramen business before income tax	10,751	-
Income tax expense	-	-
Gain on disposal after income tax expense	<u>364,854</u>	<u>18,242</u>
Loss after income tax expense from discontinued operations	<u><u>(398,194)</u></u>	<u><u>(410,343)</u></u>

**Note 9. Discontinued operations (continued)**

*Carrying amounts of assets and liabilities disposed*

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	119,684	206,323
Trade and other receivables	175,415	280,295
Property, plant and equipment	3,527,620	-
Intangibles	-	615,843
Deferred tax assets	-	9,943
<b>Total assets</b>	<b>3,822,719</b>	<b>1,112,404</b>
Trade and other payables	443,469	248,630
Borrowings	3,715,103	738,804
Income tax	-	52,049
Other liabilities	-	78,608
<b>Total liabilities</b>	<b>4,158,572</b>	<b>1,118,091</b>
<b>Net liabilities</b>	<b>(335,853)</b>	<b>(5,687)</b>

*Details of the disposal*

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Total sale consideration	29,001	12,335
Carrying amount of net liabilities disposed	335,853	5,687
De-recognition of foreign currency reserve	-	220
<b>Gain on disposal before income tax</b>	<b>364,854</b>	<b>18,242</b>
<b>Gain on disposal after income tax</b>	<b>364,854</b>	<b>18,242</b>

**Note 10. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	26,305	818,618
Cash on deposit	-	38,225
<b>Total</b>	<b>26,305</b>	<b>856,843</b>

**Note 11. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	5,000	256,202
Receivables - joint operation	35,128	-
Receivable from Tournet Oceania Pty Limited	183,724	-
Less: Provision for impairment of receivables	(183,724)	-
	35,128	-
Other receivables	294	-
	40,422	256,202

*Impairment of receivables*

The consolidated entity has recognised a loss of \$183,724 (2016: \$nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2017.

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to \$nil as at 30 June 2017 (\$38,117 as at 30 June 2016).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
0 to 3 months overdue	-	34,526
Over 6 months overdue	-	3,591
	-	38,117

**Note 12. Current assets - inventories**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Raw materials - at cost	-	132,371
Finished goods - at cost	-	12,974
	-	145,345



**Note 13. Current assets - other**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Prepayments	-	4,958
Deposits	7,000	500
	<u>7,000</u>	<u>5,458</u>

**Note 14. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Leasehold improvements - at cost	-	10,557
Less: Accumulated depreciation	-	(3,810)
	<u>-</u>	<u>6,747</u>
Plant and equipment - at cost	44,648	188,986
Less: Accumulated depreciation	(23,127)	(23,611)
	<u>21,521</u>	<u>165,375</u>
Motor vehicles - at cost	71,322	468,606
Less: Accumulated depreciation	(6,760)	(41,464)
	<u>64,562</u>	<u>427,142</u>
	<u>86,083</u>	<u>599,264</u>

*Reconciliations*

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

<b>Consolidated</b>	<b>Land</b>	<b>Leasehold</b>	<b>Plant and</b>	<b>Motor</b>	<b>Total</b>
	<b>\$</b>	<b>improvements</b>	<b>equipment</b>	<b>vehicles</b>	<b>\$</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	
Balance at 1 July 2015	-	-	9,304	-	9,304
Additions	-	-	161,532	372,219	533,751
Additions through business combinations (note 30)	-	10,557	13,076	96,387	120,020
Depreciation expense	-	(3,810)	(18,537)	(41,464)	(63,811)
	<u>-</u>	<u>6,747</u>	<u>165,375</u>	<u>427,142</u>	<u>599,264</u>
Balance at 30 June 2016	-	6,747	165,375	427,142	599,264
Additions	3,182,654	-	31,247	71,322	3,285,223
Disposals	(3,182,654)	(5,386)	(99,923)	(415,944)	(3,703,907)
Depreciation expense	-	(1,361)	(75,178)	(17,958)	(94,497)
	<u>-</u>	<u>-</u>	<u>21,521</u>	<u>64,562</u>	<u>86,083</u>
Balance at 30 June 2017	-	-	21,521	64,562	86,083

**Note 15. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Goodwill - at cost	-	277,994

**Note 15. Non-current assets - intangibles (continued)**

*Reconciliations*

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

<b>Consolidated</b>	<b>Goodwill \$</b>	<b>Total \$</b>
Balance at 1 July 2015	-	-
Additions through business combinations (note 30)	893,837	893,837
Disposals	(615,843)	(615,843)
	<hr/>	<hr/>
Balance at 30 June 2016	277,994	277,994
Impairment of goodwill	(277,994)	(277,994)
	<hr/>	<hr/>
Balance at 30 June 2017	<u>-</u>	<u>-</u>

For the purpose of impairment testing, goodwill is allocated to the consolidated entity's cash generating units ('CGUs') that are expected to benefit from the synergies of the business combination. A CGU level summary of goodwill allocation is as follows:

	<b>Consolidated</b>	
	<b>2017 \$</b>	<b>2016 \$</b>
Tournet	-	137,994
Ikkyu Ramen	-	120,000
EQ Foods Brookvale	-	20,000
	<hr/>	<hr/>
	<u>-</u>	<u>277,994</u>

Goodwill is tested annually for impairment. As at 30 June 2017 the carrying value of goodwill is \$nil. During the year ended 30 June 2017 the goodwill was fully impaired as follows:

- (1) \$137,994 of goodwill allocated to Tournet was written off during the year as its carrying value exceeded recoverable value. This resulted in the carrying value of the associated goodwill being reduced to \$nil. Tournet was subsequently disposed of.
- (2) \$20,000 of goodwill allocated to the EQ Foods Brookvale CGU was written off during the year. Following the cessation of the EQ Foods Brookvale business, the carrying value exceeded the value in use by \$20,000. This resulted in the carrying value of the associated goodwill being reduced to \$nil.
- (3) \$120,000 of goodwill allocated to the Ikkyu Ramen CGU was written off during the year as a consequence of the disposal of the business. This resulted in the carrying value of the associated goodwill being reduced to \$nil.

**Note 16. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2017 \$</b>	<b>2016 \$</b>
Trade payables	19,283	158,627
Other payables and accruals	72,869	241,816
	<hr/>	<hr/>
	<u>92,152</u>	<u>400,443</u>

Refer to note 22 for further information on financial instruments.

**Note 17. Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Loan from Director related entities	49,080	-
Loan - Koriyakawakyu	363,254	-
Lease liability	6,670	79,874
	<u>419,004</u>	<u>79,874</u>

Refer to note 22 for further information on financial instruments.

*Loan from Director related entity*

The loan from the Director related entity, has a 12 month term, incurred interest at 10% per annum and is unsecured. The loan was repaid in full on 27 July 2017.

*Loan - Koriyakawakyu*

The loan from Koriyakawakyu is repayable from 31 January 2017 at the discretion of the lender. The loan is unsecured. Interest is charged at 6% per annum. Koriyakawakyu has indicated it has no immediate intention to call for repayment.

**Note 18. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Lease liability	<u>47,988</u>	<u>253,186</u>

Refer to note 22 for further information on financial instruments.

**Note 19. Equity - issued capital**

	<b>Consolidated</b>			
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	<u>10,807,266,550</u>	<u>10,807,266,550</u>	<u>30,378,956</u>	<u>30,378,956</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$</b>
Balance	1 July 2015	10,097,266,550		29,818,956
Shares issued on acquisition of Tournet Oceania Pty Limited	1 July 2015	90,000,000	\$0.0010	90,000
Shares issued on acquisition of Ikkyu Ramen	4 August 2015	120,000,000	\$0.0010	120,000
Transfer from share-based payments reserve on exercise of options	1 December 2015	-	\$0.0000	150,000
Issue of shares from exercise of options	1 December 2015	<u>500,000,000</u>	<u>\$0.0004</u>	<u>200,000</u>
Balance	30 June 2016	<u>10,807,266,550</u>		<u>30,378,956</u>
Balance	30 June 2017	<u>10,807,266,550</u>		<u>30,378,956</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.

**Note 19. Equity - issued capital (continued)**

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.

*Capital risk management*

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business, company or general equities was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity actively pursue additional investments to grow its investment portfolio.

The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

**Note 20. Equity - reserves**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Other reserves	<u>819,702</u>	<u>819,702</u>

*Available-for-sale reserve*

The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

*Other reserves*

The reserve is used to recognise increments and decrements in the fair value of non-current assets.

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Available-for-sale \$</b>	<b>Share-based payment \$</b>	<b>Other \$</b>	<b>Total \$</b>
Balance at 1 July 2015	616,536	150,000	819,702	1,586,238
Transfer to issued capital on exercise of options	-	(150,000)	-	(150,000)
Transfer to income statement on disposal of available-for-sale financial asset*	<u>(616,536)</u>	<u>-</u>	<u>-</u>	<u>(616,536)</u>
Balance at 30 June 2016	<u>-</u>	<u>-</u>	<u>819,702</u>	<u>819,702</u>
Balance at 30 June 2017	<u>-</u>	<u>-</u>	<u>819,702</u>	<u>819,702</u>

\* Transfer to the income statement following the assignment of the consolidated entity's holding in PAFtec Pty Limited to the convertible note holders during the year ended 30 June 2016.

**Note 21. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

## Note 22. Financial instruments

### Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance reports to the Board on a monthly basis.

### Market risk

#### Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity does not have a hedging policy.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2017 \$	2016 \$	2017 \$	2016 \$
<b>Consolidated</b>				
US dollars	657	2,172	-	-
Japanese yen	3	402,278	-	-
	<u>660</u>	<u>404,450</u>	<u>-</u>	<u>-</u>

The sensitivity analysis for foreign exchange risk of the above financial assets and financial liabilities is as follows:

Consolidated - 2017	% change	AUD strengthened Effect on profit before tax		Effect on equity	% change	AUD weakened Effect on profit before tax		Effect on equity
US dollar	5%	35	(35)		-	(35)	35	
Japanese Yen	5%	-	-		-	-	-	
		<u>35</u>	<u>(35)</u>			<u>(35)</u>	<u>35</u>	
Consolidated - 2016	% change	AUD strengthened Effect on profit before tax		Effect on equity	% change	AUD weakened Effect on profit before tax		Effect on equity
US dollar	5%	103	(103)		5%	(103)	103	
Japanese Yen	5%	19,156	(19,156)		5%	(19,156)	19,156	
		<u>19,259</u>	<u>(19,259)</u>			<u>(19,259)</u>	<u>19,259</u>	

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations. The actual foreign exchange loss for the year ended 30 June 2017 was \$6,073 (2016: foreign exchange gain of \$14,608).

**Note 22. Financial instruments (continued)**

*Price risk*

As at 30 June 2017 the consolidated entity is not exposed to any significant price risk.

*Interest rate risk*

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. As at the reporting date, the consolidated entity's borrowings are issued at fixed interest rates therefore the consolidated entity has no significant exposure interest rate risk.

As at the reporting date, the consolidated entity had the following fixed rate borrowings outstanding:

	2017		2016	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
<b>Consolidated</b>				
Other loans	6.00%	363,254	-	-
Other loans	10.00%	49,080	-	-
Lease liabilities	7.30%	54,658	7.30%	333,060
		<u>466,992</u>		<u>333,060</u>
Net exposure to cash flow interest rate risk				

An analysis by remaining contractual maturities is shown in 'remaining contractual maturities' below.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity assesses credit risk on a transaction by transaction basis and uses guarantees, credit checks and other due diligence procedures as a risk management measure.

Credit risk related to balances with banks and other financial institutions is managed by the Board in accordance with approved Board policy. Such policy required that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. The cash and cash equivalents are held with the consolidated entity's main financial institutions.

**Liquidity risk**

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

**Note 22. Financial instruments (continued)**

*Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 2017</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	19,283	-	-	-	19,283
Other payables	-	72,869	-	-	-	72,869
<i>Interest-bearing - fixed rate</i>						
Lease liability	7.30%	11,094	11,094	47,110	-	69,298
Loan from Director related entities	10.00%	49,080	-	-	-	49,080
Loan - Koriyakawakyu	6.00%	363,254	-	-	-	363,254
Total non-derivatives		515,580	11,094	47,110	-	573,784
<b>Consolidated - 2016</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	158,627	-	-	-	158,627
Other payables	-	241,816	-	-	-	241,816
<i>Interest-bearing - fixed rate</i>						
Lease liability	7.30%	100,345	81,769	208,319	-	390,433
Total non-derivatives		500,788	81,769	208,319	-	790,876

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Note 23. Fair value measurement**

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

**Note 24. Key management personnel disclosures**

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	136,634	203,500
Post-employment benefits	13,266	19,000
	<u>149,900</u>	<u>222,500</u>

**Note 25. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Hall Chadwick Chartered Accountants and Business Advisors, the auditor of the company:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - Hall Chadwick Chartered Accountants and Business Advisors</i>		
Audit or review of the financial statements	<u>35,288</u>	<u>35,000</u>
<i>Other services - Hall Chadwick Chartered Accountants and Business Advisors</i>		
Taxation services	<u>-</u>	<u>2,500</u>
	<u>35,288</u>	<u>37,500</u>

**Note 26. Contingent liabilities**

The consolidated entity does not have any contingent liabilities at 30 June 2017 and 30 June 2016.

**Note 27. Commitments**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	11,093	100,344
One to five years	<u>58,204</u>	<u>290,089</u>
Total commitment	69,297	390,433
Less: Future finance charges	<u>(14,639)</u>	<u>(57,373)</u>
Net commitment recognised as liabilities	<u>54,658</u>	<u>333,060</u>
Representing:		
Lease liability - current (note 17)	6,670	79,874
Lease liability - non-current (note 18)	<u>47,988</u>	<u>253,186</u>
	<u>54,658</u>	<u>333,060</u>



**Note 28. Related party transactions**

*Parent entity*

A1 Investments & Resources Ltd is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 31.

*Associates*

Interests in associates are set out in note 32.

*Joint operations*

Interests in joint operations are set out in note 33.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Payment for other expenses:		
Interest paid/payable to Director related entity	4,908	-

*Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

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

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Current borrowings:		
Loan from Director related entities	49,080	-

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 29. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) after income tax	(2,052,964)	965,456
Total comprehensive income	(2,052,964)	965,456

**Note 29. Parent entity information (continued)**

*Statement of financial position*

	Parent	
	2017 \$	2016 \$
Total current assets	242,171	1,339,555
Total assets	320,100	1,456,497
Total current liabilities	505,937	48,894
Total liabilities	553,925	48,894
Equity		
Issued capital	30,378,956	30,378,956
Other reserves	819,702	819,702
Accumulated losses	(31,432,483)	(29,791,055)
Total equity/(deficiency)	(233,825)	1,407,603

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2017 and 30 June 2016.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2017 and 30 June 2016.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**Note 30. Business combinations**

*Acquisition of Tournet Oceania Pty Limited (prior year)*

On 1 July 2015, the consolidated entity acquired 100% of the issued share capital in Tournet Oceania Pty Limited ('Tournet') for \$90,000 by way of issue of shares in the company at an issue price of \$0.001 per share. Tournet is a long established in-bound tourist business with long term associations with Japanese tourist company wholesalers. Tournet specialises in providing Japanese tourists with local tours including a Sydney night tour, golfing tours and tours to the Blue Mountains. The acquisition was to form the basis for the consolidated entity's investment in the tourism industry in Australia. The goodwill of \$137,994 is attributed to the expected synergies and other benefits of combining the activities of Tournet to the consolidated entity. Tournet was subsequently sold during the year ended 30 June 2017. The sale of Tournet generated a profit on disposal of \$121,574. Refer to note 9 for details.

**Note 30. Business combinations (continued)**

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	144,372
Trade receivables	136,845
Leasehold improvements	10,557
Plant and equipment	8,076
Motor vehicles	96,387
Trade payables	(108,589)
Other payables	(216,689)
Lease liability	(118,953)
	<hr/>
Net liabilities acquired	(47,994)
Goodwill	137,994
	<hr/>
Acquisition-date fair value of the total consideration transferred	90,000
	<hr/> <hr/>
Representing:	
A1 Investments & Resources Ltd shares issued to vendor shareholders	90,000
	<hr/> <hr/>

	Consolidated 2017 \$	2016 \$
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	-	90,000
Less: shares issued by company as part of consideration	-	(90,000)
	<hr/>	<hr/>
Net cash used	-	-
	<hr/> <hr/>	<hr/> <hr/>

*Acquisition of the business of ASA Foods Pty Ltd (prior year)*

On 4 August 2015, the consolidated entity acquired all the business of ASA Foods Pty Limited known as Ikkyu Ramen for \$120,000 by way of issue of shares in the company at an issue price of \$0.001 per share. No assets were acquired or liabilities assumed as part of the acquisition and total consideration of \$120,000 represents goodwill. The goodwill is attributed to the expected synergies and other benefits of combining the activities of Ikkyu Ramen to the consolidated entity. The Ikkyu Ramen business was subsequently sold during the year ended 30 June 2017. The sale of the Ikkyu Ramen business generated a profit on disposal of \$10,751. Refer to note 9 for details.

Details of the acquisition are as follows:

	Fair value \$
Goodwill	120,000
	<hr/>
Acquisition-date fair value of the total consideration transferred	120,000
	<hr/> <hr/>
Representing:	
A1 Investments & Resources Ltd shares issued to vendor	120,000
	<hr/> <hr/>

**Note 30. Business combinations (continued)**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	-	120,000
Less: shares issued by company as part of consideration	-	(120,000)
Net cash used	-	-

*Acquisition of Great Voyage Co. Ltd. (prior year)*

On 11 September 2015, A1 Investments Japan Co Limited ('A1 Japan') a wholly owned subsidiary of the Company, acquired 100% of the issued share capital in Great Voyage Co. Ltd. ('Great Voyage') for \$682,000. At the time of acquisition, the goodwill of \$615,843 was attributed to the expected synergies and other benefits of combining the activities of Great Voyage to the consolidated entity. A1 Japan financed the acquisition by way of a loan of JPY65,000,000 (approximately \$738,804) ('the A1 Japan Loan'). A1 Japan was subsequently sold during the year ended 30 June 2016. The sale of A1 Japan and its controlled entity generated a profit on disposal of \$18,242. Refer to note 9 for details.

Details of the acquisition are as follows:

	<b>Fair value</b>
	<b>\$</b>
Cash and cash equivalents	231,622
Trade receivables	368,808
Other receivables	3,377
Deferred tax asset	1,858
Trade payables	(508,742)
Other payables	(9,450)
Provision for income tax	(21,316)
Net assets acquired	66,157
Goodwill	615,843
Acquisition-date fair value of the total consideration transferred	682,000
Representing:	
Cash paid or payable to vendor	682,000

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	-	682,000
Less: cash and cash equivalents	-	(231,622)
Net cash used	-	450,378

**Note 30. Business combinations (continued)**

*Acquisition of the business of Yes Food Services Pty Limited ('Yes Food') (prior year)*

On 11 November 2015, the consolidated entity acquired the business assets of Yes Food comprising of equipment and stock for \$44,870. The acquisition formed the basis of a new business created by the consolidated entity called EQ Foods. The goodwill of \$20,000 is attributed to the expected synergies and other benefits of combining the activities of EQ Foods to the consolidated entity. The EQ Foods business subsequently ceased operations during the year ended 30 June 2017.

Details of the acquisition are as follows:

	Fair value \$
Inventories	19,870
Plant and equipment	5,000
	<hr/>
Net assets acquired	24,870
Goodwill	20,000
	<hr/>
Acquisition-date fair value of the total consideration transferred	44,870
	<hr/>
Representing:	
Cash paid or payable to vendor	44,870
	<hr/>

**Note 31. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
China Century Capital (HK) Limited	Hong Kong	100.00%	100.00%
A1 Investments Operations Pty Limited (formerly WIN A1 Food Platform Services Pty Limited)	Australia	100.00%	100.00%
WIN Properties Australia Pty Limited (formerly WIN A1 Pty Limited)	Australia	-	100.00%
Tournet Oceania Pty Limited	Australia	-	100.00%

**Note 32. Interests in associates**

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
COTY Guam LLC	Property development in Guam	50.00%	50.00%

**Note 33. Interests in joint operations**

The consolidated entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications. Information relating to joint operations that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
Qualipac	Australia	50.00%	-

**Note 34. Events after the reporting period**

The consolidated entity elected to cease production of the EQ Foods business in April 2017 and subsequently surrendered the lease of its manufacturing site at Brookvale in September 2017.

On 24 July 2017 the Company entered into a working capital loan agreement with Plus JPS Pte Limited amounting to US\$1,000,000. This loan has a maturity date and repayment date of 31 July 2020.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 35. Reconciliation of loss after income tax to net cash used in operating activities**

	Consolidated	
	2017 \$	2016 \$
Loss after income tax expense for the year	(1,806,937)	(770,903)
Adjustments for:		
Depreciation	94,497	63,811
Net loss/(gain) on disposal of property, plant and equipment	105,112	(9,091)
Net fair value loss on other financial assets	-	22,471
Impairment of goodwill	277,994	-
Impairment of investment in associate	-	1,938
Impairment of receivables	183,724	-
Net gain on disposal of subsidiaries/businesses	(364,854)	(18,242)
Gain on de-recognition of available-for-sale financial assets	-	(616,536)
Non-cash finance costs	13,254	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(144,901)	(97,099)
Decrease/(increase) in inventories	145,345	(125,475)
Increase in trade and other payables	135,178	610,066
Net cash used in operating activities	<u>(1,361,588)</u>	<u>(939,060)</u>

**Note 36. Earnings per share**

	Consolidated	
	2017 \$	2016 \$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of A1 Investments & Resources Ltd	<u>(1,408,743)</u>	<u>(360,560)</u>

**Note 36. Earnings per share (continued)**

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	10,807,266,550	10,583,195,512
Weighted average number of ordinary shares used in calculating diluted earnings per share	10,807,266,550	10,583,195,512
	Cents	Cents
Basic earnings per share	(0.013)	(0.003)
Diluted earnings per share	(0.013)	(0.003)
	Consolidated	
	2017	2016
	\$	\$
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of A1 Investments & Resources Ltd	(398,194)	(410,343)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	10,807,266,550	10,583,195,512
Weighted average number of ordinary shares used in calculating diluted earnings per share	10,807,266,550	10,583,195,512
	Cents	Cents
Basic earnings per share	(0.004)	(0.004)
Diluted earnings per share	(0.004)	(0.004)
	Consolidated	
	2017	2016
	\$	\$
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of A1 Investments & Resources Ltd	(1,806,937)	(770,903)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	10,807,266,550	10,583,195,512
Weighted average number of ordinary shares used in calculating diluted earnings per share	10,807,266,550	10,583,195,512
	Cents	Cents
Basic earnings per share	(0.017)	(0.007)
Diluted earnings per share	(0.017)	(0.007)

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Charlie Nakamura', written over a horizontal line.

Charlie Nakamura  
Director

29 September 2017  
Sydney



**A1 INVESTMENTS AND RESOURCES LIMITED  
ABN 44 109 330 949  
AND ITS CONTROLLED ENTITY**

**SYDNEY**  
Level 40  
2 Park Street  
Sydney NSW 2000  
Australia

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Sydney NSW 2001

Ph: (612) 9263 2600  
Fx: (612) 9263 2800

**INDEPENDENT AUDITOR'S REPORT TO  
THE DIRECTORS OF A1 INVESTMENTS AND RESOURCES LIMITED**

**Opinion**

We have audited the financial report A1 Investments and Resources Limited (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion:

- (a) the accompanying financial report of A1 Investments and Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

**Basis of Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's responsibility for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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**A1 INVESTMENTS AND RESOURCES LIMITED**  
**ABN 44 109 330 949**  
**AND ITS CONTROLLED ENTITY**

**INDEPENDENT AUDITOR'S REPORT TO**  
**THE DIRECTORS OF A1 INVESTMENTS AND RESOURCES LIMITED**

**Material Uncertainty Related to Going Concern**

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss after tax of \$1,806,937 during the year ended 30 June 2017 and, as of that date, the Group's current liabilities exceeded its total assets by \$437,429. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2017. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key Audit Matter</b>	<b>How Our Audit Addressed the Key Audit Matter</b>
<p><b>1 Classification of Joint Arrangement</b> <i>Refer to Note 33 "Interests in Joint Operations"</i></p> <p>The Group has recognised a 50% ownership interest in the "Qualipac" joint operation. As a result, the Group has recognised its share of jointly held assets, liabilities, revenues and expenses of the joint operation.</p> <p>The classification of the joint arrangement as a joint operation in accordance with AASB 11 "Joint Arrangements" incorporated judgement in respect of the key terms and conditions of the joint arrangement.</p> <p>We focused on this area as a key audit matter due to the judgement involved in determining the joint arrangement to be a joint operation in accordance with AASB 11.</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• We confirmed existence of the holding in the joint arrangement to an executed agreement.</li> <li>• We reviewed management's assessment of the classification of the joint arrangement as a joint operation in conjunction with the terms and conditions of the executed agreement and the classification criteria prescribed by AASB 11 "Joint Arrangements."</li> <li>• We agreed the Group's share of jointly held assets, liabilities, revenues and expenses of the joint operation to the joint operations accounts.</li> <li>• We assessed the adequacy of disclosure of the joint arrangement in accordance with AASB 12 "Disclosure of Interest in Other Entities."</li> </ul>



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**INDEPENDENT AUDITOR'S REPORT TO  
THE DIRECTORS OF A1 INVESTMENTS AND RESOURCES LIMITED**

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

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

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

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**INDEPENDENT AUDITOR'S REPORT TO**  
**THE DIRECTORS OF A1 INVESTMENTS AND RESOURCES LIMITED**

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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**INDEPENDENT AUDITOR'S REPORT TO  
THE DIRECTORS OF A1 INVESTMENTS AND RESOURCES LIMITED**


From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 7 to 11 of the directors' report for the year ended 30 June 2017. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's Opinion**

In our opinion, the remuneration report of A1 Investments and Resources Limited, for the year ended 30 June 2017, complies with s 300A of the *Corporations Act 2001*.



Hall Chadwick  
Level 40, 2 Park Street  
Sydney NSW 2000



**DREW TOWNSEND**

Partner

Dated: 29 September 2017

The shareholder information set out below was applicable as at 25 September 2017.

### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of rights over ordinary shares
1 to 1,000	37	-
1,001 to 5,000	48	-
5,001 to 10,000	262	-
10,001 to 100,000	444	-
100,001 and over	334	2
	<u>1,125</u>	<u>2</u>
Holding less than a marketable parcel	<u>866</u>	<u>-</u>

### Equity security holders

#### Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
WIN Singapore Holdings Pte Limited	4,850,000,000	44.88
King Fame Group Limited	2,125,000,000	19.66
Marvel Green Power Energy Pte Ltd	500,000,000	4.63
Super Sorghum Asia Holdings Pte Ltd	250,000,000	2.31
Citicorp Nominees Pty Limited	200,070,000	1.85
Mr Bao-Guey Lin	199,394,167	1.85
Yamagen Securities Co Ltd	179,397,000	1.66
Musashi In-Tech Corp	126,287,500	1.17
Harunobu Inakai	120,000,000	1.11
Mr Milton Yannis	108,282,727	1.00
Jinji Resources Ltd	100,000,000	0.93
Ms Monica Ting Chang	79,244,445	0.73
Genesis Charitable Foundation (Genesis Life Foundation A/C)	72,222,222	0.67
HeraPaki Pty Ltd	66,666,667	0.62
Ms Nikki Qian	66,666,667	0.62
Minatek Pty Ltd	66,111,111	0.61
Mr Chun-Fu Chen	64,712,917	0.60
Daisukei Kato	60,000,000	0.56
Mr Anchia Hung and Ms Su Fen Chang (Winko Super Fund A/C)	59,600,000	0.55
Mr Pin Hsun Hsiang and Mrs Joanna Cun Jie Shi (Joanna & Pin Super Fund A/C)	55,555,556	0.51
	<u>9,349,210,979</u>	<u>86.52</u>

*Unquoted equity securities*

	<b>Number on issue</b>	<b>Number of holders</b>
Performance rights	400,000,000	2

**Substantial holders**

Substantial holders in the company are set out below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
WIN Singapore Holdings Pte Limited	4,850,000,000	44.88
King Fame Group Limited	2,125,000,000	19.66

**Performance rights over ordinary  
shares**

	<b>Number held</b>	<b>% of total rights issued</b>
Charlie Nakamura	200,000,000	50.00
Peter Ashcroft	200,000,000	50.00

**Voting rights**

The voting rights attached to ordinary shares and performance rights are set out below:

*Ordinary shares*

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.

*Performance rights*

There are no voting rights attached to the performance rights.

There are no other classes of equity securities.