Amaero Engineering Pty Ltd

ABN 46 162 732 649

Annual report
for the year ended 30 June 2019

Amaero Engineering Pty Ltd
ABN 46 162 732 649
Annual report - 30 June 2019

Directors	Mr Robert Hanna *Non-Executive Chairman* Dr Alastair Hick *Non-Executive Director*
Secretary	Mr Andrew Neilson
Registered office and principal place of business	13 Normanby Road Notting Hill VIC 3168 Australia Telephone: +61 (0)3 9905 9847
Share register	Registry Direct Limited Level 6, 2 Russell Street Melbourne VIC 3000 Australia Telephone: +61 (0)3 9909 9909
Auditor	RSM Australia Partners Level 21, 55 Collins Street Melbourne VIC 3000 Australia Telephone: +61 (0)3 9286 8000
Solicitors	Elevate Legal Pty Ltd Level 2, 50 Market Street Melbourne VIC 3000 Australia Telephone: +61 (0)3 9042 8540
Bankers	National Australia Bank 330 Collins Street Melbourne Victoria 3000 Australia
Website	www.amaero.com.au

Your directors present their report on the entity consisting of Amaero Engineering Pty Ltd for the year ended 30 June 2019. Throughout the report, the entity is referred to as the company.

Directors and company secretary

The following persons held office as directors of Amaero Engineering Pty Ltd during the whole of the financial year and up to the date of this report, except where otherwise stated:

Mr Robert Hanna, Non-Executive Chairman
Dr Alastair Hick, Non-Executive Director

The following persons held office as company secretary of Amaero Engineering Pty Ltd during the whole of the financial year and up to the date of this report, except where otherwise stated:

Mr Andrew Neilson

Principal activities

During the year the principal continuing activities of the company consisted of laser-based metal additive manufacturing (3D printing).

Dividends - Amaero Engineering Pty Ltd

No dividends were declared or paid to members for the year ended 30 June 2019. The directors do not recommend that a dividend be paid in respect of the financial year.

Review of operations

Amaero Engineering Pty Ltd has reported a profit for the year of $454,266 (2018: loss of $1,542,140), with net assets amounting to $161,542 (2018: net deficiency of assets of $292,724). As at 30 June 2019, the company had cash reserves of $58,377 (2018: $180,623).

In the year ended 30 June 2019, the company attracted interest from new investors giving rise to a strategic review and restructuring of the business in preparation for a proposed initial public offering on the Australian Securities Exchange (ASX).

Significant changes in the state of affairs

Other than the information disclosed in the review of operations above, there are no significant changes in the state of affairs that the company has not disclosed.

Events since the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected the company's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

Other than the information disclosed in the review of operations above, there are no likely developments or details on the expected results of operations that the company has not disclosed.

Environmental regulation

The company is not affected by any significant environmental regulation in respect of its operations.

Shares under option

(a) Unissued ordinary shares

No options were granted to the directors of the company in the year ended 30 June 2019.

(b) Shares issued on the exercise of options

No ordinary shares of Amaero Engineering Pty Ltd were issued during the year ended 30 June 2019 on the exercise of options granted.

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year, Amaero Engineering Pty Ltd has not otherwise paid a premium in respect of a contract to insure the directors and officers of the company against a liability to the extent permitted by the *Corporations Act 2001*.

(b) Indemnity of auditors

Amaero Engineering Pty Ltd has agreed to indemnify their auditors, RSM Australia Partners, to the extent permitted by law, against any claim by a third party arising from Amaero Engineering Pty Ltd's breach of their agreement. The indemnity stipulates that Amaero Engineering Pty Ltd will meet the full amount of any such liabilities including a reasonable amount of legal costs.

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.

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

Non-audit services

During the year ended 30 June 2019, the company did not engage the external auditor to provide non-audit services.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest dollar.

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

Mr Robert Hanna
Non-Executive Chairman

Melbourne
14 August 2019

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Amaero Engineering Pty Ltd for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

Dated: 14 August 2019
Melbourne, Victoria

Amaero Engineering Pty Ltd

ABN 46 162 732 649

Annual financial report - 30 June 2019

These financial statements are financial statements for the company consisting of Amaero Engineering Pty Ltd.

The financial statements are presented in the Australian currency.

Amaero Engineering Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:
13 Normanby Road
Notting Hill VIC 3168

The financial statements were authorised for issue by the directors on 14 August 2019. The directors have the power to amend and reissue the financial statements.

Amaero Engineering Pty Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Notes	**2019 $**	2018 $
Revenue from contracts with customers	2	**179,823**	229,141
Cost of sales		**(43,615)**	(162,415)
Gross profit		**136,208**	66,726
Other income	3(a)	**-**	43,560
Other gains/(losses) – net	3(b)	**1,047,952**	(10,944)
Distribution costs		**(8,592)**	(6,943)
General and administrative expenses	3(c)	**(644,231)**	(1,249,918)
Research and development expenses		**(700)**	(315,128)
Selling and marketing expenses		**(44,974)**	(51,965)
Operating profit/(loss)		**485,663**	(1,524,612)
Finance income		**731**	1,216
Finance expenses		**(32,128)**	(18,744)
Finance costs - net		**(31,397)**	(17,528)
Profit/(loss) before income tax		**454,266**	(1,542,140)
Income tax expense	4	**-**	-
Profit/(loss) for the period		**454,266**	(1,542,140)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period		**454,266**	(1,542,140)
Total comprehensive income for the period is attributable to:			
Owners of Amaero Engineering Pty Ltd		**454,266**	(1,542,140)
		Cents	Cents
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the company:			
Basic and diluted earnings/(loss) per share	16	**19.05**	(64.76)

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

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	5(a)	**58,377**	180,623
Trade and other receivables	5(b)	**83,861**	80,233
Inventories		**61,556**	-
Other current assets		**1,630**	5,619
Total current assets		**205,424**	266,475
Non-current assets			
Property, plant and equipment	6(a)	**538,381**	638,210
Total non-current assets		**538,381**	638,210
Total assets		**743,805**	904,685
LIABILITIES			
Current liabilities			
Trade and other payables	5(c)	**358,611**	343,658
Borrowings	5(d)	**30,000**	817,879
Employee benefit obligations	6(b)	**40,682**	35,872
Total current liabilities		**429,293**	1,197,409
Non-current liabilities			
Borrowings	5(d)	**152,970**	-
Total non-current liabilities		**152,970**	-
Total liabilities		**582,263**	1,197,409
Net (deficiency of) assets		**161,542**	(292,724)
EQUITY			
Share capital	7(a)	**2,250,476**	2,250,476
Accumulated losses		**(2,088,934)**	(2,543,200)
Total equity		**161,542**	(292,724)

The above balance sheet should be read in conjunction with the accompanying notes.

	Share capital $	Accumulated losses $	Total equity $
	Attributable to owners of Amaero Engineering Pty Ltd		
Balance at 1 July 2017	2,250,476	(1,001,060)	1,249,416
Loss for the period	-	(1,542,140)	(1,542,140)
Total comprehensive loss for the period	**-**	**(1,542,140)**	**(1,542,140)**
Balance at 30 June 2018	**2,250,476**	**(2,543,200)**	**(292,724)**

	Notes	Share capital $	Accumulated losses $	Total equity $
		Attributable to owners of Amaero Engineering Pty Ltd		
Balance at 1 July 2018		2,250,476	(2,543,200)	(292,724)
Profit for the period		-	454,266	454,266
Total comprehensive income for the period		**-**	**454,266**	**454,266**
Transactions with owners in their capacity as owners:				
Cancellation of preference shares on conversion to ordinary shares	7(a)	(1,850,000)	-	(1,850,000)
Issue of ordinary shares on cancellation of preference shares	7(a)	1,850,000	-	1,850,000
		-	-	-
Balance at 30 June 2019		**2,250,476**	**(2,088,934)**	**161,542**

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

	Notes	**2019 $**	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**172,507**	311,944
Payments to suppliers and employees (inclusive of GST)		**(650,327)**	(1,663,674)
Research and development tax incentive and other grants received		**-**	432,687
Income taxes paid		**-**	(48,276)
Net cash (outflow) from operating activities	8(a)	**(477,820)**	(967,319)
Cash flows from investing activities			
Payments for property, plant and equipment	6(a)	**(29,000)**	(4,160)
Interest received		**731**	1,216
Net cash (outflow) from investing activities		**(28,269)**	(2,944)
Cash flows from financing activities			
Proceeds from borrowings	14(e)	**382,970**	800,000
Interest paid		**(7)**	(865)
Net cash inflow from financing activities		**382,963**	799,135
Net (decrease) in cash and cash equivalents		**(123,126)**	(171,128)
Cash and cash equivalents at the beginning of the financial year		**180,623**	351,836
Effects of exchange rate changes on cash and cash equivalents		**880**	(85)
Cash and cash equivalents at end of year	5(a)	**58,377**	180,623
Non-cash financing and investing activities	8(b)		

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

Contents of the notes to the financial statements

1 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of Amaero Engineering Pty Ltd. The company has identified one reportable segment; that is, the research, development, manufacture and sales of laser-based metal additive (3D printed) goods. The segment details are therefore fully reflected in the body of the financial statements.

2 Revenue from contract with customers

(a) Disaggregation of revenue from contracts with customers

The company derives revenue from the transfer of goods at a point in time and the transfer of services over time:

	2019	2018
	$	$
Sale of goods		
Component sales	**133,919**	132,905
Services		
Machine hours rental	**44,364**	38,396
Engineering services	**1,540**	57,840
	179,823	229,141

(b) Accounting policies

(i) Component sales

Revenue from the sale of laser-based metal additive (3D printed) goods are recognised at a point in time. The performance obligation is satisfied when the customer has access and thus control of the product. This occurs at the time of delivery of goods to the customer. Delivery occurs when the products have been shipped to the specific location, the risks and rewards have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

(ii) Machine hours rental

Revenue from the rental of metal additive manufacturing machine hours is recognised over time in the accounting period in which the machine use occurs. This is determined based on the actual machine hours spent relative to the total expected machine hours.

Some contracts include multiple deliverables. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

(iii) Engineering services

Revenue from the provision of engineering services is recognised over time in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

2 Revenue from contract with customers (continued)

(b) Accounting policies (continued)

Some contracts include multiple deliverables. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the company has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

Critical judgements in allocating the transaction price

Revenue relating to the provision of services is recognised based on managements' best estimate of forecast final costs required to complete the service and the forecast final margin. Management reviews these forecasts on a regular basis and adjusts revenue recognised when there are material changes.

(iv) Financing components

The company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the company does not adjust any of the transaction prices for the time value of money.

3 Other income and expense items

(a) Other income

	2019 **$**	2018 $
Other grants	**-**	42,900
Other items	**-**	660
	-	43,560

(i) Fair value of other grants

The company's other grant income is recognised when compliance with the conditions attached to the grant have been determined and the company has ascertained the grant will be received. For the year ended 30 June 2018, the company has included an item in other income of $42,900 to recognise income over the period necessary to match the grant on a systematic basis with the costs that they are intended to compensate.

(b) Other gains/(losses)

	Notes	**2019** **$**	2018 $
Net foreign exchange gains/(losses)		**(2,048)**	(10,944)
Gain on debt defeasance	14(f)(i)	**1,050,000**	-
		1,047,952	(10,944)

3 Other income and expense items (continued)

(c) Breakdown of expenses by nature

	2019 **$**	2018 $
General and administrative expenses		
Accounting and audit	**62,060**	103,605
Depreciation	**128,829**	159,723
Employee benefits	**338,465**	754,851
Insurance	**3,989**	8,051
Legal and company secretarial	**39,600**	52,159
Occupancy	**-**	13,403
Superannuation	**30,392**	59,710
Travel and entertainment	**32,283**	69,039
Other	**8,613**	29,377
	644,231	1,249,918

4 Income tax expense

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

	2019 **$**	2018 $
Profit/(loss) from continuing operations before income tax expense	**454,266**	(1,542,140)
Tax at the Australian tax rate of 27.5% (2018: 27.5%)	**124,923**	(424,089)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Employee leave obligations	**1,323**	(6,508)
Gain on debt defeasance	**(288,750)**	-
Other items	**13,189**	9,922
Subtotal	**(149,315)**	(420,675)
Tax losses and other timing differences for which no deferred tax asset is recognised	**149,315**	420,675
Income tax expense	**-**	-

(b) Tax losses

	2019 **$**	2018 $
Unused tax losses for which no deferred tax asset has been recognised	**1,022,692**	1,529,728
Potential tax benefit @ 27.5%	**281,240**	420,675

Unused tax losses for the year ended 30 June 2019 reflect the tax benefit of the $1,050,000 gain on debt defeasance clawed back through a reduction of the company's tax losses (Division 245, ITAA 1997).

5 Financial assets and financial liabilities

(a) Cash and cash equivalents

	2019 $	2018 $
Current assets		
Cash at bank and in hand	**43,377**	140,623
Deposits at call	**15,000**	40,000
	58,377	180,623

(i) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2019 $	2018 $
Balances as above	**58,377**	180,623
Balances per statement of cash flows	**58,377**	180,623

(ii) Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest. See note 17(g) for the company's other accounting policies on cash and cash equivalents.

(b) Trade and other receivables

		2019			2018	
	Current $	**Non-current** $	**Total** $	Current $	Non-current $	Total $
Trade receivables	**60,871**	**-**	**60,871**	69,651	-	69,651
	60,871	**-**	**60,871**	69,651	-	69,651
Other receivables	**22,990**	**-**	**22,990**	10,582	-	10,582
Total trade and other receivables	**83,861**	**-**	**83,861**	80,233	-	80,233

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the company's impairment policies and the calculation of the loss allowance are provided in note 10(b).

5 Financial assets and financial liabilities (continued)

(b) Trade and other receivables (continued)

(ii) Fair value of trade and other receivables

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

(iii) Impairment and risk exposure

Information about the impairment of trade receivables and the company's exposure to foreign currency risk and credit risk can be found in note 10(a) and 10(b).

(c) Trade and other payables

	2019 Current $	**2019 Non-current $**	**2019 Total $**	2018 Current $	2018 Non-current $	2018 Total $
Trade payables	**225,627**	**-**	**225,627**	289,601	-	289,601
Accrued expenses	**112,935**	**-**	**112,935**	46,250	-	46,250
Other payables	**20,049**	**-**	**20,049**	7,807	-	7,807
	358,611	**-**	**358,611**	343,658	-	343,658

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

(d) Borrowings

	2019 Current $	**2019 Non-current $**	**2019 Total $**	2018 Current $	2018 Non-current $	2018 Total $
Secured						
Loans from related parties (i)	**-**	**-**	**-**	817,879	-	817,879
Total secured borrowings	**-**	**-**	**-**	817,879	-	817,879
Unsecured						
Loans from related parties (i)	**30,000**	**152,970**	**182,970**	-	-	-
Total unsecured borrowings	**30,000**	**152,970**	**182,970**	-	-	-
Total borrowings	**30,000**	**152,970**	**182,970**	817,879	-	817,879

(i) Loan from related parties

Further information relating to loans from related parties is set out in note 14.

6 Non-financial assets and liabilities

(a) Property, plant and equipment

Non-current	Plant and equipment $	Furniture, fittings and equipment $	Total $
At 1 July 2017			
Cost	1,266,085	959	1,267,044
Accumulated depreciation	(476,964)	(5,306)	(482,270)
Net book amount	789,121	(4,347)	784,774
Year ended 30 June 2018			
Opening net book amount	789,121	4,653	793,774
Additions	4,160	-	4,160
Depreciation charge	(158,265)	(1,459)	(159,724)
Closing net book amount	635,016	3,194	638,210
At 30 June 2018			
Cost	1,270,245	9,959	1,280,204
Accumulated depreciation	(635,229)	(6,765)	(641,994)
Net book amount	635,016	3,194	638,210
Year ended 30 June 2019			
Opening net book amount	635,016	3,194	638,210
Additions	29,000	-	29,000
Depreciation charge	(127,646)	(1,183)	(128,829)
Closing net book amount	536,370	2,011	538,381
At 30 June 2019			
Cost	1,299,245	9,959	1,309,204
Accumulated depreciation	(762,875)	(7,948)	(770,823)
Net book amount	536,370	2,011	538,381

(i) Depreciation methods and useful lives

Property, plant and equipment is recognised at historical cost less depreciation.

Depreciation is calculated using the diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

- Plant and equipment 20 - 50% p.a.
- Furniture, fittings and equipment 20 - 50% p.a.

See note 17(j) for the other accounting policies relevant to property, plant and equipment.

6 Non-financial assets and liabilities (continued)

(b) Employee benefit obligations

	2019			2018		
	Current **$**	**Non-current** **$**	**Total** **$**	Current $	Non-current $	Total $
Leave obligations (i)	**40,682**	**-**	**40,682**	35,872	-	35,872

(i) Leave obligations

The leave obligations cover the company's liabilities for annual leave which are classified as short-term benefits, as explained in note 17(m).

7 Equity

(a) Share capital

	Notes	**2019 Shares**	2018 Shares	**2019 $**	2018 $
Ordinary shares	7(a)(iii)				
Fully paid		**3,481,148**	2,381,148	**2,250,476**	400,476
	7(a)(i)	**3,481,148**	2,381,148	**2,250,476**	400,476
Non-redeemable participating preference shares fully paid	7(a)(ii)	**-**	1,100,000	**-**	1,850,000
Total share capital		**3,481,148**	3,481,148	**2,250,476**	2,250,476

(i) Movements in ordinary shares:

Details	**Notes**	**Number of shares**	**Total $**
Balance at 1 July 2017		**2,381,148**	**400,476**
No movement in ordinary shares in period		-	-
Balance 30 June 2018		**2,381,148**	**400,476**
Issue of ordinary shares on cancellation of preference shares (2019-06-30)	7(a)(iv)	1,100,000	1,850,000
Balance 30 June 2019		**3,481,148**	**2,250,476**

7 Equity (continued)

(a) Share capital (continued)

(ii) Movements in non-redeemable participating preference share capital:

Details		Number of options	Total $
Balance at 1 July 2017		**1,100,000**	**1,850,000**
No movement in preference shares in period		-	-
Balance 30 June 2018		**1,100,000**	**1,850,000**
Cancellation of preference shares on conversion to ordinary shares (2019-06-30)	7(a)(iv)	(1,100,000)	(1,850,000)
Balance 30 June 2019		**-**	**-**

(iii) Ordinary shares

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. Ordinary shares rank below non-redeemable participating preference shares on winding up of the company.

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

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(iv) Conversion of preference shares to ordinary shares

On 26 June 2019, all non-redeemable participating preference shares converted into ordinary fully paid shares in the same class and with the same rights as ordinary shares held by all other shareholders. These preference shares were held by Monash Investment Holdings Pty Ltd (MIH). The conversion was approved by shareholders in June 2019 and effective 26 June 2019.

The non-redeemable participating preference shares were not entitled to dividends, but were entitled to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. They would have ranked ahead of ordinary shares on winding up of the company.

8 Cash flow information

(a) Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	2019	2018
	$	$
Profit/(loss) for the period	**454,266**	(1,542,140)
Adjustments for		
Depreciation and amortisation	**128,829**	159,723
Finance costs	**32,128**	18,744
Finance income	**(731)**	(1,216)
Gain on debt defeasance	**(1,050,000)**	-
Leave provision expense	**4,810**	(23,666)
Unrealised net foreign currency (gains)/losses	**(880)**	85
Change in operating assets and liabilities:		
Movement in trade and other receivables	**(3,628)**	461,922
Movement in inventories	**(61,556)**	-
Movement in other operating assets	**3,989**	(3,275)
Movement in trade and other payables	**14,953**	(37,496)
Net cash inflow (outflow) from operating activities	**(477,820)**	(967,319)

(b) Non-cash investing and financing activities

There have been no non-cash investing and financing activities during the financial years ended 30 June 2019 and 30 June 2018.

9 Critical estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

(a) Significant estimates and judgements

The areas involving significant estimates or judgements are:

- Recognition of revenue and allocation of transaction price - note 2(b)(iii)
- Estimation of other grants income accrual - note 3(a)(i)
- Estimation of employee benefit obligations - note 6(b)(i)

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

10 Financial risk management

This note explains the company's exposure to financial risks and how these risks could affect the company's future financial performance.

The company's risk management is predominantly controlled by the board. The board monitors the company's financial risk management policies and exposures and approves substantial financial transactions. It also reviews the effectiveness of internal controls relating to market risk, credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

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

Foreign exchange rate risk arises from financial assets and financial liabilities denominated in a currency that is not the company's functional currency. Exposure to foreign currency risk may result in the fair value of future cash flows of a financial instrument fluctuating due to the movement in foreign exchange rates of currencies in which the company holds financial instruments which are other than the Australian dollar (AUD) functional currency of the company. This risk is measured using sensitivity analysis and cash flow forecasting. The cost of hedging at this time outweighs any benefits that may be obtained.

Exposure

The company's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	2019		2018	
	USD	**EUR**	USD	EUR
	$	**$**	$	$
Cash and cash equivalents	**883**	**116**	838	113
Trade receivables	**35,245**	**-**	-	14,645
Trade payables	**-**	**701**	-	27,054
Total exposure	**36,128**	**817**	838	41,812

Sensitivity

As shown in the table above, the company is primarily exposed to changes in USD/AUD and EUR/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD and EUR denominated financial instruments.

The company has conducted a sensitivity analysis of its exposure to foreign currency risk. The company is currently materially exposed to the United States dollar (USD) and Euro (EUR). The sensitivity analysis is conducted on a currency-by-currency basis using the sensitivity analysis variable, which is based on the average annual movement in exchange rates over the past five years at year-end spot rates. The variable for each currency the company is materially exposed to is listed below:

- USD: 6.9% (2018: 6.2%)
- EUR: 2.4% (2018: 2.4%)

10 Financial risk management (continued)

(a) Market risk (continued)

	Impact on post tax profit/(loss)		Impact on other components of equity	
	2019	2018	**2019**	2018
	$	$	**$**	$
USD/AUD exchange rate - change by 6.9% (2018: 6.2%)*	**2,493**	52	**-**	-
EUR/AUD exchange rate - change by 2.4% (2018: 2.4%)*	**20**	1,003	**-**	-

* Holding all other variables constant

(b) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

(i) Risk management

Credit risk is managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are normally 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating.

(ii) Security

For some trade receivables the company may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(iii) Impairment of financial assets

The company has one type of financial asset subject to the expected credit loss model:

- trade receivables for sales of goods and from the provision of services

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Trade receivables

The company applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 June 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2019 was determined for trade receivables as nil (2018: nil).

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the company, and a failure to make contractual payments for a period of greater than 121 days past due.

10 Financial risk management (continued)

(b) Credit risk (continued)

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward looking cash flow analyses in relation to its operating, investing and financing activities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- investing cash and cash equivalents and deposits at call with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

(i) Maturities of financial liabilities

The tables below analyse the company's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	**Less than 6 months**	**6 - 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount (assets)/ liabilities**
At 30 June 2019	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Trade and other payables	358,611	-	-	-	-	358,611	358,611
Borrowings	30,000	-	-	152,970	-	182,970	182,970
Total	**388,611**	**-**	**-**	**152,970**	**-**	**541,581**	**541,581**
At 30 June 2018							
Trade and other payables	343,658	-	-	-	-	343,658	343,658
Borrowings	-	817,879	-	-	-	817,879	817,879
Total	**343,658**	**817,879**	**-**	**-**	**-**	**1,161,537**	**1,161,537**

11 Capital management

(a) Risk management

The company's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may issue new shares or reduce its capital, subject to the provisions of the company's constitution. The capital structure of the company consists of equity attributed to equity holders of the company, comprising contributed equity, reserves and accumulated losses. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the board by the company's management, the board monitors the need to raise additional equity from the equity markets.

(b) Dividends

No dividends were declared or paid to members for the year ended 30 June 2019 (2018: nil). The company's franking account balance was nil at 30 June 2019 (2018: nil).

12 Contingent liabilities

The company had no contingent liabilities at 30 June 2019 (2018: nil).

13 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company or economic entity in subsequent financial years.

14 Related party transactions

(a) Parent entities

The company's parent entity as at 30 June 2019 is Amaero International Ltd.

(b) Key management personnel compensation

	2019	2018
	$	$
Short-term employee benefits	**220,369**	346,004
Post-employment benefits	**20,531**	23,230
	240,900	369,234

14 Related party transactions (continued)

(c) Entity with significant influence over the company

As at 30 June 2019, Innovyz Institute Pty Ltd holds 50% of the ordinary shares in Amaero International Ltd (the parent entity) and Monash Investments Holdings Pty Ltd (MIH) holds 24.42% in the parent entity.

As at 30 June 2018, Monash Investment Holdings Pty Ltd (MIH) held 41.21% of the ordinary shares in Amaero Engineering Pty Ltd. MIH acts in its capacity as trustee of the Monash Investment Trust, of which the sole beneficiary is Monash University.

On 26 June 2019, the company underwent a capital restructure wherein:

- the preference shares in the company were fully converted into ordinary shares (refer to note 7(a)(iv) for further details), and
- the ordinary shares in the company held by the erstwhile shareholders were fully acquired by Amaero International Ltd through a share-swap arrangement, approved by members of the company.

(d) Transactions with related parties

The following transactions occurred with related parties:

	2019 **$**	2018 $
Entity with significant influence over the company		
Cancellation of preference shares on conversion to ordinary shares	**(1,850,000)**	-
Issue of ordinary shares on cancellation of preference shares	**1,850,000**	-

(e) Loans to/from related parties

	2019 **$**	2018 $
Loans from entity with significant influence over the company		
Beginning of the year	**817,879**	-
Loans advanced	**200,000**	800,000
Interest charged	**32,121**	17,879
Loans defeased	**(1,050,000)**	-
End of year	**-**	817,879
Loans from from other related parties		
Loans advanced	**182,970**	-
End of year	**182,970**	-

14 Related party transactions (continued)

(f) Terms and conditions

(i) Loans from entity with significant influence over the company

Loans from related parties comprised a convertible debt facility agreement with MIH, an entity with significant influence over the company. Entered into on 9 March 2018, the agreement provided the company with up to $1,000,000 to fund the company's immediate needs for additional working capital and was secured against all tangible assets of the company. During the year ended 30 June 2019, $200,000 was advanced under the agreement (2018: $800,000), repayable on 30 June 2019, or conversion to equity, whichever is earlier. Interest was to be payable on the repayment date at an amount equal to 5% of the advanced funds. In the year ended 30 June 2019, the company accrued an interest expense of $32,121 in relation to this loan.

On 12 June 2019, the company entered into an agreement wherein MIH waived its rights under the loan agreement for repayment of the loan advanced of $1,000,000 and interest accrued of $50,000. Accordingly, $1,050,000 was recognised in profit or loss as a gain on debt defeasance as outlined in note 3(b).

(ii) Loans from from other related parties

Loans from other related parties comprises loans with:

(a) Amaero International Limited, a company which acquired Amaero Engineering Pty Ltd on 30 June 2019, and

(b) Innovyz Institute Pty Ltd, a major shareholder of Amaero International Limited (50% shareholding before the Amaero Engineering Pty Ltd acquisition; 25% thereafter).

The loan from Amaero International Limited amounted to $152,970 advanced as at 30 June 2019. Post acquisition, this loan becomes an intercompany loan. As such, it is unsecured and does not accrue interest. This loan is classified as non-current with repayment expected to be greater than 12 months from 30 June 2019.

The loan from Innovyz Institute Pty Ltd amounted to $30,000 advanced as at 30 June 2019. Entered into on 13 May 2019, the agreement provided the company with a short-term unsecured loan to fund the company's immediate needs for additional working capital. This loan is expected to be repaid in the year ending 30 June 2020 and does not accrue interest.

15 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the company, its related practices and non-related audit firms:

(a) RSM Australia Partners

(i) Audit and other assurance services

	2019	2018
	$	$
Audit and review of financial statements	**11,500**	10,500
Total remuneration for audit and other assurance services	**11,500**	10,500
Total auditor's remuneration	**11,500**	10,500

16 Earnings per share

(a) Reconciliation of earnings/(loss) used in calculating earnings/(loss) per share

	2019 $	2018 $
Basic and diluted earnings/(loss) per share		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings/(loss) per share:		
From continuing operations	**454,266**	(1,542,140)

(b) Weighted average number of shares used as the denominator

	2019 Number	2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings/(loss) per share	**2,384,162**	2,381,148

As outlined in note 7(a), the outstanding preference shares as at 30 June 2018 converted into ordinary fully paid shares in the same class and with the same rights as ordinary shares held by all other shareholders on 30 June 2019. However, on the basis of the company's losses, these outstanding preference shares are considered to be anti-dilutive and therefore were excluded from the diluted weighted average number of ordinary shares calculation for the year ended 30 June 2018.

Contents of the summary of significant accounting policies

17 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the company consisting of Amaero Engineering Pty Ltd.

(a) 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 and the *Corporations Act 2001*. Amaero Engineering Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The financial statements of the Amaero Engineering Pty Ltd company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis.

(iii) New and amended standards adopted by the company

There are no new accounting standards or interpretations that would be expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the company. The company's assessment of the impact of these new standards and interpretations is set out below.

Title	Nature of change	Impact	Application date
AASB 16 *Leases*	AASB 16 requires almost all leases to be recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases. The accounting for lessors will not significantly change.	The company performed a preliminary assessment of the impact and determined the expected impact to be nil.	Mandatory for financial years commencing on or after 1 January 2019.

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

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollar ($), which is Amaero Engineering Pty Ltd's functional and presentation currency.

17 Summary of significant accounting policies (continued)

(b) Foreign currency translation (continued)

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

(c) Revenue recognition

The accounting policies for the company's revenue from contracts with customers are explained in note 2.

(d) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions. Note 3 provides further information on how the company accounts for government grants.

(e) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

17 Summary of significant accounting policies (continued)

(f) Impairment of assets

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(g) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 5(b) for further information about the company’s accounting for trade receivables and note 10(b) for a description of the company's impairment policies.

(i) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

(j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the company are disclosed in note 6(a).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 17(f)).

17 Summary of significant accounting policies (continued)

(j) Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(l) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(m) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(n) Contributed equity

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.

(o) Dividends

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

17 Summary of significant accounting policies (continued)

(p) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, 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 year.

(ii) 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(q) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest dollar.

(r) Goods and services tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

In the directors' opinion:

(a) the financial statements and notes set out on pages 6 to 33 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 17(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Mr Robert Hanna
Non-Executive Chairman

Melbourne
14 August 2019

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AMAERO ENGINEERING PTY LTD

Opinion

We have audited the financial report of Amaero Engineering Pty Ltd ("the Company"), which comprises the balance sheet as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

RSM

Other Information (Continued)

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 the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

RSM

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

Dated: 14 August 2019
Melbourne, Victoria