STEALTH GLOBAL HOLDINGS LIMITED

ABN 25 615 518 020

ANNUAL REPORT

For the year ended 30 June 2017

CORPORATE DIRECTORY

DIRECTORS

Mr Michael Arnold – Group Managing Director

Mr Jamie Boyton – Director

Mr Christopher Wharton (AM) – Director & Chairman

AUDITOR

Bentleys Audit & Corporate (WA) Pty Ltd

Level 3, 216 St Georges Terrace

Perth, Western Australia 6000

Australia

COMPANY SECRETARY

Mr Brendan Rossiter

BANKER

Australia and New Zealand Banking Group Limited

Level 7, 77 St Georges Terrace WA

PRINCIPAL AND REGISTERED OFFICE

2nd Floor, 43 Cedric Street

Stirling, Western Australia 6021

Australia

Telephone: +61 6465 7800

SOLICITORS

MDS Legal

Irwin Chambers, Level 2, 16 Irwin Street Perth, Western Australia 6000

WEBSITE

www.stealthgi.com

www.australianworkplacesupplies.com.au

ACCOUNTANTS AND TAXATION ADVISORS

Goodings Partners

The Quadrant, Level 9, 1 William Street Perth, Western Australia 6000

CONTENTS

MANAGING DIRECTOR'S LETTER

Dear Shareholders,

It gives me great pleasure to present to you Stealth Global Holdings Limited's inaugural Annual Report for the 2017 financial year.

Stealth Global Holdings Limited is an unlisted public company registered in Australia. It was incorporated in late 2016 for the purposes of undertaking a Capital Raising and new investment process to support growth and expansion opportunities. The Group is headquartered in Perth, Western Australia with a global presence that includes operations and investments in five (5) key markets of Australia, UK/Europe, SE Asia, Africa and the Middle East.

For the purposes of historical background. The Holding company was first established in 2014 under the Singapore registered company 'SAAC International Pte Limited'. For reasons as described above, it was redomiciled in late 2016 to Australia under the new registered name of Stealth Global Holdings Limited. All assets and liabilities were transferred from SAAC International to Stealth Global Holdings in H2-2017. Gooding Partners provided restructure advisory and accounting guidance in this process and supported the changeover.

SAAC International Pte Limited has been closed and for compliance purposes, an application to 'strike-off' has been lodged with the Accounting and Corporate Regulatory Authority. It is expected that full process in accordance with ACRA, will be completed by the end of 2017. Gooding Partners provided advisory and accounting guidance in this process liaising with its affiliate DKF Medora Singapore ensuring the group has met its commercial obligations and in completing the various company secretarial requirements.

The financial year ended 30 June 2017 saw many corporate, commercial and operational highlights, including:

- A shareholding restructure and change in ownership. 40% shareholder Jamie Armitage sold all his ordinary shares and preference shares held in SAAC International. Half (50%) of the 40% was purchased under a company share buyback scheme, and the balance purchased by Sorrento200 Holdings Pty Limited (owner CEO Mike Arnold) and Rosefield Asset Pty Limited.
- Appointment of Christopher Wharton (AM) as Chairman. Chris brings a wealth of commercial experience to the Group and has already added valuable input into the future direction of the Group.
- The appointment of a fulltime CFO and Company Secretary in Brendan Rossiter.
- Establishment of our European operations with the incorporation of Stealth Global Industries (UK) Ltd a United Kingdom company and commencement of local sales & buying team.
- Renegotiation of the operating contract and commercial terms with the Groups largest customer, Capital Drilling Ltd.
- Completion of the 100% acquisition of Australian Workplace Supplies Pty Ltd healthcare, safety & workplace products sales company.
- Signing of the non-equity based joint venture agreement with Lynam Pharma (United Kingdom) a wholesale pharmaceutical.
- New strategic supplier partnerships signed with the CTA Group (Belgium & West Africa) and Drillequip (South Africa) both operating as procurement companies.
- Commencement of Bisley workwear arrangement for brand representation in Europe and various countries within Africa.
- Extending office space at the Perth operations to accommodate planned domestic growth plans.
- Completion on AWS Online shopping mall platform.
- Entered into a formal agreement to purchase Heatleys Sales Pty Limited.
- Completion of an Information Memorandum for the purposes of raising Capital.
- Appointment of formal corporate advisors to support the capital raising process.

MANAGING DIRECTOR'S LETTER (cont'd)

The financial year ended 30 June 2017 saw the following financial highlights, including:

- The focus on revenue, operational platform, customer and supplier build for long-term value creation at the expense of short term profit.
- Total revenues of $17,635,674 for the year ended 30 June 2017 represents an increase of 27% as compared to prior year.
- Total Gross Profit $3,857,864 and increase of 44% as compared to prior year.
- Increase in the level of spending on Growth Related Investment and restructure activities from $298,701 to $450,717.
- Securing a $420,000 finance facility with ANZ Bank for the purposes of supporting cash flow working capital.
- The beginning of a major and deliberate reshaping of the Group's Balance Sheet designed to allow the Group to transition to an Australian Head Entity, previously Singapore, and from a privately-owned company to that of a public company. This has included:

  - An AUD$652,084 (US$500,000) share buy-back. This was partially funded by cash payments of US$185,000 and debt of US$315,000, of which AUD$284,701 (US$215,000) remains outstanding at 30 June 2017,

  - Repayments of AUD$404,476 (US$300,000) to Capital Drilling Ltd. Capital is the groups inaugural shareholder and principal business partner who provided a pre-payment working capital advance of AUD$1,433,038 (US$1,100,000) in May 2014. Life to date repayments at the date of this report now total in excess of AUD$848,265 (US$650,000)

The outlook for the 2017/2018 Financial Year is extremely positive with continued growth from our existing customer base and by winning new business with several new customers in the pipeline. Our market focus in 2017/18 is expansion in Australia, UK/Europe and Africa.

The Group is currently undertaking an $11,000,000 Capital Raising programme. These funds will be used for a strategic acquisition, further Balance Sheet restructuring and to invest with our own business model to continue to drive our organic growth.

Finally, I'd like to thank the board, all of our customers, suppliers, business partners and employees for the effort and dedication that is shown to make this business the success that it is and to continually drive this great business forward.

Yours faithfully

Mr Michael Arnold
Group Managing Director
Perth, 31 October 2017

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of Stealth Global Holdings Limited ("Stealth" or the "Company") and its controlled entities (the "Consolidated Entity") for the financial period 1 July 2016 to 30 June 2017.

Information about the directors

The names and particulars of the directors of the company during or since the end of the financial year are

Michael Alan Arnold
Jamie Boyton
Christopher Scott Wharton (AM) (Appointed 13th June 2017)
Paul William Alexander Roberts (Resigned 13th June 2017)

All were directors from the start of the period to the date of this report unless otherwise stated.

Name	Particulars
Michael Arnold Group Managing Director	Michael has extensive experience in the areas of International Supply, Product sales, logistics and supply chain. His previous positions include Executive Director/Chief Operating Officer of ADG Global Supply (ASX listed entity) until June 2013, where he was responsible for developing business strategy, global infrastructure, business development, operational capabilities and leading growth from $32m to $83m within two years from 2010-2012. Previous to this he was the Chief Executive Officer of Lakewood Logistics for nine (9) years (a Joint Venture company held between Australia Post and Michael) and at the same time held the role of Group General Manager of SWADS (2004-2006), one of Australia's then largest privately owned logistics companies that was later sold to Australia Post. Collectively Lakewood and SWADS produced a combined turnover of $102m. Michael is a member of the Australian Institute of Company Directors.
Christopher Wharton (AM) Chairman & Non – Executive Director	Chris was named an AM (Member of the Order of Australia) in 2016 for "significant service to the print and television media in Western Australia as a senior executive, and to the community". Until March 2017, Chris was the Chief Executive Officer of Seven West Media WA (ASX:SWM). Previously Chris was Chief Executive Officer of West Australian Newspapers, a position he held from December 2008. Prior to that, he was Managing Director of Channel Seven Perth Pty Limited for nine years. Chris' community and business involvement includes board membership of the Telethon Trust, Gold Corporation, The Australian Institute of Company Directors and West Coast Eagles Board. He was also previously involved with the Chamber of Commerce and Industry of Western Australian as a Director and Vice President, the Olympic Fundraising Committee and West Australian Olympic Council.
Jamie Boyton Non-Executive Director	Jamie is currently Chairman of global drilling company Capital Drilling Ltd (LSE listed company: CAPD ~$130m Market Cap). He held the role as interim Chief Executive Officer of Capital Drilling from 2012-2014. He was previously an Executive Director and Head of Asian Equity Syndication and Corporate Broking of Macquarie Securities Limited in Hong Kong. Prior to this Jamie was a Division Director of Macquarie Securities Limited (Hong Kong) and a Director of ABN AMRO Asia (Hong Kong). Jamie has a Bachelor of Commerce (Accounting and Finance) Degree from the University of Western Australia.

DIRECTORS' REPORT (cont'd)

Name	Particulars
Paul Roberts (Resigned 13 June 2017) Non-Executive Director	Paul has over 25 years of International and Australian experience. Paul's previous positions were CFO of ADG Global Supply (ASX listed entity) 2011-2014 and with TDG Energy, a JV between Transfield and General Electric. Paul is a qualified accountant and a member of the Australian Institute of Company Accountants.

Directors' Meetings

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the year ended 30 June 2017 are:

	Board Meetings	
Director	Held while Director	Attended
Michael Arnold	5	5
Jamie Boyton	5	4
Christopher Wharton (AM)	1	1
Paul Roberts	4	4

There is presently no separate Audit, Nomination or Remuneration Committee, with all committee functions being addressed by the full Board.

Company Secretary

The following person held the position of Company Secretary during the financial year:

Name	Particulars
Brendan Rossiter	Brendan is an experienced Finance Executive, with over 15 years in senior finance roles. He is responsible for all aspects of financial management reporting, financial risk management and the company secretarial functions. His industry experiences are broad ranging and include Mining and Mining Services, Retail, Wholesale, FMCG and Agriculture, Telecommunications and Research and Development. Brendan's previous positions held were as former Chief Financial Officer for Powertech Pty Ltd, Chief Financial Officer and Company Secretary for Retravision (WA) Ltd (an unlisted public company with sales over $420m). In addition to these roles he held senior finance positions for RGC Ltd (previously ASX listed) and Xanadu Wines Ltd (ASX: BNV, now Dawine Ltd). Brendan is a Certified Practicing Accountant, a member of CPA Australia and holds a Bachelor of Business Degree from Edith Cowan University.

Principal Activity

The principal activity of the Consolidated Entity during the year ended 30 June 2017 was product distribution, contract supply solutions and fulfilment services across our core product groups Safety, Healthcare, Industrial and workplace supplies.

Review of Operations

The profit after tax for the year ended 30 June 2017 is $19,756 (2016: profit after tax $194,588)

Changes in state of affairs

There were no significant changes to the state of affairs of the Consolidated Entity.

DIRECTORS' REPORT (cont'd)

Dividends

There were no dividends paid or recommended during the financial year ended 30 June 2017.

Options

There were no options granted to directors during the period nor were there any in existence during the financial year.

Environmental Regulations

The Consolidated Entity's operations are not subject to significant environmental regulations in the jurisdictions it operates in.

Events Subsequent to Balance Date

Subsequent to the end of the financial year an Information Memorandum has been prepared for a proposed capital raising of $11,000,000 however to the date of this report no amounts have been raised from this.

Future Developments

Future developments have not been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Consolidated Entity.

Indemnification and Insurance of Officers and Auditors

Indemnification

The Company has agreed to indemnify the current Directors and Officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company, except where the liability arises out of misconduct.

The agreement stipulates that the Company will meet, to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

The Company has not agreed to indemnify their current auditors, Bentleys Audit & Corporate (WA) Pty Ltd.

The contract of insurance prohibits the amount of the premium.

Auditor's Independence Declaration

The Auditor's Independence Declaration is set out on page 39 and forms part of the Directors' Report for the year ended 30 June 2017.

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

On behalf of the Directors

Michael Arnold
Group Managing Director
Perth, 31 October 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Continuing Operations			
Sales Revenue		17,015,186	13,369,637
Service Revenue		620,488	549,901
Cost of sales		(13,777,810)	(11,240,388)
Gross Profit		**3,857,864**	**2,679,150**
Other income	2	31,563	112,552
Share of Profits of Joint Venture		3,067	-
Personnel Expenses		(2,402,105)	(1,905,494)
Occupancy Expenses		(238,456)	(182,876)
Motor Vehicle Expenses		(22,314)	(17,853)
Depreciation and Amortisation Expense	2	(120,054)	(111,157)
Net Gain on Disposal of Property, Plant and Equipment		7,087	-
Finance Costs		(5,449)	(246)
Administration Expenses		(1,038,322)	(336,787)
Profit/(Loss) from continuing operations before tax		72,881	237,289
Income tax(expense)/revenue	4	(53,125)	(42,701)
PROFIT/(LOSS) FOR THE YEAR		**19,756**	**194,588**
Other comprehensive income			
Foreign currency translation differences		(6,001)	9,837
Other comprehensive income for the year, net of income tax		13,755	204,425
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13,755**	**204,425**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)
FOR THE YEAR ENDED 30 JUNE 2017

	Year ended 30 June 2017	Year ended 30 June 2016
	$	$
Profit/(Loss) for the year attributable to:		
Owners of the Company	19,756	184,857
Non-controlling interests	-	9,731
	19,756	194,588
Total comprehensive income for the year attributable to:		
Owners of the Company	13,755	194,694
Non-controlling interest	-	9,731
	13,755	204,425

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	30 June 2017 $	30 June 2016 $
CURRENT ASSETS			
Cash and cash equivalents	5	84,934	904,679
Trade and other receivables	6	4,714,496	2,789,451
Inventories		309,117	299,254
Other financial assets		-	180,205
Other assets - current	7	144,558	111,961
Total Current Assets		5,253,105	4,285,550
NON-CURRENT ASSETS			
Property, plant and equipment	8	176,457	173,319
Goodwill	9	463,762	464,190
Deferred tax assets	4	142,451	85,803
Investments in joint ventures		45,563	-
Other assets - non current		9,912	7,170
Total Non-Current Assets		838,145	730,482
TOTAL ASSETS		6,091,250	5,016,032
CURRENT LIABILITIES			
Trade and other payables	10	4,761,718	2,860,999
Current tax liabilities	4	136,892	86,789
Financial Liabilities - current	11	676,208	404,476
Provisions	12	49,877	27,289
Other Liabilities	13	25,000	196,104
Total Current Liabilities		5,649,695	3,575,657
NON-CURRENT LIABILITIES			
Financial Liabilities - non current	11	291,332	702,593
Deferred Tax Liabilities	4	33,651	20,372
Total Non-Current Liabilities		324,983	722,965
TOTAL LIABILITIES		5,974,678	4,298,622
NET ASSETS		**116,572**	**717,410**
EQUITY			
Issued capital	14	349,424	969,856
Accumulated funds	15	(248,104)	(277,591)
Foreign Exchange Translation Reserve	14	15,252	21,253
Non-controlling interests	16	-	3,892
TOTAL EQUITY		**116,572**	**717,410**

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Cash flows from operating activities			
Receipts from customers		15,912,545	13,017,065
Payment to suppliers		(15,656,270)	(12,218,629)
Income tax paid		(46,391)	(19,263)
Net cash provided by operating activities	23	209,884	779,173
Cash flows from investing activities			
Payments for plant & equipment		(110,096)	(89,899)
Proceeds from the sale of plant & equipment		65,786	-
Investment in joint venture		(45,563)	-
Interest received		1,972	2,647
Interest Expense		(5,449)	(246)
Net cash outflow on acquisition of subsidiary		(173,846)	(39,984)
Net cash (used in) / provided by investing activities		(267,196)	(127,482)
Cash flows from financing activities			
Proceeds from issuance of shares		31,652	-
Payments for share buybacks		(367,383)	-
Repayment of financial liabilities		(424,230)	(228,567)
Net cash used in financing activities		(759,961)	(228,567)
Net (decrease)/increase in cash and cash equivalents		(817,273)	423,124
Cash and cash equivalents at the beginning of the year		904,679	483,540
Effect of fluctuation on cash held		(2,472)	(1,985)
Cash and cash equivalents at the end of the year	5	84,934	904,679

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Issued Capital $	Reserves $	Accumulated Losses $	Non-controlling Interests	Total $
Balance as at 1 July 2015	969,856	11,416	(462,448)	-	518,824
Profit for the year	-	-	184,857	9,731	194,588
Other comprehensive income for the year	-	9,837	-	-	9,837
Total comprehensive income for the year	-	9,837	184,857	9,731	204,425
Acquisition of subsidiary	-	-	-	(5,839)	(5,839)
Balance as at 30 June 2016	**969,856**	**21,253**	**(277,591)**	**3,892**	**717,410**
Balance as at 1 July 2016	969,856	21,253	(277,591)	3,892	717,410
Profit for the year	-	-	19,756	-	19,756
Other comprehensive income for the year	-	(6,001)	-	-	(6,001)
Total comprehensive income for the year	-	(6,001)	19,756	3,892	13,755
Issue of ordinary shares	31,652	-	-	-	31,652
Share buy back	(652,084)	-	-	-	(652,084)
Recognition of Non-Controlling Interest	-	-	-	5,839	5,839
De-recognition of Non-Controlling Interest	-	-	9,731	(9,731)	-
Balance as at 30 June 2017	**349,424**	**15,252**	**(248,104)**	**-**	**116,572**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Stealth Global Holdings Limited ("Stealth" or "the Company") is a limited company incorporated in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2017 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity").

(a) Basis of preparation

(i) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Consolidated Entity complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 31st October 2017.

(ii) Basis of measurement

The consolidated financial statements of the Consolidated Entity are prepared on an accruals basis and are based on historical costs except where otherwise stated.

(iii) Functional and presentation currency

The consolidated financial statements of the Consolidated Entity are presented in Australian dollars, which is different from its functional currency, determined to be Renminbi. A different presentation currency has been adopted as the Board of Directors believe that financial statements presented in Australian dollar (which is the functional currency of parent company) are more useful to the users and shareholders of the Company who are predominantly in Australia.

(iv) Standards and interpretations affecting amounts reported in current period (and/or prior periods)

New, revised or amending 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 during the financial year.

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

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:

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').

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

(iv) Standards and interpretations affecting amounts reported in current period (and/or prior periods) (cont'd)

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 is currently continuing to assess the impact of this changes.

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 is currently continuing to assess the impact of this changes.

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 is currently continuing to assess the impact of this changes.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Consolidated Entity.

Non-controlling interests in equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

In Note 20, investments in subsidiaries are carried at cost and recoverable amount. Refer to Note (o).

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between subsidiaries are eliminated in full on consolidation.

(c) Foreign currency translation

The functional currency of each of the Consolidated Entity 's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All differences in the consolidated financial report are taken to the profit & loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the profit & loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Stealth at the rate of exchange ruling at the reporting date and the income statements are translated at the weighted average exchange rates for the period where this rate approximates the rate at the date of the transaction.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit & loss.

(d) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchange of goods or services of the same nature without any cash consideration are not recognised as revenue.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Revenue recognition (cont'd)

Sale of goods

Revenue from the sale of goods is recognised upon delivery of goods to customers as this corresponds to the transfer of significant risks and benefits of ownership of the goods and the cessation of all involvement in those goods.

Interest income

Interest income is recognised using the effective interest method.

(e) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(f) Acquisition of assets

All assets acquired including plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

(g) Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Consolidated Entity, liabilities incurred by the Consolidated Entity to the former owners of the acquire and the equity instruments issued by the Consolidated Entity in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Consolidated Entity entered into to replace share-based payment arrangements of the acquire are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Business Combination (cont'd)

measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Consolidated Entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Consolidated Entity 's previously held equity interest in the acquire is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(h) Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of profit or loss and other comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Consolidated Entity holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Consolidated Entity can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Consolidated Entity determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Goodwill (cont'd)

Goodwill is tested for impairment annually and is allocated to the Consolidated Entity 's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(i) Property, Plant and Equipment

- *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of assets may include the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

- *Subsequent costs*

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

- *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Consolidated Entity will obtain ownership by the end of the lease term. Land is not depreciated. Assets will be depreciated once the asset is in the condition necessary for it to be capable of operating in the manner intended by management.

The estimated useful lives for the current and comparative periods are as follows:

Building	10 years
Computer Equipment	2 - 5 years
Furniture and Fittings	5 years
Motor vehicles	5 years
Office Equipment	5 years
Plant & Equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

- *Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Property, Plant and Equipment (cont'd)

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(k) Payables

Payables, including goods received and services incurred but not yet invoiced, are recognised at the nominal amount when the Consolidated Entity becomes obliged to make future payments as a result of a purchase of assets or receipt of services.

(l) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the tax office is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the tax office are classified as operating cash flows.

(m) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(n) Operating Leases

Operating leases and the leased assets are not recognised on the Consolidated Entity's statement of financial position. Payments made under operating leases are recognised as an expense in the profit and loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Recoverable amount of assets

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(p) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the profit & loss when the liabilities are derecognised as well as through the amortisation process.

(q) Investments in associates and joint ventures

An associate is an entity over which the Consolidated Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Consolidated Entity's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Consolidated Entity's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Consolidated Entity discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Consolidated Entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Consolidated Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Consolidated Entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Investments in associates and joint ventures (cont'd)

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Consolidated Entity 's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Consolidated Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Consolidated Entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Consolidated Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Consolidated Entity accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Consolidated Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Consolidated Entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Consolidated Entity reduces its ownership interest in an associate or a joint venture but the Consolidated Entity continues to use the equity method, the Consolidated Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Consolidated Entity transacts with an associate or a joint venture of the Consolidated Entity, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Consolidated Entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Consolidated Entity.

(r) Available-for-sale financial assets

The Consolidated Entity has investments in unlisted shares that are not traded on an active market but that are classified as available-for-sale financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in Note (x). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Employee benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration, wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(t) Income tax

Income tax expense recognised in the statement of profit or loss and other comprehensive income relates to current tax and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

i. the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
ii. differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on a different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its subsidiaries have unused tax losses as at the reporting date. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

(u) Provisions

Provisions are recognised when the Consolidated Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and, that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(v) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks and other short-term highly liquid investments with maturities of 3 months or less.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(w) Comparative figures

This report relates to the year ended 30 June 2017. Comparatives are for the year ended 30 June 2016.

(x) Fair value of assets and liabilities

The Consolidated Entity measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Consolidated Entity would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Consolidated Entity selects and uses one or more valuation techniques to measure the fair value of the asset or liability, The Consolidated Entity selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Consolidated Entity are consistent with one or more of the following valuation approaches:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Consolidated Entity gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Fair value of assets and liabilities (cont'd)

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Consolidated Entity would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Consolidated Entity recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

(y) Critical judgements in applying accounting policies and key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill and other indefinite intangible assets

Determining whether goodwill is impaired required an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(y) Critical judgements in applying accounting policies and key sources of estimation uncertainty (cont'd)

The carrying amount of goodwill at 30 June 2017 was $463,762 (30 June 2016: $464,190).

Useful lives of property, plant and equipment and patents

The Consolidated Entity reviews the estimated useful lives of property, plant and equipment and patents at the end of each reporting period. During the current year, the directors determined that the useful lives of property, plant and equipment and patents are deemed to be no changed.

	Year ended 30 June 2017 $	Year ended 30 June 2016 $
2. REVENUES AND EXPENSES		
(a) Other income		
Interest income	1,972	2,647
Cost Recovery Recharges	16,890	98,997
Freight Income	11,878	9,813
Other income	823	1,095
	31,563	112,552
(b) Other expenses		
Doubtful debts	5,500	31,918
	5,500	31,918
(c) Employee benefits expense		
Wages and salaries costs	1,933,607	1,547,764
	1,933,607	1,547,764
(d) Depreciation and amortisation		
Depreciation of property, plant and equipment	120,054	111,157
	120,054	111,157
3. AUDITOR'S REMUNERATION		
Audit services:		
- audit of financial reports by Bentleys Audit & Corporate (WA) Pty Ltd	13,000	-
	13,000	-
4. INCOME TAX		
(a) Income tax credit / (expense)		
Current tax	99,135	87,413
Deferred tax	(46,010)	(44,712)
	53,125	42,701
(b) Numerical reconciliation between tax benefit/(expense) and pre-tax net profit/(loss)		
Profit/(Loss) before income tax benefit	72,881	237,289
Income tax credit/(expense) calculated at 30%	(21,864)	(71,187)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. INCOME TAX (cont'd)

	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Effect on amounts which are not tax deductible:		
Non-deductible items	(6,436)	(2,567)
Foreign exchange gains and losses not subject to income tax	289	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(25,114)	(17,888)
Initial recognition of deferred tax assets and deferred tax liabilities	-	83,552
Deferred tax not brought to account	-	(34,611)
Income tax credit / (expense)	(53,125)	(42,701)

(c) Amounts recognised in other comprehensive income

Exchange differences on translating foreign controlled entities:		
Before-tax amount	(10,899)	(3,259)
Tax (Expense) / Benefit	4,898	13,096
Net of tax amount	(6,001)	9,837

(d) Current tax liabilities

Income tax payable	136,892	86,789

(e) Deferred tax balances

Deferred tax balances are presented in the consolidated statement of financial position as follows:

	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Deferred tax assets		
Receivables	10,816	9,316
Property, Plant & Equipment	13,071	9,568
Payables, accruals and provisions	45,220	24,743
Inter-company loan	4,733	13,211
Carried forward tax losses	59,475	15,896
Other items	9,136	13,069
	142,451	85,803
Deferred tax liabilities		
Receivables	28,543	6,755
Inventory	4,479	-
Other items	629	13,617
	33,651	20,372

(f) Tax Rates

Australia	30%	30%
Singapore	17%	17%
Malaysia	24%	24%
United Kingdom	19%	19%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	30 June 2017 $	30 June 2016 $
5. CASH AND CASH EQUIVALENTS		
Cash and bank balances	84,934	904,679

6. TRADE AND OTHER RECEIVABLES	30 June 2017 $	30 June 2016 $
Current		
Trade receivables	4,605,909	2,679,942
Less: Unidentified Customer Receipts	(17,590)	(10,853)
Less: Provision for Doubtful Debts	(37,418)	(31,918)
	4,550,901	2,637,171
GST receivables	159,629	146,639
Other receivables	3,966	5,641
	4,714,496	2,789,451

Impaired Trade Receivables

Trade receivables are non-interest bearing and are generally on 30-60 days terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

Movements in the provision for impairment of trade and other receivables were as follows:

	30 June 2017 $	30 June 2016 $
At beginning of the period	31,918	-
Provision for impairment during the period	5,500	31,918
At end of the period	37,418	31,918

At 30 June 2017, the ageing analysis of trade and other receivables is as follows:

	30 June 2017 $	30 June 2016 $
0 – 30 Days	1,440,436	1,080,354
31 – 60 Days	1,507,566	1,037,327
61 – 90 Days	688,228	285,929
+90 Days	932,261	244,414
+90 Days considered impaired	37,418	31,918
	4,605,909	2,679,942

As of 30 June 2017, trade and other receivables of $1,620,489 (30 June 2016: $530,343) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

7. OTHER ASSETS		
Prepayments	85,705	46,323
Deposits Paid	58,853	65,638
	144,558	111,961

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. PROPERTY, PLANT & EQUIPMENT

	Branding	Computer Equipment	Motor Vehicles	Plant & Equipment	Building	Total
Year ended 30 June 2016						
At 1 July 2015, net of accumulated depreciation	-	95,660	16,522	67,682	4,248	184,112
Additions	6,470	35,853	16,000	17,254	-	75,577
Depreciation for the period	(2,418)	(58,636)	(9,194)	(17,803)	(325)	(88,376)
Exchange differences	-	289	(23)	1,751	(11)	2,006
At 30 June 2016, net of accumulated depreciation	4,052	73,166	23,305	68,884	3,912	173,319
At 30 June 2016						
Cost	6,470	194,082	106,411	144,947	6,480	458,390
Accumulated depreciation	(2,418)	(120,916)	(83,106)	(76,063)	(2,568)	(285,071)
Net carrying amount	4,052	73,166	23,305	68,884	3,912	173,319
Year ended 30 June 2017						
At 1 July2016, net of accumulated depreciation	4,052	73,166	23,305	68,884	3,912	173,319
Additions	-	99,737	-	24,702	-	124,439
Acquisition through business combinations	-	(2,962)	(9,902)	(34,520)	(271)	(47,655)
Depreciation for the period	(2,588)	(68,660)	(3,200)	(19,623)	(282)	(94,353)
Exchange differences	-	(167)	2,064	19,325	(515)	20,707
At 30 June 2016, net of accumulated depreciation	1,464	101,114	12,267	58,768	2,844	176,457
At 30 June 2017						
Cost	6,470	289,124	88,641	120,375	5,618	510,228
Accumulated depreciation	(5,006)	(188,010)	(76,374)	(61,607)	(2,774)	(333,771)
Net carrying amount	1,464	101,114	12,267	58,768	2,844	176,457

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. GOODWILL

	30 June 2017 $	30 June 2016 $
Opening Balance	464,190	229,276
Acquisition through business combination	-	234,914
Exchange Differences	(428)	-
Closing Balance	463,762	464,190

The goodwill arising on acquisition is allocated to two cash generating units being AWS and Stealth Industries Sdn Bhd as the catalyst for investment and establishment of customer contract with Capital Drilling, as the Group's operations are split between these 2 functions.

AWS

The recoverable amount of this goodwill has been determined using the value in use method based on the net present value of projected earnings before interest, tax and depreciation using cash flow projections based on financial budgets approved by senior management covering a three year period. A growth rate of 3% was used to extrapolate managements cash flow forecast for further 7 years. The pre-tax discount rate applied to cash flow projections is 12%. The cash flow projections were prepared based on past experience and contracts that are in place.

The calculated recoverable amount for AWS is greater than the carrying amount of the goodwill and therefore there was no impairment of goodwill was required.

Purchase of Stealth Industries Sdn Bhd as the catalyst for investment and establishment of customer contract with Capital Drilling

The recoverable amount of this goodwill has been determined using the value in use method based on the net present value of projected earnings before interest, tax and depreciation using cash flow projections based on financial budgets approved by senior management covering a three year period. A growth rate of 3% was used to extrapolate managements cash flow forecast for further 7 years. The pre-tax discount rate applied to cash flow projections is 12%. The cash flow projections were prepared based on past experience and contracts that are in place.

The calculated recoverable amount for this segment is greater than the carrying amount of the goodwill and therefore there was no impairment of goodwill was required.

	30 June 2017 $	30 June 2016 $
10. TRADE AND OTHER PAYABLES		
Current – unsecured		
Trade creditors	4,544,567	2,619,936
Other creditors	119,428	123,648
Accrued Expense	82,259	91,971
GST Payable	15,464	25,444
	4,761,718	2,860,999
11. FINANCIAL LIABILITIES		
Prepayment from Capital Drilling		
- Current	391,507	404,476
- Non-Current	291,332	702,593
Share buy-back Deferred Settlement from Jamie Armitage	284,701	-
	967,540	1,107,069
12. PROVISIONS		
Provision for Annual Leave	49,877	27,289
	49,877	27,289

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. OTHER LIABITLIES

	30 June 2017 $	30 June 2016 $
Deferred consideration – AWS acquisition	25,000	196,104
	25,000	196,104

The deferred consideration above related to the consideration payable in regard to the AWS acquisition.

14. ISSUED CAPITAL AND RESERVES

	30 June 2017 $	30 June 2016 $
Issued capital		
10,606 (30 June 2016: 100) fully paid ordinary shares	(229,078)	130
600,000 (30 June 2016: 900,000) preference shares	578,502	969,726
	349,424	969,856

The following movements in issued capital occurred during the period:

Ordinary shares on issue

	Number of Shares 30 Jun 2017	Number of Shares 30 Jun 2016	Year ended 30 Jun 2017 $	Year ended 30 Jun 2016 $
Balance at beginning of period	100	100	130	130
New shares issued	626	-	31,652	-
Share buy back	(20)	-	(260,860)	-
Share split	9,900	-	-	-
Balance at end of period	10,606	100	(229,078)	130

Preference shares on issue

	Number of Shares 30 Jun 2017	Number of Shares 30 Jun 2016	Year ended 30 Jun 2017 $	Year ended 30 Jun 2016 $
Balance at beginning of period	900,000	900,000	969,726	969,726
Share buy back	(300,000)	-	(391,224)	-
Balance at end of period	600,000	900,000	578,502	969,726

	30 June 2017 $	30 June 2016 $
Reserves		
Comprises of:		
Foreign currency translation reserve		
Reserves at the beginning of the period	21,253	11,416
Movements during the year	(6,001)	9,837
Reserves at the end of the period	15,252	21,253

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. ACCUMULATED FUNDS

	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Accumulated losses at the beginning of the period	(277,591)	(462,448)
Profit/(Loss) for the period	19,756	184,857
Transfer of Non-controlling Interest	9,731	-
Accumulated losses at the end of the period	(248,104)	(277,591)

16. NON-CONTROLLING INTERESTS

	30 June 2017 $	30 June 2016 $
Balance at the beginning of the period	3,892	-
Share of loss for the year	-	9,731
Non-controlling interest arising on acquisition of AWS	-	(5,839)
Acquisition of remaining interest	5,839	-
De-recognition of Non-Controlling Interest	(9,731)	-
Balance at the end of the period	-	3,892

17. CAPITAL RISK MANAGEMENT

The Consolidated Entity manages its capital to ensure their ability to continue as a going concern and to achieve returns to the shareholders and benefits for other stakeholders through the optimisation of debt and equity balance. The capital structure of the Consolidated Entity is adjusted to achieve its goals whilst ensuring the lowest cost of the capital.

Management monitors capital on the basis of the gearing ratio (debt/total capital). During the year ended 30 June 2017, the Consolidated Entity's strategy is to utilise lowest cost of the capital from the capital markets and continuously negotiating lower interest cost with provider of its operating facility to achieve its expansion program. The gearing ratios at 30 June 2017 and 30 June 2016 were as follows:

	30 June 2017 $	30 June 2016 $
Total financial liabilities	967,540	1,107,069
Total equity	116,572	717,410
Total capital	1,084,112	1,824,479
Gearing ratio	89%	61%

The gearing ratio of the Company has increased from 61% to 89% during the year ended 30 June 2017.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Consolidated Entity's principal financial instruments comprise bank and other loans, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Consolidated Entity's operations.

The Consolidated Entity has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Consolidated Entity's policy that no trading in derivative instruments shall be undertaken.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Fair values

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The following table details the fair value of financial assets and liabilities of the Consolidated Entity:

	30 June 2017		30 June 2016	
	Carrying amount $	Fair Value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents	84,934	84,934	904,679	904,679
Trade and other receivables	4,714,496	4,714,496	2,969,656	2,969,656
Other financial assets	144,558	144,558	111,961	111,961
Total financial assets	4,943,988	4,943,988	3,986,296	3,986,296
Financial liabilities				
Trade and other payables	4,761,718	4,761,718	2,860,999	2,860,999
Prepayment and deferred settlement liabilities	967,540	967,540	1,107,069	1,107,069
Current tax liabilities	136,892	136,892	86,789	86,789
Total financial liabilities	5,866,150	5,866,150	4,054,857	4,054,857
Net financial assets / (liabilities)	(922,162)	(922,162)	(68,561)	(68,561)

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Sensitivity analysis

In managing interest rate and currency risks, the Company endeavours to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates will have an impact on consolidated earnings, although the extent of that impact will depend on the level of cash resources held by the Consolidated Entity. A general increase of one percentage point in interest rates would not be expected to materially impact earnings.

Interest rate risk

The Consolidated Entity's exposure to market risk for changes in interest rates relates primarily to the Consolidated Entity's cash holdings.

Cash includes funds held in term deposits and cheque accounts during the year, which earned interest at rates ranging between 0% p.a. and 0.3% p.a., depending on account balances.

All other financial assets and liabilities are non-interest bearing.

At balance date, the Consolidated Entity had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	30 June 2017 $	30 June 2016 $
Financial assets		
Cash and cash equivalents	84,934	904,679

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre-tax profit and equity would have been affected as follows:

Judgements of reasonable possible movements:	30 June 2017 $	30 June 2016 $
+1% (100 basis points)		
Pre-tax profit increase/(decrease)	849	9,047
Equity increase/(decrease)	849	9,047
-1% (100 basis points)		
Pre-tax profit increase/(decrease)	(849)	(9,047)
Equity increase/(decrease)	(849)	(9,047)

Foreign currency risk

The Consolidated Entity is exposed to foreign currency on sales, purchases and financial liabilities that are denominated in a currency other than Australian Dollars. The currency giving rise to this risk is primarily US dollars and Euro.

At balance date, the Consolidated Entity had the following exposure to following foreign currency that is not designated in cash flow hedges:

	30 June 2017 $AUD	30 June 2016 $AUD
Financial assets		
Cash and cash equivalents (USD)	14,120	14,448
Cash and cash equivalents (EUR)	2,231	290,918
Cash and cash equivalents (MYR)	2,700	3,254
Cash and cash equivalents (SGD)	121	907
Cash and cash equivalents (ZAR)	57	277,505
Cash and cash equivalents (GBP)	25,680	1,543
Total	44,909	588,575
Trade and other receivables (USD)	1,508,509	876,029
Trade and other receivables (EUR)	1,257,883	613,156
Trade and other receivables (MYR)	382	-
Trade and other receivables (ZAR)	202,469	83,410
Trade and other receivables (GBP)	83,547	-
Total	3,052,790	1,572,595
Financial liabilities		
Trade and other payables (USD)	1,171,580	480,284
Trade and other payables (EUR)	1,596,119	693,601
Trade and other payables (MYR)	9,514	7,043
Trade and other payables (ZAR)	243,364	243,746
Trade and other payables (GBP)	88,649	-
Trade and other payables (SGD)	994	17,081
Total	3,110,220	1,441,755
Prepayment and deferred settlement liabilities (USD)	967,540	1,107,069
Total	967,540	1,107,069
Net Exposure	(980,061)	(387,654)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date.

At 30 June 2017, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, equity would have been affected as follows:

Judgements of reasonable possible movements:	**30 June 2017** **$**	**30 June 2016** **$**
AUD/USD and AUD/EUR +20%		
Equity increase/(decrease)	(204,673)	(106,854)
AUD/USD and AUD/EUR -20%		
Equity increase/(decrease)	204,673	106,854

At this stage, the Consolidated Entity does not seek to hedge this exposure.

Credit risk

The credit risk on financial assets of the Consolidated Entity which have been recognised on the statement of financial position is generally the carrying amount, net of any provision for impairment losses.

The Consolidated Entity continuously monitors credit risks arising from its trade receivables which are principally with significant and reputable companies. It is the Consolidated Entity's policy that credit verification procedures, that can include assessment of credit ratings, financial position, past experience and industry reputation, are performed on new customers that request credit terms. Risk limits are set for each customer and regularly monitored. Receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity's exposure to bad debts is not significant.

The total credit risk exposure of the Consolidated Entity could be considered to include the difference between the carrying amount of the receivable and the realisable amount. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Details with respect to credit risk of trade and other receivables are provided in Note 6.

Liquidity risk

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

1. preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
2. monitoring undrawn credit facilities;
3. obtaining funding from a variety of sources;
4. maintaining a reputable credit profile; and
5. managing credit risk related to financial assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Total	
	30/06/2017	**30/06/2016**	**30/06/2017**	**30/06/2016**	**30/06/2017**	**30/06/2016**
Consolidated	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Financial liabilities due for payment						
Trade and other payables	4,761,718	2,860,999	-	-	4,761,718	2,860,999
Current tax liabilities	136,892	86,789	-	-	136,892	86,789
Prepayment and deferred settlement liabilities	676,208	404,476	291,332	702,593	967,540	1,107,069
Total contractual outflows	**5,574,818**	**3,352,264**	**291,332**	**702,593**	**5,866,150**	**4,054,857**
Total expected outflows	**5,574,818**	**3,352,264**	**291,332**	**702,593**	**5,866,150**	**4,054,857**
Financial assets – cash flows realisable						
Cash and cash equivalents	84,934	904,679	-	-	84,934	904,679
Trade and other receivables	4,714,496	2,969,656	-	-	4,714,496	2,969,656
Total anticipated inflows	**4,799,430**	**3,874,335**	**-**	**-**	**4,799,430**	**3,874,335**
Net (outflow)/ inflow on financial instruments	**(775,388)**	**522,071**	**(291,332)**	**(702,593)**	**(1,066,720)**	**(180,522)**

The entity does not have any contractual outflow or inflow above 5 years for 2017 (2016: $ -).

Financial assets pledged as collateral

There are no financial assets that have been pledged as security for debt and their realisation into cash is not restricted.

19. COMMITMENTS AND CONTINGENT LIABILITES

	30 June 2017 $	**30 June 2016 $**
Operating lease commitments		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	144,597	115,060
Later than one year but not later than five years	215,372	336,620
	359,969	451,680

Contingent liabilities

There are no contingent liabilities as at 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. CONTROLLED ENTITIES

	Country of Incorporation	Entity interest 30 June 2017	Entity interest 30 June 2016
Parent entity			
Stealth Global Holdings Limited	Australia	100%	100%
Controlled entities			
Stealth Global Industries (Australia) Pty Ltd	Australia	100%	100%
Stealth Industries Sdn Bhd	Malaysia	100%	100%
Stealth Global Industries (Singapore) Pte Ltd	Singapore	100%	100%
Stealth Global Industries (UK) limited	United Kingdom	100%	-
Australian Workplace Services Pty Ltd	Australia	100%	75%
SAAC International Pte Ltd	Singapore	100%	100%

21. KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of Key Management Personnel

(i) Directors

Michael Arnold – Group Managing Director

Christopher Wharton (AM) – Non-Executive Director

Jamie Boyton – Non-Executive Director

(ii) Executives

Brendan Rossiter (Appointed in FY2017) – Company Secretary & CFO

Jessica McGibbon – Group Manager – Marketing & Executive

Adam Sherwood – Executive General Manager Europe

Details of Key Management Personnel

The total remuneration paid to Key Management Personnel of the Company and the Consolidated Entity during the period ended 30 June 2017 was as follows:

	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Short-term employee benefits	594,675	422,664
Post-employment benefits	45,756	34,148
Total KMP compensation	640,431	456,812

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22. BUSINESS COMBINATIONS

Subsidiary acquired

	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration
2016				
AWS	Distribution of workplace health and safety products	1 January 2016	75%	252,491
				252,491

The controlling interests in AWS was acquired so as to secure and expand the Consolidated Entity's distribution network.

Consideration

	AWS
Initial Consideration - Cash	56,387
Deferred Consideration	196,104
Total Consideration	252,491

Assets acquired and liabilities assumed at the date of acquisition

	AWS
Current assets	
Cash and cash equivalents	16,403
Trade and other receivables	46,159
Inventory	18,529
Non-current assets	
Fixed assets	11,817
Current liabilities	
Trade and other payables	(116,344)
Fair value of identifiable net assets acquired	(23,436)

Goodwill arising on acquisition

	AWS
Consideration	252,491
Less: Fair value of identifiable net assets acquired	(23,436)
Add: Non-controlling interest	5,859
Goodwill arising on acquisition	234,914

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22. BUSINESS COMBINATIONS (cont'd)

Goodwill arose in the acquisition of controlling interest in AWS because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies. The benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash inflow/outflow on acquisition of subsidiary

	Year ended 30 June 2016
Total Consideration	252,491
Less: Deferred Consideration	(196,104)
Less: Cash and cash equivalents balances acquired	(16,403)
Net cash (inflow)/outflow on acquisition of subsidiary	39,984

23. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Cash flows from operating activities		
Profit/(Loss) for the year	19,756	194,588
Adjustments for:		
- Depreciation and amortisation	120,054	111,157
- (Profit)/Loss on Sale of Non-Current Assets	(7,087)	-
- Share of associate profit	(3,067)	-
- Net foreign exchange (gain)/loss	(65,990)	70,345
- Interest income recognised in profit/loss	(1,972)	(2,647)
- Interest expense recognised in profit/loss	5,449	246
(Increase)/decrease in trade and other receivables	(1,925,045)	(1,680,363)
(Increase)/decrease in inventories	(9,863)	508,558
(Increase)/decrease in deferred tax assets	(56,648)	(85,803)
(Increase)/decrease in other financial assets	180,205	191,344
(Increase)/decrease in other current assets	(32,597)	(41,293)
Increase/(decrease) in trade and other payables	1,900,719	1,395,456
Increase/(decrease) in provisions	22,588	8,344
Increase/(decrease) in current tax liabilities	50,103	86,789
Increase/(decrease) in deferred tax liabilities	13,279	22,452
Net cash (used in) operating activities	209,884	779,173

24. SUBSEQUENT EVENTS

Subsequent to the end of the financial year an Information Memorandum has been prepared for a proposed capital raising of $11,000,000 however to the date of this report no amounts have been raised from this.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. PARENT ENTITY DISCLOSURES

Financial position	30 June 2017 $	30 June 2016 $
Assets		
Current assets	526,178	973,240
Non-current assets	296,133	292,560
Total assets	822,311	1,265,800
Liabilities		
Current liabilities	290,963	292,559
Total Liabilities	290,963	292,559
Net assets	**531,348**	**973,241**
Equity		
Issued capital	349,423	1,213,380
Accumulated losses	(30,495)	-
Foreign Exchange Translation Reserve	212,420	(240,139)
Total equity	**531,348**	**973,241**

Financial performance	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Loss for the period	(30,495)	-
Total comprehensive income	(30,495)	-

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

The parent entity has not entered into any guarantees in relation to the debts of its subsidiaries during the year ended 30 June 2017.

DIRECTORS' DECLARATION

In the opinion of the Directors of Stealth Global Holdings Limited:

(a) the financial statements and notes, set out on pages 6 to 37, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2017 and their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

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

(b) the attached financial statements also comply with International Financial Reporting Standards, as stated in Note 1 to the financial statements; and

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

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

Michael Arnold
Group Managing Director
Perth, 31 October 2017

Bentleys
THINKING AHEAD

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Stealth Global Holding Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

Bentleys

Chris Nicoloff

BENTLEYS
Chartered Accountants

CHRIS NICOLOFF CA
Director

Dated at Perth this 31st day of October 2017

Independent Auditor's Report

To the Members of Stealth Global Holdings Limited

Bentleys
THINKING AHEAD

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Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Stealth Global Holdings Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Consolidated Entity'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*.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for 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 Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity 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 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 Consolidated Entity'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 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 [Note 1], the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity'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 Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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.

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

- 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 Consolidated Entity'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 directors' 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 Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among 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.

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 the 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.

Bentleys

BENTLEYS
Chartered Accountants

Chris Nicoloff

CHRIS NICOLOFF CA
Director

Dated at Perth this 31st day of October 2017