STEALTHGLOBAL

# Annual Report

## For the year ended 30 June 2018

**Stealth Global Holdings Ltd** | ACN 615 518 020

STEALTHGLOBAL

An international sales & distribution group supplying safety, industrial, healthcare and workplace consumable products and customised supply solutions to business customers in Australia, Africa, UK, Europe and Asia.

Our customers operate in and across diversified industry sectors, though principally in the resources, construction, engineering, manufacturing, infrastructure, transportation, industrial services, general trade & industry sectors.

# Table of Contents


| | |
|---|---|
| Corporate Directory | 2 |
| Letter from the Chairman and the Managing Director | 3 |
| Directors' Report | 6 |
| Annual Financial Report | 26 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 27 |
| Consolidated Statement of Financial Position | 29 |
| Consolidated Statement of Cash Flows | 30 |
| Consolidated Statement of Changes In Equity | 31 |
| Notes To The Financial Statements | 32 |
| Auditor's Independence Declaration | 74 |
| Independent Auditor's Report | 75 |
| Shareholder Information | 80 |

# Corporate Directory

## Directors

Mr Christopher Wharton AM
*Non-Executive Chairman*

Mr Michael Arnold
*Managing Director*

Mr Giovanni (John) Groppoli
*Non-Executive Director*

Mr Peter Unsworth
*Non-Executive Director*

## Company Secretary

Ms Karen Logan

## Solicitors

**Commercial**
MDS Legal
Irwin Chambers, Level 2, 16 Irwin Street
Perth WA 6000

**IPO**
Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

## Principal And Registered Office

Unit 10, 43 Cedric Street
Stirling WA 6021
Australia

Telephone: +61 8 6465 7800
Email: investors@stealthgi.com
Website: www.stealthgi.com

## Share Registry

Computershare Investor Services
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone: 1300 850 505 (within Australia)
Telephone: +61 3 9415 4000 (overseas)

## Auditor

Bentleys Audit & Corporate (WA) Pty Ltd
Level 3, 216 St Georges Terrace
Perth WA 6000

## Banker

Australia and New Zealand Banking Group Limited
Level 7, 77 St Georges Terrace
Perth WA 6000

## Accountants And Taxation Advisors

Gooding Partners
The Quadrant, Level 9, 1 William Street
Perth WA 6000

# Letter from the Chairman and the Managing Director

## Dear Shareholders

On behalf of the Board of Directors, it is with immense pleasure we present Stealth Global Holdings' 2018 annual report.

Founded in 2014, Stealth is a successful international sales and distribution group supplying safety, industrial, workplace and healthcare consumable products and customised supply solutions to business customers.

Stealth serves industries and customers in Australia, Africa, UK, Europe and Asia with a wide-variety of consumable products that are essential everyday items in the operation of their business. Our customers operate in and across diversified industry sectors, though principally in the resources, construction, engineering, manufacturing, infrastructure, transportation, industrial services, general trade & industry sectors.

Stealth is led by a high-calibre board and management team and has experienced consistent growth, quickly establishing itself as a market leader with an excellent product range and service offering created through strategic partnerships and successful acquisitions.

With the successful completion of the Initial Public Offer (**IPO**) coinciding with the distribution of this Annual Report for the financial year ended 30 June 2018 "FY18", it is important to outline that this 2018 annual report reveals a very different position than post IPO. Notably FY18 excludes the benefits by undertaking the IPO in which $12.5 million was raised. The Board intends to apply these funds to continue to progress its successful domestic and international distribution growth strategy and, in particular, complete the acquisition of the iconic and market-leading Western Australian industrial and safety supplier, Heatleys Safety and Industrial, which was founded 30 years ago. The balance of funds provides a strong balance sheet position, a net cash position of $2.3m, minimal debt, and working capital to support revenue and profit expansion for the Company.

Post IPO, the journey begins of completing the Heatleys merger with Stealth and extracting the full synergy and growth opportunities as described in our prospectus. With the two companies having worked closely together for the past three years, it is expected that this will be a seamless task, with the merged group able to show increased capability and improvement to margins and revenue immediately.

We look forward to the two companies coming together and are excited by the value proposition on offer to our customers, suppliers and our shareholders.

It was very satisfying during the IPO undertaking to see an over-subscription of funds. The Company's share register boasts significant institutional support and a spread of quality investors. As the Company embarks on a clear path forward, it is worth noting some highlights of the past year. The obvious upcoming major event is the listing of the company on the Australian Securities Exchange (ASX).

## Operational Highlights

It was very satisfying during the IPO undertaking to see an over-subscription of funds. The Company's share register boasts significant institutional support and a spread of quality investors. As the Company embarks on a clear path forward, it is worth noting some highlights of the past year. The obvious upcoming major event is the listing of the company on the Australian Securities Exchange (ASX).

## Financial Highlights

- Earnings Before Interest Taxation Depreciation and Amortisation (EBITDA) before Growth Related Investment (GRI), restructuring and pre-IPO costs was $0.7 million in FY18.
- Total Revenue for FY18 was $23.5 million, an increase of $5.8 million, or 33%, from $17.6 million in the prior year period (**PYP**).
- Stealth's UK entity achieved first full-year total revenue of AUD$1.9 million in FY18, up from AUD$0.5 million in the PYP.
- The Company expanded its services and operations in new markets. GRI and restructuring increased by $0.17 million to $0.626 million in FY18 up from $0.456 million in the PYP.
- The Group was prepared for the IPO and in FY 18 recognised $0.478 million of transaction costs.
- Cash flows from operating activities increased from $0.204 million in PYP to $0.976 million in FY18.

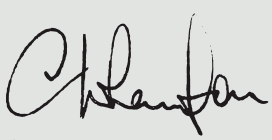
## Outlook post IPO

Stealth is well-positioned to execute identified growth and expansion initiatives across all markets in which it operates and deliver increased market share and uplift in revenue and earnings. Our growth strategy includes, leveraging the combined strength of the merged businesses, increasing customer sales and earnings and expanding the company's global operating platform. Other significant opportunities include increasing brand partnerships and exclusive distribution rights, expanding our private label range and growing digital ordering and sales channels. This last point around digital ordering and sales channels, will strengthen the core offering to existing customers and also support new customer growth through greater efficiency and purchasing convenience.

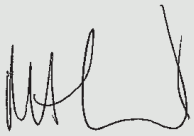
There is also potential to achieve value-adding growth and expansion through targeted acquisitions. The ASX listing provides increased flexibility and the capacity to capitalise on strategic opportunities as they arise.

Shareholders should take comfort from the fact that there is a solid, considered plan for taking the business forward, with a clear pathway ahead and a way to navigate it.

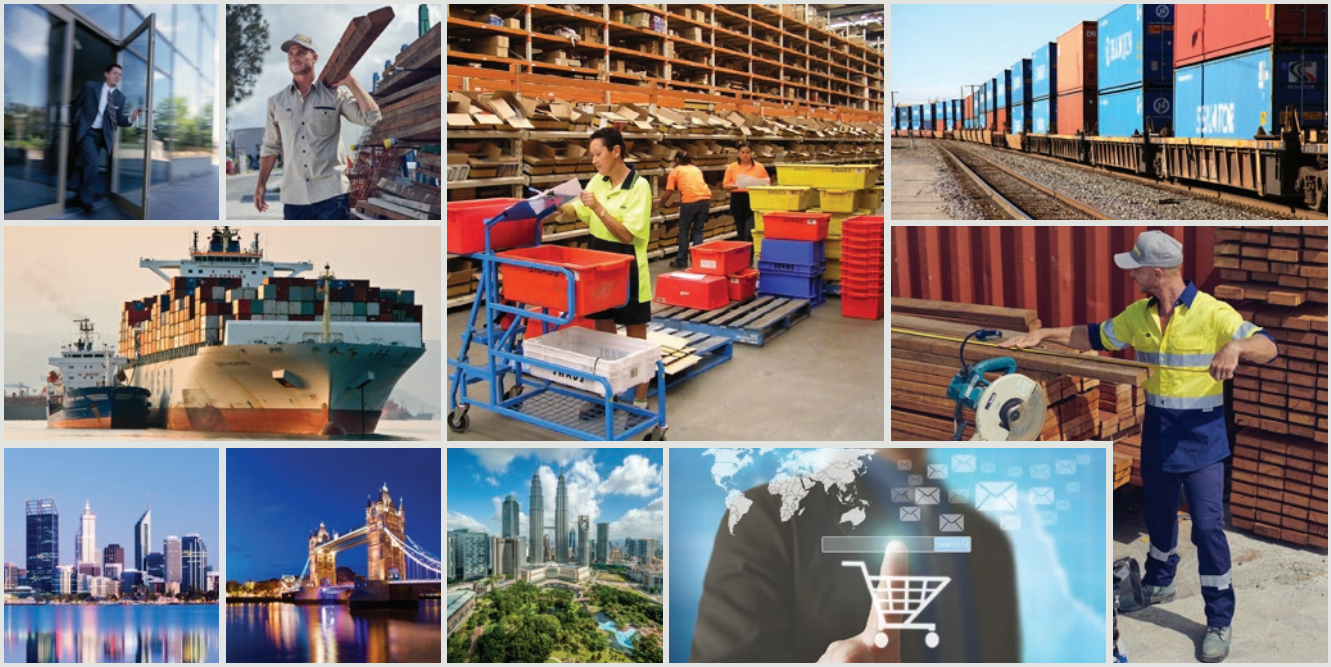
Finally, it is fitting to acknowledge the tireless work and leadership of the Executive team in the lead up to the listing and the efforts of our staff and fellow Directors.



**Christopher Wharton AM**
*Non-Executive Chairman*



**Michael Arnold**
*Group Managing Director*



# Financial Highlights

## $23.5m

**Total Revenue** for FY18 was $23.5 million, an increase of $5.8 million, or 33%, from $17.6 million in the prior year period (PYP).

## $1.9m

Stealth's UK entity achieved **first full-year total revenue** of AUD$1.9 million in FY18, up from AUD$0.5 million in the PYP.

## 33%

33% growth in **Revenue in FY18** from 2017.

## $0.700m

**Earnings Before Interest Taxation Depreciation and Amortisation** (EBITDA) and **before Growth Related Investment** (GRI), restructuring and pre-IPO costs was $0.700 million in FY18.

## $0.626m

The Company expanded its services and operations in new markets. **GRI and restructuring increased** by $0.17 million to $0.626 million in FY18 up from $0.456 million in the PYP.

## $0.478m

The Group was **prepared for the IPO** and in FY 18 recognised $0.478 million of transaction costs.

## $0.976m

**Cash flows from operating activities increased** from $0.204 million in PYP to $0.976 million in FY18.

# Directors' Report

The Directors present their report together with the consolidated financial statements of Stealth Global Holdings Ltd ("Stealth" or the "Company") and its controlled entities (the "Consolidated Entity") for the financial period 1 July 2017 to 30 June 2018.

## Information about the directors

The names and particulars of the directors of the company during or since the end of the financial year are:
Christopher Scott Wharton AM
Michael Alan Arnold
Giovanni (John) Groppoli (Appointed 30 June 2018)
Jamie Boyton (Resigned 30 June 2018)
Peter John Unsworth (Appointed 3 July 2018)

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

| **Christopher Wharton AM (FAIM & FAICD) – Independent Non-Executive Chairman** | |
|---|---|
| **Experience and expertise** | Chris Wharton is the former Chief Executive Officer of Seven West Media WA, retiring from full time work in April 2017.<br><br>He was responsible for all Seven West Media assets in Western Australia, including The West Australian, The Sunday Times, West Regional Publications (21 mastheads), its online properties thewest.com.au and Perthnow, WA Publishers, Redwave Media (nine regional radio licences) and Channel Seven Perth.<br><br>In 2011, as CEO of the publicly-listed West Australian Newspapers (Holdings), Chris led the multi-billion acquisition of the Seven Media Group, which today is Seven West Media. He was Chief Executive Officer of West Australian Newspapers (Holdings) from December 2008. His position prior to this was Managing Director of Channel Seven Perth Pty Limited, a post he held for nine years.<br><br>He began his career as a journalist and worked in all areas of newspaper management in Sydney before being appointed Chief Executive Officer of Perth's Community Newspaper Group in 1995. In 2013, he became Chairman of Community Newspaper Group.<br><br>His community and business involvement includes board membership of the Telethon Trust from 2000- 2017, Gold Corporation and the West Coast Eagles Football Club. Chris was a member of the WA Olympic Team Appeal Committee from 2000-2017.<br><br>He is a member of the Australian Institute of Company Directors and a former Councillor and Vice President of the WA Chamber of Commerce and Industry. He is also a former member of the Committee for Perth. He was made a Member of the Order of Australia (AM) in the 2016 Queen's Birthday honours for services to the print and broadcast industries and for services to the community. |
| **Other current listed entity directorships** | None |
| **Former listed entity directorships in last 3 years** | None |
| **Special responsibilities at Stealth** | Chairman of the Board<br><br>Member of the Audit and Risk Committee<br><br>Member of the Remuneration and Nomination Committee |

| Michael Arnold (MAICD) – Managing Director | |
|---|---|
| **Experience and expertise** | Mr Arnold 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 (previous ASX listed entity) until June 2013, where he was responsible for developing business strategy, global infrastructure, business development, operational capabilities and leading growth.<br><br>Previous to this he was the Chief Executive Officer of Lakewood Logistics for nine years (a joint venture company held between Australia Post and Mr Arnold) 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.<br><br>The Board considers that Mr Arnold is not an independent Director. |
| **Other current listed entity directorships** | None |
| **Former listed entity directorships in last 3 years** | None |
| **Special responsibilities at Stealth** | Managing Director<br><br>Member of the Audit and Risk Committee<br><br>Member of the Remuneration and Nomination Committee |

| Giovanni Groppoli (B.Juris; LLB; FAICD) – Non-Executive Director | |
|---|---|
| **Experience and expertise** | Mr Groppoli is a non-executive director of Automotive Holdings Group Ltd (ASX:AHG) and a principal at Peppermint Capital (a boutique corporate advisory firm based in Perth). He was a partner of national law firm Deacons (now Norton Rose Fulbright) from 1987 to 2004 where he specialised in franchising, mergers and acquisitions, and corporate governance. He was managing partner of the Perth office of Deacons from 1998 to 2002.<br><br>Mr Groppoli left private practice in 2004 and was until very recently was the managing director of Milners Pty Ltd, a leading Australian brand marketing group specialising in premium homeware products, and Aviva Mann Optical Group, an importer and national distributor of optical products and accessories.<br><br>Mr Groppoli is a director of Senses Foundation and was the Chairman of public unlisted entities Retravision (WA) Ltd and Electcom Ltd which managed and serviced the Retravision, Westcoast Hi Fi and Fridge & Washer City retail brands in WA, SA and NT.<br><br>The Board considers that Mr Groppoli is not an independent Director. |
| **Other current listed entity directorships** | Automotive Holdings Group Ltd (from 4 July 2016) |
| **Former listed entity directorships in last 3 years** | Quintis Ltd (from 10 October 2014 to 18 June 2018) |
| **Special responsibilities at Stealth** | Chair of the Remuneration and Nomination Committee<br><br>Member of the Audit and Risk Committee |

| Peter Unsworth (BCom and FAICD) – Independent Non-Executive Director | |
|---|---|
| **Experience and expertise** | Mr Unsworth is a former chartered accountant and corporate finance specialist with extensive experience as a public and private company director, having served on the board of Gold Corporation (operator of Western Australian Government owned The Perth Mint) as a director and then chairman from 1996 to 2008. He has previously been a director of several listed companies including: venture capital company Westintech Innovation Corporation Limited; gold, zinc, lead and silver mining company Perilya Mines Limited and office products distribution company National 1 Limited. Mr Unsworth was re-appointed to the board of Gold Corporation, in September 2015.<br><br>Mr Unsworth's career has included senior management positions with an international accounting firm in both Perth and Sydney, a number of years with The Stock Exchange of Perth Limited as chief executive, and director of corporate finance with a large stockbroking company. He was appointed one of four Commissioners heading the 'Commission to Review Public Sector Finances' in 1993 reviewing and reporting on the finances and activities of the Western Australian Public Sector. |
| **Other current listed entity directorships** | Impact Minerals Limited (from 28 April 2006) |
| **Former listed entity directorships in last 3 years** | None |
| **Special responsibilities at Stealth** | Chair of the Audit and Risk Committee<br><br>Member of the Remuneration and Nomination Committee |

| Jamie Boyton (BCom) – Non-Executive Director | |
|---|---|
| **Experience and expertise** | 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).<br><br>Jamie has a Bachelor of Commerce (Accounting and Finance) Degree from the University of Western Australia. |
| **Other current listed entity directorships** | Capital Drilling Ltd (from January 2009) |
| **Former listed entity directorships in last 3 years** | None |
| **Special responsibilities at Stealth** | None |

## Company Secretary

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

| Brendan Leslie Rossiter (CPA, BBus(Accg) – (Resigned 26 July 2018) | |
|---|---|
| **Experience and expertise** | 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.<br><br>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. |

Subsequent to balance date, the following person was appointed to the position of Company Secretary:

| Karen Logan (BCom; Grad Dip AppCorpGov; FCIS; FGIA; F Fin; GAICD) – appointed 10 July 2018 | |
|---|---|
| **Experience and expertise** | Ms Logan is a Chartered Secretary with extensive compliance, capital raising, merger and acquisition, IPO and backdoor listing experience in a diverse range of industries including technology, media, resources, health care and life science. She has assisted a substantial number of private start-ups and established businesses transition to being publicly-listed companies for over 15 years.<br><br>Ms Logan has participated as a mentor of the University of Western Australia's Career Mentor Link program for over 9 years. She is the founder and principal of a consulting firm and company secretary of a number of ASX-listed companies, providing corporate services to those clients. |

## 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 2018 are:

| | Board Meetings | |
|---|---|---|
| **Director** | **Held while Director** | **Attended** |
| Michael Arnold | 6 | 6 |
| Jamie Boyton | 6 | 5 |
| Christopher Wharton (AM) | 6 | 6 |
| Giovanni Groppoli (Appointed 30 June 2018) | - | - |
| Peter Unsworth (Appointed 3 July 2018) | - | - |

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

## Committee Membership

Subsequent to balance date, the Company established a Remuneration and Nomination Committee and an Audit and Risk Committee of the Board of Directors.

Members appointed to the Committees of the Board are as follows:

| Remuneration and Nomination Committee | Audit and Risk Committee |
|---|---|
| Giovanni Groppoli (Chair) | Peter Unsworth (Chair) |
| Christopher Wharton | Christopher Wharton |
| Michael Arnold | Michael Arnold |
| Peter Unsworth | Giovanni Groppoli |

## Directors' Interests

The following relevant interests in the Shares of the Consolidated Entity were held by Directors as at the date of this report:

| Director | Shares |
|---|---|
| Christopher Wharton[1] | 1,350,000 |
| Michael Arnold[2] | 10,605,303 |
| Giovanni Groppoli[3] | 1,364,393 |
| Peter Unsworth[4] | 250,000 |

*Notes:*

*1. 1,160,000 Shares held by Nicarldon Pty Ltd as trustee for The Wharton Family Trust, of which Mr Wharton is a director and a shareholder of the trustee and a beneficiary of the trust. 190,000 Shares held by Christopher Wharton & Donna Wharton as trustee for Wharton Super Fund Trust, of which Mr Wharton is joint trustee and a beneficiary of the superannuation fund.*

*2. 10,117,803 Shares held by Sorrento200 Holdings Pty Ltd as trustee for the Sorrento200 Holdings Trust, of which Mr Arnold is a director and shareholder of the trustee and a beneficiary of the trust. 487,500 Shares held by Michael Alan Arnold & Linda Jane Arnold as trustee for Talukei Super Fund, of which Mr Arnold is joint trustee and a beneficiary of the superannuation fund.*

*3. 1,064,393 Shares held by Giovanni (John) Groppoli as trustee for The Milo Trust, of which Mr Groppoli is a beneficiary of the trust. 300,000 Shares held by Glen Forest Pty Ltd as trustee for the Jubaea Super Fund, of which Mr Groppoli is a director and shareholder of the trustee and a beneficiary of the superannuation fund.*

*4. Shares held by PJ Enterprises Pty Ltd as trustee for Super Fund – SLU A/C, of which Mr Unsworth is a director and shareholder of the trustee and a beneficiary of the superannuation fund.*

## Principal Activity

The principal activity of the Consolidated Entity during the year ended 30 June 2018 was product distribution, contract supply solutions and fulfilment services across our core product groups Safety, Healthcare, Industrial and Workplace Supplies.

## Review of Operations

The loss after tax for the year ended 30 June 2018 was $497,007 (2017: profit after tax $19,756)

## Changes in State of Affairs

Other than disclosed in the Events Subsequent to Balance Date the Directors are of the opinion that there were no significant changes to the state of affairs of the Consolidated Entity.

## Dividends

There were no dividends paid or recommended during the financial year ended 30 June 2018.

## Options

### Unissued shares under option

At the date of this report, unissued shares under option are as follows:

| Date options granted | Expiry date | Exercise price | Number of options |
|---|---|---|---|
| 27 September 2018 | 27 September 2022 | $0.25 | 4,994,737 |

There were no options granted or exercised during the financial year.

## Environmental Regulations

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

## Governance

The Board of Directors is responsible for the operational and financial performance of the Company, including its corporate governance. The Company believes that the adoption of good corporate governance adds value for stakeholders and enhances investor confidence.

The Company's corporate governance statement is available on the Company's website, in a section titled 'Corporate Governance': https://www.stealthgi.com/investors/corporategovernance/

## Events Subsequent to Balance Date

Subsequent to balance date:

1. On 20 July 2018, the Company completed a subdivision of 10,526 fully paid ordinary shares (**Shares**) into 21,300,000 Shares in accordance with shareholder approval obtained on that date.
2. On 7 September 2018, the Group secured a two month temporary increase of $250,000 to the overdraft limit offered by ANZ Bank.
3. The Company successfully completed an initial public offering (**IPO**) and issued 62,500,000 fully paid ordinary shares (**Shares**) at an issue price of $0.20 per Share on 27 September 2018 to raise $12,500,000 (before costs).
4. Following successful completion of the IPO, on 27 September 2018 Stealth:
   (a) issued 6,250,000 Shares, made cash payment of $6,600,000 and repaid a loan of $900,000 to the vendors on completion of the acquisition of 100% of the issued capital of Heatleys;
   (b) issued 850,000 Shares to Mr Wharton, Non-Executive Chairman, in accordance with the terms of a previous non-executive director appointment letter;
   (c) completed a sub-division of 600,000 Preference Shares into 4,000,000 Preference Shares and subsequently converted 4,000,000 Preference Shares into 4,000,000 Shares in accordance with shareholder approval obtained on 14 September 2018;
   (d) granted 4,994,737 options exercisable at $0.25 each and expiring on 27 September 2022 (**Options**) to the joint lead managers to the IPO at a subscription price of $0.0001 per Option.
5. The Company was subsequently admitted to the official list of the Australian Securities Exchange on 28 September 2018 and official quotation of its shares on ASX, will commence on 2 October 2018.

Other than any matters described above, there has not arisen in the interval between the year end and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## 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.

## Material Business Risks

The proposed future activities of the Consolidated Entity are subject to a number of risks and other factors which may impact its future performance. Some of these risks can be mitigated by the use of safeguards and appropriate controls. However, many of the risks are outside the control of the Directors and the Management of the Consolidated Entity and may not be mitigated either in whole or in part. Accordingly, an investment in the Company is not risk free and should be considered speculative.

This section provides a non-exhaustive list of the risks faced by the Consolidated Entity and/or by investors in the Company. The risks listed should be considered in connection with forward looking statements in this Annual Report. Actual events may be materially different to those described and may therefore affect the Consolidated Entity in a different way.

Investors should be aware that the performance of the Consolidated Entity may be affected by these risk factors and the value of Stealth's Shares may rise or fall over any given period. Neither the Directors nor any person associated with the Company is able to guarantee the performance of the Consolidated Entity.

| Material business risk | Mitigating actions |
|---|---|
| **Acquisition and integration of Heatleys** | |
| The long-term success of the Consolidated Entity following the completion of acquisition of Heatleys Consolidated Entity (and the ability to realise the synergies) will depend, in part, on the success of the integration of Stealth and Heatleys' current operations. The integration process will involve, among other things, coordinating geographically separated organisations, integrating complex information technology systems, integrating personnel with diverse backgrounds and combining different corporate and workplace cultures.<br><br>The process of integrating operations could, among other things, divert management's attention, interrupt or disrupt the momentum in the activities in one or more of the businesses and could result in the loss of key personnel.<br><br>In addition, it may not be possible to effectively integrate or otherwise realise the full synergies that the Company anticipates at all or in the timeframe that Stealth predicts. Any of these outcomes could have an adverse effect on the Consolidated Entity's business, results or on its financial condition and performance | For the past three years, Stealth and Heatleys have worked closely under a formal strategic partnership supplying a range of general consumables to certain Australian based customers as well as exporting from Australia to international customers.<br><br>Stealth has undertaken financial and business analysis of Heatleys in order to determine the attractiveness of Heatleys and whether to pursue the acquisition. In 2017, Stealth and Heatleys agreed to merge under Stealth ownership given the strong operational and enhanced strategic and synergistic benefits.<br><br>Stealth and Heatley's key management teams will remain in place following the merger and will retain significant ownership in Stealth, ensuring strong capability and commitment to delivering the significant operational benefits and enhanced growth opportunities available from Stealth's acquisition of Heatleys. |

| Material business risk | Mitigating actions |
|---|---|
| **Customers and clients** | |
| • **Major client risk**: Presently, Stealth relies on a small number of clients for a significant portion of its revenue. Although the Consolidated Entity's client base is expected to diversify following the acquisition of Heatleys, the Consolidated Entity will substantially be reliant on a select number of clients; in particular, Capital Drilling. The loss of any of these clients; in particular, Capital Drilling may well have a negative impact on the Company's revenue and profitability unless they can be replaced with a new client or clients in a timely fashion.<br>• **Trading relationships with key customers and clients**: The Consolidated Entity's ability to efficiently conduct its operations depends upon the trading/supply contracts it holds with key customers and its clients and in particular, its product offering. There is the risk that the Consolidated Entity's clients may not be satisfied with its offerings or that the products no longer cater to their needs. Furthermore, as in any contractual relationship, the ability for the Consolidated Entity to ultimately receive the benefit of the contract is dependent upon the relevant third party complying with its contractual obligations. To the extent that such third parties default in their obligations, it may be necessary for the Consolidated Entity to enforce its rights under any of the contracts and pursue legal action. Such legal action may be costly, and there cannot be any guarantee given that the Consolidated Entity will secure or be granted a legal remedy on appropriate commercial terms. | Following the acquisition of Heatleys, the Consolidated Entity will have an expanded customer base exceeding 3,000 active customers, including business customers across the resources, transport, infrastructure, engineering, construction, manufacturing, general trade and industrial sectors.<br>The principal focus of the Consolidated Entity post-acquisition will be to win more business and secure formal supply arrangements from its medium to large customer base, which is an area that historically Stealth services exceptionally well. The Consolidated Entity will also continue to service its customers through both traditional and digital sales channels, ensuring all customers are appropriately serviced, based on their purchasing preferences, supporting the attraction and retention of customers and raising the level of customer service and satisfaction.<br>The Consolidated Entity dedicates significant resources to understanding its customer needs and upgrading its product offering and operating platform to remain innovative and in tune with product and business trends.<br>The Company notes that Capital Drilling, which is presently Stealth's largest major client, will remain a significant shareholder of the Company having entered into a voluntary escrow agreement for the majority of its shareholding (being 5,058,902 Shares) until September 2020. |
| **Operations** | |
| • **Dependence on outside parties**: The Consolidated Entity's business strategy includes forming strategic business relationships with other organisations for the manufacture, supply and/or distribution of products and services. These business relationships are critical to the overall success of the Consolidated Entity. There can be no assurance that the Consolidated Entity will be able to attract and retain such relationships and/or negotiate appropriate terms and conditions with these organisations on a consistent and long-term basis or at all.<br>• **Doing business outside of Australia**: Stealth currently operates across multiple jurisdictions and as a result may face additional complexities and risks from the unique geo-political, business and government requirements in each jurisdiction. | The Consolidated Entity endeavours to create a diversified manufacturer, supplier and distributor base and ensure that the terms of engagement are well-defined and pre-approved. The Consolidated Entity also reviews performance to ensure that proper support is made available and that joint business planning processes support and align internal and partner incentives.<br>Management experience will help to mitigate, but will not remove, the risks associated with conducting business globally. |
| **Foreign exchange rates** | |
| The Consolidated Entity might be exposed to rapid and material movements in exchange rates, which could affect its earnings, balance sheet and cash position. This risk is particularly pertinent to the Consolidated Entity as circa 30% of its total revenue derives from international transactions. Specific conditions include currency fluctuation affecting the cost of goods, intercompany loans, customer prepayments, purchasing and selling in different currencies across the globe and shifts in market sector pricing. | The Consolidated Entity manages its foreign exchange through both a natural hedge and a specific hedge approach, including purchasing and selling in the same currency, currency receipts and payments from 'same currency' bank accounts and minimising movement between bank cross currency accounts. The Consolidated Entity works closely with its banker's foreign exchange transactions teams to ensure a robust process is monitored and managed monthly.<br>Following the acquisition of Heatleys, the Consolidated Entity will have an increased proportion of revenue generated in Australia from its expanded customer base and recorded in Australian Dollars, which is the parent entity's functional currency. |

| Material business risk | Mitigating actions |
|---|---|
| **Reliance on key personnel** | |
| The Consolidated Entity's future depends, in part, on its ability to attract and retain senior executive management and key personnel who are responsible for overseeing the day-to-day operations of the Consolidated Entity. The Consolidated Entity may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure.<br><br>The Consolidated Entity's future also depends on the continued contributions of its executive management team and other key management personnel, the loss of whose services would be difficult to replace. In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on the Consolidated Entity's business. | The Consolidated Entity operates under a strong human resources and employee relations framework, as well as a competitive remuneration structure. The Consolidated Entity will seek to attract and retain diverse, engaged and suitably qualified employees and consultants, as required. |
| **Prospective financial information** | |
| Prospective financial information for the financial years ending 30 June 2018 and 30 June 2019 was included in the IPO Prospectus dated 10 August 2018 in order to provide investors with a guide to the potential financial performance of the Group. The assumptions on which the prospective financial information is based relate to future events or actions that the Directors expect to occur or carry out. However, those assumptions are also subject to uncertainties which are often, if not always, outside the control of the Group.<br><br>Prospective financial information, by its nature, is predictive in character, may be affected by inaccurate assumptions or by known or unknown risks and uncertainties and thereby may differ materially from results ultimately achieved and need to be considered in that context. | The Company prepared the prospective financial information based on general and specific best estimate assumptions and disclosed the material best estimate assumptions and processes adopted in the IPO Prospectus.<br><br>In preparing the prospective financial information, the Company also completed and disclosed a sensitivity analysis to demonstrate the impact of changes to certain key assumptions.<br><br>The Company engaged BDO Corporate Finance (WA) Pty Ltd to perform a review engagement in relation to the financial information disclosed in the Prospectus, including the Directors' best-estimate assumptions underlying the prospective financial information and sensitivity analysis. |

## Remuneration Report

This Remuneration Report, which forms part of the Directors' Report, outlines the key management personnel remuneration arrangements of the Company and the Consolidated Entity in accordance with the requirements of the *Corporations Act 2001* (the **Corporations Act**) and its regulations. This information has been audited as required by section 308(3C) of the Corporations Act.

The Remuneration Report is structured as follows:

1. Key Management Personnel
2. Remuneration Overview for FY18
3. Remuneration Governance
4. Executive Remuneration Arrangements
   a. Remuneration Principles and Strategy
   b. Performance Linked Remuneration and Details of Incentive Plans
   c. Approach to Setting Remuneration
   d. Executive Remuneration Outcomes and Link to Performance
   e. Executive Service Agreements
5. Non-Executive Director Remuneration Arrangements
6. Remuneration of Key Management Personnel
7. Additional Statutory Disclosures.

Key management personnel of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly, including any Director (whether Executive or otherwise) of the Company (as per AASB 124 *Related Party Disclosures*) (**KMP**).

For the purposes of this report, the term "executive" includes the Managing Director and other key executives of the Consolidated Entity.

## 1. Key Management Personnel

The following were key management personnel of the Consolidated Entity at any time during the financial year and unless otherwise indicated were key management personnel for the entire financial year:

### Executive Director

Mr Michael Arnold AM, Managing Director

### Non-Executive Directors

Mr Christopher Wharton, Independent Non-Executive Chairman
Mr Giovanni (John) Groppoli, Non-Executive Director (appointed 30 June 2018)
Mr Jamie Boyton. Non-Executive Director (resigned 30 June 2018)

### Key Executives

Mr Luke Cruskall, Chief Operating Officer (appointed 9 April 2018)
Mr Brendan Rossiter, Chief Financial Officer

## 2. Remuneration Overview for FY18

The following provides an overview of Stealth's remuneration framework for Executives and a summary of outcomes for the financial year ended 30 June 2018.

| Remuneration component | Overview |
|---|---|
| Fixed remuneration | In FY18, fixed remuneration was increased for the Chief Financial Officer by $30,000 effective from 1 April 2018. This was done in recognition of additional responsibilities and involvement in the transition of the Company to a listed company environment. With effect from 1 July 2018, that executive will receive a further increase in fixed remuneration of $20,000 to align the remuneration with the median level for comparative roles. |
| Short-term incentives (**STI**) | STI measures are determined using financial and non-financial targets established at the commencement of each financial year. The financial targets are in a range from threshold to stretch measured against defined Revenue and EBIT performance. The FY18 outcomes for financial targets did not produce any payments for the threshold opportunity (Financial Year ended 30 June 2017 "FY17": nil). The FY18 outcomes for non-financial targets provided a discretionary payment to one Key Executive of $4,500. (FY17: nil). |
| Long-term incentives (**LTI**) | The Company did not issue any incentives under the LTIP during FY18 and will not issue any incentives under the LTIP during Financial Year ended 30 June 2019 "FY19". |
| Total remuneration | In FY18, total remuneration was $840,785, an increase of 67% over FY17 (see table on page 22 of the Annual Report), reflecting new appointments made by the Company in preparation for the IPO. |

## 3. Remuneration Governance

### Remuneration and Nomination Committee

The Remuneration and Nomination Committee reviews and approves the remuneration policy to enable the Company to attract and retain Executives and Directors who will create value for shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity. The Committee is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed. If necessary, the Remuneration and Nomination Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the strategic and business objectives of the Consolidated Entity.

Further information on the Remuneration and Nomination Committee's role, responsibilities and membership are set out in the Corporate Governance Statement.

### Use of Remuneration Consultants

To ensure the Remuneration and Nomination Committee is fully informed when making remuneration decisions, it seeks external remuneration advice from time to time. When engaged, remuneration consultants are appointed by, and report directly to, the Committee.

During FY18, Stealth engaged remuneration consultants to provide assistance with documenting incentive design, developing incentive structure and document management. No 'remuneration recommendations' as defined in the Corporations Act were provided by the remuneration consultants.

## 4. Executive Remuneration Arrangements

Remuneration for Executives is set out in employment agreements.

Executive Directors may receive performance related remuneration but do not receive any retirement benefits, other than statutory superannuation.

### (a) Remuneration Principles and Strategy

The remuneration structures explained below are competitively set to attract and retain suitably qualified and experienced candidates, reward the achievement of strategic and business objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segment's performance;
- the Consolidated Entity's performance including:
  - the Consolidated Entity's earnings and financial position; and
  - subsequent to the ASX-listing, the growth in share price and returns on shareholder wealth.

The following table illustrates how the Company's remuneration strategy aligns with strategic direction and links remuneration outcomes to performance.

| Remuneration component | Vehicle | Purpose | Link to performance |
|---|---|---|---|
| Fixed remuneration | Fixed remuneration consists of base remuneration as well as statutory superannuation and other benefits including motor vehicle allowances and income protection insurance, and the Consolidated Entity pays fringe benefits tax on these benefits, where applicable. | To provide competitive fixed remuneration for key executives determined by the scope of their position and the knowledge, skill and experience required to perform the role. | Company and individual performance are considered during the annual remuneration review. |
| STI | 'At risk' bonus provided in the form of cash. | Rewards executives for their contribution to achievement of a range of financial and non-financial business outcomes, as well as individual objectives. | Consolidated Entity Net Profit Before Tax is the key financial metric, other than for the Managing Director whose STIs are based on Consolidated Entity Net Profit After Tax. |
| LTI | Awards are made in the form of options over ordinary shares or as an 'at risk' bonus provided in the form of performance rights in the Company. Performance rights do not attract dividends or voting rights. | Acts as a tool for retention of the executive and encourages the executive to take a long-term view of Consolidated Entity performance. | Vesting conditions and performance measures will be set by the Board each year but LTIs will not be offered in FY19 (FY18: nil). |

### (b) Performance Linked Remuneration and Details of Incentive Plans

#### Short-term incentive plan

Stealth operates an annual short-term incentive plan (**STIP**) for certain key employees. Under the proposed STIP, participants have an opportunity to receive a cash incentive payment determined by the Board up to a cap of a percentage of their fixed annual remuneration each year, conditional on achievement of financial and non-financial performance criteria. The financial criteria will relate to the financial performance of the Consolidated Entity and the participant's performance against budget and the non-financial criteria will relate to achievement of team and individual key performance indicators (**KPIs**). The measures are chosen as they directly align the individual's reward to the KPIs of the Consolidated Entity and to its strategy and performance.

The performance measures against which each participant's STI is assessed and their relative weightings will be tailored to a participant's role and will be set by the Board each year. Certain minimum conditions set by the Board must be met to receive a payment.

Specific financial performance targets are set for delivery of financial performance outcomes from threshold to stretch performance. STI financial targets are generally specific profit measures aligned to the overall Consolidated Entity's profit result for the Managing Director and key management personnel and to segment performance for certain other employees. This approach ensures the quantum of STIs earned and paid to any individual is directly driven by a financial performance metric relevant to that person's role. The total amount of STIs paid in a financial year is directly linked to the overall financial performance for that year. Actual performance is determined based on audited financial results and for non-financial criteria, internally reviewed management reports.

The non-financial criteria are measured with reference to an assessment against a range of measures. The measures (and their intended objectives) are as follows:

| Non-financial measure | Overview and objective |
|---|---|
| Strategic | • KPIs aligned to delivery of strategic plan and initiatives |
| Business development | • Effective integration of acquisitions and alignment to target objectives<br>• Growth in customers, suppliers, product range, network partnerships |
| Stakeholder relationships | • Management of external relationships (manufacturers, partners, distributors, suppliers)<br>• KPIs aligned to customer relationships and successful business outcomes |
| People management | • KPIs aligned to compliance with and promotion of the Company's values, policies and behaviours |
| Expense management | • Expense management targets are set<br>• KPIs aligned to the achievement of budget and identify and implement of strategies to reduce costs |
| Compliance and reporting | • Specific measures surrounding compliance with policies and adherence with regulatory requirements |

At the end of the financial year and subsequent to the completion of the year-end audit, the Remuneration and Nomination Committee and Board of Directors assess the performance of the Consolidated Entity, the relevant segment and individual against the performance criteria set. If it is determined that the performance criteria have been reached, the Remuneration and Nomination Committee recommends the STI to be paid to the individuals for approval by the Board. The Board of Directors at its sole discretion can also approve STI payments to key employees for other non-financial performance-based outcomes as determined from time to time. Discretionary payments may be awarded either during the financial year or at the end of the financial year.

Participation in the STIP in a particular financial year does not give rise to any entitlement to participate in the arrangement for future years, any replacement arrangement or any other incentive plan which the Consolidated Entity may have in place.

**STI awards granted in FY18**
The Company granted one award to one executive during FY18 of $4,500 (FY17: nil).

**STI awards that may be earned in FY19**
The Board has set financial performance criteria under the STIP for the key management personnel (other than the Managing Director) for FY19, being a target hurdle of 115% of Consolidated Entity Net Profit Before Tax. In addition, subject to the achievement of the FY19 financial performance criterion, the Board has set various specific objectives within the control of the individual and aligned to the strategy and performance of the Consolidated Entity as non-financial performance criteria.

If the performance criteria hurdle is met then, a total of up to $100,000 may be awarded to the key management personnel under the STIP for FY19 which will be payable during the following financial year if the financial and non-financial performance criteria are met.

### Long-term incentive plan

The Company proposes to adopt a long-term incentive plan (**LTIP**) in order to assist in the motivation and retention of key employees. The LTIP is designed to align the interests of eligible employees more closely with the interests of shareholders by providing an opportunity for eligible employees to receive an equity interest in the Company.

Under the LTIP, eligible employees may be offered options and/or performance rights which may be subject to vesting conditions set by the Board, up to a limit calculated as a percentage of their fixed annual remuneration each year, conditional on achievement of stipulated performance criteria.

The performance measures against which each participant's LTI is assessed and their relative weightings will be set by the Board each year.

At the end of the financial year and subsequent to the completion of the year-end audit, the Remuneration and Nomination Committee and Board of Directors assess the performance of the Consolidated Entity, the relevant segment and individual against the KPIs set.

If it is determined a KPI has been reached, the Remuneration and Nomination Committee recommends the shares be issued to the individuals for approval by the Board. Performance rights and options may only be offered to Executive Directors subject to approval by shareholders in a general meeting.

**LTI awards granted in FY18**
The Company did not issue any incentives under the LTIP during FY18 (FY17: nil).

**LTI awards that may be earned in FY19**
The Company will not issue any incentives under the LTIP during FY19.

### (c) Approach to Setting Remuneration

In FY18, the executive remuneration framework consisted of fixed remuneration and STI and LTI as set out above. The Company aims to reward Executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the business and aligned with market practice. The Company's policy remuneration opportunities are intended to provide the opportunity to earn rewards for outstanding performance against threshold and stretch targets set.

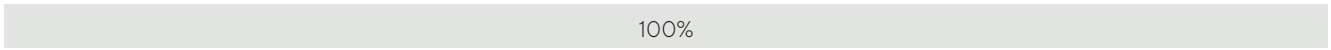
Remuneration levels are considered annually through a remuneration review that considers the performance of the Company and the individual, geographical reach and complexity, relevant market movements and trends and the broader economic environment.

#### Target remuneration mix for FY18

The following summarises the Managing Director's and Key Executives' target remuneration mix for the financial year ended 30 June 2018.

**Managing Director – Target remuneration mix**

**Key Executives – Target remuneration mix**




#### Target remuneration mix for FY19

The following summarises the Managing Director's and Key Executives target remuneration mix for the financial year ended 30 June 2019. The Board of Directors at its sole discretion, can also approve STI payments for other non-financial performance outcomes as determined from time to time. Discretionary payments may be awarded either during the financial year or at the end of the financial year.

**Managing Director – Target remuneration mix**

**Key Executives – Target remuneration mix (average)**

**Key:**

Fixed STI LTI

The target remuneration mix changes from year to year as personnel and targets evolve. The Company plans to offer LTI awards to key employees from FY20 and will set vesting conditions and performance criteria for those awards in FY19.

### (d) Executive Remuneration Outcomes and Link to Performance

#### Total Realised Earnings for FY18

The table below sets out the total realised earnings for each of the Executives for FY18 and FY17 and provides details of "actual" or "take-home" remuneration that Executives received during those years.

These earnings include cash payments for base salary and superannuation, non-cash other benefits and the full value of STI payments earned during the year ended 30 June 2018. The table will not include the accounting value of share-based payments (once awarded) because those share-based payments are dependent upon the achievement of performance criteria and so may or may not be realised.

Details of the remuneration received by each of the key management personnel prepared in accordance with statutory requirements and accounting standards (and including the accounting value of share-based payments) are set out on page 22 of the Annual Report.

### Total Realised Earnings of Executive for FY17 and FY18

| KMP | Year | Fixed remuneration $[3] | STI $ | LTI $ | Total remuneration $[4] |
|---|---|---|---|---|---|
| **Executive Director** | | | | | |
| Michael Arnold, Managing Director | 2018 | 413,672 | - | N/A | 413,672 |
| | 2017 | 411,513 | - | N/A | 411,513 |
| **Key Executives** | | | | | |
| Luke Cruskall, Chief Operating Officer[1] | 2018 | 54,085 | - | N/A | 54,085 |
| | 2017 | N/A | N/A | N/A | N/A |
| Brendan Rossiter, Chief Financial Officer[2] | 2018 | 173,528 | 4,500 | N/A | 178,028 |
| | 2017 | 84,062 | N/A | N/A | 84,062 |

*Note:*

*1. Appointment Date: 9 April 2018.*

*2. Appointment Date: 28 November 2016.*

*3. Fixed remuneration includes base salary, superannuation and other benefits. STI amount was the payment of a bonus at the discretion of the Managing Director.*

*4. This table discloses non-International Financial Reporting Standard information.*

### Consolidated Entity Performance and its Link to Short-Term Incentives

In assessing the above key performance indicators, the Directors note that the Consolidated Entity has yet to record a sustainable net profit or pay a dividend. Consequently, as the overall level of key management personnel's compensation takes into account the performance of the Consolidated Entity, that overall level has remained relatively unchanged, other than the increase or decrease in compensation levels due to the appointment, responsibility or resignation of key management personnel.

**Financial performance measures for FY18**

The FY18 financial performance measures were Consolidated Entity Net Profit Before Tax for Executives and Consolidated Entity Net Profit After Tax for the Managing Director. No STI was considered in FY18.

**Non-financial performance measures for FY18**

No individual STI reward system for non-financial measures was set for the period FY18.

### Consolidated Entity Performance and its Link to Long-Term Incentives

The Company did not issue any incentives under the LTIP during FY18 (FY17: nil) and the Company will not issue any incentives under the LTIP during FY19. The Company plans to offer LTI awards to key employees from FY20 and will disclose the performance measures which drive LTI vesting in the Remuneration Report in the 2020 Annual Report.

### Proportion of Remuneration Linked to Performance

The relative proportion of remuneration that is fixed and variable (linked to performance) is as follows:

| KMP | Year | Fixed remuneration % | At risk - STI % | At risk - LTI % |
|---|---|---|---|---|
| **Executive Director** | | | | |
| Michael Arnold, Managing Director | 2018 | 50% | 50% | N/A |
| | 2017 | 50% | 50% | N/A |
| **Key Executives** | | | | |
| Luke Cruskall, Chief Operating Officer[1] | 2018 | 100% | N/A | N/A |
| | 2017 | N/A | N/A | N/A |
| Brendan Rossiter, Chief Financial Officer[2] | 2018 | 100% | N/A | N/A |
| | 2017 | 100% | N/A | N/A |

*Note:*

*1. Appointment Date: 9 April 2018.*

*2. Appointment Date: 28 November 2016.*

## (e) Executive Service Agreements

Remuneration and other terms of employment for key management personnel are formalised in employment agreements.

**Executive Service Agreements for FY18**

A summary of the key contractual provisions of the executive service agreements for each of the Executives as at 30 June 2018 is set out below:

| Name and job title | Commencement Date | Contract duration | Notice period | Termination provision |
|---|---|---|---|---|
| Michael Arnold, Managing Director | 1 March 2014 | Ongoing contract | 6 months (Executive or Company) | At the sole discretion of the Company as to whether any STI is payable on termination. |
| Luke Cruskall, Chief Operating Officer | 9 April 2018 | Ongoing contract | 90 days (Executive or Company) | At the sole discretion of the Company as to whether any STI is payable on termination. |
| Brendan Rossiter, Chief Financial Officer | 28 November 2016 | Ongoing contract | 30 days (Executive or Company) | At the sole discretion of the Company as to whether any STI is payable on termination. |

**Executive Service Agreements for FY19**

A summary of the key contractual provisions of the executive service agreements for each of the Executives in place during the financial year ending 30 June 2019 is set out below:

| Name and job title | Commencement Date | Contract duration | Notice period | Termination provision |
|---|---|---|---|---|
| Michael Arnold, Managing Director | 1 July 2018 | Ongoing contract | 12 months (Executive or Company) | Without cause: Must be employed at 30 September in the year of payment to be eligible to receive STI. All vested and unexercised LTI can be exercised in accordance with the rules of the LTIP.<br>With cause: STI is not awarded, and unvested LTI will lapse. |
| Luke Cruskall, Chief Operating Officer | 25 July 2018 | Ongoing contract | Executive: 3 months<br>Company: 6 months (additional 2 months should termination occur in November or December) | Without cause: Must be employed at 30 September in the year of payment to be eligible to receive STI. All vested and unexercised LTI can be exercised in accordance with the rules of the LTIP.<br>With cause: STI is not awarded, and unvested LTI will lapse.<br>At the ultimate discretion of the Company as to whether any STI or LTI is payable on termination. |
| Brendan Rossiter, Chief Financial Officer | 25 July 2018 | Ongoing contract | Executive: 3 months<br>Company: 6 months (additional 2 months should termination occur in November or December) | Without cause: Must be employed at 30 September in the year of payment to be eligible to receive STI. All vested and unexercised LTI can be exercised in accordance with the rules of the LTIP.<br>With cause: STI is not awarded, and unvested LTI will lapse.<br>At the ultimate discretion of the Company as to whether any STI or LTI is payable on termination. |

## Executive Service Agreements - Mr Michael Arnold

**FY18**

As at 30 June 2018, the Managing Director, Mr Michael Arnold, was employed under an ongoing contract which could be terminated with six months written notice by either party.

Mr Arnold's total remuneration package for FY18 is as follows:

- Base salary of $357,000 (excluding statutory superannuation) per annum;
- Allowance of $18,000
- Other non-monetary benefits $13,672;
- Target STI opportunity is 50% of base salary payable in cash.

**FY19**

With effect from 1 July 2018, the Managing Director, Mr Michael Arnold, is employed under an ongoing contract which can be terminated with twelve months written notice by either party.

Mr Arnold's total remuneration package for FY19 is as follows:

- Base salary of $360,000 (excluding statutory superannuation) per annum;
- Allowance of $29,000;
- Eligible to participate in the Company's STIP (at sole board discretion);
- Eligible to participate in the Company's LTIP, subject to receiving any required or appropriate shareholder approval.

The Executive Service Agreements otherwise contain terms and conditions considered standard for an agreement of this nature.

## 5. Non-Executive Director Remuneration Arrangements

### Remuneration Policy

In accordance with best practice corporate governance, the structure of Non-Executive Directors' remuneration is clearly distinguished from that of Executives.

The total maximum remuneration of Non-Executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The current aggregate Non-Executive Director fee pool has been set at $450,000 per annum.

In addition, a Director may be paid fees or other amounts (subject to any necessary shareholder approval, non-cash performance incentives such as options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

Non-Executive Directors do not receive any retirement benefits, nor do they receive any performance related compensation.

### Level of Non-Executive Directors' Fees

#### Non-Executive Directors' Fees for FY18

The level of Non-Executive Directors' fees as at 30 June 2018 were as follows:

| Name | Non-Executive Directors' fees | Chair of Committee fees |
|---|---|---|
| Mr Christopher Wharton | $70,000 per annum | Not applicable |
| Mr Giovanni (John) Groppoli[1] | $55,000 per annum[2] | $10,000 per annum[2] |
| Mr Jamie Boyton[3] | $125,000[4] | Not applicable |

*Notes:*

*1. Appointment Date: 30 June 2018*

*2. Excludes statutory superannuation*

*3. Resignation Date: 30 June 2018*

*4. A total one-off payment of $125,000 Non-Executive Directors' fees has been recognised in the 2018 financial year in respect of fees accrued for the 4 years that Mr Boyton served as a director of the Company and SAAC International Pte Limited (a Singapore company), the entity that previously owned the Consolidated Entity.*

#### Non-Executive Directors' Fees for FY19

The level of Non-Executive Directors' fees for the financial year ending 30 June 2019 will be as follows[1]:

| Name | Non-Executive Directors' fees | Chair of Committee fees |
|---|---|---|
| Mr Christopher Wharton | $73,000 per annum[2] | Not applicable |
| Mr Giovanni (John) Groppoli | $55,000 per annum | $10,000 per annum |
| Mr Peter Unsworth[3] | $55,000 per annum | $10,000 per annum |

*Notes:*

*1. Excludes statutory superannuation*

*2. Effective from 20 July 2018*

*3. Appointment Date: 3 July 2018.*

### Non-Executive Directors Appointment Letters

The Company has entered into letters of appointment with each of the Non-Executive Directors pursuant to which, each of the above-mentioned parties are appointed as Non-Executive Directors of the Company and from then on, subject to the Constitution relating to retirement by rotation and re-election of Directors. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

## 6. Remuneration of Key Management Personnel

### Remuneration for FY18

| | Short-Term Employment Benefits | | | Post-Employment benefits | Long-Term Employment Benefits (accounting valuation) | | | |
|---|---|---|---|---|---|---|---|---|
| 2018 | Base salary, fees & allowances $ | Bonuses earned and payable $ | Other non-monetary benefits $ | Superannuation $ | Long service leave $ | Share-based payments (accrued) $ | Share-based payments (vested) | Total $ |
| **Non-Executive Directors** | | | | | | | | |
| Mr C Wharton | 70,000 | - | - | - | - | - | - | 70,000 |
| Mr J Boyton[1,2] | 125,000 | - | - | - | - | - | - | 125,000 |
| **Total Non-Executive Directors** | **195,000** | **-** | **-** | **-** | **-** | **-** | **-** | **195,000** |
| **Executive Director** | | | | | | | | |
| Mr M Arnold | 375,000 | - | 13,762 | 25,000 | - | - | - | 413,762 |
| **Total Executive Director** | **375,000** | **-** | **13,762** | **25,000** | **-** | **-** | **-** | **413,762** |
| **Other KMP** | | | | | | | | |
| Mr L Cruskall[3] | 49,749 | - | - | 4,336 | - | - | - | 54,085 |
| Mr B Rossiter[4] | 157,806 | 4,500 | 320 | 15,402 | - | - | - | 178,028 |
| **Total Other KMP** | **207,555** | **4,500** | **320** | **19,738** | **-** | **-** | **-** | **232,113** |
| **Total KMP** | **777,555** | **4,500** | **14,082** | **44,738** | **-** | **-** | **-** | **840,785** |

*Note:*

*1. A total of $125,000 of Non-Executive Directors' fees has been recognised in the 2018 financial year in respect of fees accrued for the 4 years that Mr Boyton served as a director of the Company and SAAC International Pte Limited (a Singapore company), the entity that previously owned the Consolidated Entity.*

*2. Resignation Date: 30 June 2018*

*3. Appointment Date: 9 April 2018.*

*4. Managing Director discretion used to declare and pay bonus.*

### Remuneration for FY17

| | Short-Term Employment Benefits | | | Post-Employment benefits | Long-Term Employment Benefits (accounting valuation) | | | |
|---|---|---|---|---|---|---|---|---|
| 2017 | Base salary, fees & allowances $ | Bonuses $ | Other benefits $ | Superannuation $ | Long service leave $ | Share-based payments (accrued) $ | Share-based payments (vested) | Total $ |
| **Non-Executive Directors** | | | | | | | | |
| Mr C Wharton[1] | 3,500 | - | - | - | - | - | - | 3,500 |
| Mr P Roberts[2] | 5,778 | - | - | - | - | - | - | 5,778 |
| Mr J Boyton | - | - | - | - | - | - | - | - |
| **Total Non-Executive Directors** | **9,278** | **-** | **-** | **-** | **-** | **-** | **-** | **9,278** |
| **Executive Director** | | | | | | | | |
| Mr M Arnold | 372,427 | - | 14,090 | 24,996 | - | - | - | 411,513 |
| **Total Executive Director** | **372,427** | **-** | **14,090** | **24,996** | **-** | **-** | **-** | **411,513** |
| **Other KMP** | | | | | | | | |
| Mr B Rossiter[3] | 76,769 | - | - | 7,293 | - | - | - | 84,062 |
| **Total Other KMP** | **76,769** | **-** | **-** | **7,293** | **-** | **-** | **-** | **84,062** |
| **Total KMP** | **458,474** | **-** | **14,090** | **32,289** | **-** | **-** | **-** | **504,853** |

*Note:*

*1. Appointment Date: 13 June 2017*

*2. Appointment Date: 24 October 2016, Resignation Date: 13 June 2017*

*3. Appointment Date: 28 November 2016.*

## 7. Additional Statutory Disclosures

### Key Management Personnel Equity Holdings

**Fully paid ordinary shares (prior to subdivision that occurred 20 July 2018)**

| Director | Held at 1 Jul 2017 | Held at date of appointment | Purchases/ (Sales) | Granted as remuneration | Other changes | Held at date of resignation | Held at 30 Jun 2018 |
|---|---|---|---|---|---|---|---|
| Mr C Wharton | - | - | - | - | - | - | - |
| Mr M Arnold[1] | 5,000 | - | - | - | - | - | 5,000 |
| Mr G Groppoli[2] | N/A | 526 | - | - | - | - | 526 |
| Mr J Boyton[3] | 2,500 | - | - | - | - | 2,500 | N/A |

| Director | Held at 24 Oct 2016[5] | Held at date of appointment | Purchases/ (Sales) | Granted as remuneration | Other changes[4] | Held at date of resignation | Held at 30 Jun 2017 |
|---|---|---|---|---|---|---|---|
| Mr C Wharton | N/A | - | - | - | - | - | - |
| Mr M Arnold[1] | 75 | - | (2,500) | - | 7,425 | - | 5,000 |
| Mr J Boyton[3] | 25 | - | - | - | 2,475 | - | 2,500 |
| Mr P Roberts | N/A | - | - | - | - | - | - |

| Other KMP | Held at 1 Jul 2017 | Held at date of appointment | Purchases/ (Sales) | Granted as remuneration | Other changes | Held at date of resignation | Held at 30 Jun 2018 |
|---|---|---|---|---|---|---|---|
| Mr L Cruskall | N/A | N/A | - | - | - | - | - |
| Mr B Rossiter | - | | - | - | - | - | - |

| Other KMP | Held at 24 Oct 2016[5] | Held at date of appointment | Purchases/ (Sales) | Granted as remuneration | Other changes | Held at date of resignation | Held at 30 Jun 2017 |
|---|---|---|---|---|---|---|---|
| Mr B Rossiter | N/A | - | - | - | - | - | - |

*Note:*

*1. Shares held by Sorrento200 Holdings Pty Ltd as trustee for the Sorrento200 Holdings Trust. Mr Arnold is a director and shareholder of the trustee and a beneficiary of the trust.*

*2. Shares held by Giovanni (John) Groppoli as trustee for The Milo Trust. Mr Groppoli is a beneficiary of the trust.*

*3. Shares held by Capital Drilling Mauritius Ltd, a subsidiary of Capital Drilling Ltd. Mr Boyton is a shareholder and director of Capital Drilling Ltd*

*4. On 21 April 2017, the Company completed a subdivision of 100 Shares into 10,000 Shares in accordance with shareholder approval obtained on that date.*

*5. The Company was incorporated on 24 October 2016.*

No options were issued to or exercised by key management personnel during the year.

### Other Key Management Personnel Transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The related party transactions with Key Management Personnel are set out below.

| | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|
| During the year the Consolidated Entity sold goods and services to Capital Drilling an entity which Jamie Boyton is a Director | 19,414,220 | 14,947,799 |
| Trade and other receivables owing to the Consolidated Entity from Capital Drilling, an entity which Jamie Boyton is a Director, as at end of the year | 2,678,536 | 4,231,752 |
| Customer prepayment from Capital Drilling an entity Jamie Boyton is a Director | 268,956 | 682,839 |
| During the year the Company engaged Glen Forrest Pty Ltd, in which John Groppoli is a Director, to provide consulting services, John Groppoli was only appointed a Director on 30 June 2018 | 40,400 | - |
| Trade and other payables owing to Glen Forrest Pty Ltd, in which John Groppoli is a Director, from the Company as at end of the year | 5,940 | - |
| Final Instalment of purchase price of AWS acquisition owing to Milners Pty Ltd an entity in which John Groppoli is a Director | - | 25,000 |
| Deferred Settlement of share buy-back owing to Jamie Armitage a Director of Stealth Industries Sdn Bhd | 271,248 | 284,701 |

The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

### Share-Based Compensation

There were no share-based compensation transactions during the year. No options were issued to or exercised by key management personnel during the year.

### Loans to Key Management Personnel

There were no loans to key management personnel during the year.

**This concludes the Remuneration Report, which has been audited.**

## 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 its current auditors, Bentleys Audit & Corporate (WA) Pty Ltd.

### Insurance premium

The Company paid a premium, during the year in respect of a director and officer liability insurance policy, insuring the Directors of the Group, the Company Secretary, and executive officers of the Group against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Director's and officers' liability and legal expenses' insurance contracts as such disclosure is prohibited under the terms of the contract.

## Proceedings on behalf of the Company

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

## Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (Bentleys Audit & Corporate (WA) Pty Ltd) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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

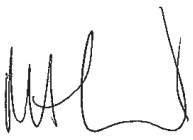
| | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|
| **Non-audit services:** | | |
| – preparation of general purpose report by Bentleys Audit & Corporate (WA) Pty Ltd | - | 4,703 |
| **Total remuneration for non-audit services** | - | 4,703 |

## Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307C of the Corporations Act is set out on page 74.

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

On behalf of the Directors



**Michael Arnold**
*Group Managing Director*
Perth, 28 September 2018

# Annual Financial Report

## Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2018

| | Notes | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|---|
| **Continuing Operations** | | | |
| Sales Revenue | | 23,073,543 | 17,015,186 |
| Service Revenue | | 380,871 | 620,488 |
| Cost of sales | | (19,123,736) | (13,777,810) |
| **Gross Profit** | | **4,330,678** | **3,857,864** |
| Other income | 3 | 87,524 | 31,563 |
| Share of Profits of Joint Venture | | 1,755 | 3,067 |
| Personnel Expenses | | (2,817,574) | (2,402,105) |
| Occupancy Expenses | | (241,569) | (238,456) |
| Motor Vehicle Expenses | | (20,912) | (22,314) |
| Depreciation and Amortisation Expense | 3 | (91,805) | (120,054) |
| Net Gain on Disposal of Property, Plant and Equipment | | 1,058 | 7,087 |
| Finance Costs | | (20,035) | (5,449) |
| Transaction Costs | 3 | (477,826) | - |
| Administration Expenses | | (1,264,884) | (1,038,322) |
| **Profit/(Loss) from continuing operations before tax** | | (513,590) | 72,881 |
| Income tax(expense)/revenue | 5 | 16,583 | (53,125) |
| **PROFIT/(LOSS) FOR THE YEAR** | | **(497,007)** | **19,756** |
| **Other comprehensive income** | | | |
| Foreign currency translation differences | | 36,232 | (6,001) |
| Other comprehensive income for the year, net of income tax | | (460,775) | 13,755 |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | | **(460,775)** | **13,755** |

## Consolidated Statement of Profit or Loss and Other Comprehensive Income (Cont'd)

For the Year Ended 30 June 2018

| | | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|---|
| **Profit/(Loss) for the year attributable to:** | | | |
| Owners of the Company | | (497,007) | 19,756 |
| Non-controlling interests | | - | - |
| | | (497,007) | 19,756 |
| **Total comprehensive income/(loss) for the year attributable to:** | | | |
| Owners of the Company | | (460,775) | 13,755 |
| Non-controlling interest | | - | - |
| | | (460,775) | 13,755 |
| **Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:** | | | |
| Basic earnings per share | 6 | (47.22) | 1.95 |
| Diluted earnings per share | 6 | (47.22) | 1.95 |
| **Earnings per share for profit attributable to the ordinary equity holders of the company:** | | | |
| Basic earnings per share | 6 | (47.22) | 1.95 |
| Diluted earnings per share | 6 | (47.22) | 1.95 |

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 2018

| | Note | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 7 | 265,585 | 84,934 |
| Trade and other receivables | 8 | 3,793,726 | 4,714,496 |
| Inventories | 9 | 332,325 | 309,117 |
| Other assets – current | 10 | 122,185 | 144,558 |
| Total Current Assets | | 4,513,821 | 5,253,105 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 11 | 156,980 | 176,457 |
| Goodwill | 12 | 463,652 | 463,762 |
| Deferred tax assets | 5 | 281,782 | 142,451 |
| Investments in joint ventures | | 6,003 | 45,563 |
| Other assets - non current | 10 | 250,000 | 9,912 |
| Total Non-Current Assets | | 1,158,417 | 838,145 |
| **TOTAL ASSETS** | | 5,672,238 | 6,091,250 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 13 | 5,575,843 | 4,761,718 |
| Current tax liabilities | 5 | 12,246 | 136,892 |
| Financial Liabilities - current | 14 | 550,096 | 676,208 |
| Provisions | 15 | 61,659 | 49,877 |
| Other Liabilities | 16 | - | 25,000 |
| Total Current Liabilities | | 6,199,844 | 5,649,695 |
| **NON-CURRENT LIABILITIES** | | | |
| Financial Liabilities - non current | 14 | 30,556 | 291,332 |
| Deferred Tax Liabilities | 5 | 17,125 | 33,651 |
| Total Non-Current Liabilities | | 47,681 | 324,983 |
| **TOTAL LIABILITIES** | | 6,247,525 | 5,974,678 |
| **NET ASSETS** | | **(575,287)** | **116,572** |
| **EQUITY** | | | |
| Issued capital | 17 | 118,340 | 349,424 |
| Accumulated funds | 18 | (745,111) | (248,104) |
| Foreign Exchange Translation Reserve | 17 | 51,484 | 15,252 |
| **TOTAL EQUITY** | | **(575,287)** | **116,572** |

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 2018

| | Note | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 24,540,722 | 15,912,545 |
| Payment to suppliers | | (23,341,154) | (15,656,270) |
| Interest Paid | | (11,751) | (5,449) |
| Income tax paid | | (211,367) | (46,391) |
| **Net cash provided by operating activities** | 25 | 976,450 | 204,435 |
| **Cash flows from investing activities** | | | |
| Payments for plant & equipment | | (72,328) | (110,096) |
| Proceeds from the sale of plant & equipment | | 1,058 | 65,786 |
| Investment in joint venture | | - | (45,563) |
| Proceeds on exit of joint venture | | 41,314 | - |
| Interest received | | 1,659 | 1,972 |
| Deposit Paid | | (250,000) | - |
| Net cash outflow on acquisition of subsidiary | | (25,000) | (173,846) |
| **Net cash (used in) / provided by investing activities** | | (303,297) | (261,747) |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of shares | | - | 31,652 |
| Payments for capital raising | | (100,661) | - |
| Payments for share buybacks | | - | (367,383) |
| Proceeds from financial liabilities | | 290,128 | - |
| Repayment of financial liabilities | | (681,969) | (424,230) |
| **Net cash used in financing activities** | | (492,502) | (759,961) |
| Net (decrease)/increase in cash and cash equivalents | | 180,651 | (817,273) |
| Cash and cash equivalents at the beginning of the year | | 84,934 | 904,679 |
| Effect of fluctuation on cash held | | - | (2,472) |
| **Cash and cash equivalents at the end of the year** | 7 | 265,585 | 84,934 |

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 2018

| | Issued Capital $ | Reserves $ | Accumulated Losses $ | Non-controlling Interests | Total $ |
|---|---|---|---|---|---|
| **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 | - | 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** |
| **Balance as at 1 July 2017** | 349,424 | 15,252 | (248,104) | - | 116,572 |
| Profit for the year | - | - | (497,007) | - | (497,007) |
| Other comprehensive income for the year | - | 36,232 | - | - | 36,232 |
| Total comprehensive income for the year | - | 36,232 | (497,007) | - | (460,775) |
| Issue of ordinary shares | | | | | |
| Share issue costs | (231,084) | - | - | - | (231,084) |
| **Balance as at 30 June 2018** | **118,340** | **51,484** | **(745,111)** | **-** | **(575,287)** |

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

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Stealth Global Holdings Ltd ("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 2018 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 28 September 2018.

*(ii) Going concern*

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.
The Group incurred a loss for the year end 30 June 2018 of $497,007 (2017: $19,756 profit) and had a working capital deficiency of $1,686,023 (2017: $396,590 deficit)

Since the end of the financial year, the Company has completed the following activities:

- On 7 September 2018, secured a two month temporary increase of $250,000 to the overdraft limit offered by ANZ Bank, and
- On 27 September 2018 the Company successfully completed an initial public offering (IPO) and issued 62,500,000 fully paid ordinary shares (Shares) at an issue price of $0.20 per Share to raise $12,500,000 (before costs).

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

*(iii) 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.

*(iv) Functional and presentation currency*

The consolidated financial statements of the Consolidated Entity are presented in Australian dollars, which is also it's the functional currency.

*(v) 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.

## 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)*

In addition, the following new Accounting Standard has been early adopted:

*AASB 9 Financial Instruments*

The Consolidated Entity has early adopted AASB 9 Financial Instruments from 1 July 2017 which resulted in changes in accounting policies. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI').

For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

The adoption of these new accounting policies did not have any significant impact on the financial performance or position of the Consolidated Entity during the period and did not require retrospective adjustments.

**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 2018, except as noted above. 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 15 Revenue from Contracts with Customers*

AASB 15 Revenue from Contracts with Customers is applicable to annual reporting periods beginning on or after 1 January 2018.When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

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 the 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.

The Consolidated Entity primarily generates revenue through the sale of retail products where the performance obligations are satisfied upon delivery. As such, the Consolidated Entity has assessed that this new standard will not have a material effect on the presentation of the Consolidated Entity's financial statements.

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

### (a) Basis of preparation (cont'd)

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

*AASB 16 Leases*

AASB 16 Leases was issued in February 2016 and is applicable to annual reporting periods beginning on or after 1 January 2019 and has not been early adopted by the Consolidated Entity. The standard replaces AASB 117 Leases and will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. The only exceptions are short-term and low value leases.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. EBITDA results will be improved as the operating expense is replaced by interest expense and depreciation in the profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal and interest component.

The standard will affect primarily the accounting for the Consolidated Entity's operating leases, which include a number of property leases in Australia and Malaysia and operating leases on motor vehicles and office equipment.

Operating cash flows will increase under AASB 16 as the element of cash paid attributable to the repayment of principal will be included in financing cash flow. The new increase/decrease in cash and cash equivalents will remain the same.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the standard to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. The Board has not yet decided on the method to be applied when the standard is first adopted in its financial statements for the year ending 30 June 2020.

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

### (a) Basis of preparation (cont'd)

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

The table below shows the impact on the application of AASB 16 to the Consolidated Entity's historic pro forma financial statements for the years ended 30 June 2017 and 30 June 2018, had the new standard been adopted. In calculating the impact of the adoption of the standard, significant key estimates and judgements have been made. In considering the lease terms, the extension options available in the lease agreements and the expectation of exercising the options have been considered. Some of the lease agreements provide for an annual increase in lease payments based on future CPI. Interest rates implicit in the leases have been determined based on considering the Consolidated Entity's incremental borrowing rates where they cannot be readily determined from the lease agreements.

| | 2017 | | 2018 | |
|---|---|---|---|---|
| | *As originally presented* | *AASB 16* | *As originally presented* | *AASB 16* |
| **Statement of Financial Position (extract)** | | | | |
| **Assets** | | | | |
| Right of Use Asset | - | 352,033 | - | 253,272 |
| **Liabilities** | | | | |
| Lease Liability | - | 363,775 | - | 270,594 |
| Make Good Provision | - | 17,500 | - | 17,500 |
| **Statement of profit or loss and other comprehensive income (extract)** | | | | |
| Occupancy Expenses | 149,543 | - | 151,147 | - |
| Administration Expenses | 5,270 | - | 5,748 | - |
| Right of Use Asset Depreciation | - | 150,909 | - | 145,606 |
| Lease Liability Interest Expense | - | 19,046 | - | 16,868 |
| Make Good Interest Expense | - | 59 | - | - |
| **Total Expense** | 154,813 | 170,014 | 156,895 | 162,474 |

## 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.

*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.

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

### (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.

*Sale of goods*

Revenue from the sale of goods is recognised upon delivery of goods to customers or the customers nominated carriers 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.

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

### (g) Business Combination (cont'd)

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 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.

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

### (h) Business Combination (cont'd)

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.

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.

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

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

- *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 & Fittings | 5 years |
| Motor Vehicle | 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.

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.

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

### (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.

### (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.

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

### (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.

The requirements of AASB 9 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.

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

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

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 9. 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) Financial instruments

In FY2018 the Group early adopted and prospectively applied all the measurement and recognition requirements of AASB 9: Financial Instruments (December 2014), including consequential amendments to other standards, on 1 July 2017.

(i) *Classification of financial instruments*

The Group classifies its financial assets into the following measurement categories:

- those to be measured at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

The Group classifies its financial liabilities at amortised cost unless it has designated liabilities at fair value through profit or loss or is required to measure liabilities at fair value through profit or loss such as derivative liabilities.

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

### (r) Financial instruments (cont'd)

(ii) *Financial assets measured at amortised cost*

*Debt instruments*

Investments in debt instruments are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss model described below in note (iii) Impairment of financial assets.

Financial assets measured at amortised cost are included in cash and cash equivalents.

*i.Financial assets measured at fair value through other comprehensive income*

*Equity instruments*

Investment in equity instruments that are neither held for trading nor contingent consideration recognised by the Group in a business combination to which AASB 3 "Business Combination" applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by management.

Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

*ii.Items at fair value through profit or loss Items at fair value through profit or loss comprise:*

- items held for trading;
- items specifically designated as fair value through profit or loss on initial recognition; and
- debt instruments with contractual terms that do not represent solely payments of principal and interest.

Financial instruments held at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement as they arise.

Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

*Financial instruments held for trading*

A financial instrument is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

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

### (r) Financial instruments (cont'd)

*Financial instruments designated as measured at fair value through profit or loss*

Upon initial recognition, financial instruments may be designated as measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch or:

- if a host contract contains one or more embedded derivatives; or
- if financial assets and liabilities are both managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

(iii) *Impairment of financial assets*

The Group applies a three-stage approach to measuring expected credit losses (ECLs) for the following categories of financial assets that are not measured at fair value through profit or loss:

- debt instruments measured at amortised cost and fair value through other comprehensive income;
- loan commitments; and
- financial guarantee contracts.

No ECL is recognised on equity investments.

*Determining the stage for impairment*

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination are considered to have a low credit risk. The provision for doubtful debts for these financial assets is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement.

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

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

### (r) Financial instruments (cont'd)

(iv) *Recognition and derecognition of financial instruments*

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date. Loans and receivables are recognised when cash is advanced (or settled) to the borrowers.
Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs.

The Group derecognises a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

A financial liability is derecognised from the balance sheet when the Group has discharged its obligation or the contract is cancelled or expires.

(v) *Offsetting*

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

### (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.

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

### (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, note 5(d).

### (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.

### (w) Comparative figures

This report relates to the year ended 30 June 2018. Comparatives are for the year ended 30 June 2017.

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

### (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.

## 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*

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.

The carrying amount of goodwill at 30 June 2018 was $463,652 (30 June 2017: $463,762).

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

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

*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 unchanged.

*Taxation*

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of Directors. These estimates consider both the financial performance and position of the Company as they pertain to current income taxation legislation, and the Directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the Directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions. Refer Note 5 Income Tax.

## 2. OPERATING SEGMENTS

The Group results are reported as four business areas based on geographic regions, which are reviewed regularly by the Company's chief operating decision maker, the Board of Directors. The principal results reviewed for each area are revenue and adjusted operating profit.

Reportable segments are determined based on quantitative thresholds in accordance with AASB 8 Operating Segments. The business areas of Australia, UK and Corporate meet the quantitative thresholds for reportable segments and are therefore disclosed separately. The Rest of the World, comprising businesses in Asia which do not meet the quantitative thresholds for separate disclosure as reportable segments. The Rest of the World is therefore an 'other' segment that is disclosed as a reportable segment as this information is considered useful to users of the financial statements and it also helps to reconcile the results of the reportable segments to the Group's consolidated and business area results.

Unless stated otherwise, all amounts reported to the Board with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group. All intersegment transactions are eliminated on consolidation of the Group's financial statements. Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location. Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. The following items of revenue and expenses are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Income tax expense/(benefit)
- Finance expense

| | Australia $ | UK $ | Rest of the World $ | Corporate $ | Total $ |
|---|---|---|---|---|---|
| **Year ended 30 June 2018** | | | | | |
| **Revenue** | 21,571,630 | 1,870,375 | 12,409 | - | 23,454,414 |
| **Adjusted Operating profit/(loss)** | 1,100,403 | 160,449 | 3,274 | (653,791) | 610,335 |
| Growth Related Investment & Restructuring Expenditure | (288,418) | (312,441) | (25,205) | - | (626,064) |
| Transaction items (refer Note 3) | - | - | - | (477,826) | (477,826) |
| **Operating profit/(loss)** | 811,985 | (151,992) | (21,931) | (1,131,617) | (493,555) |
| Finance expense | | | | | (20,035) |
| **Reportable segment profit/(loss) before income tax** | | | | | (513,590) |
| Income Tax Benefit | | | | | 16,583 |
| **Profit after tax for the year** | | | | | (497,007) |
| Reportable segment assets | 4,374,064 | 508,914 | 300,924 | 488,336 | 5,672,238 |
| Reportable segment liabilities | 5,037,224 | 176,576 | 285,004 | 748,721 | 6,247,525 |
| Capital employed | (663,160) | 332,338 | 15,920 | (260,385) | (575,287) |
| Capital Expenditure | 60,312 | 1,467 | 11,134 | - | 72,913 |
| Depreciation and amortisation | 75,616 | 3,039 | 13,150 | - | 91,805 |

## 2. OPERATING SEGMENTS (cont'd)

| | Australia $ | UK $ | Rest of the World $ | Corporate $ | Total $ |
|---|---|---|---|---|---|
| **Year ended 30 June 2017** | | | | | |
| **Revenue** | 17,001,179 | 542,750 | 91,745 | - | 17,635,674 |
| **Adjusted Operating profit/(loss)** | 1,027,411 | 104,646 | (11,778) | (585,964) | 534,315 |
| Growth Related Investment & Restructuring Expenditure | (224,526) | (171,911) | (59,548) | - | (455,985) |
| Transaction items (refer Note 3) | - | - | - | - | - |
| **Operating profit/(loss)** | 802,885 | (67,265) | (71,326) | (585,964) | 78,330 |
| Finance expense | | | | | (5,449) |
| **Reportable segment profit/(loss) before income tax** | | | | | 72,881 |
| Income Tax Expense | | | | | (53,125) |
| **Profit after tax for the year** | | | | | 19,756 |
| | | | | | |
| Reportable segment assets | 5,350,749 | 262,152 | 395,114 | 83,235 | 6,091,250 |
| Reportable segment liabilities | 4,886,123 | 42,554 | 709,380 | 336,621 | 5,974,678 |
| Capital employed | 464,626 | 219,598 | (314,266) | (253,386) | 116,572 |
| | | | | | |
| Capital Expenditure | 116,574 | 7,865 | - | - | 124,439 |
| | | | | | |
| Depreciation and amortisation | 94,481 | 1,323 | 24,250 | - | 120,054 |

**Major Customer**
Revenues from the major customer for FY18 were $19,414,220 (2017: $14,947,799).

## 3. REVENUES AND EXPENSES

| | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|
| **(a) Other income** | | |
| Interest income | 1,659 | 1,972 |
| Cost Recovery Recharges | 1,402 | 16,890 |
| Freight Income | - | 11,878 |
| Other income | 84,463 | 823 |
| | 87,524 | 31,563 |
| **(b) Other expenses** | | |
| Doubtful debts | 12,000 | 5,500 |
| **(c) Employee benefits expense** | | |
| Wages and salaries costs | 2,474,891 | 1,933,607 |
| **(d) Depreciation and amortisation** | | |
| Depreciation of property, plant and equipment | 91,805 | 120,054 |
| **(e) Transaction Costs** | | |
| Pre-acquisition costs (Heatleys Group Holdings Pty Ltd) | 71,841 | - |
| Capital raising costs | 405,985 | - |
| | 477,826 | - |

## 4. AUDITOR'S REMUNERATION

| | | |
|---|---|---|
| **Audit services:** | | |
| - audit of financial reports by Bentleys Audit & Corporate (WA) Pty Ltd | 26,500 | 13,000 |

## 5. INCOME TAX

| | | |
|---|---|---|
| **(a) Income tax credit / (expense)** | | |
| Current tax | 77,228 | 99,135 |
| Deferred tax | (93,811) | (46,010) |
| | (16,583) | 53,125 |

## 5. INCOME TAX (cont'd)

| | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|
| **(b) Numerical reconciliation between tax benefit/(expense) and pre-tax net profit/(loss)** | | |
| Profit/(Loss) before income tax benefit | (513,590) | 72,881 |
| Income tax credit/(expense) calculated at 27.5% (2017: 30%) | 141,237 | (21,864) |
| Effect on amounts which are not tax deductible: | | |
| Non-deductible items | (28,731) | (6,436) |
| Foreign exchange gains and losses not subject to income tax | - | 289 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (14,755) | (25,114) |
| Effect of change in tax rate | (6,342) | - |
| Overprovision from prior year | 10,355 | - |
| De-recognition of deferred tax assets | (25,549) | - |
| Deferred tax not brought to account | (59,632) | - |
| Income tax credit / (expense) | 16,583 | (53,125) |
| **(c) Amounts recognised in other comprehensive income** | | |
| Exchange differences on translating foreign controlled entities: | | |
| Before-tax amount | 86,792 | (10,899) |
| Tax (Expense) / Benefit | (19,924) | 4,898 |
| Share issue costs: | | |
| Before-tax amount | 318,737 | - |
| Tax (Expense) / Benefit | (87,653) | - |
| Net of tax amount | 297,952 | (6,001) |
| **(d) Tax losses** | | |
| Unused tax losses for which no deferred tax asset has been recognised (as recovery is not probable) | 647,223 | - |
| Potential tax benefit | 145,000 | - |
| **(e) Unrecognised temporary differences** | | |
| Temporary differences for which deferred tax assets have not been recognised: | | |
| Fixed assets | (6,613) | - |
| Potential tax benefit | (990) | - |
| **(f) Current tax liabilities** | | |
| Income tax payable | 12,246 | 136,892 |

## 5. INCOME TAX (cont'd)

### (g) Deferred tax balances

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

| | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|
| **Deferred tax assets** | | |
| Receivables | 2,902 | 10,816 |
| Property, Plant & Equipment | 9,302 | 13,071 |
| Payables, accruals and provisions | 64,681 | 45,220 |
| Inter-company loan | 2,223 | 4,733 |
| Carried forward tax losses | 94,429 | 59,475 |
| Capital costs deductible over five years | 107,832 | - |
| Other items | 413 | 9,136 |
| | 281,782 | 142,451 |
| **Deferred tax liabilities** | | |
| Receivables | - | 28,543 |
| Inventory | - | 4,479 |
| Other items | 4,223 | 629 |
| Unrealised foreign exchange gains | 12,902 | - |
| | 17,125 | 33,651 |

### (h) Tax Rates

| | | |
|---|---|---|
| Australia | 27.5% | 30% |
| Singapore | 17% | 17% |
| Malaysia | 24% | 24% |
| United Kingdom | 19% | 19% |

## 6. EARNINGS PER SHARE

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **Basic earnings per share** | | |
| From continuing operations attributable to the ordinary equity holders of the company | (47.22) | 1.95 |
| From discontinued operations | - | - |
| Total basic earnings per share attributable to the ordinary equity holders of the company | (47.22) | 1.95 |
| **Diluted earnings per share** | | |
| From continuing operations attributable to the ordinary equity holders of the company | (47.22) | 1.95 |
| From discontinued operations | - | - |
| Total basic earnings per share attributable to the ordinary equity holders of the company | (47.22) | 1.95 |

## 6. EARNINGS PER SHARE (CONT'D)

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **Reconciliation of earnings used in calculating earnings per share** | | |
| Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share | (497,007) | 19,756 |
| Profit/(loss) attributable to the ordinary equity holders of the company used in calculating diluted earnings per share | (497,007) | 19,756 |
| **Weighted average number of shares used as the denominator** | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 10,526 | 10,147 |
| Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share | 10,526 | 10,147 |

## 7. CASH AND CASH EQUIVALENTS

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Cash and bank balances | 265,585 | 84,934 |

## 8. TRADE AND OTHER RECEIVABLES

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| *Current* | | |
| Trade receivables | 3,549,902 | 4,605,909 |
| *Less:* Unidentified Customer Receipts | - | (17,590) |
| *Less:* Provision for Doubtful Debts | (10,553) | (37,418) |
| | 3,539,349 | 4,550,901 |
| GST receivables | 236,125 | 159,629 |
| Other receivables | 18,252 | 3,966 |
| | 3,793,726 | 4,714,496 |

**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 2018 $ | 30 June 2017 $ |
|---|---|---|
| At beginning of the period | 37,418 | 31,918 |
| Provision for impairment during the period | 12,000 | 5,500 |
| Debts written off during the period | (38,865) | - |
| At end of the period | 10,553 | 37,418 |

## 8. TRADE AND OTHER RECEIVABLES (cont'd)

At 30 June 2018, the ageing analysis of trade and other receivables is as follows:

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| 0 – 30 Days | 2,199,392 | 1,440,436 |
| 31 – 60 Days | 1,075,760 | 1,507,566 |
| 61 – 90 Days | 142,572 | 688,228 |
| +90 Days | 121,625 | 932,261 |
| +90 Days considered impaired | 10,553 | 37,418 |
| | 3,549,902 | 4,605,909 |

As of 30 June 2018, trade and other receivables of $264,197 (30 June 2017: $1,620,489) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

## 9. INVENTORIES

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Finished goods – at cost | 337,684 | 309,117 |
| Provision for obsolescence | (5,359) | - |
| | 332,325 | 309,117 |

## 10. OTHER ASSETS

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| *Current* | | |
| Prepayments | 61,343 | 85,705 |
| Deposits Paid | 60,842 | 58,853 |
| | 122,185 | 144,558 |
| *Non-Current* | | |
| Deposits Paid | 250,000 | - |
| Other | - | 9,912 |
| | 250,000 | 9,912 |

## 11. PROPERTY, PLANT AND EQUIPMENT

| | Branding | Computer Equipment | Motor Vehicles | Plant & Equipment | Building | Total |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2017** | | | | | | |
| At 1 July 2016, 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 2017, 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 |
| **Year ended 30 June 2018** | | | | | | |
| At 1 July 2017, net of accumulated depreciation | 1,464 | 101,114 | 12,267 | 58,768 | 2,844 | 176,457 |
| Additions | - | 9,344 | 44,487 | 19,082 | - | 72,913 |
| Acquisition through business combinations | - | (53) | - | (2,967) | - | (3,020) |
| Depreciation for the period | (1,464) | (54,878) | (9,122) | (25,661) | (680) | (91,805) |
| Exchange differences | - | (97) | - | 2,242 | 290 | 2,435 |
| At 30 June 2018, net of accumulated depreciation | - | 55,430 | 47,632 | 51,464 | 2,454 | 156,980 |
| **At 30 June 2018** | | | | | | |
| Cost | 6,470 | 292,671 | 114,100 | 122,660 | 6,015 | 541,916 |
| Accumulated depreciation | (6,470) | (237,241) | (66,468) | (71,196) | (3,561) | (384,936) |
| Net carrying amount | - | 55,430 | 47,632 | 51,464 | 2,454 | 156,980 |

## 12. GOODWILL

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Opening Balance | 463,762 | 464,190 |
| Acquisition through business combination | - | - |
| Exchange Differences | (110) | (428) |
| Closing Balance | 463,652 | 463,762 |

The goodwill arising on acquisition is allocated to two cash generating units being Australian Workplace Services Pty Ltd (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 two year period (2017: three year period). A growth rate of 3% (2017: 3%) was used to extrapolate managements cash flow forecast for further 9 years (2017: 9 years), this rate is consistent, but considered conservative by the Directors, with GDP rates. The pre-tax discount rate applied to cash flow projections is 12% (2017: 12%), reflecting specific risks relating to the relevant segment. The cash flow projections were prepared based on past experience and contracts that are in place. The Directors and management have considered and assessed sensitivities. An increase in the discount rate of 3% would result in a change of $108,958 and a reduction in the growth rate of 3% would result in a change of $77,059. Neither the individual or the combined effect of these would impact the carrying value of this CGU.

The calculated recoverable amount for AWS is greater than the carrying amount of the goodwill and therefore 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 one year period (2017: three year period). A growth rate of 3% (2017: 3%) was used to extrapolate managements cash flow forecast for further 9 years (2017: 7 years), this rate is consistent, but considered conservative by the Directors, with GDP rates. The pre-tax discount rate applied to cash flow projections is 12% (2017: 12%), reflecting specific risks relating to the relevant segment. The cash flow projections were prepared based on past experience and contracts that are in place. The Directors and management have considered and assessed sensitivities. An increase in the discount rate of 3% would result in a change of $53,332 and a reduction in the growth rate of 3% would result in a change of $20,558. Neither the individual or the combined effect of these would impact the carrying value of this CGU.

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.

## 13. TRADE AND OTHER PAYABLES

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| *Current – unsecured* | | |
| Trade creditors | 4,950,485 | 4,544,567 |
| Other creditors | 202,840 | 119,428 |
| Accrued Expense | 397,936 | 82,259 |
| GST Payable | 24,582 | 15,464 |
| | 5,575,843 | 4,761,718 |

## 14. FINANCIAL LIABILITIES

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Prepayment from Capital Drilling | | |
| - Current | 268,955 | 391,507 |
| - Non-Current | - | 291,332 |
| Finance Lease | | |
| - Current (note 22) | 9,893 | - |
| - Non-Current (note 22) | 30,556 | - |
| Share buy-back Deferred Settlement | 271,248 | 284,701 |
| | 580,652 | 967,540 |

The Prepayment from Capital Drilling is unsecured and interest free. Repayments are made at US$25,000 per month. The deferred settlement on the share buy is unsecured and interest free. Repayments are variable. The Finance lease is secured over the Motor Vehicle, interest is fixed at 4.99% and the term of the loan is 4 years with equal monthly repayments.

## 15. PROVISIONS

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Provision for Annual Leave | 61,659 | 49,877 |

## 16. OTHER LIABITLIES

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Deferred consideration – AWS acquisition | - | 25,000 |

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

## 17. ISSUED CAPITAL AND RESERVES

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **(a) Issued capital** | | |
| 10,526 (30 June 2017: 10,606) fully paid ordinary shares | (229,078) | (229,078) |
| 600,000 (30 June 2017: 600,000) preference shares | 578,502 | 578,502 |
| Capital raising costs | (231,084) | - |
| | 118,340 | 349,424 |

## 17. ISSUED CAPITAL AND RESERVES (cont'd)

*The following movements in issued capital occurred during the period:*

*Ordinary shares on issue*

| | Number of Shares 30 June 2018 | Number of Shares 30 June 2017 | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|---|---|
| Balance at beginning of period | 10,606 | 100 | (229,078) | 130 |
| New shares issued | - | 626 | - | 31,652 |
| Share buy back | - | (20) | - | (260,860) |
| Share split | - | 9,900 | - | - |
| Shares cancelled | (80) | - | - | - |
| Pre-capital raising costs | - | - | (231,084) | - |
| Balance at end of period | 10,526 | 10,606 | (460,162) | (229,078) |

*Preference shares on issue*

| | Number of Shares 30 June 2018 | Number of Shares 30 June 2017 | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|---|---|
| Balance at beginning of period | 600,000 | 900,000 | 578,502 | 969,726 |
| Share buy back | - | (300,000) | - | (391,224) |
| Shares cancelled | (600,000) | - | - | - |
| Shares issued | 600,000 | - | - | - |
| Balance at end of period | 600,000 | 600,000 | 578,502 | 578,502 |

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **(b) Reserves** | | |
| Comprises of: | | |
| Foreign currency translation reserve | | |
| Reserves at the beginning of the period | 15,252 | 21,253 |
| Movements during the year | 36,232 | (6,001) |
| Reserves at the end of the period | 51,484 | 15,252 |

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

**(c) Dividends**

There were no dividends paid or recommended during the financial year ended 30 June 2018 (2017: $nil).

## 17. ISSUED CAPITAL AND RESERVES (cont'd)

### (c) Dividends (cont'd)

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 30/06/2018 | 30/06/2017 | 30/06/2018 | 30/06/2017 |
| *Franking Credits* | | | | |
| Franking credits available for subsequent reporting periods based on a tax rate of 27.5% (2017 - 30%) | 260,903 | 180,924 | - | - |

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

## 18. ACCUMULATED FUNDS

| | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|
| Accumulated losses at the beginning of the period | (248,104) | (277,591) |
| Profit/(Loss) for the period | (497,007) | 19,756 |
| Transfer of Non-controlling Interest | - | 9,731 |
| Accumulated losses at the end of the period | (745,111) | (248,104) |

## 19. NON-CONTROLLING INTERESTS

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Balance at the beginning of the period | - | 3,892 |
| Acquisition of remaining interest in AWS | - | 5,839 |
| De-recognition of Non-Controlling Interest | - | (9,731) |
| Balance at the end of the period | - | - |

## 20. 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 capital.

Management monitors capital on the basis of the gearing ratio (debt/total capital). During the year ended 30 June 2018, 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. Subsequent to 30 June 2018, the Company successfully completed an IPO and issued 62,500,000 Shares at an issue price of $0.20 per Share on 27 September 2018 to raise $12,500,000 (before costs). The gearing ratios at 30 June 2018 and 30 June 2017 prior to the IPO were as follows:

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Total financial liabilities | 580,652 | 967,540 |
| Total equity | (575,287) | 116,572 |
| Total capital | 5,365 | 1,084,112 |
| Gearing ratio | 10,823% | 89% |

The gearing ratio of the Company has increased from 89% to 10,823% during the year ended 30 June 2018 and following the successful completion of the IPO this ratio will decrease significantly post 30 June 2018.

## 21. 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.

### 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 2018 | | 30 June 2017 | |
|---|---|---|---|---|
| | Carrying amount $ | Fair Value $ | Carrying amount $ | Fair Value $ |
| **Financial assets** | | | | |
| Cash and cash equivalents | 265,585 | 265,585 | 84,934 | 84,934 |
| Trade and other receivables | 3,793,726 | 3,793,726 | 4,714,496 | 4,714,496 |
| Other financial assets | 122,185 | 122,185 | 144,558 | 144,558 |
| Total financial assets | 4,181,496 | 4,181,496 | 4,943,988 | 4,943,988 |
| **Financial liabilities** | | | | |
| Trade and other payables | 5,575,843 | 5,575,843 | 4,761,718 | 4,761,718 |
| Prepayment and deferred settlement liabilities | 580,652 | 580,652 | 967,540 | 967,540 |
| Current tax liabilities | 12,246 | 12,246 | 136,892 | 136,892 |
| Total financial liabilities | 6,168,741 | 6,168,741 | 5,866,150 | 5,866,150 |
| **Net financial assets / (liabilities)** | (1,987,245) | (1,987,245) | (922,162) | (922,162) |

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.

## 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

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 2018 $ | 30 June 2017 $ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 265,585 | 84,934 |

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:

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Judgements of reasonable possible movements: | | |
| +1% (100 basis points) | | |
| Pre-tax profit increase/(decrease) | 2,656 | 849 |
| Equity increase/(decrease) | 2,656 | 849 |
| -1% (100 basis points) | | |
| Pre-tax profit increase/(decrease) | (2,656) | (849) |
| Equity increase/(decrease) | (2,656) | (849) |

**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 currencies giving rise to this risk is primarily US dollars and Euro.

## 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

### Foreign currency risk (cont'd)

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

| | 30 June 2018 $AUD | 30 June 2017 $AUD |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents (USD) | 55,801 | 14,120 |
| Cash and cash equivalents (EUR) | 120,016 | 2,231 |
| Cash and cash equivalents (MYR) | 2,328 | 2,700 |
| Cash and cash equivalents (SGD) | 554 | 121 |
| Cash and cash equivalents (ZAR) | 2,692 | 57 |
| Cash and cash equivalents (GBP) | 40,483 | 25,680 |
| Total | 221,874 | 44,909 |
| | | |
| Trade and other receivables (USD) | 1,386,558 | 1,508,509 |
| Trade and other receivables (EUR) | 692,626 | 1,257,883 |
| Trade and other receivables (MYR) | 164 | 382 |
| Trade and other receivables (ZAR) | 86,036 | 202,469 |
| Trade and other receivables (GBP) | 120,564 | 83,547 |
| Total | 2,285,948 | 3,052,790 |
| | | |
| **Financial liabilities** | | |
| Trade and other payables (USD) | 1,011,412 | 1,171,580 |
| Trade and other payables (EUR) | 1,515,959 | 1,596,119 |
| Trade and other payables (MYR) | 4,820 | 9,514 |
| Trade and other payables (SGD) | 7,624 | 994 |
| Trade and other payables (ZAR) | 87,019 | 243,364 |
| Trade and other payables (GBP) | 113,658 | 88,649 |
| Total | 2,740,492 | 3,110,220 |
| | | |
| Prepayment and deferred settlement liabilities (USD) | 540,203 | 967,540 |
| Total | 540,203 | 967,540 |
| | | |
| Net Exposure | (772,873) | (980,061) |

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

At 30 June 2018, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, equity would have been affected as follows:

| | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| Judgements of reasonable possible movements: | | |
| | | |
| AUD/USD and AUD/EUR +20% | | |
| Equity increase/(decrease) | (105,273) | (204,673) |
| | | |
| AUD/USD and AUD/EUR -20% | | |
| Equity increase/(decrease) | 105,273 | 204,673 |

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

## 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

### 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 8.

### 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.

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 | |
|---|---|---|---|---|---|---|
| | 30/06/2018 | 30/06/2017 | 30/06/2018 | 30/06/2017 | 30/06/2018 | 30/06/2017 |
| **Consolidated** | $ | $ | $ | $ | $ | $ |
| **Financial liabilities due for payment** | | | | | | |
| Trade and other payables | 5,575,843 | 4,761,718 | - | - | 5,575,843 | 4,761,718 |
| Current tax liabilities | 12,246 | 136,892 | - | - | 12,246 | 136,892 |
| Prepayment and deferred settlement liabilities | 550,096 | 676,208 | 30,556 | 291,332 | 580,652 | 967,540 |
| **Total contractual outflows** | **6,138,185** | **5,574,818** | **30,556** | **291,332** | **6,168,741** | **5,866,150** |
| **Total expected outflows** | **6,138,185** | **5,574,818** | **30,556** | **291,332** | **6,168,741** | **5,866,150** |
| **Financial assets – cash flows realisable** | | | | | | |
| Cash and cash equivalents | 265,585 | 84,934 | - | - | 265,585 | 84,934 |
| Trade and other receivables | 3,793,726 | 4,714,496 | - | - | 3,793,726 | 4,714,496 |
| **Total anticipated inflows** | **4,059,311** | **4,799,430** | **-** | **-** | **4,059,311** | **4,799,430** |
| **Net (outflow)/ inflow on financial instruments** | **(2,078,874)** | **(775,388)** | **(30,556)** | **(291,332)** | **(2,109,430)** | **(1,066,720)** |

## 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

**Liquidity risk (cont'd)**

The entity does not have any contractual outflow or inflow above 5 years for 2018 (2017: $nil).

*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.

## 22. COMMITMENTS AND CONTINGENT LIABILITES

| | Notes | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|---|
| **(a) Operating lease commitments** | | | |
| Future operating lease rentals not provided for in the financial statements and payable: | | | |
| Not later than one year | | 152,852 | 144,597 |
| Later than one year but not later than five years | | 112,558 | 215,372 |
| Greater than five years | | - | - |
| | | 265,410 | 359,969 |
| **(b) Finance lease commitments** | | | |
| Commitments in relation to finance leases are payable as follows: | | | |
| Not later than one year | 14 | 9,893 | - |
| Later than one year but not later than five years | 14 | 35,088 | - |
| Minimum Lease Payments | | 44,981 | - |
| Future finance charges | 14 | (4,532) | - |
| Recognises as a liability | | 40,449 | - |
| The present value of finance lease liabilities is as follows: | | | |
| Not later than one year | | 8,057 | - |
| Later than one year but not later than five years | | 32,392 | - |
| Minimum lease payments | | 40,449 | - |

***Contingent liabilities***

There are no contingent liabilities as at 30 June 2018.

## 23. CONTROLLED ENTITIES

| | Country of Incorporation | Entity interest 30 June 2018 | Entity interest 30 June 2017 |
|---|---|---|---|
| *Parent entity* | | | |
| Stealth Global Holdings Ltd | 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% | 100% |
| Australian Workplace Services Pty Ltd | Australia | 100% | 100% |
| SAAC International Pte Ltd (Struck off Singapore ACRA on 6 Nov 2017) | Singapore | - | 100% |

## 24. KEY MANAGEMENT PERSONNEL DISCLOSURES

### (a) Details of Key Management Personnel

*(i) Directors*

Christopher Wharton AM – Non-Executive Chairman

Michael Arnold – Managing Director

Jamie Boyton (Resigned 30th June 2018) – Non-Executive Director

Giovanni Groppoli (Appointed 30th June 2018) – Non-Executive Director

Peter Unsworth (Appointed 3rd July 2018) – Non-Executive Director

*(ii) Executives*

Brendan Rossiter – Chief Financial Officer

Luke Cruskall – Chief Operating Officer

### (b) 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 2018 was as follows:

| | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|
| Short-term employee benefits | 796,047 | 472,564 |
| Post-employment benefits | 44,738 | 32,289 |
| Total KMP compensation | 840,785 | 504,853 |

### (c) Related Party Transactions with Key Management Personnel

| | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|
| During the year the Consolidated Entity sold goods and services to Capital Drilling an entity which Jamie Boyton is a Director | 19,414,220 | 14,947,799 |
| Trade and other receivables owing to the Consolidated Entity from Capital Drilling, an entity which Jamie Boyton is a Director, as at end of the year | 2,678,536 | 4,231,752 |
| Customer prepayment from Capital Drilling an entity Jamie Boyton is a Director | 268,956 | 682,839 |
| During the year the Company engaged Glen Forrest Pty Ltd, in which John Groppoli is a Director, to provide consulting services, John Groppoli was only appointed a Director on 30 June 2018 | 40,400 | - |
| Trade and other payables owing to Glen Forrest Pty Ltd, in which John Groppoli is a Director, from the Company as at end of the year | 5,940 | - |
| Final Instalment of purchase price of AWS acquisition owing to Milners Pty Ltd an entity in which John Groppoli is a Director | - | 25,000 |
| Deferred Settlement of share buy-back owing to Jamie Armitage a Director of Stealth Industries Sdn Bhd | 271,248 | 284,701 |

## 25. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES

| | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|
| **(a) Cash flows from operating activities** | | |
| Profit/(Loss) for the year | (497,007) | 19,756 |
| Adjustments for: | | |
| - Depreciation and amortisation | 91,805 | 120,054 |
| - (Profit)/Loss on Sale of Non-Current Assets | (1,058) | (7,087) |
| - Share of associate profit | (1,754) | (3,067) |
| - Net foreign exchange (gain)/loss | 41,297 | (65,990) |
| - Interest income recognised in profit/loss | (1,659) | (1,972) |
| - Capital raising cost | (130,423) | - |
| (Increase)/decrease in trade and other receivables | 920,767 | (1,925,045) |
| (Increase)/decrease in inventories | (23,208) | (9,863) |
| (Increase)/decrease in deferred tax assets | (139,331) | (56,648) |
| (Increase)/decrease in other financial assets | - | 180,205 |
| (Increase)/decrease in other current assets | 32,284 | (32,597) |
| Increase/(decrease) in trade and other payables | 814,127 | 1,900,719 |
| Increase/(decrease) in provisions | 11,782 | 22,588 |
| Increase/(decrease) in current tax liabilities | (124,646) | 50,103 |
| Increase/(decrease) in deferred tax liabilities | (16,526) | 13,279 |
| Net cash (used in) operating activities | 976,450 | 204,435 |
| **(b) Net debt reconciliation** | | |
| Cash and cash equivalents (all unrestricted cash balances) | 265,585 | 84,934 |
| Borrowings - repayable within one year | (550,096) | (676,208) |
| Borrowings - repayable after one year | (30,556) | (291,332) |
| Net debt | (315,067) | (882,606) |
| Cash | 265,585 | 84,934 |
| Gross debt – fixed interest rate | (580,652) | (967,540) |
| Net debt | (315,067) | (882,606) |

| | Cash | Finance leases due within 1 year | Finance leases due after 1 year | Borrow due within 1 year | Borrow due after 1 year | Total |
|---|---|---|---|---|---|---|
| **Net debt as at 1 July 2017** | 84,934 | - | - | (676,208) | (291,332) | (882,606) |
| Cash flows | 180,651 | - | 4,705 | 161,591 | 291,332 | 638,279 |
| Acquisitions - finance leases | - | (9,893) | (35,261) | - | - | (45,154) |
| Foreign exchange adjustments | - | - | - | (25,586) | - | (25,586) |
| **Net debt as at 30 June 2018** | 265,585 | (9,893) | (30,556) | (540,203) | - | (315,067) |

## 25. RECONCILIATION OF CASH FLOWS USED IN OPERATING ACTIVITIES (CONT'D)

| | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|
| **(c) Non-cash financing** | | |
| Acquisition of motor vehicle by means of finance lease | 43,892 | - |
| **(d) Financing arrangements** | | |
| The Group had access to the following undrawn borrowing facilities at the end of the reporting period: | | |
| **Floating Rate** | | |
| - Expiring within one year (bank overdraft, interchangeable and credit card facility) | 664,629 | 414,986 |

## 26. SUBSEQUENT EVENTS

Subsequent to balance date:

1. On 20 July 2018, the Company completed a subdivision of 10,526 Shares into 21,300,000 Shares in accordance with shareholder approval obtained on that date.

2. On 7 September 2018, the Group secured a two month temporary increase of $250,000 to the overdraft limit offered by ANZ Bank.

3. The Company successfully completed an IPO and issued 62,500,000 Shares at an issue price of $0.20 per Share on 27 September 2018 to raise $12,500,000 (before costs).

4. Following successful completion of the IPO, on 27 September 2018 Stealth:
   - (e) issued 6,250,000 Shares, made cash payment of $6,600,000 and repaid a loan of $900,000 to the vendors on completion of the acquisition of 100% of the issued capital of Heatleys;
   - (f) issued 850,000 Shares to Mr Wharton, Non-Executive Chairman, in accordance with the terms of a previous non-executive director appointment letter;
   - (g) completed a sub-division of 600,000 Preference Shares into 4,000,000 Preference Shares and subsequently converted 4,000,000 Preference Shares into 4,000,000 Shares in accordance with shareholder approval obtained on 14 September 2018;
   - (h) granted 4,994,737 options exercisable at $0.25 each and expiring on 27 September 2022 to the joint lead managers to the IPO at a subscription price of $0.0001 per Option.

5. The Company was subsequently admitted to the official list of the Australian Securities Exchange on 28 September 2018 and official quotation of its shares on ASX will commence on 2 October 2018.

The financial effect of the above transactions have not been brought to account in the financial statements for the year.

## 27. PARENT ENTITY DISCLOSURES

| *Financial position* | 30 June 2018 $ | 30 June 2017 $ |
|---|---|---|
| **Assets** | | |
| Current assets | 11,451 | 526,178 |
| Non-current assets | 1,211,068 | 296,133 |
| Total assets | 1,222,519 | 822,311 |
| **Liabilities** | | |
| Current liabilities | 1,367,364 | 290,963 |
| Total Liabilities | 1,367,364 | 290,963 |
| **Net assets** | **(144,845)** | **531,348** |
| **Equity** | | |
| Issued capital | 580,568 | 349,423 |
| Accumulated losses | 54,587 | (30,495) |
| Business Combination Under Common Control Reserve | (780,000) | - |
| Foreign Exchange Translation Reserve | - | 212,420 |
| **Total equity** | **(144,845)** | **531,348** |

| *Financial performance* | Year ended 30 June 2018 $ | Year ended 30 June 2017 $ |
|---|---|---|
| Loss for the period | (445,109) | (30,495) |
| Total comprehensive income | (445,109) | (30,495) |

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

The parent entity has entered into a guarantee to provide financial support to Stealth Industries Sdn Bhd for a period of at least 12 months from the date of the approval of the financial statements of Stealth Industries Sdn Bhd for the year ended 31 December 2016.

## Directors' Declaration

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

(a) the financial statements and notes, set out on pages 27 to 72, are in accordance with the Corporations Act 2001, including:

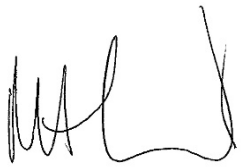
    (i) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2018 and their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

    (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 section 295(5) of the Corporations Act 2001.



Michael Arnold
**Managing Director**
Perth, 28 September 2018

Bentleys
THINKING AHEAD

**Bentleys Audit & Corporate (WA) Pty Ltd**
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

To The Board of Directors

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

As lead audit Partner for the audit of the financial statements of Stealth Global Holdings Ltd for the financial year ended 30 June 2018, 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**
**Chartered Accountants**

**CHRIS NICOLOFF CA**
**Partner**

Dated at Perth this 28th day of September 2018

KRESTON

A member of Bentleys, a network of independent accounting firms located throughout Australia, New Zealand and China that trade as Bentleys. All members of the Bentleys Network are affiliated only and are separate legal entities and not in Partnership. Liability limited by a scheme approved under Professional Standards Legislation.

Accountants
Auditors
Advisors

# Independent Auditor's Report

## To the Members of Stealth Global Holdings Ltd

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Stealth Global Holdings Ltd ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2018, 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 2018 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(a)(i).

#### 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.

KRESTON

A member of Bentleys, a network of independent accounting firms located throughout Australia, New Zealand and China that trade as Bentleys. All members of the Bentleys Network are affiliated only and are separate legal entities and not in Partnership. Liability limited by a scheme approved under Professional Standards Legislation.

Accountants
Auditors
Advisors

## Key Audit Matters

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue Recognition**<br><br>The recognition of sales revenue is considered a key audit matter given the materiality of the revenue to the overall financial statements and the judgement required in terms of timing of the revenue recognition. | Our procedures amongst others included:<br><br>– Assessing the Group accounting policy for revenue as set out in Note 1(d), for compliance with the revenue recognition requirements of Australian Accounting Standards (AASBs) ;<br><br>– Performing audit procedures over the recognition and accuracy of the revenue transactions on a sample basis;<br><br>– Evaluating the design and implementation of controls over the capture and measurement of revenue transactions; and<br><br>– Performing analytical procedures on the revenue to ensure reasonableness. |
| **Impairment assessment of Cash Generating Units inclusive of goodwill, other intangible assets and property, plant and equipment.**<br><br>(Refer to Note 12)<br><br>Impairment is a key audit matter due to:<br><br>– The significance of the assets to the Consolidated Entity's financial position; and<br><br>– The judgement involved in determining the key assumptions used in the recoverable amount.<br><br>As disclosed in note 12 of the consolidated financial statements, the Consolidated Entity has goodwill of $463,652, which is included in the following Cash Generating Units ("CGU"): AWS and Stealth.<br><br>An impairment loss is recognised if the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of each CGU is based on certain key assumptions, such as cash flow projections extrapolated based on a 3% percentage growth rate and 12% discount rate. | Our procedures amongst others included:<br><br>– Obtaining an understanding of the value in use model and assumptions used;<br><br>– Critically evaluating management's methodologies and their basis for key assumptions utilised in the valuation models which are described in Note 12;<br><br>– Comparing growth rates against observable external market data;<br><br>– Checking the mathematical accuracy of the cash flow models and assessing the historical accuracy of forecasting by the Consolidated Entity;<br><br>– Performing sensitivity analyses around the key drivers of growth rates used in the cash flow forecasts and the discount rate used; and<br><br>– Assessing the adequacy of the disclosures included in Notes 1(h) and 12 to the financial report. |

## 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 2018, 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(a)(i), 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.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

**BENTLEYS**
**Chartered Accountants**

**CHRIS NICOLOFF CA**
**Partner**

Dated at Perth this 28th day of September 2018

## Shareholder Information

***Details of securities as at 27 September 2018:***

**Top holders**

The 20 largest registered holders of fully paid ordinary shares as at 27 September 2018 were:

*Fully paid ordinary shares*

| | Name | No. of Shares | % |
|---|---|---|---|
| 1. | Capital Drilling (Mauritius) Limited | 11,558,902 | 12.18 |
| 2. | Sorrento200 Holdings Pty Ltd <Sorrento200 Holdings A/C> | 10,117,803 | 10.66 |
| 3. | National Nominees Limited | 8,750,000 | 9.22 |
| 4. | Citicorp Nominees Pty Limited | 7,500,000 | 7.90 |
| 5. | Tyrone Australia Pty Limited <Heatley Unit A/C> | 6,876,000 | 7.25 |
| 6. | Rosefield Asset Pty Ltd <Stephen Robert Bushell A/C> | 5,058,902 | 5.33 |
| 7. | Custom Assets Pty Ltd | 5,000,000 | 5.27 |
| 8. | J P Morgan Nominees Australia Limited | 2,500,000 | 2.63 |
| 9. | Salvatore Barbaro & Lynette Margaret Barbaro <Sam Barbaro Family A/C> | 1,405,250 | 1.48 |
| 10. | Nicarldon Pty Ltd <The Wharton Family A/C> | 1,160,000 | 1.22 |
| 11. | CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C> | 1,150,000 | 1.21 |
| 12. | Giovanni Groppoli <The Milo A/C> | 1,064,393 | 1.12 |
| 13. | Terraus Pty Ltd <Tomandel Family A/C> | 1,000,000 | 1.05 |
| 14. | Guangjun Zhan | 1,000,000 | 1.05 |
| 15. | Merrill Lynch (Australia) Nominees Pty Limited | 750,000 | 0.79 |
| 16. | Molonglo Pty Ltd <P & J Hutchinson S/F A/C> | 600,000 | 0.63 |
| 17. | Annlew Investments Pty Ltd <Annlew Investments PL Sf A/C> | 500,000 | 0.53 |
| 18. | Byrne Holdings Pty Ltd | 500,000 | 0.53 |
| 19. | John Gardner | 500,000 | 0.53 |
| 20. | PCAS (Australia) Pty Ltd <PCAS Investment A/C> | 500,000 | 0.53 |
| | | **67,491,250** | **71.11** |

**Distribution schedule**

A distribution schedule of each class of equity security as at 27 September 2018

*Fully paid ordinary shares*

| Range | Holders | Units | % |
|---|---|---|---|
| 1 - 1,000 | - | - | - |
| 1,001 - 5,000 | - | - | - |
| 5,001 - 10,000 | 69 | 690,000 | 0.73 |
| 10,001 - 100,000 | 304 | 14,800,000 | 15.59 |
| 100,001 - Over | 81 | 79,410,000 | 83.68 |
| **Total** | **454** | **94,900,000** | **100.00** |

**Restricted securities**

*Fully paid ordinary shares*

| Number of Shares | Escrow Period |
|---|---|
| 22,150,000 | Restricted securities until 2 October 2020 |
| 6,250,000 | Restricted securities until 2 April 2019 |

## Shareholder Information

### Substantial shareholders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

| Substantial shareholder | Number of Shares |
|---|---|
| Capital Drilling (Mauritius) Limited | 11,558,902 |
| Michael Arnold | 10,605,303 |
| Tyrone Australia Pty Limited <Heatley Unit A/C> | 6,876,000 |
| Rosefield Asset Pty Ltd <Stephen Robert Bushell A/C> | 5,058,902 |

### Unlisted securities

*Unlisted options*

| Class | Expiry Date | Exercise Price ($) | Number of Options | Number of holders |
|---|---|---|---|---|
| Broker Options | 27 September 2022 | 0.25 | 4,994,737 | 2 |

The holders of these unlisted options as at 27 September 2018 were:

| Name of holder | Number of Options | % |
|---|---|---|
| Argonaut Investments Pty Limited (Argonaut Invest No 3 A/C> | 2,497,369 | 50.00 |
| Zenix Nominees Pty Ltd | 2,497,368 | 50.00 |

### Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 2,500 as at 27 September 2018):

| Holders | Units |
|---|---|
| Nil | Nil |

### Voting Rights

The voting rights attaching to ordinary shares are:

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

Options do not carry any voting rights.

### On-Market Buy Back

There is no current on-market buy-back.

**Stealth Global Holdings Ltd**
ACN 615 518 020

Unit 10, 43 Cedric Street
Stirling WA 6021

Telephone: +61 8 6465 7800
Email: investors@stealthgi.com

**www.stealthgi.com**