

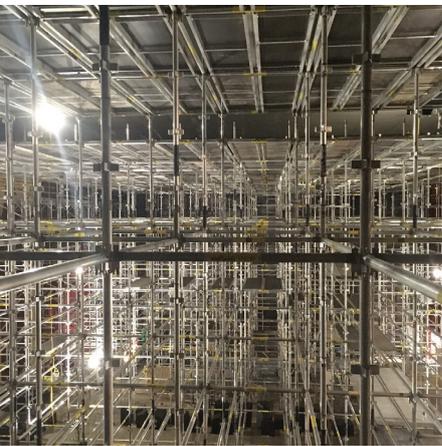
# oldfields



Oldfields Holdings Limited • ABN 92 000 307 988

## 58th Annual Report

Year Ended 30 June 2017



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## DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to herein as the "Group") consisting of Oldfields Holdings Limited (referred to hereafter as the "Company" or "Parent Entity") and its controlled entities for the financial year ended 30 June 2017.

### Directors

The names and details of the Directors of the Company during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

<b>Name:</b>	<b>Richard John Abela</b>
Title:	Chief Executive Officer and Managing Director (appointed 12 December 2016)
Qualifications:	Fellow Member of CPA and Master of Business Administration
Experience:	More than 20 years experience in senior/managing director roles in finance, sales & marketing and supply chain including a number of years in the building products sector, scaffolding and trade related industries
Interest in shares and options:	None
Other current directorships:	Order of Saint John of Jerusalem, Knights Hospitaller
Former directorships in last 3 years:	None

<b>Name:</b>	<b>William Lewis Timms</b>
Title:	Non-executive Director and Chairman
Qualifications:	Bachelor of Business (Accounting and Audit), Real Estate and Business Agent
Experience:	More than 30 years experience in accounting, taxation, audit, commercial real estate and project management
Special responsibilities:	Member of the Audit Committee and Member of the Remuneration Committee
Interest in shares and options:	39,384,528 shares held
Other current directorships:	None
Former directorships in last 3 years:	Non-Executive Director of Buderim Ginger Limited (resigned 28 August 2016)

<b>Name:</b>	<b>Stephen Charles Hooper</b>
Title:	Non-executive Director
Qualifications:	Bachelor of Science
Experience:	More than 20 years experience in senior executive roles in the fast moving consumer goods industry, with a focus on supply chain management
Special responsibilities:	Chairman of the Audit Committee and Chairman of the Remuneration Committee
Interest in shares and options:	131,534 shares held
Other current directorships:	None
Former directorships in last 3 years:	None

<b>Name:</b>	<b>Gregory John Park</b>
Title:	Chief Financial Officer, Executive Director (appointed 6 December 2016) and Company Secretary
Qualifications:	Bachelor of Business and Chartered Accountant
Experience:	More than 20 years experience in senior financial and general management roles in retailing, manufacturing and distribution in the fast moving consumer goods industry
Interest in shares and options:	None
Other current directorships:	None
Former directorships in last 3 years:	None

## DIRECTORS' REPORT (continued)

### Directors (continued)

<b>Name:</b>	<b>Tony Joseph Grima</b>
<b>Title:</b>	Executive Director and Chief Executive Officer (resigned 12 December 2016)
<b>Qualifications:</b>	Master of Commerce (Marketing)
<b>Experience:</b>	20 years experience in general management roles in a large Fortune 500 company, both within Australia and overseas with a number of years experience in the building products industry
<b>Interest in shares and options:</b>	100,000 shares held
<b>Other current directorships:</b>	None
<b>Former directorships in last 3 years:</b>	None

### Principal Activities

The principal activities of the Group during the financial year were:

- manufacture, import and distribution of paint brushes, paint rollers, painter's tools and accessories;
- manufacture and distribution of garden sheds and outdoor storage systems;
- manufacture and distribution of scaffolding and related equipment; and
- hire and erection of scaffolding and related products.

There were no significant changes in the nature of the Group's principal activities during the financial year.

### Review of Operations and Financial Results

#### Operating Results

Net operating profit for the Group after providing for income tax amounted to \$312,000 (2016: Loss \$722,000).

The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) of \$2,031,000 was an improvement of 22% up from the prior year of

The following table summarises the key reconciling items between profit/(loss) after income tax attributable to the shareholders of the Group and EBITDA. EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non cash and significant items. The Directors consider EBITDA to reflect the core earnings/(loss) of the Group.

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
<b>Profit/(Loss) after income tax</b>	<b>312</b>	<b>(722)</b>	<b>(1,102)</b>	<b>(2,576)</b>	<b>(884)</b>
Income tax expense	315	352	234	147	167
Depreciation and amortisation expense	803	1,434	1,361	1,168	1,034
Finance costs	303	377	482	485	524
Foreign exchange (gains)/losses	11	(37)	(39)	(15)	(10)
Revaluation of deferred senior loan note	287	257	229	205	98
Loss on disposal of investment in associated companies	-	-	-	1,363	-
<b>EBITDA</b>	<b>2,031</b>	<b>1,661</b>	<b>1,165</b>	<b>777</b>	<b>929</b>

The Group's revenue from continuing operations for the financial year ended 30 June 2017 was \$26,721,000 (2016: \$28,420,000) which was a decrease of 6% over prior year. Revenue within the scaffold division grew 4% for the year assisted by the ongoing growth in the Australian housing and construction industry which is expected to continue in the next twelve months. The consumer division's revenue declined by 24% primarily due to the withdrawal of Woolworths from the hardware market with sales by Oldfields to Masters ceasing August 2016. The closure of the Masters chain has had a significant impact on the industry's buying patterns for the year. Our outdoor storage business maintained its revenue to be in line with the prior year but with reduced margins to support production efficiencies to be competitive in the local market.

Depreciation and amortisation expense for the year was \$803,000 which was a reduction of \$631,000 (2016: \$1,434,000) due mostly to parts of the scaffold hire fleet now fully depreciated and \$341,000 of plant and equipment having been fully impaired in the prior year.

The Group's net profit after tax was \$312,000 (2016: Loss \$722,000). This was an improvement of \$1,034,000 despite the lower revenue, increased competition across all divisions and cost increases from suppliers. The Group's gross profit percentage increased from 40% in 2016 to 43% in 2017 reflecting the success in the strategy of developing relationships with customers that provide sustainable profitable growth and improved product sourcing. With Woolworth's notifying the market in the 2016 financial year (January 2016) of their intention to withdraw from hardware, Oldfields proactively restructured its cost base to lessen the impact of the then pending revenue loss.

Net cash provided by operating activities was \$2,144,000 in 2017, compared to \$2,141,000 in 2016. Strong operating cash flow continues to be a major focus for the Group with increased emphasis on profitable revenue growth and further reducing working capital in 2018.

## DIRECTORS' REPORT (continued)

### Review of Operations

#### (i) Consumer Products - Paint Applications and Outdoor Storage Solutions

Revenue for the consumer division declined compared to the prior year by 24%. Paint equipment experienced a significant decline in revenue in comparison to the prior year following the closure of the Masters national hardware chain operated by Woolworth's. Sales to Masters in the 2017 financial year were only for two months till August 2016. The shortfall was further emphasised by a large one-off incremental sale to Masters in the prior year (October 2015). Revenue in the more traditional paint specialist market also declined in the 2017 financial year in part due to the disruption of the abrupt closure of the Masters' stores. The Group has used the situation to refocus on its heritage as the master brush maker since 1916 to be a core supplier to the independent and trade paint specialists. The Group continues its customer centric focus in its product offering and development program to ensure key customers can compete with their competitors while still maintaining a point of difference. These initiatives and the reintroduction of research and development and an ongoing focus on product innovation will continue in the 2018 financial year and are expected to support future growth of the division.

Outdoor storage sales were in line with the prior year but continue to be impacted by the strong local competition and cheaper Asian imports. In the 2017 financial year margins were lowered to maintain economic manufacturing volumes. To stimulate sales Oldfields has recently commenced a strategy to sell online direct to the public. The Directors are hopeful that increased activity will be sufficient to support the viability of the outdoor storage division.

#### (ii) Scaffolding

The Australian building industry has continued its growth which has supported the division's increase in revenue by 4% compared to the prior year. Performance in each state varied depending upon the level of competition and stage of the growth cycles. Typically areas with slower growth has seen heavier discounting of hire rates. Competition intensified during the year as hire companies have expanded their number of branches within and outside their state of dominance. Oldfields continues to identify niche segments of the market and has further invested in capex (2017: \$543,000 versus 2016: \$470,000) to secure growth opportunities.

The manufacturing plant in China continued to operate strongly to service both internal and external customer demand. The focus has been to shorten lead times, lower inventories and maintain quality. International sales of scaffold continue to grow although opportunities identified are taking longer to develop than thought.

#### Financial Position

The net assets of the Group have increased by \$143,000 from \$3,963,000 at 30 June 2016 to \$4,106,000 at 30 June 2017.

A key area of focus for the 2018 financial year will be to continue to trade profitably and further increase the net asset position of the Group.

#### Significant Changes in State of Affairs

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

#### Dividends

Since the start of the financial year, no dividends have been paid or declared by Oldfields Holdings Limited.

#### Events after the Reporting Period

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or could affect the operations of the Group in future years.

#### Future Developments, Prospects and Business Strategies

In the latter half of the year Oldfields completed negotiations with Mitre 10. These negotiations resulted in the termination of the prohibitive trading terms for sales through the Mitre 10 warehouse system. Commencing in the new financial year, Oldfields will distribute direct to Mitre 10 store owners that establish individual accounts. Whilst sales to the Mitre 10 network will initially be lower, all sales will now be profitable and should reduce the loss currently being incurred by the consumer division.

The Group is further developing its strategy to operate in multiple channels to market in order to reduce or eliminate excess costs within the value chain.

#### Environmental Regulation and Performance

The Group's operations are not subject to any particular or significant environmental regulation under the law of the Commonwealth or of a State or Territory in Australia. The Group has established procedures whereby compliance with existing environmental regulations and new regulations are monitored continually. This process includes procedures to be followed should an incident adversely impact the environment. The Directors are not aware of any breaches during the period covered by this report.

#### Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follow:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Richard John Abela	7	7	-	-	-	-
William Lewis Timms	12	12	2	2	1	1
Stephen Charles Hooper	12	12	2	2	1	1
Gregory John Park	7	7	-	-	-	-
Tony Joseph Grima	5	5	-	-	-	-

## **DIRECTORS' REPORT (continued)**

### **Remuneration Report (Audited)**

#### **Remuneration Policy**

The remuneration policy of the Group has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering incentives based on key performance areas affecting the consolidated entity's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the high-quality KMP to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the Group is as follows:

- The remuneration policy is to be developed by the Remuneration Committee and approved by the Board after professional advice is sought from independent external consultants when required;
- KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, and performance incentives;
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met; and
- The Remuneration Committee reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria with each executive and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may however exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Committee's recommendations. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract high calibre executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP receive at a minimum, a superannuation guarantee contribution required by the government, which is currently 9.5% of the individual's earnings. Individuals may however have choose to sacrifice part of their salary to increase payments towards their superannuation.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement.

All remuneration paid to KMP is valued at the cost to the Group and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually based on, market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

#### **Engagement of Remuneration Consultants**

During the financial year, there were no consultants engaged by the Remuneration Committee to review the elements of KMP remuneration and provide recommendations.

#### **Performance-Based Remuneration**

The KPIs are set annually with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for the Group's expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually with bonuses being awarded depending on the number and difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved the Group bases the assessment on audited figures, however where the KPI involves comparison of the Group or a division within the Group to the market, independent reports may be sought from organisations such as Standard & Poors.

## DIRECTORS' REPORT (continued)

### Remuneration Report (continued)

#### Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of KMP of the Group.

Group Key Management Personnel	Position Held during and at 30 June 2017	Contract Details (Duration & Termination)	Current Salary / Fees Incl. Superannuation
Richard John Abela	Managing Director and Chief Executive Officer (appointed 12 December 2016)	Duration unspecified. Termination 3 months notice	\$250,000
William Lewis Timms	Non-executive Director	Duration & termination unspecified	\$98,550
Stephen Charles Hooper	Non-executive Director	Duration & termination unspecified	\$52,740
Gregory John Park	Executive Director (appointed 6 December 2016), Company Secretary and Chief Financial Officer	Duration unspecified. Termination 3 months notice	\$202,843
Tony Joseph Grima	Executive Director and Chief Executive Officer (resigned 12 December 2016)	Duration unspecified. Termination 3 months notice	\$0

The table below illustrates the proportion of remuneration that was performance related and fixed salary/fees.

	Performance Related	Fixed	Total
	%	%	%
Richard John Abela	15	85	100
William Lewis Timms	-	100	100
Stephen Charles Hooper	-	100	100
Gregory John Park	15	85	100
Tony Joseph Grima	-	100	100

The employment terms and conditions of all KMP are formalised in contracts of employment.

There are no pre-defined termination benefits payable to key management personnel other than accrued leave entitlements. In addition to the above, the Group is committed to pay the CEO and the CFO up to 6 months of base salary each in the event of a successful takeover offer and their positions are terminated or made effectively redundant.

#### Remuneration Expenses for KMP

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the Group. Such amounts have been calculated in accordance with Australian Accounting Standards:

	Short-Term Benefits				Long-Term Benefits	Post Employment Benefits	Total
	Cash Salary and Fees	Cash Bonuses & Incentives	Non-Monetary Benefits	Movement in Leave Entitlements	Leave Entitlements	Super-annuation	
	\$	\$	\$	\$	\$	\$	
<b>2017</b>							
Richard John Abela (appointed 12 December 2016)	124,692	25,000	-	6,006	-	11,846	167,544
William Lewis Timms	72,500	-	-	-	-	6,175	78,675
Stephen Charles Hooper	48,165	-	-	-	-	4,576	52,741
Gregory John Park	182,624	35,000	-	(5,009)	-	20,199	232,814
Tony Joseph Grima (resigned 12 December 2016)	128,548	-	12,514	(19,493)	-	15,371	136,940
<b>Total</b>	<b>556,530</b>	<b>60,000</b>	<b>12,514</b>	<b>(18,496)</b>	<b>-</b>	<b>58,167</b>	<b>668,714</b>
<b>2016</b>							
William Lewis Timms	60,000	-	-	-	-	5,700	65,700
Stephen Charles Hooper	47,592	-	-	-	-	4,521	52,113
Gregory John Park	172,260	30,000	-	1,453	-	18,265	221,978
Tony Joseph Grima	210,852	60,000	27,346	3,482	-	22,406	324,086
<b>Total</b>	<b>490,704</b>	<b>90,000</b>	<b>27,346</b>	<b>4,935</b>	<b>-</b>	<b>50,892</b>	<b>663,877</b>

## DIRECTORS' REPORT (continued)

### Remuneration Report (continued)

#### Securities Received that are not Performance Related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

#### Performance-Related Share-based Payments

There were no performance-related share-based payments made to key management personnel during the year.

#### Options and Rights Granted as Remuneration

There were no options or rights granted as remuneration during the year.

#### KMP Shareholdings

The number of ordinary shares in Oldfields Holdings Limited held by each KMP of the Group during the financial year is as follows:

	Number at Beginning of Year	Granted as Remuneration During the Year	Issued on Exercise of Options During the Year	Other Changes During the Year	Number at End of Year
<b>2017</b>					
William Lewis Timms	39,384,528	-	-	-	39,384,528
Stephen Charles Hooper	50,000	-	-	81,534	131,534
Tony Joseph Grima	100,000	-	-	-	100,000
<b>Total</b>	<b>39,534,528</b>	<b>-</b>	<b>-</b>	<b>81,534</b>	<b>39,616,062</b>
<b>2016</b>					
William Lewis Timms	39,384,528	-	-	-	39,384,528
Stephen Charles Hooper	50,000	-	-	-	50,000
Tony Joseph Grima	100,000	-	-	-	100,000
<b>Total</b>	<b>39,534,528</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,534,528</b>

#### Other Transactions with KMP and/or their Related Parties

There were no other transactions conducted between the Group and KMP or their related parties, other than those disclosed above or in note 27 relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

*(This concludes the Remuneration Report which has been audited)*

#### Indemnifying Officers

During or since the end of the financial year, the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- The company has paid premiums to insure all past, present and future Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Directors of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

#### Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

#### Options

At the date of this report, there were no unissued ordinary shares of Oldfields Holdings Limited under options.

#### Rounding

Oldfields Holdings Limited has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated.

## DIRECTORS' REPORT (continued)

### Non-Audit Services

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to BDO East Coast Partnership for non-audit services:

	2017 \$'000	2016 \$'000
Taxation compliance services	33	13

### Auditor's Independence Declaration

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

This Directors' Report is signed in accordance with the resolution of the Board of Directors.



Richard Abela

Dated: 31 August 2017

## DECLARATION OF INDEPENDENCE BY IAN HOOPER TO THE DIRECTORS OF OLDFIELDS HOLDINGS LIMITED

As lead auditor of Oldfields Holdings Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Oldfields Holdings Limited and the entities it controlled during the period.



Ian Hooper

Partner

**BDO East Coast Partnership**

Sydney, 31 August 2017

## FINANCIAL REPORT

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### **General Information**

*The financial report includes the consolidated financial statements for Oldfields Holdings Limited (the ultimate parent entity) and its controlled entities ("Oldfields" or the "Group"). The financial report is presented in Australian dollars, which is Oldfields Holdings Limited's functional and presentation currency.*

*The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.*

*Oldfields Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 8 Farrow Road, Campbelltown, NSW, 2560, Australia.*

*A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial report. The financial report was authorised for issue with a resolution of directors on 31 August, 2017. The directors have the power to amend and reissue the financial report.*



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

	Note	2017 \$'000	2016 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	1,531	1,317
Trade and other receivables	7	3,523	3,667
Inventories	8	3,228	3,858
<b>TOTAL CURRENT ASSETS</b>		<b>8,282</b>	<b>8,842</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	4,883	4,944
Intangible assets	10	862	881
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,745</b>	<b>5,825</b>
<b>TOTAL ASSETS</b>		<b>14,027</b>	<b>14,667</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	2,367	2,670
Borrowings	12	2,056	1,997
Current tax liabilities	5	159	151
Provisions	13	797	728
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,379</b>	<b>5,546</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	12	1,604	2,567
Deferred tax liabilities	5	156	122
Provisions	13	100	74
Derivative financial instruments	14	2,682	2,395
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>4,542</b>	<b>5,158</b>
<b>TOTAL LIABILITIES</b>		<b>9,921</b>	<b>10,704</b>
<b>NET ASSETS</b>		<b>4,106</b>	<b>3,963</b>
<b>EQUITY</b>			
Issued capital	17	21,106	21,106
Reserves	18	8	24
Accumulated losses	21	(17,790)	(17,837)
Parent interest		3,324	3,293
Non-controlling interest	21	782	670
<b>TOTAL EQUITY</b>		<b>4,106</b>	<b>3,963</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	Issued Capital \$'000	Other Reserves \$'000	Accumulated Losses \$'000	Subtotal \$'000	Non- Controlling Interests \$'000	Total \$'000
<b>Year ended 30 June 2017</b>							
<b>Balance at 1 July 2016</b>		<b>21,106</b>	<b>24</b>	<b>(17,837)</b>	<b>3,293</b>	<b>670</b>	<b>3,963</b>
<b>Comprehensive income</b>							
Profit/(loss) for the year		-	-	47	47	265	312
Other comprehensive income for the year	18	-	(16)	-	(16)	-	(16)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(16)</b>	<b>47</b>	<b>31</b>	<b>265</b>	<b>296</b>
<b>Transactions with owners in their capacity as owners:</b>							
Dividends provided for or paid	19	-	-	-	-	(153)	(153)
<b>Total transactions with owners and other transfers</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(153)</b>	<b>(153)</b>
<b>Balance at 30 June 2017</b>		<b>21,106</b>	<b>8</b>	<b>(17,790)</b>	<b>3,324</b>	<b>782</b>	<b>4,106</b>

<b>Year ended 30 June 2016</b>							
<b>Balance at 1 July 2015</b>		<b>21,106</b>	<b>64</b>	<b>(16,835)</b>	<b>4,335</b>	<b>556</b>	<b>4,891</b>
<b>Comprehensive income</b>							
Profit/(loss) for the year		-	-	(1,002)	(1,002)	280	(722)
Other comprehensive income for the year	18	-	(40)	-	(40)	-	(40)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(40)</b>	<b>(1,002)</b>	<b>(1,042)</b>	<b>280</b>	<b>(762)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Dividends provided for or paid	19	-	-	-	-	(166)	(166)
<b>Total transactions with owners and other transfers</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(166)</b>	<b>(166)</b>
<b>Balance at 30 June 2016</b>		<b>21,106</b>	<b>24</b>	<b>(17,837)</b>	<b>3,293</b>	<b>670</b>	<b>3,963</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$'000	2016 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		29,505	31,463
Payments to suppliers and employees		(26,967)	(28,964)
		2,538	2,499
Other income received		45	86
Finance costs		(166)	(255)
Income tax paid		(273)	(189)
<b>Net cash provided by operating activities</b>	6	<b>2,144</b>	<b>2,141</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		110	12
Purchase of property, plant and equipment		(846)	(638)
<b>Net cash used in investing activities</b>		<b>(736)</b>	<b>(626)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		97	188
Repayment of borrowings		(1,080)	(1,102)
Loans from related parties			
- payments made		(202)	(300)
- proceeds from borrowings		202	300
Dividends paid by controlled entities to non-controlling interests	19	(153)	(166)
<b>Net cash used in financing activities</b>		<b>(1,136)</b>	<b>(1,080)</b>
<b>Net increase in cash and cash equivalents</b>		<b>272</b>	<b>435</b>
Cash and cash equivalents at beginning of financial year		459	24
<b>Cash and cash equivalents at end of financial year</b>	6	<b>731</b>	<b>459</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

These consolidated financial statements and notes represent those of Oldfields Holdings Limited and Controlled Entities (the “Consolidated Group” or “Group”). The separate financial statements of the Parent Entity, Oldfields Holdings Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 31 August 2017 by the Directors of the Company.

#### Statement of Compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

#### Basis of Preparation

The financial statements have been prepared on the historical cost basis except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and derivative financial instruments.

Comparative figures have been adjusted to conform to changes in classification and presentation for the current financial year.

#### Functional and Presentation Currency

The functional currency of each of the Group'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.

#### Rounding

The parent entity has applied the relief available to it under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated.

#### Key Judgements, Estimates and Assumptions

In the process of applying the Group's accounting policies management has made a number of judgements, applied estimates and assumptions of future events. Judgements, estimates and assumptions which are material to the Group's financial report are found in the following notes:

- |                                 |  |
|---------------------------------|--|
| - Revenue and other income      | - Goodwill and other intangible assets |
| - Income taxes                  | - Borrowings                           |
| - Trade and other receivables   | - Provisions                           |
| - Inventories                   | - Derivative financial instruments     |
| - Property, plant and equipment | - Impairment of non-financial assets   |

#### Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of Oldfields Holdings Limited and all of the subsidiaries. Subsidiaries are entities the Parent controls. The Parent controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as 'Non-Controlling Interests'. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

#### Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities assumed, including contingent liabilities, are recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in the profit or loss and other comprehensive income statement when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### Foreign Currency

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- (i) assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- (ii) income and expenses are translated at average exchange rates for the period; and
- (iii) retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare 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.

### Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

### Financial Instruments

#### *Recognition and Initial Measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

#### *Classification and Subsequent Measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### Financial Instruments (continued)

#### *Classification and Subsequent Measurement (continued)*

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

- (i) *Financial assets at fair value through profit or loss*  
Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.
- (ii) *Loans and receivables*  
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.  
Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.
- (iii) *Financial liabilities*  
Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

#### **Impairment**

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets have been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty; default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

#### **Derecognition**

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

#### **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### **Other Accounting Policies**

Significant and other accounting policies that summarise the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the notes to the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by Chief Operating Decision Maker (CODM), being the Board of Directors, in assessing performance and in determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and/or services provided by the segment;
- The manufacturing process;
- The type or class of customer for the products or service;
- The distribution method; and
- Any external regulatory requirements.

The primary operating segments during the current financial period were:

- (i) *Consumer products*  
The consumer products segment imports, manufactures and distributes paint brushes, paint rollers, painters tools and outdoor storage systems.
- (ii) *Scaffolding*  
The scaffolding segment manufactures and distributes scaffolding and related equipment. In addition, this segment is engaged in hiring scaffolding related products to the building and construction industry.

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Unless stated otherwise, all amounts reported to the Board of Directors, being the CODM with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

	Consumer Products	Scaffolding	Intersegment Eliminations/ Unallocated	Total
Operating Segment Performance	\$'000	\$'000	\$'000	\$'000
<b>2017</b>				
<b>Revenue</b>				
Sales revenue	7,711	19,095	(85)	26,721
Other revenue	11	35	(1)	45
<b>Total segment revenue</b>	<b>7,722</b>	<b>19,130</b>	<b>(86)</b>	<b>26,766</b>
<b>Adjusted segment EBITDA</b>				
Depreciation and amortisation expense	(38)	(694)	(71)	(803)
Revaluation of deferred senior loan note derivative component	-	-	(287)	(287)
Finance costs	-	-	(303)	(303)
Foreign exchange gain/(loss)	-	-	(11)	(11)
<b>Profit/(loss) before income tax</b>	<b>(1,004)</b>	<b>2,156</b>	<b>(525)</b>	<b>627</b>
Income tax expense	-	(315)	-	(315)
<b>Profit/(loss) after income tax</b>	<b>(1,004)</b>	<b>1,841</b>	<b>(525)</b>	<b>312</b>
<b>2016</b>				
<b>Revenue</b>				
Sales revenue	10,168	18,318	(66)	28,420
Other revenue	54	32	-	86
<b>Total segment revenue</b>	<b>10,222</b>	<b>18,350</b>	<b>(66)</b>	<b>28,506</b>
<b>Adjusted segment EBITDA</b>				
Depreciation and amortisation expense	(279)	(1,085)	(70)	(1,434)
Revaluation of deferred senior loan note derivative component	-	-	(257)	(257)
Finance costs	-	-	(377)	(377)
Foreign exchange gain/(loss)	-	-	37	37
<b>Profit/(loss) before income tax</b>	<b>(964)</b>	<b>1,427</b>	<b>(833)</b>	<b>(370)</b>
Income tax expense	-	(352)	-	(352)
<b>Profit/(loss) after income tax</b>	<b>(964)</b>	<b>1,075</b>	<b>(833)</b>	<b>(722)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Segment Information (continued)

All inter-segment transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segment's overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Adjusted segment EBITDA excludes discontinued operations and the effects of individually significant expenditure, such as restructuring costs, legal expenses, and impairments when the impairment is the result of an isolated non-recurring event. It also excludes the effects of equity-settled share-based payments when applicable and unrealised gains or losses on financial instruments.

Interest revenue and finance cost are not allocated to segments as this type of activity is driven by the central treasury function which manages the cash position of the Group.

Operating Segment Assets and Liabilities	Consumer Products \$'000	Scaffolding \$'000	Intersegment Eliminations/ Unallocated \$'000	Total \$'000
<b>30 June 2017</b>				
Segment assets	3,961	13,035	(2,969)	14,027
Segment liabilities	(2,383)	(432)	(7,106)	(9,921)
<b>Segment net assets</b>	<b>1,578</b>	<b>12,603</b>	<b>(10,075)</b>	<b>4,106</b>
<b>30 June 2016</b>				
Segment assets	5,038	12,960	(3,331)	14,667
Segment liabilities	(2,456)	(283)	(7,965)	(10,704)
<b>Segment net assets</b>	<b>2,582</b>	<b>12,677</b>	<b>(11,296)</b>	<b>3,963</b>

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances segment assets are clearly identifiable on the basis of their nature and physical location.

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 3. Revenue and Other Income

The Group derives the following types of revenue:

	2017 \$'000	2016 \$'000
<b>Sales revenue</b>		
Sale of goods	12,915	15,204
Hire and erection revenue	13,806	13,216
<b>Total sales revenue</b>	<b>26,721</b>	<b>28,420</b>
<b>Other income</b>		
Other income	45	86
<b>Total other income</b>	<b>45</b>	<b>86</b>
<b>Total revenue and other income from continuing operations</b>	<b>26,766</b>	<b>28,506</b>

#### Recognition and Measurement

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and rebates payables. When the inflow of consideration is deferred it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue. Revenue is stated net of the amount of goods and services tax.

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

Revenue from hire of equipment is recognised when the service is provided.

Interest revenue is recognised using the effective interest method.

#### Key Judgements, Estimates and Assumptions: Revenue Recognition

##### *Hire and erection revenue*

Revenue recognition relating to the provision of hire equipment services is determined with reference to the stage of completion of the transaction at the end of the reporting period where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

### 4. Expenses

Profit/(Loss) before income tax includes the following specific expenses by nature:

	Note	2017 \$'000	2016 \$'000
<b>Inventory recognised as an expense during the year</b>		<b>6,936</b>	8,495
<b>Depreciation expense</b>	9	<b>784</b>	1,415
<b>Amortisation expense</b>	10	<b>19</b>	19
<b>Plant and equipment impairment</b>	9	<b>-</b>	341
<b>Employee benefits expense</b>		<b>8,306</b>	8,734
<b>Bad and doubtful debts provision</b>		<b>61</b>	6
<b>Rental expense on operating leases</b>		<b>978</b>	1,000
<b>Finance costs:</b>			
Related parties	27	2	7
Unrelated parties		136	205
Hire purchase charges		13	28
Unwinding of discount on deferred senior loan note		137	122
Other borrowing costs		15	15
		<b>303</b>	377

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. Income Taxes

	2017 \$'000	2016 \$'000
<b>Income tax expense recognised in the income statement</b>		
<i>Current tax</i>		
Current tax on profits for the year	281	301
Adjustments for current tax of prior periods	-	-
<b>Total current tax expense</b>	<b>281</b>	<b>301</b>
<i>Deferred income tax</i>		
(Increase)/decrease in deferred tax assets	22	20
Increase/(decrease) in deferred tax liabilities	12	31
<b>Total deferred tax expense/(benefit)</b>	<b>34</b>	<b>51</b>
<b>Total income tax expense</b>	<b>315</b>	<b>352</b>

	2017 \$'000	2016 \$'000
<b>Tax reconciliation</b>		
Profit/(loss) before income tax expense	627	(370)
Tax at the Australian tax rate of 30%	188	(111)
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
Non-allowable items	3	103
Under/(over) provision for income tax in prior year	(35)	-
Unwinding of discount on DSLN not deductible	41	37
Revaluation of derivative element of DSLN not deductible	86	77
	283	106
<i>Less tax effect of:</i>		
Net tax effect profit from overseas operations	(53)	(62)
Current year tax loss not brought to account	85	308
<b>Income tax expense</b>	<b>315</b>	<b>352</b>

	2017 \$'000	2016 \$'000
<b>Unrecognised tax assets</b>		
<b>Tax losses</b>		
<i>Tax losses for which no deferred tax asset has been recognised</i>		
Operating losses	11,189	10,906
Capital losses	273	273
<b>Potential tax benefit @ 30%</b>	<b>3,439</b>	<b>3,354</b>

	2017 \$'000	2016 \$'000
<b>Current tax liabilities</b>		
Income tax liabilities	159	151
<b>Total current tax liabilities</b>	<b>159</b>	<b>151</b>

	2017 \$'000	2016 \$'000
<b>Deferred income tax in the balance sheet</b>		
Employee benefits	4	25
Doubtful debts	2	3
Fixed assets	(162)	(150)
Other	-	-
<b>Net deferred tax assets/(liabilities)</b>	<b>(156)</b>	<b>(122)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. Income Taxes (continued)

#### Recognition and Measurement

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

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

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

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

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### *Tax Consolidation*

Oldfields Holdings Limited and its wholly-owned subsidiaries have implemented the tax consolidation legislation. As a consequence these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

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

#### **Key Judgements, Estimates and Assumptions: Unrecognised Deferred Tax Benefits**

The Group has unrecognised benefits relating to carried forward losses. The unused tax losses were incurred by the Australian tax consolidated group. The losses are currently not recognised as it is not sufficiently probable that the Group will generate taxable income in the foreseeable future that will allow the losses to be utilised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 6. Cash and Cash Equivalents

	2017 \$'000	2016 \$'000
Cash on hand	2	2
Cash at bank	1,529	1,315
<b>Total cash and cash equivalents</b>	<b>1,531</b>	<b>1,317</b>

Reconciliation to statement of cash flows	Note	2017 \$'000	2016 \$'000
Cash and cash equivalents		1,531	1,317
Bank overdrafts	12	(800)	(858)
<b>Balances per statement of cash flows</b>		<b>731</b>	<b>459</b>

Reconciliation of cash flow from operating activities with loss after income tax	2017 \$'000	2016 \$'000
Profit/(loss) after income tax	312	(722)
<i>Adjustment for non cash items:</i>		
Depreciation and amortisation	803	1,434
Net (gains)/losses on disposal of property, plant and equipment	(51)	86
Write off of plant and equipment	64	356
Unwinding of discount on deferred senior loan note	137	122
Revaluation of deferred senior loan note to fair value through profit or loss	287	257
Plant and equipment impairment	-	341
<i>Changes in operating assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	144	183
(Increase)/decrease in inventories	614	108
Increase/(decrease) in trade payables and accruals	(303)	(58)
Increase/(decrease) in income taxes payable	8	112
Increase/(decrease) in deferred taxes payable	34	51
Increase/(decrease) in provisions	95	(129)
<b>Cash flow from operating activities</b>	<b>2,144</b>	<b>2,141</b>

### Recognition and Measurement

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position, but included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Trade and Other Receivables

	2017 \$'000	2016 \$'000
<b>CURRENT</b>		
Trade receivables	3,069	3,248
Provision for impairment	(51)	(103)
Net trade receivables	3,018	3,145
Other receivables	122	100
Prepayments	383	422
<b>Total current trade and other receivables</b>	<b>3,523</b>	<b>3,667</b>

	2017 \$'000	2016 \$'000
<b>Trade receivables past due but not impaired</b>		
Up to 3 months	115	99
3 to 6 months	24	35
<b>Total</b>	<b>139</b>	<b>134</b>

Amounts are considered as 'past due' when the debt has not been settled with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

As at 30 June 2017, trade receivables of \$139,000 (2016: \$134,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

#### Impairment and risk exposure

	2017 \$'000	2016 \$'000
<b>Aging analysis of receivables</b>		
1 to 3 months	34	49
4 to 6 months	15	15
Over 6 months	2	39
<b>Total</b>	<b>51</b>	<b>103</b>

	2017 \$'000	2016 \$'000
<b>Movement in the provision for impairment of receivables</b>		
Opening balances	103	198
Provision for impairment recognised during the year	36	6
Receivables written off during the year as uncollectable	(88)	(102)
Bad debts recovered	-	1
<b>Closing balance</b>	<b>51</b>	<b>103</b>

#### Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained.

#### Credit risk

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for and mentioned within note 7. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

	2017 \$'000	2016 \$'000
<b>Financial assets classified as loans and receivables</b>		
Trade and other receivables	3,018	3,145
<b>Financial assets</b>	<b>3,018</b>	<b>3,145</b>

#### Recognition and Measurement

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. Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. If not they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included within the administrative expenses item in the consolidated statement of profit or loss and comprehensive income.

#### Key Judgements, Estimates and Assumptions: Provision for Impairment of Receivables

The provision for impairment of receivables assessment required a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of the receivables, historical collection rates and specific knowledge of the individual debtors financial position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 8. Inventories

	2017	2016
	\$'000	\$'000
Raw materials	407	867
Work in progress	257	330
Finished goods	2,279	2,421
Consignment stock	67	-
Goods in transit	418	319
	3,428	3,937
Provisions	(200)	(79)
<b>Total inventories</b>	<b>3,228</b>	<b>3,858</b>

### Recognition and Measurement

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

### Key Judgements, Estimates and Assumptions: Provision for Impairment of Inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of the inventories, and other factors that affect inventory obsolescence.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 9. Property, Plant and Equipment

	Hire Equipment \$'000	Plant and Equipment \$'000	Improve- ments \$'000	Motor Vehicles \$'000	Total \$'000
<b>Year ended 30 June 2017</b>					
Cost	7,588	4,289	430	1,762	14,069
Accumulated depreciation	(3,193)	(4,132)	(389)	(1,472)	(9,186)
<b>Net book amount</b>	<b>4,395</b>	<b>157</b>	<b>41</b>	<b>290</b>	<b>4,883</b>
Opening net book amount	4,462	231	54	197	4,944
Exchange differences	(33)	(3)	-	-	(36)
Additions	543	27	37	239	846
Disposals	(83)	-	(2)	(2)	(87)
Depreciation expense	4	(494)	(98)	(144)	(784)
<b>Closing net book amount</b>	<b>4,395</b>	<b>157</b>	<b>41</b>	<b>290</b>	<b>4,883</b>
<b>Year ended 30 June 2016</b>					
Cost	7,759	4,329	399	1,608	14,095
Accumulated depreciation	(3,297)	(4,098)	(345)	(1,411)	(9,151)
<b>Net book amount</b>	<b>4,462</b>	<b>231</b>	<b>54</b>	<b>197</b>	<b>4,944</b>
Opening net book amount	5,639	536	88	253	6,516
Exchange differences	(47)	(5)	-	-	(52)
Additions	470	78	12	78	638
Disposals	(386)	(16)	-	-	(402)
Impairment charges *	(341)	-	-	-	(341)
Depreciation expense	4	(873)	(46)	(134)	(1,415)
<b>Closing net book amount</b>	<b>4,462</b>	<b>231</b>	<b>54</b>	<b>197</b>	<b>4,944</b>

\* As at 30 June 2016 the Directors completed a review of the hire equipment within the scaffolding segment. It was determined that certain items were no longer generating a positive return. The impairment charge of \$341,000 represents the total written down value of the assets identified.

#### Recognition and Measurement

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

The depreciable amount of all fixed assets, including capitalised lease assets, are depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. The estimated useful lives in the current and comparative periods are as follows:

Hire equipment	5-20 years
Plant and equipment	3-20 years
Leasehold improvements	shorter of lease term or useful life
Motor vehicles	5-6 years

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

#### Key Judgements, Estimates and Assumptions: Estimation of Useful Lives of Assets

The Group determined the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or down.

Hire equipment is depreciated on a straight line basis over its estimated useful life, taking into account its realisable value at the end of its life. Hire equipment is constantly maintained and refurbished throughout its useful life. In the case of scaffolding and related items this continual maintenance and refurbishment usually results in the end realisable value being equal to or greater than original cost, so that the necessary expense for depreciation is minimal. The Group has assessed the useful life of hire equipment to be 20 years. All reconditioning for hire equipment are expensed as incurred and are not taken into account in the carrying value of hire equipment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Goodwill and Other Intangible Assets

	Note	Goodwill \$'000	Trademark & Licences \$'000	Software & Other \$'000	Total \$'000
<b>Year ended 30 June 2017</b>					
Cost		838	177	413	1,428
Accumulated amortisation and impairment		-	(168)	(398)	(566)
<b>Net book amount</b>		<b>838</b>	<b>9</b>	<b>15</b>	<b>862</b>
Opening net book amount		838	9	34	881
Amortisation charge	4	-	-	(19)	(19)
<b>Balance at 30 June 2017</b>		<b>838</b>	<b>9</b>	<b>15</b>	<b>862</b>

<b>Year ended 30 June 2016</b>					
Cost		838	177	418	1,433
Accumulated amortisation and impairment		-	(168)	(384)	(552)
<b>Net book amount</b>		<b>838</b>	<b>9</b>	<b>34</b>	<b>881</b>
Opening net book amount		838	9	53	900
Amortisation charge	4	-	-	(19)	(19)
<b>Closing net book amount</b>		<b>838</b>	<b>9</b>	<b>34</b>	<b>881</b>

Goodwill is allocated to the Group's cash-generating units (CGUs). A CGU level summary of the goodwill allocation is presented below.

	2017 \$'000	2016 \$'000
South and Western Australian scaffold branches	838	838

### Recognition and Measurement

#### Goodwill

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

- (i) the consideration transferred;
  - (ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
  - (iii) the acquisition date fair value of any previously held equity interest;
- over the acquisition date fair value of net identifiable assets acquired.

#### Intangible Assets

Intangible assets acquired are measured on initial recognition at cost. Intangible assets other than goodwill have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of profit or loss.

Patents and trademarks are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful lives ranging from 5 to 10 years.

#### Key Judgements, Estimates and Assumptions: Goodwill and Other Indefinite Life Intangible Assets

The Group tests annually, or more frequently if changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered impairment. Recoverable amounts of cash generating units have been determined based on value-in use calculations using assumptions including discount rates based on the current cost of capital and growth rates of estimated future cash flows.

### 11. Trade and Other Payables

	2017 \$'000	2016 \$'000
<b>CURRENT</b>		
<i>Unsecured liabilities</i>		
Trade payables	1,425	1,546
Sundry payables and accrued expenses	775	966
Net GST payables	167	158
<b>Total trade and other payables</b>	<b>2,367</b>	<b>2,670</b>

### Recognition and Measurement

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid between 7 and 60 days of recognition of the liability.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Borrowings

	Note	2017 \$'000	2016 \$'000
<b>CURRENT</b>			
<i>Secured liabilities</i>			
Bank overdrafts		800	858
Bank loans		1,200	958
Other financing liabilities		-	104
Hire purchase liabilities		56	77
<b>Total current borrowings</b>		<b>2,056</b>	<b>1,997</b>
<b>NON-CURRENT</b>			
<i>Secured liabilities</i>			
Bank loans		229	1,356
Hire purchase liabilities		101	74
Debt element of deferred senior loan note	14	1,274	1,137
<b>Total non-current borrowings</b>		<b>1,604</b>	<b>2,567</b>
<b>Total borrowings</b>		<b>3,660</b>	<b>4,564</b>

	2017 \$'000	2016 \$'000
Bank overdraft	800	858
Bank loan	1,429	2,314
Other financing liabilities	-	104
Hire purchase liabilities	157	151
Debt element of deferred senior loan note	1,274	1,137
<b>Total current and non-current secured liabilities</b>	<b>3,660</b>	<b>4,564</b>

#### Recognition and Measurement

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

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

#### Collateral provided

The bank debt is secured by a fixed and floating charge over the Group's assets. The facility expires in September 2018. Covenants imposed by the bank includes interest cover ratios; capital expenditure limits; gearing ratios; and the Group cannot create or acquire a new subsidiary unless that subsidiary becomes a party to the agreement. The Group complied with all its loan covenants during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. Provisions

	2017 \$'000	2016 \$'000
<b>CURRENT</b>		
Employee leave obligations	797	728
<b>Total current provisions</b>	<b>797</b>	<b>728</b>
<b>NON-CURRENT</b>		
Employee leave obligations	100	74
<b>Total non-current provisions</b>	<b>100</b>	<b>74</b>
<b>Total provisions</b>	<b>897</b>	<b>802</b>

	2017 \$'000	2016 \$'000
<b>Amounts not expected to be settled within the next 12 months</b>		
Current leave obligations expected to be settled after 12 months	518	473

### Recognition and Measurement

#### Provisions

Provisions are recognised when the Group 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.

#### Short-Term Employee Benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the obligation is settled.

#### Other Long-Term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees.

Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

#### Key Estimate: Employee Entitlement Provisions - Long Service Leave

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Derivative Financial Instruments

	2017 \$'000	2016 \$'000
<b>NON-CURRENT LIABILITIES</b>		
Derivative element of deferred senior loan note	2,682	2,395
<b>Total derivative financial liabilities</b>	<b>2,682</b>	<b>2,395</b>

#### Deferred Senior Loan Note (DSL N)

On 21 December 2012 ('Issue Date') the Group's bank swapped senior debt for a DSLN ('Face Value' of \$2,370,224). Main terms of the DSLN are:

- The DSLN is secured against the assets of the Group and has a maturity date of 21 December 2022;
- Interest will be capitalised and paid either on termination or early repayment;
- If the DSLN is repaid or partially repaid within the first 5 years from the Issue Date, it will accrue interest at 12% p.a;
- If the DSLN is repaid or partially repaid after the expiry of 5 years from the Issue Date and or prior to the maturity date, then the lower of accrued interest at 12% p.a or a redemption premium is payable;
- The premium is equivalent to the difference between the Face Value of the DSLN and the market value. Market value is determined by the weighted average share price 15 business days prior to the redemption or maturity dates as applicable multiplied 23,702,240 reference shares;
- If the market value of the reference shares as calculated to be lower than the Face Value of the DSLN, the redemption premium is deemed to be nil and the only repayment due will be the Face Value of the DSLN;
- The bank is also entitled to receive a payment to the equivalent value of any dividend payment if made by the Group; and
- Other normal conditions apply in respect to meeting gearing and interest cover ratios.

#### Fair Value Measurement

##### (a) 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 input that is significant to the measurement categorised as follows:

Level 1	Level 2	Level 3
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.	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 following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy.

	2017 \$'000	2016 \$'000
<b>Recurring fair value measurements - Level 2</b>		
Derivative element of DSLN	2,682	2,395
<b>Total liabilities recognised at fair value</b>	<b>2,682</b>	<b>2,395</b>

There were no transfers between levels for assets or liabilities measured at fair value on a recurring basis during the reporting period (2016: no transfers).

##### (b) Valuation techniques and inputs used to measure Level 2 fair values

The derivative element of the DSLN of \$2,682,000 (2016: \$2,395,000) has been valued using Level 2 inputs which are included in the terms and conditions of this instrument. Refer note 12 for main terms of the loan note.

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

#### Recognition and Measurement

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured to their fair value at each reporting date.

#### Key Judgements, Estimates and Assumptions: Fair Value of Derivative Senior Loan Note

The DSLN has been identified as containing two main components: the core debt being the Face Value of the Note and a derivative element capturing the Redemption Premium payment entitlement.

The Group has made significant judgements and assumptions regarding the Redemption Term of the DSLN (i.e. 10 years) and the expected cash outflows that would arise from the repayment of the DSLN at the maturity date. As such, the core debt has been discounted by 12% to net present value over the expected term of the DSLN and is included in non-current borrowings. The derivative element has been fair valued at the maximum of amount of the Redemption Premium payable on the Maturity Date under the DSLN i.e. the accrued interest at 12% p.a.

Should the Group repay or partially repay the DSLN before the maturity date, the total amount payable under the DSLN could significantly differ from the respective carrying amounts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from related parties, bills, leases, and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2017 \$'000	2016 \$'000
<b>Financial Assets</b>			
Cash and cash equivalents	6	1,529	1,315
Loans and net trade receivables	7	3,018	3,145
<b>Total financial assets</b>		<b>4,547</b>	<b>4,460</b>
<b>Financial Liabilities</b>			
<i>Financial liabilities at amortised cost</i>			
Trade and other payables	11	2,367	2,670
Borrowings	12	3,660	4,564
<i>Financial liabilities at fair value through profit and loss</i>			
Derivative instruments	14	2,682	2,395
<b>Total financial liabilities</b>		<b>8,709</b>	<b>9,629</b>

#### Financial risk management policies

The Board of Directors are responsible for managing financial risk policies and exposures of the Group. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, liquidity risk and interest rate risk.

The overall risk management strategy seeks to assist the Group in meeting its financial targets while minimising potential adverse effects on financial performance. This includes the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

#### Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

##### (a) Credit risk

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

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

Collateral held by the Group securing receivables is detailed in note 7.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables is provided in note 7.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at note 7.

##### (b) Liquidity risk

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

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile; and
- managing credit risk related to financial assets.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. Financial Risk Management (continued)

#### Financial asset and financial liability maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Financial assets - cash flows realisable</b>								
Cash and cash equivalents	1,529	1,315	-	-	-	-	1,529	1,315
Trade and other receivables	3,018	3,145	-	-	-	-	3,018	3,145
<b>Total anticipated inflows</b>	<b>4,547</b>	<b>4,460</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,547</b>	<b>4,460</b>
<b>Financial liabilities due for payment</b>								
Bank overdrafts and bank loans	2,216	1,970	254	1,471	-	-	2,470	3,441
Debt element of DSLN*	-	-	-	-	2,370	2,370	2,370	2,370
Derivative element of DSLN*	-	-	-	-	4,991	4,991	4,991	4,991
Trade and other payables	2,367	2,670	-	-	-	-	2,367	2,670
Other financing liabilities	-	104	-	-	-	-	-	104
Finance lease liabilities	56	77	101	74	-	-	157	151
<b>Total expected outflows</b>	<b>4,639</b>	<b>4,821</b>	<b>355</b>	<b>1,545</b>	<b>7,361</b>	<b>7,361</b>	<b>12,355</b>	<b>13,727</b>
<b>Net (outflow) / inflow on financial instruments</b>	<b>(92)</b>	<b>(361)</b>	<b>(355)</b>	<b>(1,545)</b>	<b>(7,361)</b>	<b>(7,361)</b>	<b>(7,808)</b>	<b>(9,267)</b>

\*The derivative element of the DSLN has been shown at the maximum amount of the redemption premium payable on maturity as discussed in note 14.

#### Financial assets pledged as collateral

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts. Refer to note 12 for further details.

#### (c) Market risk

##### (i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

##### (ii) Foreign exchange risk

The Board and senior management regularly monitor foreign currency movements and has undertaken to use hedging contracts where appropriate to the value of up to 100% of its US dollar requirements over a maximum 6 month period.

#### Sensitivity analysis

As at the end of the reporting period, the Group had the following variable rate borrowings:

	2017			2016		
	Weighted Average Interest Rate	Balance	% of Total Loans	Weighted Average Interest Rate	Balance	% of Total Loans
Bank overdrafts and bank loans	10.81%	2,229	26%	8.47%	3,172	33%

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, exchange rates and commodity and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit		Equity	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
+/- 2% in interest rates	26	50	26	50

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

#### Fair value estimation

The fair values of the Group's financial assets and financial liabilities included in the Statement of Financial Position are carried at amounts that approximate net fair values.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 16. Impairment of Non-Financial Assets

At the end of each reporting period the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with the standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with the standard (AASB 116).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on a one-year budget and four-year projections approved by management. Cash flows beyond the one-year budget period are extrapolated using the estimated growth rates stated below. The growth rates for the terminal period do not exceed the long-term average growth rates for the industry in which each CGU operates.

#### Sensitivity

The calculation of value-in-use is most sensitive to changes in the discount rate. The Directors have made judgements and estimates in respect of impairment testing of goodwill and intangible assets. Should these estimates not occur, the resulting goodwill and intangible assets may vary in carrying amount. If the discount rate was to increase by 3%, goodwill would not need to be impaired with all other assumptions remaining constant, for scaffold division.

#### Key Judgements, Estimates and Assumptions: Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

The following key assumptions were used in the value-in-use calculations:

	Growth Rate		Terminal	Discount Rate
	Year 1	Year 2-5	Period	
	%	%	Growth Rate	%
<b>2017</b>				
South and Western Australian scaffold branches	7%	5%	3%	17%
<b>2016</b>				
South and Western Australian scaffold branches	-3%	-3%	3%	17%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 17. Share Capital

	2017 No.	2016 No.	2017 \$'000	2016 \$'000
Ordinary fully paid shares	82,176,198	82,176,198	21,106	21,106

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

#### Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is subject to financing covenants as detailed in note 12.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to identify opportunities to reduce the Group's gearing ratio. The gearing ratios for the year ended 30 June 2017 and 30 June 2016 are as follows:

	Note	2017 \$'000	2016 \$'000
Total borrowings	12	3,660	4,564
Add: Derivative financial instruments	14	2,682	2,395
Less: Cash and cash equivalents	6	(1,531)	(1,317)
<b>Net debt and derivative financial instruments</b>		<b>4,811</b>	<b>5,642</b>
Total equity		4,106	3,963
<b>Total capital</b>		<b>8,917</b>	<b>9,605</b>
<b>Gearing ratio</b>		<b>54%</b>	<b>59%</b>

### 18. Reserves

	2017 \$'000	2016 \$'000
Foreign currency translation	8	24
<b>Total reserves</b>	<b>8</b>	<b>24</b>

#### Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 19. Dividends

Since the start of the financial year, no dividends have been paid or declared by the Parent Entity.

During the year \$153,000 (2016: \$166,000) of fully franked dividends were paid to a related party of the Group by Adelaide Scaffold Solutions Pty Limited to Sibley Investments Pty Limited. Sibley Investments Pty Limited is the minority interest holder in the Group. Adelaide Scaffold Solutions Pty Limited is a controlled entity of Oldfields Holdings Limited.

Franking account balance	Parent Entity	
	2017 \$'000	2016 \$'000
The amount of the franking credits available for subsequent reporting periods are:		
Balance at the end of the reporting period	944	858
Franking credits that will arise from the payment of the amount of provision for income tax	101	86
<b>Franking credits available for subsequent reporting periods based on a tax rate of 30%</b>	<b>1,045</b>	<b>944</b>

### Recognition and Measurement

Dividends are recognised when declared during the financial year and are then no longer at the discretion of the Company.

### 20. Earnings per Share

	2017 Cents	2016 Cents
Basic earnings/(loss) per share	0.057	(1.219)
Diluted earnings/(loss) per share	0.057	(1.219)

Reconciliation of earnings to profit or loss	2017 \$'000	2016 \$'000
Profit/(loss) for the year	312	(722)
Less: Profit attributable to non-controlling equity interest	(265)	(280)
Earnings used to calculate basic EPS	47	(1,002)

	2017 No.	2016 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	82,176,198	82,176,198

### Calculation of Earnings per Share

#### Basic earnings per share

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

#### Diluted earnings per share

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

### 21. Accumulated Losses

	Note	2017 \$'000	2016 \$'000
Movements in accumulated losses were as follows:			
Opening balance at 1 July		(17,167)	(16,279)
Net profit/(loss) for the year		312	(722)
Dividends paid	19	(153)	(166)
<b>Closing balance at 30 June</b>		<b>(17,008)</b>	<b>(17,167)</b>
Accumulated losses attributable to:			
Members of the parent entity		(17,790)	(17,837)
Non-controlling interest		782	670
<b>Total accumulated losses at 30 June</b>		<b>(17,008)</b>	<b>(17,167)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 22. Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares or ordinary units which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of Subsidiary	Principal Place of Business	Ownership Interest		Non-Controlling Interests	
		2017 %	2016 %	2017 %	2016 %
<b>Subsidiaries of Oldfields Holdings Limited:</b>					
Oldfields Pty Limited	Australia	100%	100%	0%	0%
Oldfields Advance Scaffold Pty Limited	Australia	100%	100%	0%	0%
Oldfields Administration Pty Limited	Australia	100%	100%	0%	0%
Oldfields International Pty Limited	Australia	100%	100%	0%	0%
*Advantage Contracting Pty Limited (ceased 28 August 2016)	Australia	0%	100%	0%	0%
*Advantage Scaffolding Pty Limited (ceased 21 August 2016)	Australia	0%	100%	0%	0%
*Shed Holdings Pty Limited (ceased 21 August 2016)	Australia	0%	100%	0%	0%
Advance Scaffold Solutions Pty Limited	Australia	100%	100%	0%	0%
*NOST Investments Pty Limited (ceased 11 September 2016)	Australia	0%	100%	0%	0%
<b>Subsidiaries of Oldfields Pty Limited:</b>					
*Midco Pty Limited (ceased 21 August 2016)	Australia	0%	100%	0%	0%
<b>Subsidiaries of Oldfields Advance Scaffold Pty Limited:</b>					
Adelaide Scaffold Solutions Pty Limited	Australia	60%	60%	40%	40%
<b>Subsidiaries of Oldfields Administration Pty Limited:</b>					
National Office Service Trust	Australia	100%	100%	0%	0%
<b>Subsidiaries of NOST Investments Pty Limited:</b>					
*H & O Products Pty Limited (ceased 11 September 2016)	Australia	0%	75%	25%	25%
<b>Subsidiaries of Oldfields International Pty Limited:</b>					
Oldfields (NZ) Limited	New Zealand	100%	100%	0%	0%
Oldfields Paint Applications (NZ) Limited	New Zealand	100%	100%	0%	0%
Oldfields USA Incorporated	USA	100%	100%	0%	0%
*Scaffold Management Systems Pty Limited (ceased 21 August 2016)	Australia	0%	100%	0%	0%
<b>Subsidiaries of Shed Holdings Pty Limited:</b>					
*Backyard Installations Pty Limited (ceased 21 August 2016)	Australia	0%	100%	0%	0%
*Sheds Plus (NSW) Pty Limited (ceased 21 August 2016)	Australia	0%	100%	0%	0%
*Adelaide Garden Sheds Pty Limited (ceased 21 August 2016)	Australia	0%	100%	0%	0%
<b>Subsidiaries of Advance Scaffold Solutions Pty Limited:</b>					
*Scaffold The World Pty Limited (ceased 21 August 2016)	Australia	0%	100%	0%	0%
Foshan Advcorp Scaffold Limited	China	100%	100%	0%	0%

\* Indicates non trading entities that were closed after application and deregistered by ASIC on the date indicated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 22. Subsidiaries (continued)

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

Set out below is the summarised financial information for Adelaide Scaffold Solutions Pty Ltd that has non-controlling interests that are material to the Group, before any intra-group eliminations. The entity's principal place of business is 5-7 Peekara Street, Regency Park, South Australia.

Summarised financial information of subsidiaries with material non-controlling interests	2017 \$'000	2016 \$'000
<b>Summarised financial position - Adelaide Scaffold Solutions Pty Ltd</b>		
Current assets	1,976	1,227
Non-current assets	1,758	1,857
Current liabilities	(778)	(416)
Non-current liabilities	(172)	(164)
<b>Net assets</b>	<b>2,784</b>	<b>2,504</b>
Carrying amount of non-controlling interests	782	669
<b>Summarised financial performance - Adelaide Scaffold Solutions Pty Ltd</b>		
Revenue	4,522	4,383
Profit after tax	662	699
Other comprehensive income after tax	-	-
<b>Total comprehensive income</b>	<b>662</b>	<b>699</b>
Profit attributable to non-controlling interests	265	280
<b>Summarised cash flow information - Adelaide Scaffold Solutions Pty Ltd</b>		
Net cash from/(used in) operating activities	1,116	825
Net cash from/(used in) investing activities	(171)	(86)
Net cash from/(used in) financing activities	(452)	(453)
<b>Net increase in cash and cash equivalents</b>	<b>493</b>	<b>286</b>
Distributions paid to non-controlling interests	153	166

### Recognition and Measurement

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Group as at 30 June 2017 and the results of all controlled entities for the year then ended. Control exists when the consolidated entity has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control exists.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 23. Commitments and Contingencies

#### Capital Commitments

The Group does not have any capital expenditure commitments at reporting date.

#### Lease Commitments

Finance lease commitments	Note	2017 \$'000	2016 \$'000
<i>Payable — minimum lease payments</i>			
Within one year		77	87
Later than one year but not later than five years		111	79
		188	166
Less future finance charges		(31)	(15)
<b>Present value of minimum lease payments</b>	12	<b>157</b>	<b>151</b>

Included in finance lease commitments are hire purchase liabilities that are secured by a charge over the hire purchase assets.☒

The property leases are non-cancellable leases with 1-5 year terms, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that minimum lease payments shall be increased by the lower of the change in the consumer price index or 3-5% per annum. Options exist to renew certain leases at the end of the term for an additional term of 1-5 years. On renewal the terms of the leases are renegotiated.

Non-cancellable operating lease commitments	2017 \$'000	2016 \$'000
<i>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</i>		
Within one year	1,118	1,158
Later than one year but not later than five years	3,510	642
<b>Total operating lease commitments</b>	<b>4,628</b>	<b>1,800</b>

#### Contingencies

The Group does not have any significant contingent liabilities or contingent assets as 30 June 2017 or 30 June 2016.

### 24. Events After the Reporting Period

There are no matters or circumstances that have arisen since the end of the financial year which have significantly affected or could affect the operations of the Group in future years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 25. Parent Entity Disclosures

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2017 \$'000	2016 \$'000
<b>Statement of Financial Position</b>		
<b>ASSETS</b>		
Current assets	365	296
Non-current assets	2,189	2,080
<b>TOTAL ASSETS</b>	<b>2,554</b>	<b>2,376</b>
<b>LIABILITIES</b>		
Current liabilities	4,786	3,502
Non-current liabilities	4,820	5,400
<b>TOTAL LIABILITIES</b>	<b>9,606</b>	<b>8,902</b>
<b>NET LIABILITIES</b>	<b>(7,052)</b>	<b>(6,526)</b>
<b>EQUITY</b>		
Issued capital	21,106	21,106
Accumulated losses	(28,158)	(27,632)
Other reserves	-	-
<b>TOTAL EQUITY</b>	<b>(7,052)</b>	<b>(6,526)</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
<b>Loss before tax</b>	<b>(526)</b>	<b>(171)</b>
<b>Total comprehensive loss</b>	<b>(526)</b>	<b>(171)</b>

#### Guarantees

Oldfields Holdings Limited and its Australian wholly-owned entities have entered into a deed of cross guarantee under which the Company and its subsidiaries guarantee the debts of each other.

#### Contingent liabilities

The Parent Entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

#### Contractual commitments

The Parent Entity did not have any contractual commitments as at 30 June 2017 or 30 June 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 26. Auditors' Remuneration

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

	2017 \$	2016 \$
<b>(a) BDO East Coast Partnership Australia</b>		
Auditing or reviewing the financial report	117,500	129,500
Taxation services	10,500	12,500
Other services	22,500	-
<b>Total remuneration of BDO East Coast Partnership Australia</b>	<b>150,500</b>	<b>142,000</b>
<b>(b) Network firms of BDO East Coast Partnership Australia</b>		
Auditing or reviewing the financial statements of subsidiaries	-	10,500
<b>Total remuneration of network firms of BDO East Coast Partnership Australia</b>	<b>-</b>	<b>10,500</b>
<b>Total auditors' remuneration</b>	<b>150,500</b>	<b>152,500</b>

### 27. Related Party Transactions

#### Ultimate controlling entity

Oldfields Holdings Limited (incorporated in Australia)

#### Key management personnel

The following were key management personnel (KMP) at the end of the reporting period:

Richard John Abela	Chief Executive Officer
William Lewis Timms	Non-executive Director
Stephen Charles Hooper	Non-executive Director
Gregory John Park	Chief Financial Officer and Company Secretary

Details of remuneration	2017 \$'000	2016 \$'000
Short-term employee benefits	611	613
Post-employment benefits	58	51
<b>Total KMP compensation</b>	<b>669</b>	<b>664</b>

Detailed remuneration disclosures are provided in the remuneration report.

Transactions with related parties	2017 \$'000	2016 \$'000
The following transactions occurred with related parties:		
Dividends paid to Sibley Investments Pty Ltd, holder of minority interest in Adelaide Scaffold Solutions Pty Ltd	153	166
Interest paid to Timms Realty, being a related party of William Lewis Timms (non-executive director)	2	7

Loans from related parties	2017 \$'000	2016 \$'000
Loan payable to Timms Realty, being a related party of William Lewis Timms (non-executive director)		
Beginning of the year	-	-
Loan received	202	300
Loan repayments made	(202)	(300)
Interest charged	2	7
Interest paid	(2)	(7)
<b>End of the year</b>	<b>-</b>	<b>-</b>

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

#### Terms and conditions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 28. Other Accounting Policies

#### ***New Accounting Standards for Application in Future Periods***

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- (i) *AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).*

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and include revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

The adoption of AASB 9 is unlikely to have an impact on the Group's financial statements.

- (ii) *AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).*

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for 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. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

- (iii) *AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).*

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases and related Interpretations*. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the Directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, at this time the variation has not been determined.

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

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Oldfields Holdings Limited, the Directors of the Company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
  - (a) comply with Australian Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated entity;
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. the Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Oldfields Holdings Limited and its Australian wholly-owned entities have entered into a deed of cross guarantee under which the Company and its subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.



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**Richard Abela**

Dated: 31 August 2017

## INDEPENDENT AUDITOR'S REPORT

To the members of Oldfields Holdings Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Oldfields Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

#### 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.

### *Scaffolding Hire and Erection Revenue Recognition*

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 3, recognition of scaffolding hire and erection revenue is determined as an area of key estimate and judgement on the basis of the following:</p> <ol style="list-style-type: none"> <li>1. Management recognise revenue based on the best estimate of expected consideration to be received for individual contracts; and</li> <li>2. Scaffolding hire and erection revenue is recognised with reference to the stage of completion of the transaction and there is judgement associated with determining the stage of completion.</li> </ol> <p>Due to the nature of the key estimates and judgements, this has been determined as a key audit matter.</p>	<p>Our audit procedures to address the key audit matter included, but were not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Reviewing the appropriateness of management’s judgements associated with the fair value of consideration expected to be received by reference to the terms of individual contracts;</li> <li>• Evaluating the accuracy of managements judgements associated with the stage of completion of individual contracts by testing the accuracy of assumptions in relation to services performed at period end against the expected total services to be provided under contacts; and</li> <li>• Assessing the recognition of scaffolding hire and erection revenue under individual contracts by reference to the assessment of transfer of risk and reward and the impact on related revenue recognition under AASB 118 <i>Revenue</i>.</li> </ul>

### *Accounting for Deferred Senior Loan Note*

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group has recognised Deferred Senior Loan Note (DSLN) liabilities consisting of the debt element of the DSLN of \$1,274,000 (refer to Note 12) and the derivation element of the DSLN of \$2,682,000 (refer to Note 14).</p> <p>Significant judgement has been exercised by management in determining the fair value of the DSLN liabilities. We therefore consider this area to be significant for our audit.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Reviewing the contractual terms of the DSLN agreement;</li> <li>• Evaluating management’s significant judgements used in determining the fair value of the DSLN liabilities including the use of accrued interest at 12% per annum, being the maximum amount of the Redemption Premium payable on the Maturity Date under the DSLN; and</li> <li>• Evaluating and assessing the adequacy of the presentation and disclosures of the DSLN in the financial statements.</li> </ul>

### **Other information**

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

Our opinion on the financial report does not cover the other information and 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.

When we read the annual report, if we conclude based on the work we have performed, that there is a material misstatement of this other information, we are required to report that fact.

### Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: [http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf)

This description forms part of our auditor's report.

### Report on the Remuneration Report

#### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Oldfields Holdings Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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.

BDO East Coast Partnership



Ian Hooper  
Partner

Sydney, 31 August 2017

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Oldfields Holdings Limited is committed to high standards of corporate governance and adopts wherever possible the principles outlined in the Corporate Governance Principles and Best Practice Recommendations, 3<sup>rd</sup> Edition published by the ASX Corporate Governance Council in March 2014.

The recommendations are written in a principles based fashion and individual boards are able to choose whether to follow the recommended practices or to adopt other practices that are better suited to the individual circumstances of the Group. Given the size and specific circumstances of Oldfields Holdings Limited the Board recognises that some of the best practice recommendations are not suited to obtaining the best shareholder outcomes at the present time. This situation is monitored by the Board and the recommendations will be adopted as and when the Group's circumstances allow.

All relevant best practice recommendations of the ASX Corporate Governance Council have been applied for the reporting period unless specifically disclosed below. Where a recommended practice has not been followed a detailed description of the practices adopted is provided together with a commentary on how the risks of non-adoption of the recommended practice are mitigated.

Recommendation	Recommended Practice	Oldfields' Practice
Recommendation 1.1	Establish functions reserved for the board and for senior management.	The recommended practice is adopted
Recommendation 1.2	Undertake appropriate checks prior to appointing as Director	The recommended practice is adopted
Recommendation 1.3	Written agreements in place with Directors and senior executives	The recommended practice is adopted
Recommendation 1.4	Company Secretary accountable to board through the chair	The recommended practice is adopted
Recommendation 1.5	Have a measurable diversity policy	The recommended practice is partially adopted, refer below for variation to recommendation
Recommendation 1.6	Establish a process for evaluating performance of the board	This recommendation has not yet been adopted
Recommendation 1.7	Have a process for periodically evaluating performance of senior executives	The recommended practice is adopted
Recommendation 2.1	The board should have a nomination committee	Nominations are considered by the whole board
Recommendation 2.2	Have a board skills matrix	The recommended practice is adopted
Recommendation 2.3	Have a list of directors who are deemed to be independent	The recommended practice is adopted
Recommendation 2.4	Majority of the board should be independent directors	The majority of the Board is not independent and the risk management process is disclosed
Recommendation 2.5	The chair of the board should be independent and not the CEO	The chair is not an independent director, but is independent of the CEO
Recommendation 2.6	Have a program for inducting new directors	The recommended practice is adopted
Recommendation 3.1	Establish and disclose a code of conduct	The recommended practice is adopted
Recommendation 4.1	The board should establish an audit committee	The recommended practice is adopted
Recommendation 4.2	Prior to approving financial statements the board receive from the CFO and CEO declaration of properly maintained records and compliance with accounting standards	The recommended practice is adopted
Recommendation 4.3	External auditor attends AGM	The recommended practice is adopted
Recommendation 5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The recommended practice is adopted. The policy is disclosed
Recommendation 6.1	Provide information about itself and its governance via its website.	The recommended practice is adopted. The policy is disclosed
Recommendation 6.2	Design and implement investor relations program for communication with investors	The recommended practice is adopted
Recommendation 6.3	Policies and processes in place to encourage security	The recommended practice is adopted

<b>Recommendation</b>	<b>Recommended Practice</b>	<b>Oldfields' Practice</b>
	holder participation	
Recommendation 6.4	Provide security holders option to receive communication electronically	This recommended practice is adopted
Recommendation 7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies	The recommended practice is adopted. The Risk Management Statement is disclosed
Recommendation 7.2	Board to review risk management framework annually	The recommended practice is adopted
Recommendation 7.3	Disclosure of internal audit function	The recommended practice is adopted
Recommendation 7.4	Disclose material exposure to economic, environmental and social sustainability risks	The indicated information is provided
Recommendation 8.1	The board should establish a remuneration committee	The recommended practice is adopted, however it does not have a majority of independent directors
Recommendation 8.2	Disclosure of policies and practices of remuneration of non-executive and executive directors.	The recommended practice is adopted
Recommendation 8.3	Policy on equity based remuneration scheme	No equity based scheme in place, recommendation will be adopted when implemented

Up-to-date information is available on the Group's website which contains a clearly marked corporate governance section.

## **Principle 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT & OVERSIGHT**

**Recommendation 1.1** – *Establish functions reserved for the board and for senior management and disclose those functions.*

The Board of Directors is accountable to the shareholders for the performance of the Group. The Board sets the strategic direction and delegate's responsibility for the management of the Group to the Chief Executive Officer.

A copy of the Board Charter, which promotes a culture within the Group of accountability, integrity and transparency, is available from the Group's website.

Each board member must, at all times, act honestly, fairly and diligently in all respects in accordance with the Group's Code of Conduct and all laws that apply to the Group.

Key matters reserved for the Board include:

- Oversight of the Group, including its control, accountability and compliance systems;
- Appointment, monitoring, managing performance and if necessary removal of the chief executive officer, chief financial officer and company secretary;
- Input, assessment, appraisal and final approval of management's development of corporate strategy and performance objectives;
- Monitoring risk management;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- Approval and monitoring financial and other reporting;
- Ensuring the market and shareholders are fully informed of material developments; and
- Recognising the legitimate interests of stakeholders.

The expectations of Directors are outlined in a formal Letter of Appointment which details the term of appointment, fees, power and duties and other information pertinent to their roles.

Responsibility for the day-to-day management of the Group and its operations is delegated to senior executive management. The expectations of senior executive management are outlined in Board decisions which are communicated to the Chief Executive Officer and recorded in the board minutes and also in the position descriptions and KPI's for each senior executive role.

The Board holds a minimum of six formal meetings a year, but usually twelve. Additional meetings are held as required.

Details of current members of the Board are disclosed in the Directors' Report.

**Recommendation 1.2** – *Undertake appropriate checks before appointing or putting forward to security holders a candidate for election as a director*

Details are provided on a candidate for Director. These will be provided to security holders prior to any election of new Directors.

**Recommendation 1.3** – *Written agreements in place with Directors and senior executives*

Detailed service contracts are in place for all senior managers and Directors, these are established prior to commencement of employment

**Recommendation 1.4** – *Company Secretary accountable to the board through the chair*

The CFO/Company Secretary has clear lines of accountability with the CFO responsibilities reporting directly through to the CEO and all company secretarial functions reporting through to the Chair.

**Recommendation 1.5** – *Measurable diversity policy*

A detailed diversity policy is in place, and available on the Company's webpage. In addition to this, the Company's workplace gender equality report is available to view. Whilst the policy diverges from some of the recommendations made, key areas in the recommendation are included in the policy, including the requirement that for all jobs advertised, it is stated that the company is an equal opportunity employer, that at least one female applicant is included in the final shortlist of candidates for the role, and shortlisted candidates are interviewed by a female as well as a male member of staff prior to a final decision on employment.

- *Specific targets of women in senior positions within the organisation have not been set, as the company will select the best person for the role.*

***Recommendation 1.6 – Process for evaluation of the performance of the board***

The Board has not completed a formal evaluation process within the period. The Chairman performs an informal evaluation of individual directors and also of each Board meeting. The Board will be considering obtaining independent advice during the next financial year.

***Recommendation 1.7 – Have a process for periodically evaluating the performance of senior management***

Senior executive management is evaluated each year on their performance against stated objectives, goals and key performance indicators (KPI's).

Overall performance is reviewed by the particular senior executive's direct supervisor and ultimately by the Chief Executive Officer and/or Board of Directors.

**Principle 2. STRUCTURE THE BOARD TO ADD VALUE**

The Board currently has four directors, comprising two non-executive directors, including the Chairman, and two executive directors.

The Board has adopted the following principles:

- The same individual should not exercise the roles of Chairman and Chief Executive Officer;
- The Board should not comprise a majority of executive directors; and
- The Board should comprise persons with a broad range of skills and experience appropriate to the needs of the Group.

***Recommendation 2.1 – The board should have a nomination committee***

Nominations are considered by the Board as a whole, and are only accepted if the candidate has the relevant skills required to assist the business in achieving its strategic objectives. Given the size and requirements of the Group, the Board has decided that a nomination committee is not required at this point in time.

***Recommendation 2.2 – Have a board skills matrix***

This has been established.

***Recommendation 2.3 – Have a list of directors that are deemed to be independent***

The Company has one independent director and this is disclosed in the annual report.

***Recommendation 2.4 – Majority of the board should be independent directors.***

Independent directors are those who are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

In assessing the independence of directors, an independent director is a non-executive director and:

- Is not a substantial shareholder, as defined in section 9 of the Corporations Act, of the Group or an officer of, or otherwise associated directly with, a substantial shareholder of the Group;
- Has not within the last three years been employed in an executive capacity by the Group or another group member, and there has been a period of at least three years between ceasing such employment and serving on the Board;
- Has not within the last three years been a principal of a material professional advisor or a material consultant to the Group or another group member, or an employee materially associated with the service provided; and
- Is not a material supplier or customer of the Group or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

At the date of this report there was one independent director.

The following directors do not meet the independence criteria listed above:

- William Lewis Timms: currently a non-executive director and substantial shareholder;
- Richard John Abela: currently an executive director; and
- Gregory John Park: currently an executive director.

The Board manages the risk of having a majority of non-independent directors through restrictions on trading in shares, restrictions on related party transactions, and a close relationship with the principal provider of debt funding and a strong independent auditor with a focus on controls.

**Recommendation 2.5** – *The chair of the board should be independent and not the CEO*

Due to the size and nature of the business, this recommendation has not been adopted. The Chair is a significant shareholder, however the recommendation of the chair not being the CEO is in place.

**Recommendation 2.6** – *Have a program for inducting new directors and ensuring appropriate professional development opportunities to develop and maintain the skills required to perform their role as directors.*

There is an appropriate level of induction for new directors ensuring they understand the business needs and requirements. The Board discusses from time to time requirements to ensure continuous development of skills for the performance of their role as director.

**Principle 3. PROMOTE ETHICAL AND RESPONSIBLE DECISION – MAKING**

**Recommendation 3.1** – *Establish and disclose a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company’s integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Board has a code of conduct for directors and Group officers and employees. The key elements of the code are:

- Conflicts of interest;
- Corporate opportunities;
- Confidentiality;
- Fair dealing;
- Protection of assets;
- Compliance with laws and regulations; and
- Promotion of ethical and lawful behavior.

The policy is available on the Company’s webpage.

**Principle 4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

The Chief Executive Officer and the Chief Financial Officer state, in writing, to the Board that the Group’s financial reports present a true and fair view, in all material respects, of the Group’s financial position and operational results and are in accordance with relevant accounting standards.

**Recommendation 4.1** – *the board should establish an audit committee.*

The Board has an audit committee, which:

- Has two members who are non-executive directors;
- Has a written charter which can be obtained from the Corporate Governance section of the Group’s website; and
- Includes members who are all financially literate.

Details of the members are disclosed in the Director’s Report.

The Board recognises that an independent audit committee is an important feature of good corporate governance.

The Audit Committee:

- consists only of non-executive directors, however all directors are entitled to receive the papers of the committee and to attend meetings of the committee and to meet with the auditors;
- is chaired by an independent chairman, who is not Chair of the Board;
- has two members. Given the size and structure of the Board, as discussed in Recommendation 2.1, the Board feels that two members both of whom are financially literate, is sufficient at this time.

The risk with a small committee is that the members will lack the diversity to raise and recognise issues. Risk is managed through specific working arrangements with the auditors having access to the full Board at any time upon their request and through ensuring

that the Chairman of the Audit Committee is a well-qualified independent director. It is intended to review this arrangement and adopt the recommended practice if and when the board composition changes.

The Audit Committee has a formal charter, the key elements of the charter are:

- Role of the committee;
- Membership;
- Meetings;
- Responsibilities;
- Authority;
- Independence; and
- Non-audit work.

The Board and Audit Committee closely monitor the independence of the external auditor. The Audit Committee meets a minimum of twice a year. The committee also meets in private, with management without the external auditor and, at a separate time, with the external auditor without management.

**Recommendation 4.2** – *Prior to approving financial statements the board receive from the CFO and CEO a declaration of properly maintained records and compliance with accounting standards.*

The Chief Executive Officer and the Chief Financial Officer state, in writing, to the Board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial position and operational results and are in accordance with relevant accounting standards.

The members of the Audit Committee are:

- Stephen Charles Hooper (Chairman); and
- William Lewis Timms.

The details of the qualifications of the Audit Committee members are disclosed in the Directors' Report.

The details of the number of audit committee meetings held are contained in the Directors' Report.

Departures from recommendations included in Principle 4 have been disclosed in the discussion of the relevant recommendations.

**Recommendation 4.3** – *External auditor attends AGM*

The lead partner from the Company's auditors always attends the Company's AGM.

#### **Principle 5. MAKE TIMELY AND BALANCED DISCLOSURE**

**Recommendation 5.1** – *Establish policy on ASX Listing Rule disclosure requirements and ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

The Group has established procedures to ensure compliance with ASX Listing Rules which require that when an entity becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information.

A Continuous Disclosure Policy and Procedure has been prepared and is available from the Corporate Governance section of the Group's website.

#### **Principle 6. RESPECT THE RIGHTS OF SHAREHOLDERS**

**Recommendation 6.1** – *Provide information about itself and its governance via its website.*

The company has a comprehensive website for security holders, included in this website are full governance policies.

**Recommendation 6.2:** *Design and implement investor relations program for communications with investors.*

The Group has developed and implemented a shareholder communication strategy. The Group promotes effective communication with shareholders and encourages effective participation at the Group's general meetings.

Shareholders and other parties will be able to access the following information from the Group's website:

- Copies of all announcements given to the ASX;
- Press releases and copies of letters to shareholders;
- Copies of annual and half year financial reports; and
- Details of notices of shareholders meetings including information on general meetings.

The requirements of continuous disclosure ensure that the Group discloses relevant information to the shareholders and the market in a timely and full manner.

The Shareholder Communication Strategy is available on the Oldfields website.

***Recommendation 6.3 – Disclose policies and processes in place to encourage shareholder meeting participation***

Security holders who are unable to attend meetings are given the opportunity in shareholder communications to ask questions of the Directors and responses are provided to them.

***Recommendation 6.4 – Provide security holders the option to receive communications electronically.***

The Company's share registry provider provides this option to all security holders.

**Principle 7. RECOGNISE AND MANAGE RISK**

***Recommendation 7.1 – Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.***

The Board recognises that there are a number of complex operational, commercial, financial and legal risks and has in place procedures to safeguard the Group's assets and interests.

A Work Health and Safety Committee has been established to monitor and recommend changes to safe working practices and a safe working environment. The Chairman is not a Director, and the committee comprises the Managing Director, senior executive officers and employee representatives.

The Board has developed a risk management policy the purpose of which is:

- Identify, access, monitor and manage risk;
- Inform investors of material changes to the Group's risk profile;
- Enhance the environment for capitalising on value creation opportunities;
- Ensure compliance with the Corporations Act;
- Consider the reasonable expectations of its stakeholders;
- The measures and procedures in place to comply with these regulations; and
- How compliance with those measures and procedures will be monitored.

A summary of these policies is contained in the Risk Management Statement which is disclosed on the Oldfields website.

***Recommendation 7.2 – The board should review the risk management framework annually.***

The Group's risk management policy is designed and implemented by the Board of Directors' which meet regularly to identify all major risks, ensure appropriate risk management plans are in place and to monitor the effectiveness of the implementation of the risk management plans.

The Chief Executive Officer and the Chief Financial Officer are required to state in writing to the Board that the Group's risk management and internal compliance and control system is operating effectively and efficiently in all material aspects.

***Recommendation 7.3 – The board should disclose whether it has an internal audit function, how the function is structured and what role it performs.***

From time to time, the board will outsource the internal audit function to a company that specialises in this work. The Company will review certain areas of controls and compliance and report back to the CEO/CFO and manager of the area. This report when finalised with comments from management along with timelines for compliance are provided to the Board for review.

**Recommendation 7.4** - *Disclose material exposure to material exposure to economic, environmental and social sustainability risk.*

The business is exposed to various risks, in particular economic and social sustainability risk. The Board is fully aware of these and these risks are mitigated wherever possible. In terms of social sustainability risk, the Company is a party to the packaging covenant agreement and always reviews product packaging for sustainability and recyclability.

**Principle 8. REMUNERATE FAIRLY AND RESPONSIBLY**

**Recommendation 8.1** – *The board should establish a remuneration committee.*

The Board has established a remuneration committee. The remuneration committee is responsible for developing and recommending to the Board:

- Remuneration policies for non-executive directors;
- Remuneration policies for the Chief Executive Officer and Chief Financial Officer;
- Remuneration policies for executive management;
- All aspects of any executive share option or acquisition scheme;
- Superannuation policies;
- Policies which motivate senior executives to pursue the long term growth and success of the Group; and
- Policies which show a clear relationship between senior executives' performance and remuneration.

The Board has a remuneration committee which has two members and a documented charter. The members and qualification of the remuneration committee are disclosed in the Directors' Report.

Due to the size and nature of the Board as discussed in recommendation 2.4 the following items of recommendation are not followed:

- consists of a majority of independent directors; and
- has at least three members.

The remuneration of Non-Executive Directors is by way of director's fees in the form of cash, non-cash benefits and superannuation benefits.

The total annual remuneration paid to non-executive directors may not exceed the limit set by shareholders at the annual general meeting.

Non-Executive Directors do not receive options unless approved by shareholders.

**Recommendation 8.2** - *Disclosure of policies and practices of remuneration of non-executive and executive directors..*

The Group has clearly differentiated the remuneration structure of Executive and Non-Executive Directors. The key elements of the remuneration philosophy are disclosed in the Remuneration Committee Charter which is available on the Oldfields website.

**Recommendation 8.3:** *Policy on equity based remuneration scheme.*

The Company currently does not have an equity based remuneration scheme. Prior to one being implemented and approved by security holders a policy will be established for security holders to review.

# RISK MANAGEMENT STATEMENT

## 1. Introduction

This statement provides an overview of the Group's enterprise risk management policies (ERM) and internal compliance and control systems in accordance with Principle 7 of the ASX Principles of Good Corporate Governance.

## 2. Responsibility

The Board of Directors are responsible for oversight on a regular basis of the Group's procedures and risk management policies. The responsibility of the Board is codified under the Board Charter, which is available on the Group's website. The Group also has an audit committee, the responsibilities of which are documented in the Audit Committee Charter which is also available on the Group's website.

## 3. Risk Management Monitoring

The Board has implemented a combination of internal policies and procedures and use of external audits to monitor risk management and its effectiveness.

### 3.1. Standard Operating Procedures (SOP's)

The Board has implemented risk management policies covering areas of business risk such as:

- Work health and safety;
- Finance and treasury;
- Human resources;
- Asset protection (insurance); and
- Codes of conduct.

The policies referred to are regularly reviewed and an internal mechanism exists whereby the Board and Committee members have access to these reports on an internal intranet site. The Board manages these risks appropriately with reference to identification, implementation and review of these risks and procedures.

### 3.2. External Audits

The external audit of the Group is conducted annually. There is also a formal review at least once every year. Both the audit and review are conducted by an external auditor.

The Group has a Work Health and Safety Committee which has received training and certification by external OH&S providers.

The Group engages with qualified external advisors annually in relation to asset protection. Where possible the Board adopts the most practical and affordable insurance policies suitable to protect major assets of the Group.

In general an external qualified auditor and or valuers are engaged by the Board in determining large asset values on acquisition of assets. An external valuation is obtained to determine and verify carrying values of investment property by an external independent registered property valuer at least every three years.

### 3.3. Risk Management Statements

The integrity of the Group's financial reports relies on sound business and risk control systems.

Annually, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are required to sign a Risk Management Statement that is provided to the audit committee in writing.

The CEO and CFO sign a statement regarding the adequacy of financial controls in accordance with section 295a of the Corporations Act 2001.

The Board requires management to report on the key business risks for each area of the business at each board meeting.

### 3.4 Internal Audit

Given the Group's size, an internal auditor is not practical. In addition, the presence of an Executive Director(s) on the board allows for detailed oversight of risks within each business by managers who are familiar with the risk environment but not directly involved in the management of that particular business. In addition to this the Company from time to time may utilise the services of an internal auditing company to provide oversight of certain aspects of the business.

### 3.5 External Covenants

The Group has voluntarily associated itself with the following self-regulated authorities:

- WGE (Workplace Gender Equality Act): The Group reports annually on targets and policy to an external agency in regards to Equal Opportunity Guidelines and Policy within the work force. The Board receives and reviews this annually; and
- Australian Packaging Covenant: The Group sets targets to reduce packaging waste and environmental impact of packaging waste. Targets are set and guidelines adopted and where possible administered by Management. The Board reviews these targets annually.

The Group has also entered into an agreement with its principal lender (Westpac Banking Corporation) which provides external overview of financial risks by a representative of the bank.

### 4. Formal Risk Management Practices

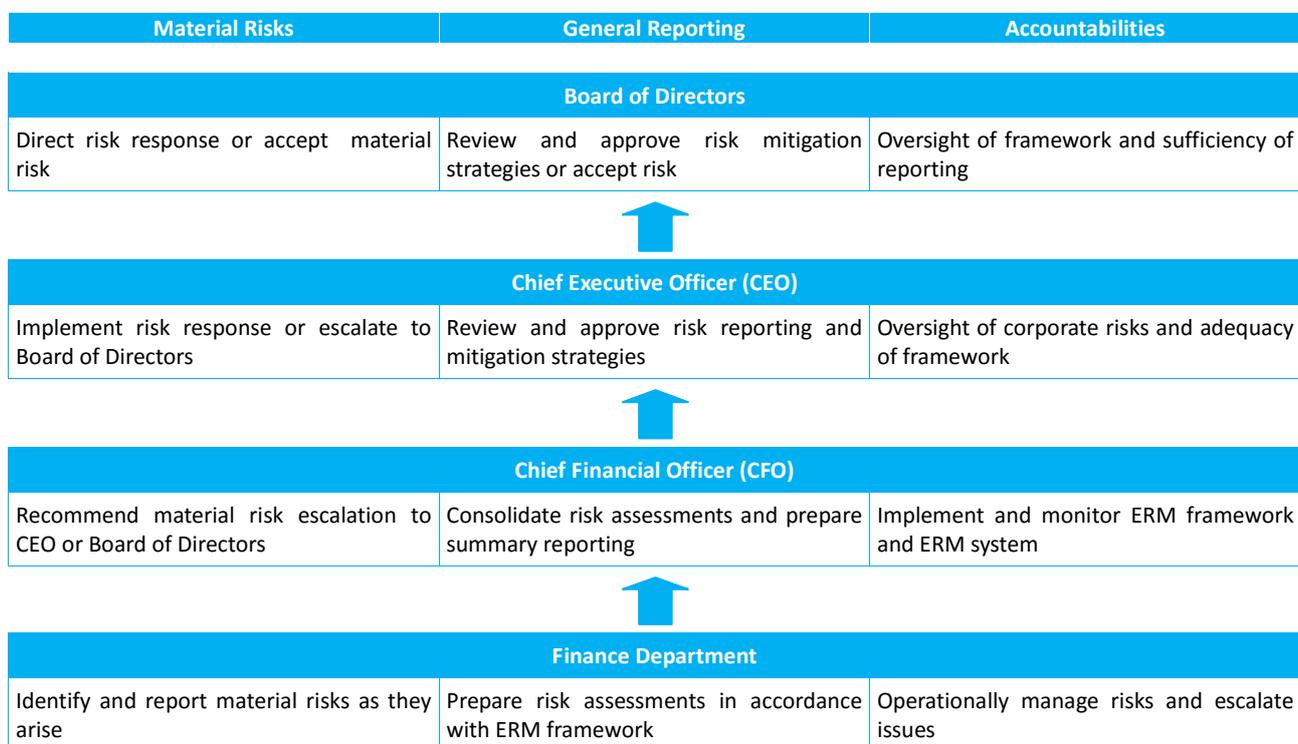
The Group operates a formal process for risk management which includes:

- Risk identification;
- Risk analysis;
- Risk evaluation;
- Risk mitigation;
- Risk monitoring and reporting; and
- Risk communication.

The risk management process meets appropriate professional standards and is reviewed annually by the Board of Directors. The process meets, but is not limited to the requirements of Principle 7 of the ASX Principles for Good Corporate Governance.

### 5. Risk Reporting and Communication

Risks are reported and their monitoring and management are communicated in accordance with the diagram below:



### Communication

Effective risk management is reliant on the timely and open communication of actual or potential risk events across the organisation. Free and frank communication is at the heart of the Group's risk management approach, and where the processes and accountabilities described in these standards may not support a suitably rapid response to any risk, then communication should be undertaken using whatever means to achieve the best outcome for the Group.

For the avoidance of doubt, Oldfields Holdings Limited has a whistle-blower policy in place and encourages all staff to report risks of which they are aware.

## SHAREHOLDER INFORMATION

The shareholder information set below was applicable as at 29 August 2017

### (a) Distribution of Equitable Securities

Analysis of numbers of equity security holders by size of holding:

Category (size of holding)	Ordinary Shares	
	No. of Holders	Options
1 – 1,000	66	-
1,001 – 5,000	78	-
5,001 – 10,000	18	-
10,001 – 100,000	68	-
100,001 – and over	47	-
	281	-
<b>Holdings less than a marketable parcel</b>	<b>153</b>	<b>-</b>

### (b) Substantial Shareholders

Substantial holders (5% or more) in the Company are set out below:

Shareholder	Ordinary Shares	
	Number Held	Percentage of Issued Shares
MR WILLIAM LEWIS TIMMS & MRS CAROLYN JANE TIMMS	39,384,528	47.927%
MR CHRISTOPHER CHARLES HEXT	4,399,369	5.354%

### (c) Equity Security Holders

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

Shareholder	Ordinary Shares	
	Number Held	Percentage of Issued Shares
1 MR WILLIAM LEWIS TIMMS & MRS CAROLYN JANE TIMMS	39,384,528	47.927%
2 MR CHRISTOPHER CHARLES HEXT	4,399,369	5.354%
3 DIXSON TRUST PTY LIMITED	4,000,000	4.868%
4 COPY THAT PTY LTD <RODNEY BOYCE HASS S/F A/C>	3,625,000	4.411%
5 BENGER SUPERANNUATION PTY LIMITED <BENGER SUPER FUND A/C>	3,545,269	4.314%
6 FARROW RD PTY LTD	2,200,000	2.677%
7 MR ORLANDO BERARDINO DI IULIO & MS CATHARINA MARIA KOOPMAN	2,179,887	2.653%
8 STARBALL PTY LTD	1,782,486	2.169%
9 OCEANRIDGE LIMITED	1,650,000	2.008%
10 DR GORDON BRADLEY ELKINGTON	1,527,108	1.858%
11 ASGARD CAPITAL MANAGEMENT LTD <0996988 WAKE SUPER FUND A/C>	1,500,000	1.825%
12 MR BRIAN GARFIELD BENGER	1,200,000	1.460%
13 MR PAUL JOHN SIMPSON	1,200,000	1.460%
14 SHANDORA ONE PTY LTD <BENGER SUPER FUND A/C>	1,058,000	1.287%
15 THE GENUINE SNAKE OIL COMPANY PTY LTD <MORSON GROUP SUPER FUND A/C>	700,000	0.852%
16 SEVEN BOB INVESTMENTS PTY LTD <R F CAMERON SUPER FUND A/C>	693,000	0.843%
17 MAN INVESTMENTS (NSW) PTY LTD <AMC SUPER FUND A/C>	675,096	0.822%
18 TOVEKEN PROPERTIES PTY LTD	584,394	0.711%
19 MAPARILY PTY LTD <MANSFIELD SUPER FUND A/C>	573,962	0.698%
20 SANPEREZ PTY LTD <P CHARLMERS PARTNERSHIP A/C>	500,000	0.608%
	72,978,099	88.807%

### Unquoted Equity Securities

There are no unquoted or unissued securities as at the end of the reporting period.

### (d) Voting Rights

The voting rights attaching to each class of equity securities are set out below:

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

### (e) On-Market Buy Back

There is no current on-market buy back.

### Directors

Richard John Abela  
William Lewis Timms  
Stephen Charles Hooper  
Gregory John Park

### Company Secretary

Gregory John Park

### Notice of Annual General Meeting

The Annual General Meeting of  
Oldfields Holdings Limited will be held at:

AICD Institute, Clarence Room  
Level 1, 20 Bond Street Limited  
Sydney NSW 2000

Time: 2:00pm

Date: Thursday 30th November 2017

### Registered Office

Oldfields Holdings Limited  
8 Farrow Road  
Campbelltown NSW 2560

### Principal Place of Business

Oldfields Holdings Limited  
8 Farrow Road  
Campbelltown NSW 2560

### Share Register

Boardroom Pty Limited  
Level 12, 225 George Street  
Sydney NSW 2000

### Banker

Westpac Banking Corporation  
Level 12, 55 Market Street  
Sydney NSW 2000

### Auditor

BDO East Coast Partnership  
Level 11, 1 Margaret Street  
Sydney NSW 2000

### Stock Exchange Listing

Oldfields Holdings Limited shares are listed on  
the Australian Securities Exchange  
(ASX Code: OLH)

### Website

[www.oldfields.com.au](http://www.oldfields.com.au)