

# **Solar Asset Fund**

# The good things your money has achieved this year\*

\*Annual Report: 2019 financial year

# An investment in...



## new solar farms,

## helping Australia move to a 100% renewable electricity system.



# CEO's Letter



Firstly, let me say that we are deeply grateful that you have chosen to entrust us with your capital. Aside from this letter, the rest of this Annual Report is about the specifics of your investment with us, and I hope this gives you a clear, meaningful and useful view of how this venture has performed.

Investors will be familiar with financial reports, but I'd also draw your attention to the impact section. It uses the Impact Management Project to make our impact performance as transparent and glanceable as possible. Please look out for our overall impact report in the coming weeks. It's one of the foundations we've delivered in the last year, and we will be building upon those foundations for the next three years at least.

But before you read this report about the last year, I'd like to share what you can expect to see from Impact Investment Group in the coming months and years.

We have re-articulated our fundamental goals as a company, and you will see this applied as we offer new investment opportunities.

We want to prove that finance can be a force for good. That finance can support outcomes that are good for people and good for the planet.

We believe that aiming for systemic change is our path to meaningful environmental and social impact.

We are therefore developing new investments in the context of broader visions.

We're working to make buildings, towns and cities sustainable, inclusive and beautiful. We've invested in green buildings and run ambitious rejuvenation projects.

We see a future where energy is 100% renewable, affordable and universally accessible. We've helped fund wind and solar farms across Australia.

We know that vibrant businesses can grow while regenerating the earth and empowering people. We've invested in exceptional, rapidly scalable impact businesses.

As an investor, you'll see that we are launching new investments of three types. The different types will be attractive for different kinds of investors with different kinds of portfolios.

We will continue to offer our **Flagship** products; investments with impact that will fit nicely into a mainstream portfolio. Indeed, you will most often see us release new Flagship investment opportunities.

We are also devoting some of our effort to what we call **Explorer** products. As the name suggests, we'll be using these to prove new impact investment models; maybe new financial structures or impact models that are attractive to investors who want to join us pioneering.

*Continued overleaf...*

# CEO's Letter

## Continued

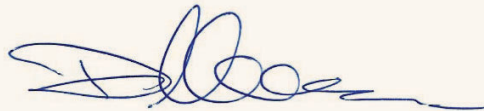
From our own balance sheet, or from the Small Giants balance sheet, we'll also be investing into **Pirate** projects. These, frankly, will have a higher level of financial or impact risk and innovation than we feel comfortable offering to our community of investors. If none of these Pirate products fail then we won't have been pushing hard enough. But any failures would cost us capital, not you.

But to some specifics as well: We have been taking soundings on an alternatives fund - an example of a Flagship product. We know that investors find it hard to fill the alternatives allocation of their portfolio, and we believe we can do that with investments that also have significant impact. Stay tuned.

We have also announced a partnership with WA Super, with the prospect of bringing impact investing to many of WA Super's 60,000 members. We love the idea of superannuation being invested to help achieve financial security in retirement, and to help protect the environment and society those members will retire into.

We have a rather bold pirate project in the works, and we can't wait to tell you about it when the time is right.

As ever, we love to hear from our investors. I look forward to talking with you in the coming year.

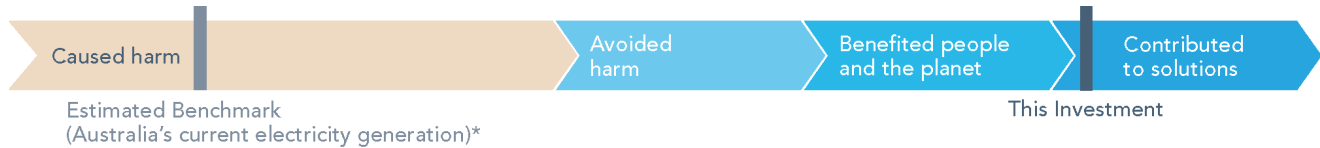
A handwritten signature in blue ink, appearing to read 'Daniel Madhavan', with a long horizontal flourish extending to the right.

Daniel Madhavan - CEO

# Impact Report

For the Year Ended 30 June 2019

## 1. Impact Result



The Solar Asset Fund has invested in the development and ongoing operations of three solar farms. As a result, Australians can benefit from increased renewable energy supply and a cleaner healthier environment. The fund helps change Australia's energy mix to a less carbon intensive supply and ultimately helps reduce the emissions associated with climate change and adverse health outcomes.

### Output:

# 52,660 MW-hours

of clean electricity generated, the equivalent of 9,256 average Australian homes' yearly electricity use<sup>1</sup>.

### Benefits:

**57,300 tonnes CO<sub>2</sub>-e**  
of emissions avoided<sup>2</sup>

**539 illnesses**  
related to pollution avoided<sup>3</sup>

**188 million litres**  
of water saved<sup>4</sup>

**\$2 million**  
in health & environmental damage avoided<sup>5</sup>

## 2. Impact story: Engaging traditional owners



This year, IIG has focused effort toward reconciliation and better engaging with indigenous Australians. To better understand how we can build more meaningful relationships with stakeholders, including through reconciliation, our management teams have been developing relationships with the traditional owners of the land where the Solar Asset Fund solar farms operate. We have started these conversations to understand more about the traditional cultures, the land, and the people with whom we would like to work more closely.

At the Swan Hill solar farm, we asked Wamba-Wamba clan elder Ron Murray (left) to run a workshop for the management and the construction teams on the local traditional culture. The Wamba-Wamba clan comes from the land around Swan Hill, and up to Mildura. He welcomed us on Lake Boga, shared some beautiful dreaming stories about the eagle, the baby and the trees; the red-tailed eagle and the black duck. He then helped open the solar farm with a moving smoking ceremony.

\* Impact Baseline represents Australia's current energy mix of an estimated 85% coal and gas reliance for electricity generation as of 30 June 2019; <https://www.energy.gov.au/government-priorities/energy-supply>

<sup>1</sup> Based on average household use of 5.689 MWh per annum. Ref: [Australian Energy Regulator](#)

<sup>2</sup> Full cycle carbon intensity factors applied according to location of the asset as per [National Greenhouse Accounts July 2018](#).

<sup>3</sup> Ref: The Lancet (15 – 21 September 2007): 370, 9591 "Energy and Health 2: Electricity Generation and Health", by A. Markandya & P. Wilkinson.

<sup>4</sup> Based on consumptive water use through lifecycle assessment. Ref: The Conversation, G Bilotta. Energy sector is one of the largest consumers of water in a drought-threatened world. [Published online 9 June 2016](#).

<sup>5</sup> American Economic Review 101 (August 2011): 1649-1675, "Environmental Accounting for Pollution in the United States Economy", by N.Z. Muller, R. Mendelsohn & W. Nordhaus.

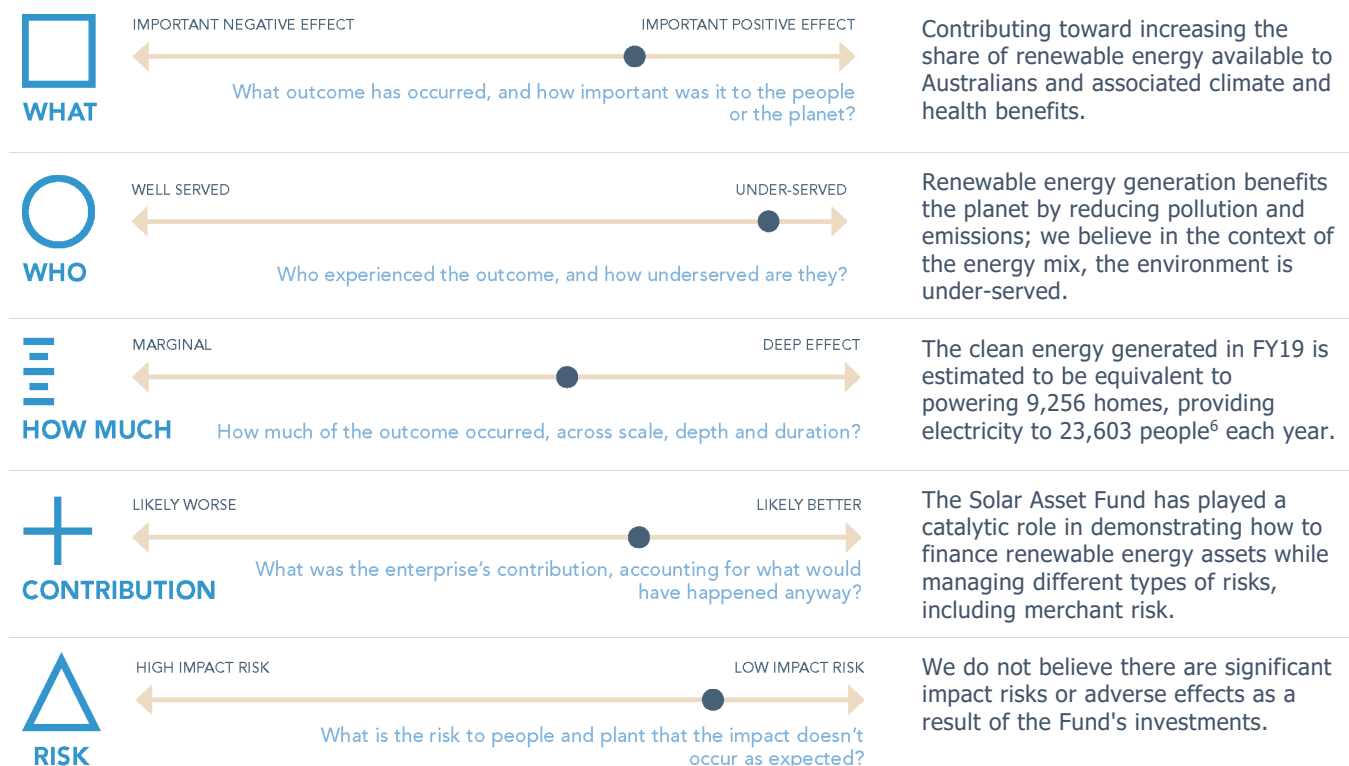


### 3. Targeted Sustainable Development Goals



*The UN's 17 Sustainable Development Goals are a call for action by all countries – poor, rich and middle-income – to promote prosperity while protecting the planet.*

### 4. Impact Assessment



<sup>6</sup> 2.55 persons per dwelling is the average household size in Australia (as of 2016 census). Ref: <https://profile.id.com.au/australia/household-size>

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# IIG Solar Asset Trust

## FY19 Financial Report

# Trustee's Report

For the Year Ended 30 June 2019

The Directors of the Trustee, IIG Solar Assets Pty Ltd, present their report on the consolidated group of IIG Solar Asset Trust ("the Fund") and the entities it controlled for the year ended 30 June 2019. Throughout the report, the consolidated entity is referred to as the Group. The comparatives presented are for the period from 26 July 2017 to 30 June 2018.

## 1. Directors

The names of the Directors of the Trustee in office at any time during or since the end of the year are:

- Chloe Munro (Chair)
- Janine Hoey
- Brett Lazarides
- Lane Crockett
- Paul Belcher

## 2. Principal Activities

The sole activity of the Group is as an investor in Australian solar infrastructure, through ownership of three solar assets ("the Assets"):

- Swan Hill Solar Farm, VIC
- Chinchilla Solar Farm, QLD
- Brigalow Solar Farm, QLD

## 3. Operating Results

The net profit of the Group for the year ending 30 June 2019 was \$931,860 (2018: loss \$800).

## 4. Distributions/Return of Capital

As a result of the Fund being classified as a "trading trust", and therefore taxed as a company, distributions to unit holders which are made out of taxable profits will be characterised as dividends. Any other payments represent a return of capital. While the Fund has generated positive cash flow, by virtue of the depreciation charges the Fund has not made a taxable profit.

During the year ended 30 June 2019 a capital return of \$1,908,000 was declared and became payable. This equated to a cash payment of 2.35 cents per unit.

	2019 \$	Cents per unit	2018 \$	Cents per unit
September quarter	-	-	-	-
December quarter	-	-	-	-
March quarter	-	-	-	-
June quarter	1,908,000	2.35	-	-
	1,908,000	2.35	-	-



# Trustee's Report (continued)

For the Year Ended 30 June 2019

## 5. Review of Operations

The Fund's year was dominated by seven things;

- The Swan Hill Solar farm reached practical completion in July 2018 and has been generating at full power for the year.
- The Chinchilla Solar Farm started to generate power during the financial year (it reached practical completion soon after the year end).
- The Brigalow Solar Farm reached financial close and construction started, albeit later than expected in the Fund's 2018 Information Memorandum (IM).
- Electricity prices in Victoria were elevated over the summer period.
- The prices of large scale generation certificates (LGCs) were lower than expected.
- The Fund manager successfully navigated the bankruptcy of RCR, a significant contractor to the Swan Hill Solar Farm.
- On behalf of the Brigalow Solar Farm, the managers successfully challenged the validity of a new regulation in Queensland that would have imposed a significant cost increase on the solar farm's construction.

Further details of the above items are included in the paragraphs below.

The Fund declared a capital distribution for the year of 2.35 cents per unit in comparison to an expected cash yield of 8.4% set out in the Information Memorandum). The lower cash yield to investors was predominately due to project delays and lower LGC prices which is explained in more detail below.

### Electricity Generation

Solar Farm	Generation vs expected generation	Generation (MWh)	Average Australian Homes' Use Provided For	Budgeted Generation (MWh)
Swan Hill	-9%	35,377	7,651	38,752
Chinchilla	-29% <sup>1</sup>	15,377	3,324	19,800 <sup>2</sup>
<b>Combined</b>	<b>-15.4%</b>	<b>50,754</b>	<b>10,975</b>	<b>58,552</b>

<sup>1</sup> The Chinchilla Solar Farm began producing electricity from January 2019 later than the expected start date of September 2018).

<sup>2</sup> The budgeted generation did not cover a full year. The expected generation for the first full year of operation is approximately 41,900MWh.

### Construction Project Schedules

The Chinchilla construction project was finished later than we expected in the IM. Chinchilla started exporting electricity to the grid in January 2019, instead of September 2018. The delay was mostly the result of the grid operator themselves being delayed completing work on the local substation, which was necessary to connect the solar farm.

The construction of the Brigalow Solar Farm was delayed by a later-than-expected financial close, and we expect the grid operator to further delay final connection.

The overall result is that those solar farms' revenue was below that set out in the IM.

# Trustee's Report (continued)

For the Year Ended 30 June 2019

## 5. Review of Operations (continued)

### Wholesale Electricity Market, including Victorian prices

Through the financial year, the wholesale prices of electricity across the states were mostly below our expectations.

Considering that only the Swan Hill Solar Farm was operational for the full year, Victorian prices were the biggest influence of the electricity market on the fund through the year. Over summer those prices were elevated, in January 2019 reaching the price cap of \$14,500/MWh for a number of half hour periods before the regulator's threshold mandated that prices return down to \$300/MWh. This was the result of high demand, coinciding with breakdowns or urgent maintenance at two of Victoria's biggest power generators, the Yallourn coal station and the Loy Yang A coal station. The hot weather also forced other fossil fuel powered generators to run well below their full output.

In Queensland since January, when Chinchilla started selling electricity, prices have been below expectations, with the commensurate effect on revenue.

### LGC Market

Through the year the prices of LGC dropped significantly. The solar farms sell, at market prices, the LGCs they are awarded under the Federal Government's Renewable Energy Target (RET) policy for generating electricity from renewable sources. Prices for LGCs were at \$79 in July 2018, dropping to a low of \$31 in March 2019, before recovering to \$42 in June 2019. The Fund's IM expected a higher price, based on independent price forecasts published by Green Energy Markets.

The Fund, in FY19, earned approximately 26% of its revenue from selling LGCs. Over the life of the RET, the sale of LGCs is anticipated to be approximately 14% of total revenue of the Seed Assets.

The causes of LGC prices are complex, but a major factor in their decline is that the Federal Government's target for renewable generation has been filled earlier than expected.

### RCR Bankruptcy

RCR, the company that built the Swan Hill Solar Farm and had the contract for Operations and Maintenance (O&M) of the asset, went into administration on 22 November 2018. The Fund manager called on the full value of a performance bond that was held to cover due and proper performance of the agreement during the defects liability period, thereby protecting the Fund from the majority of its financial exposure. RCR's O&M contract was terminated on 21 December 18, and UGL was appointed as new O&M contractor as of 22 December 2018 on a short term contract. The RCR bankruptcy and subsequent appointment of UGL has had only a minor effect on the Fund's financial performance, and the Fund manager avoided significant adverse consequences to the Fund's risk profile.

Subsequent to year end the directors of the Fund approved the appointment of Canadian Solar O&M (Australia) Pty Ltd (CS) as the Operations and Maintenance (O&M) Contractor for a term of 5 years with the option to extend for a further 5 years.

### The Queensland Regulation Challenge

The Fund has succeeded in its Court challenge against the Queensland Government's introduction of a new electrical safety regulation which came into effect on 13 May 2019 and would have meant that only licensed electricians could mount, locate, fix or remove solar panels on solar farms with a total rated capacity of at least 100kW. The Queensland Supreme Court and the Court of Appeal both ruled in the Fund's favour and quashed the new regulation.

If the new regulation had remained in place, the cost of completing the Brigalow Solar Farm, which is currently being constructed, would have been significantly higher, without in the view of the Fund any improvement in safety.

We were pleased with this decision and the Fund continues to work with the Queensland Government, and other stakeholders, to ensure greater consideration of employment impacts of the transition to a clean energy economy.

# Trustee's Report (continued)

For the Year Ended 30 June 2019

## 6. Significant Changes in State of Affairs

Apart from those matters referred to in the previous sections of this report, there have been no other significant changes to the state of affairs of the Group during the financial year.

## 7. Subsequent Events

The Chinchilla solar farm achieved practical completion on 19 July 2019.

On 7 August 2019 the company entered into a settlement agreement with the EPC contractor of the Chinchilla solar farm, Gildemeister LSG Solar Australia Pty Ltd. The settlement was due to delays in construction and included various components including a cash payment to Chinchilla and a waiver of variations in lieu of potential liquidated damages. The settlement agreement also included 5 year O&M contracts for Chinchilla & Brigalow farms.

In August 2019, the Fund manager signed a contract which locks in forward power prices for a portion of the Chinchilla Solar Farm's generation. Under the two-year power purchase agreement, Diamond Energy will buy the first 8MW of the solar farm's capacity, at a price above the budget in the Fund IM. The agreement is effective as of 1 January 2020. This arrangement takes advantage of Queensland's projected power prices which the Fund manager believes are currently elevated with only a small chance of rising further.

Other than the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

## 8. Future Developments

The Fund will continue with its current investment objectives and strategy as set out in the Information Memorandum dated 16 May 2018.

## 9. Environmental Issues

The Group complied with all environmental regulations during the course of the financial period. As outlined in the Fund's Information Memorandum the assets of the Group will generate significant environmental benefits. These will be reported on in future years when assets are fully operational.

## 10. Fees, Commissions or other charges by the Trustee or Related Parties of the Trustee

For the year ending 30 June 2019 the Trustee and its related parties were remunerated as follows:

	2019 \$	2018 \$
Trustee & management fees	612,450	3,408
Developer fees	1,093,321	863,707
Equity Raise Underwrite fee	734,573	-

The parent of the Trustee received a fee for providing and underwrite for capital raise of the trust.

# Trustee's Report (continued)

For the Year Ended 30 June 2019

## **11. Units held by the Trustee or Related Parties of the Trustee**

At 30 June 2019, the Trustee and its related parties held 14,227,099 units (2018: 4,100,000) in the Fund.

## **12. Interests Issued in the Fund**

At 30 June 2019, the number of units on issue in the Fund was 81,563,545 units (2018: 47,605,000 units). No units have been issued subsequent to the reporting period.

## **13. Buy Back Arrangements**

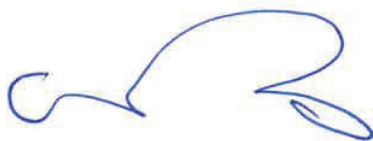
As detailed in the Fund Constitution the Trustee is not under any obligation to buy back, purchase or redeem units from Unit Holders. Consequently, no units were redeemed by the Trustee during the reporting period.

## **14. Value of Scheme Assets**

The total value of the Fund's assets at the end of the reporting period is \$113,830,552 (2018: \$69,626,590).

The methodology utilised in valuing the assets is detailed in Note 2 to the Financial Statements.

Signed in accordance with a resolution of the Board of Directors of IIG Solar Assets Pty Ltd by:



**Chloe Munro AO**

Chair

Date: 20 September 2019

# Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2019

	Notes	2019 \$	26 Jul 2017 to 30 Jun 2018 \$
<b>Revenue and Other Income</b>			
Operational Revenue	3	8,085,246	89,918
Interest and other income	4	558,701	25,854
<b>Total Revenue and Other Income</b>		<b>8,643,947</b>	<b>115,772</b>
<b>Expenses</b>			
Operational expenses	5	(929,238)	(18,936)
Borrowing Costs	6	(1,282,605)	(89,701)
Administration expenses			
- Director's fee	7	(130,431)	(48,954)
- Management fees	8	(612,451)	(3,408)
Depreciation	12	(5,462,406)	-
<b>Total Expenses</b>		<b>(8,417,131)</b>	<b>(160,999)</b>
<b>Net Profit/(Loss) for the Year</b>		<b>226,816</b>	<b>(45,227)</b>
Income tax credit	9	705,044	44,427
<b>Profit/(Loss) attributable to Unit Holders</b>		<b>931,860</b>	<b>(800)</b>
Other comprehensive income		-	-
<b>Total Comprehensive Income/(Loss) for the Year Attributable to Unit Holders</b>		<b>931,860</b>	<b>(800)</b>

The Statement of Comprehensive Income above should be read in conjunction with the accompanying notes.

# Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 \$	2018 \$
<b>Current Assets</b>			
Cash and cash equivalents	10	25,232,257	12,879,154
Trade and other receivables	11	639,060	2,255,241
Other assets - energy certificates		143,149	-
<b>Total Current Assets</b>		<b>26,014,466</b>	<b>15,134,395</b>
<b>Non-Current Assets</b>			
Solar Assets	12	87,064,356	54,438,312
Deferred Tax Asset	9	751,730	53,883
<b>Total Non-Current Assets</b>		<b>87,816,086</b>	<b>54,492,195</b>
<b>Total Assets</b>		<b>113,830,552</b>	<b>69,626,590</b>
<b>Current Liabilities</b>			
Trade and other payables	13	6,576,811	2,963,924
Interest-bearing liabilities	14	4,171,359	4,239,641
<b>Total Current Liabilities</b>		<b>10,748,170</b>	<b>7,203,565</b>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities	14	22,300,497	15,261,582
<b>Total Non-Current Liabilities</b>		<b>22,300,497</b>	<b>15,261,582</b>
<b>Total Liabilities</b>		<b>33,048,667</b>	<b>22,465,147</b>
<b>Net Assets</b>		<b>80,781,885</b>	<b>47,161,443</b>
<b>Equity</b>			
Issued capital	15	81,097,280	47,605,000
Fund establishment costs	15	(1,246,455)	(442,757)
Retained earnings/(losses)		931,060	(800)
<b>Total Equity</b>		<b>80,781,885</b>	<b>47,161,443</b>

The Consolidated Statement of Financial Position above should be read in conjunction with the accompanying notes.



# Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Issued capital	Fund establishment costs	Retained earnings/(losses)	Total equity
	\$	\$	\$	\$
<b>Equity at 1 July 2018</b>	<b>47,605,000</b>	<b>(442,757)</b>	<b>(800)</b>	<b>47,161,443</b>
Net profit for the year	-	-	931,860	931,860
Total comprehensive income for the year	-	-	931,860	931,860
Transactions with Unit Holders in their capacity as Unit Holders:				
Issue of units	35,400,280	-	-	35,400,280
Fund establishment costs	-	(803,698)	-	(803,698)
Return of capital	(1,908,000)	-	-	(1,908,000)
<b>Equity at 30 June 2019</b>	<b>81,097,280</b>	<b>(1,246,455)</b>	<b>931,060</b>	<b>80,781,885</b>
<b>Equity at 26 July 2017</b>	-	-	-	-
Net loss for the period	-	-	(800)	(800)
Total comprehensive income for the period	-	-	(800)	(800)
Transactions with Unit Holders in their capacity as Unit Holders:				
Issue of units	47,605,000	-	-	47,605,000
Fund establishment costs	-	(442,757)	-	(442,757)
<b>Equity at 30 June 2018</b>	<b>47,605,000</b>	<b>(442,757)</b>	<b>(800)</b>	<b>47,161,443</b>

The Consolidated Statement of Changes in Equity above should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Notes	2019 \$	26 Jul 2017 to 30 Jun 2018 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		8,617,023	-
Payments to suppliers		(1,823,865)	(12,936)
Insurance bond proceeds		1,372,236	-
Interest paid		(1,008,197)	-
Interest received		93,998	25,854
<b>Net Cash Flows from Operating Activities</b>		<b>7,251,195</b>	<b>12,918</b>
<b>Cash Flows from Investing Activities</b>			
Construction payments		(37,017,948)	(52,886,388)
<b>Net Cash Flows from Investing Activities</b>		<b>(37,017,948)</b>	<b>(52,886,388)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds of borrowings (net of transaction costs)		13,825,282	19,427,625
Repayment of borrowings		(7,139,251)	-
Establishment costs		(1,246,455)	-
Proceeds from issue of units		36,680,280	46,325,000
<b>Net Cash Flows from Financing Activities</b>		<b>42,119,856</b>	<b>65,752,625</b>
<b>Net Increase/(Decrease) in Cash Held</b>		<b>12,353,103</b>	<b>12,879,154</b>
Cash and cash equivalents at the beginning of the period		12,879,154	-
<b>Cash and Cash Equivalents at End of the period</b>	10	<b>25,232,257</b>	<b>12,879,154</b>

The Consolidated Statement of Cash Flows above should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

For the Year Ended 30 June 2019

## Note 1: General Information

The special purpose Financial Statements are for the consolidated IIG Solar Asset Trust Group ("the Group") consisting of IIG Solar Asset Trust ("the Fund") and its controlled entities (note 16). The Trustee of the Fund is IIG Solar Asset Pty Ltd. The Trustee's registered office is 11 Princes Street St Kilda, Victoria 3182.

These financial statements were authorised for issue by the directors of the Trustee on 20 September 2019. The directors of the Trustee have the power to amend and reissue the financial statements.

## Note 2: Summary of Significant Accounting Policies

### (i) Basis of preparation

The Financial Statements cover the year ended 30 June 2019. The comparatives presented cover the period from 26 July 2017 to 30 June 2018.

The Trustee has prepared the Financial Statements on the basis that the Group is a non-reporting entity because there are no users dependent on general purpose Financial Statements. The Financial Statements are therefore special purpose Financial Statements have been prepared in order to meet the needs of the stakeholders.

The Financial Statements have been prepared in accordance with the significant accounting policies disclosed below, which the Trustee has determined are appropriate to meet the needs of the stakeholders.

The Financial Statements have been prepared on an accruals basis and on the historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

The functional and presentation currency of the Group is Australian dollars.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

### (ii) Principles of Consolidation

The consolidated Financial Statements incorporate all of the assets, liabilities and results of the parent (IIG Solar Asset Trust) and all of the subsidiaries (including any structured entities). 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. A list of the subsidiaries is provided in Note 16.

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. Intercompany 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.

### (iii) New and amended standards adopted by the Fund

The Fund has applied the key recognition and measurement criteria for the first time in the financial year beginning 1 July 2018:

- AASB 9 Financial Instruments became effective for annual periods beginning on or after 1 January 2018, replacing AASB 139 Financial Instruments. AASB 9 largely retains the existing requirements for the classification and measurement of financial liabilities, however, it eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale. In addition, the standard introduces an 'expected credit loss' model for impairment of financial assets.

# Notes to the Financial Statements

(Continued)

For the year ended 30 June 2019

## **Note 2: Summary of Significant Accounting Policies (continued)**

- AASB 15 Revenue from Contracts with Customers became effective for annual periods beginning on or after 1 January 2018. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services, determining whether the timing of the transfer of control is at a point in time or over time.

The adoption of these standards did not have a material impact on the Trust's accounting policies nor the amounts recognised in the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

### **(iv) New standards, amendments and interpretations not yet adopted**

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

AASB 16 Leases will become effective for annual periods beginning on or after 1 January 2019. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model like the accounting for finance leases under AASB 117. The Trust leases 2 of the properties that the land of the Solar Farms operate on. These leases are currently treated as operating leases. Under the new standard the lease will be recognised on the balance sheet of the Fund. The balance sheet will be grossed up for the land asset with a corresponding liability. The Fund is in the process of quantifying the impact.

A number of other new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been early adopted in preparing these financial statements. None of these new standards are anticipated to have a material effect on the financial statements of the Trust.

### **(a) Solar assets**

Solar assets are solar power installations which generate income from the sale of electricity to third parties, which in the case of these solar assets is through the sale of electricity and renewables certificates on a merchant basis (ie. into the wholesale spot market).

Solar assets are carried at cost and depreciated over their useful lives (ranging between 2-20 years) based on the diminishing balance method. This results in a rapid decrease in carrying value which does not reflect the market value of these assets.

### **(b) Revenue**

Merchant Revenue from the generation of electricity is recognised on an accruals basis.

LGC revenue is recognised when control of the certificate passes to the customer upon receipt.

Interest income is recognised in profit or loss on a time basis using the effective interest rate method.

All income is stated net of the amount of goods and services tax (GST).

# Notes to the Financial Statements

(Continued)

For the year ended 30 June 2019

## **Note 2: Summary of Significant Accounting Policies (continued)**

### **(c) Large-scale Generation Certificates**

Large-scale generation certificates (LGCs) are held for trading purposes and are measured at fair value at the end of the financial year, adjusted for known market forces with changes in fair value recognised in the statement of profit and loss and other comprehensive income. LGCs are disclosed in the financial statements as other assets. LGCs are valued using a combination of data sources including trades executed by the Company and other market intelligence. The Company has sufficient market information to reliably measure the value of these certificates in accordance with the requirements of Australian Accounting Standards.

### **(d) Financial instruments**

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised on trade-date – the date on which the Group commits to sell or purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially the risks and rewards of ownership. Financial instruments are designated on initial recognition.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value.

#### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost less expected credit losses. They are classified as current assets except where the maturity is greater than 12 months after the reporting date, in which case they are classified as non-current.

#### *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 less expected credit losses. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

#### *Trade and other payables*

These represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

#### *Issued units*

The Fund issues units that have a limited life under the Fund's constitution and are classified as equity.

# Notes to the Financial Statements

(Continued)

For the year ended 30 June 2019

## **Note 2: Summary of Significant Accounting Policies (continued)**

### **(d) Financial instruments (continued)**

#### *Borrowings*

Interest-bearing loans and overdrafts are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest rate method. Fees paid for establishing loan facilities are capitalised as prepayments for liquidity services and amortised over the period to which the facility relates.

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

#### *Impairment of financial assets*

The Fund assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired.

For financial assets measured at amortised cost, contract assets and debt investments at Fair Value through other Comprehensive Income an 'expected credit loss' ("ECL") model is used.

The Fund measures loss allowances at an amount equal to 12 month ECLs as the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition except for all trade receivables and contract assets which the Fund applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes analysis based on the Trust's historical experience and forward-looking information.

### **(e) Expenses**

All expenses, including Trustee fees are recognised in profit and loss on an accruals basis.

### **(f) Finance costs**

Finance costs are recognised using the effective interest rate applicable to the financial liability.

### **(g) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.



# Notes to the Financial Statements

(Continued)

For the year ended 30 June 2019

## **Note 2: Summary of Significant Accounting Policies (continued)**

### **(h) Provisions**

A provision is recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the Trustee's best estimate of the expenditure required to settle the present obligation at the balance date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

### **(i) Borrowing Costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that it is required to completed and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they occur.

### **(j) Income tax**

The Fund and its controlled entities are considered trading Funds for income tax purposes and are accordingly treated as a corporate tax payer.

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 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. 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 for deductible temporary differences and unused tax losses only if it is probable the future taxable amounts will be available to utilise those temporary differences and losses.

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.

Current and deferred tax is recognised in the statement of comprehensive income 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.

### **(k) Distributions**

Distributions are determined and provided by the Trustee on a quarterly basis. Distributions approved the Trustee but not yet paid are recognised as a provision.

# Notes to the Financial Statements

(Continued)

For the year ended 30 June 2019

## **Note 2: Summary of Significant Accounting Policies (continued)**

### **(I) Critical judgements and significant accounting estimates**

The preparation of Financial Statements requires the Directors of the Trustee to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

# Notes to the Financial Statements

(Continued)

For the Year Ended 30 June 2019

	2019 \$	26 Jul 2017 to 30 Jun 2018 \$
<b>Note 3: Operational Revenue</b>		
Swan Hill Solar Farm - LGC	1,538,640	-
Swan Hill Solar Farm - Merchant	4,731,009	89,918
Chinchilla Solar Farm - LGC	626,674	-
Chinchilla Solar Farm - Merchant	1,188,923	-
	<b>8,085,246</b>	<b>89,918</b>
<b>Note 4: Interest and Other Income</b>		
Bank interest	93,998	25,854
Swan Hill Solar Farm - Other	464,703	-
	<b>558,701</b>	<b>25,854</b>
<p>'Swan Hill Solar Farm - Other' represents proceeds from the RCR performance bond. These proceeds have been used to offset expenditure incurred by Swan Hill that otherwise would have been performed by RCR under the EPC contract.</p>		
<b>Note 5: Operational expenses</b>		
Operational & maintenance	278,120	-
Repairs & maintenance	135,127	-
Insurance	72,916	-
Consulting & Accounting	185,589	18,500
Statutory expenses	78,866	-
Legal fees	79,220	-
Other	99,400	436
	<b>929,238</b>	<b>18,936</b>

# Notes to the Financial Statements

(Continued)

For the Year Ended 30 June 2019

	2019 \$	26 Jul 2017 to 30 Jun 2018 \$
<b>Note 6: Borrowing costs</b>		
Interest paid or payable	1,025,006	-
Amortisation of capitalised borrowing costs (note 12)	257,599	89,701
	<b>1,282,605</b>	<b>89,701</b>

Interest paid or payable represent interest associated with the Swan Hill, Chinchilla & Brigalow Infradebt facilities. Refer to note 12 for further details of the facilities.

Capitalised borrowing costs represent costs associated with the establishment of the Swan Hill, Chinchilla & Brigalow Infradebt facilities. These costs are being amortised over the terms of the facilities. Refer to note 12 for further details of the facilities.

**Note 7: Directors' Fees**

Directors' Fees paid or payable	130,431	48,954
	<b>130,431</b>	<b>48,954</b>

**Note 8: Management Fees**

Management fees payable to IIG Solar Asset Pty Ltd	612,451	3,408
	<b>612,451</b>	<b>3,408</b>

The management fee represents consideration for the services provided by the Trustee, including on-going fund and asset management services.

**Note 9: Income tax**

Net profit/(loss) before income tax	226,816	(45,227)
Prima facie tax payable on profit before income tax at 30%	68,045	(13,568)
Section 40-880 costs	(74,481)	(30,859)
Other (deductible)/assessable items	(162,861)	-
Prior year (over)/under	(535,745)	-
Total income tax benefit recognised in the current year	<b>(705,044)</b>	<b>(44,427)</b>

The prior year adjustment arose during the finalisation of the income tax returns. Additional interest deductions were identified which resulted in a higher income tax benefit.

# Notes to the Financial Statements

(Continued)

For The Year Ended 30 June 2019

	2019 \$	2018 \$
<b>Note 9: Income tax (continued)</b>		
<b>Deferred Tax</b>		
Opening balance	53,883	-
Deferred tax benefit recognised in the current period	697,847	53,883
	<b>751,730</b>	<b>53,883</b>
Opening balance	2,213	-
Deferred tax liability recognised in the current period	-	2,213
	<b>2,213</b>	<b>2,213</b>
<b>Note 10: Cash and Cash Equivalents</b>		
Cash at bank or in transit	21,401,246	12,492,340
Restricted cash	3,831,011	386,814
	<b>25,232,257</b>	<b>12,879,154</b>
Restricted cash refers to the debt service reserve required under the Infradebt facilities.		
<b>Note 11: Trade and Other Receivables</b>		
Trade receivables	-	30,250
GST receivable	-	708,384
Prepayments	-	9,348
Equity funds in transit	-	1,280,000
Sundry debtors	639,060	227,259
	<b>639,060</b>	<b>2,255,241</b>

Equity funds in transit were held by Impact Funds Management in a Fund bank account at 30 June 2018. They were transferred into the Fund on 2 July 2018. Sundry debtors represent the accrued June merchant for Chinchilla & Swan Hill.

# Notes to the Financial Statements

(Continued)

For The Year Ended 30 June 2019

	2019 \$	2018 \$
<b>Note 12: Solar Assets</b>		
<b>Solar Assets are represented by:</b>		
Opening balance at 1 July	54,438,312	-
Assets construction expenditure	38,088,450	54,438,312
Less accumulated depreciation on Solar Farms	(5,462,406)	-
Closing balance at 30 June	87,064,356	54,438,312

Included in Solar Assets of Assets construction expenditure is a Development Fee of \$1,093,321 (June 2018: \$863,707) charged by IIG Solar Assets Pty Ltd as consideration for originating, acquiring and managing the development, construction and commissioning of Swan Hill, Chinchilla and Brigalow Solar Farms.

## Assets under construction commitments

### Commitments for construction of solar farms:

Commitments due within the next 12 months	22,545,995	9,368,848
Commitments due beyond the next 12 months	-	-
Total Commitments	22,545,995	9,368,848

The 2019 commitments relate to contractual payments due to the relevant EPC Contractors for the Brigalow Solar Farm (Gildemeister) of \$20,114,267 and Chinchilla Solar Farm (Gildemeister) of \$2,431,728. These payments are subject to specific milestones being achieved. The 2018 commitments related to the relevant EPC contractors for the Swan Hill Solar Farm (RCR Infrastructure) of \$1,074,817 and Chinchilla Solar Farm (Gildemeister) of \$8,294,031.



# Notes to the Financial Statements

(Continued)

For The Year Ended 30 June 2019

## Note 13: Trade and Other Payables

Unsecured liabilities:

	2019 \$	2018 \$
Trade payables	154,423	1,970,121
Deferred Tax Liability	2,213	2,213
GST Payable	48,917	-
Return of capital – June quarter	1,908,000	-
Income Tax Payable	46	7,243
RCR Insurance Proceeds	1,194,759	-
Sundry creditors and accruals	3,268,453	984,347
	<b>6,576,811</b>	<b>2,963,924</b>

## Note 14: Interest-Bearing Liabilities

### Current

Infradebt – Swan Hill	2,312,894	2,723,340
Infradebt – Chinchilla	1,872,164	1,774,000
Infradebt – Brigalow	244,000	-
Amortised borrowing costs	(257,699)	(257,699)
	<b>4,171,359</b>	<b>4,239,641</b>

### Non-Current

Infradebt – Swan Hill	9,279,231	13,776,660
Infradebt – Chinchilla	7,896,460	2,226,000
Infradebt – Brigalow	6,256,000	-
Amortised borrowing costs	(1,131,194)	(741,078)
	<b>22,300,497</b>	<b>15,261,582</b>
	<b>26,471,856</b>	<b>19,501,223</b>

The Swan Hill Infradebt Loan facility of \$16,500,000 is for a term of six years expiring on 30 September 2023, with interest payable in fixed and floating tranches. The facility was fully drawn as at 30 June 2019 and is secured against the Swan Hill solar farm. The facility is amortising on a quarterly basis with \$2,312,894 payable by 30 June 2020. In support of the Swan Hill Infradebt Loan facility, the IIG Solar Asset Trust has provided a General Security Agreement (Parent) over all its assets and undertakings.

# Notes to the Financial Statements

(Continued)

For The Year Ended 30 June 2019

## Note 14: Interest-Bearing Liabilities (continued)

The Chinchilla Infradebt Loan facility of \$12,000,000 is for a term of six years expiring on 25 March 2024, with interest payable in fixed and floating tranches. The facility was fully drawn as at 30 June 2019 and is secured against the Chinchilla solar farm. The facility is amortising on a quarterly basis with \$1,872,164 payable by 30 June 2020. In support of the Chinchilla Infradebt Loan facility the IIG Solar Asset Trust has provided a General Security Agreement (Parent) over all its assets and undertakings.

The Brigalow Infradebt Loan facility of \$16,000,000 is for a term of six years expiring on 25 September 2024, with interest payable in fixed and floating tranches. A commitment fee of 1.5% is payable on the undrawn component of the facility, currently \$9.5 million. This amount was drawn on 1 August 2019. The facility is secured against the Brigalow solar farm. In support of the Infradebt Loan facility the IIG Solar Asset Trust has provided a General Security Agreement (Parent) over all its assets and undertakings.

The entities have been compliant with their debt covenants through the financial period and up to the date of this report.

Capitalised borrowing costs represent costs associated with establishment of the Infradebt facilities. These costs are being amortised over the term of the facilities.

## Note 15: Equity

### (a) Issued capital

81,163,545 ordinary units (2018: 47,605,000) fully paid at between \$1.00 to \$1.10 per unit

Return of capital – FY19 (\$0.0235 per unit)

Issued capital

2019 \$	2018 \$
83,005,280	47,605,000
(1,908,000)	-
<b>81,097,280</b>	<b>47,605,000</b>

As stipulated in the Fund's constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

As a result of the Fund being classified as a "trading trust", and therefore taxed as a company, payments to unit holders which are not made out of taxable profits are treated as a return of capital. While the Fund has generated positive cash flow, by virtue of the depreciation charge the Fund has not made an accounting profit.

### (b) Fund establishment costs

Fund establishment costs

1,246,455	442,757
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Costs directly attributable to the establishment of the Fund are recognised in equity.

# Notes to the Financial Statements

(Continued)

For The Year Ended 30 June 2019

## Note 16: Details of controlled entities

The Group's subsidiaries at 30 June 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group	
		2019	2018
Solar Powerstations Victoria Pty Ltd	Australia	100%	100%
Chinchilla Solar Pty Ltd	Australia	100%	100%
Maryrorough Solar Pty Ltd	Australia	100%	100%

## Note 17: Remuneration of Auditors

ShineWing

Audit of the Financial Statements

Taxation services

	2019	2018
	\$	\$
	21,500	8,500
	36,000	3,000
	<b>57,500</b>	<b>11,500</b>

## Note 18: Contingent Liabilities

There are no material contingent liabilities as at 30 June 2019.

## Note 19: Subsequent Events

The Chinchilla solar farm achieved practical completion on 19 July 2019.

On 7 August 2019 the company entered into a settlement agreement with the EPC contractor of the Chinchilla solar farm, Gildemeister LSG Solar Australia Pty Ltd. The settlement was due to delays in construction and included various components including a cash payment to Chinchilla and a waiver of variations in lieu of potential liquidated damages. The settlement agreement also included 5 year O&M contracts for Chinchilla & Brigalow farms.

In August 2019, the Fund manager signed a contract which locks in forward power prices for a portion of the Chinchilla Solar Farm's generation. Under the two-year power purchase agreement, Diamond Energy will buy the first 8MW of the solar farm's capacity, at a price above the budget in the Fund IM. The agreement is effective as of 1 January. This arrangement takes advantage of Queensland's projected power prices which the Fund manager believes are currently elevated with only a small chance of rising further.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

## Note 20: Trustee Details

The registered office and the principal place of business of the Trustee is:

11 Princes St  
St Kilda VIC 3182  
Australia

# Directors' Declaration

The Directors of the Trustee have determined that the Group is not a reporting entity and that these special purpose Financial Statements should be prepared in accordance with the accounting policies described in Note 2 to the Financial Statements.

The Directors declare that:

- a) The Financial Statements comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying notes, present fairly the Group's financial position as at 30 June 2019 and its performance for the period ended on that date in accordance with the accounting policies described in Note 2 to the Financial Statements; and
- b) In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the Board of Directors IIG Solar Assets Pty Ltd and is signed for and on behalf of the Directors by:



**Chloe Munro AO**

Chair

Date: 20 September 2019

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IIG SOLAR ASSET TRUST**

### **Opinion**

We have audited the financial report of IIG Solar Asset Trust (the Entity) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Trustee's declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with Note 2.

### ***Emphasis of Matter – Basis of Accounting***

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist IIG Solar Asset Trust to meet the requirements of the Note 2. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### ***Responsibilities of the Directors, Management and Those Charged with Governance for the Financial Report***

The directors of the Trustee and management are responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of Note 2 and for such internal control as determined is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

*ShineWing Australia*

**ShineWing Australia**  
Chartered Accountants

*Rami Eltchelebi*

Rami Eltchelebi  
Partner

Melbourne, 20 September 2019



# Stay In Touch

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