

eWater Ltd and controlled entity

ABN 47 115 422 903

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2016

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eWater Ltd and controlled entity

ABN 47 115 422 903

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of eWater Limited, the Directors declare that:

1. The financial statements and notes present fairly the eWater and controlled entity's financial position as at 30 June 2016 and its performance for the year ended on that date in accordance with Australian Accounting Standards; and
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.

For and on behalf of the board of eWater Limited

Director Director

Dated at Canberra this 17th day of August 2016

eWater Ltd ACN 47 115 422 903 and controlled entity

**STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
Revenue	2(a)	6,747,189	5,701,147
Other income	2(a)	<u>86,227</u>	<u>20,344</u>
		<u>6,833,416</u>	<u>5,721,491</u>
Employee benefits expense		(3,378,554)	(3,141,025)
Directors Fees		(412,894)	(104,695)
Travel and project operating expenses		(1,941,329)	(1,230,340)
Legal expenses		(10,963)	(7,000)
Office accommodation expense	2(b)	(203,935)	(223,686)
External contractors		(61,583)	(45,470)
Communications expense		(15,643)	(14,967)
Board expenses		(22,789)	(17,979)
Software and equipment expenses		(181,806)	(67,622)
Other expense	2(b)	<u>(110,284)</u>	<u>(96,831)</u>
Total expenses		<u>(6,339,780)</u>	<u>(4,949,615)</u>
Net surplus / (deficit) from ordinary activities		<u>493,636</u>	<u>771,876</u>
Other comprehensive Income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>493,636</u></u>	<u><u>771,876</u></u>

The accompanying notes form part of these financial statements.

eWater Ltd ACN 47 115 422 903 and controlled entity

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Note	2016 \$	2015 \$
CURRENT ASSETS			
Cash and cash equivalents	5	7,913,282	4,473,159
Receivables		1,154,133	344,129
Work in Progress		187,845	95,139
Other	6	<u>97,027</u>	<u>7,583</u>
TOTAL CURRENT ASSETS		<u>9,352,287</u>	<u>4,920,010</u>
NON CURRENT ASSETS			
Property, plant and equipment	7	<u>36,004</u>	<u>10,027</u>
TOTAL NON CURRENT ASSETS		<u>36,004</u>	<u>10,027</u>
TOTAL ASSETS		<u>9,388,291</u>	<u>4,930,037</u>
CURRENT LIABILITIES			
Trade and other payables	8	1,052,209	760,226
Unearned revenue	9	7,267,930	3,675,691
Provisions	10(a)	<u>243,296</u>	<u>198,624</u>
TOTAL CURRENT LIABILITIES		<u>8,563,435</u>	<u>4,634,541</u>
NON - CURRENT LIABILITIES			
Provisions	10(b)	<u>44,698</u>	<u>8,974</u>
TOTAL CURRENT LIABILITIES		<u>44,698</u>	<u>8,974</u>
TOTAL LIABILITIES		<u>8,608,133</u>	<u>4,643,515</u>
NET ASSETS		<u>780,158</u>	<u>286,522</u>
EQUITY			
Retained earnings / (Accumulated losses)		<u>780,158</u>	<u>286,522</u>
TOTAL EQUITY		<u>780,158</u>	<u>286,522</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

Balance at 1 July	286,522	(485,354)
Net (loss) / surplus for the year	493,636	771,876
Balance at 30 June	<u><u>780,158</u></u>	<u><u>286,522</u></u>

The accompanying notes form part of these financial statements.

eWater Ltd ACN 47 115 422 903 and controlled entity

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
<u>Operating activities</u>		
Receipts from government, members and customers	10,480,726	8,559,445
Payments to suppliers and employees	(7,087,429)	(5,447,988)
Interest received	83,559	18,597
Net cash generated (used) 16	<u>3,476,856</u>	<u>3,130,054</u>
<u>Investing activities</u>		
Payments for property, plant and equipment	(36,733)	(11,964)
Proceeds from sale of property, plant and equipment	-	-
Net cash generated (used)	<u>(36,733)</u>	<u>(11,964)</u>
Net movement in cash and cash equivalents	3,440,123	3,118,090
Cash and cash equivalents at beginning of year	4,473,159	1,355,069
Cash and cash equivalents at end of year 5	<u><u>7,913,282</u></u>	<u><u>4,473,159</u></u>

The accompanying notes form part of these financial statements.

eWater Ltd ACN 47 115 422 903 and controlled entity

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 1: Statement of Significant Accounting Policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other authoritative pronouncements of the Australian Accounting Standards Board. The financial report includes the consolidated financial statements of the group.

For the purposes of preparing the consolidated financial statements the Company and its subsidiary are not for profit entities. Income tax has not been provided for as the Company has self assessed itself as exempt from income tax under the section 50-1 of the Income Tax Assessment Act 1997 (ITAA 1997) as an entity described in item 1.3 of section 50-5 of the ITAA 1997.

The financial statements were authorised for issue by the directors on 21 September 2016.

Basis of Preparation

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Any new Accounting Standards that have been issued but are not yet effective at balance date have not yet been applied in the preparation of these financial statements. The possible impacts of the initial application of the Standards have not been assessed.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(b) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the lease term.

c) Financial Assets

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

eWater Ltd ACN 47 115 422 903 and controlled entity

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 1: Statement of Significant Accounting Policies (continued)

Impairment of Financial assets

Financial assets other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. As at 30 June 2016 the Company had recognised an impairment allowance of \$26,625 (2015: \$Nil).

(d) Impairment of Assets

At each reporting date, the Company's directors review the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. As a not-for-profit entity, value in use, according to *AASB 136 Impairment of Assets*, is depreciated replacement cost. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

e) Financial Liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

f) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated entity, being the Company (the parent entity) and its subsidiaries. Control is achieved when the Company has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

eWater Ltd ACN 47 115 422 903 and controlled entity

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 1: Statement of Significant Accounting Policies (continued)

(g) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The threshold over which assets will be capitalised is \$1,000, with the exception of laptops and desktops which are fully expensed in the year of purchase.

(h) Revenue Recognition

Sale of Goods

Revenue from the sale of goods is recognised when the Consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Rendering of Services

Revenue from a contract to provide services is recognised on delivery to the customer. Prior to provision of services, revenue is recognised as unearned revenue under current liabilities.

Conferences and seminars

Conference and seminar income and expenditure is recognised when the event has been held. All income and expenditure prior to holding the conference/seminar is carried forward as unearned revenue (current liability) and prepaid expenses (current asset) respectively.

Interest Revenue

Interest Revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Other revenue

Other revenue is brought to account when the related goods or services have been provided and the income earned.

Unearned Revenue

Revenue that has been received but not yet earned is recorded as a liability. NHMP and AWP government grants have been assessed as reciprocal in nature and as such are recognised as income as earned.

eWater Ltd ACN 47 115 422 903 and controlled entity

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 1: Statement of Significant Accounting Policies (continued)

(i) Employee benefits

Short-term employee benefits

Provision is made for the Company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 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.

The Company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

The Company classifies employees' long service leave and annual leave entitlements as other long-term employee benefits as they are 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. Provision is made for the Company's obligation for other long-term employee benefits, which 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. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligations is recognised in profit or loss classified under employee benefits expense.

The Company's obligations for long-term employee benefits are presented as non-current liabilities in its statement of financial position, except where the Company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current liabilities.

Retirement benefit obligations

Defined contribution superannuation benefits

All employees of the Company receive defined contribution superannuation entitlements, for which the Company pays the fixed superannuation guarantee contribution (9.5% of the employee's average ordinary salary in 2015-16) to the employee's superannuation fund of choice. All contributions in respect of employee's defined contributions entitlements are recognised as an expense when they become payable. The Company's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Company's statement of financial position.

(j) Goods and services tax (GST)

All revenue and expenses are stated net of the amount of goods and services tax, except where in the amount of goods and services tax incurred is not recoverable from the Australian Taxation Office. In these circumstances the goods and services tax is recognised as part of the cost acquisition of the asset or as part of an item of the expense. Receivables and payables in balance sheet are shown inclusive of goods and services tax.

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 Australian Taxation Office, is disclosed as operating activities.

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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 1: Statement of Significant Accounting Policies (continued)

(k) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

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 stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(l) Operations

eWater Ltd operates, manages and governs its operational projects and activities. After an extended period of development in prior years as a CRC, eWater Ltd's ongoing primary focus has been the delivery of both products and services.

(m) Parent Entity Reporting

As per the Corporations Amendment (Corporate Reporting Reform) Bill 2010 and accompanying Regulations, only Consolidated amounts are provided for each item, instead of both Consolidated and Company amounts as reported in previous years. A summary of the Company's financial performance and position is provided in note 12.

(n) Work-in-Progress

Work in Progress is the unbilled services at the time of the presentation of the financial statement. eWater Limited are serving many clients on the billed hours of the employees, where the billing stages are on the basis of the achievement of the milestones or some specific outcome on the project. WIP is the product of un-invoiced amount on the projects.

(o) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates - Impairment

The Company assesses the impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Should an impairment exist, the determination of the recoverable amount of the asset may require incorporation of a number of key estimates. No impairment indicators were present at 30 June 2016.

(p) Comparatives

The comparative balances in this financial report have been reclassified where the change improves the understandability of the financial information.

eWater Ltd ACN 47 115 422 903 and controlled entity

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
Note 2: Surplus From Ordinary Activities		
(a) Revenue and Other Income		
Product Sales	534,053	645,911
<i>Revenue from rendering of services:</i>		
Project Income	5,561,830	4,515,464
Support & Maintenance	403,930	346,984
Training	247,376	192,788
Total revenue	<u>6,747,189</u>	<u>5,701,147</u>
<u>Other income</u>		
Interest on Bank deposits	83,559	18,597
Other	2,668	1,747
Total other income	<u>86,227</u>	<u>20,344</u>

(b) Surplus From Ordinary Activities

Net surplus has been determined after charging the following expenses:

Depreciation of property, plant and equipment		
- Business equipment	<u>10,756</u>	<u>10,065</u>
	<u>10,756</u>	<u>10,065</u>
Operating lease payments:		
Minimum Lease payments	<u>189,334</u>	<u>187,686</u>

Note 3: Unrecognised deferred tax assets

Cummulative tax losses (revenue)	42,329	42,329
Temporary differences in carrying amounts	<u>2,212</u>	<u>2,212</u>
Total	<u>44,541</u>	<u>44,541</u>

The tax losses were generated from eWater Innovation Pty Ltd. These tax losses will only be realised in the event of eWater Innovation Pty Ltd being activated and trading again.

Note 4: Key Management Personnel Remuneration

The specified directors of eWater Limited during the period were:

Don Blackmore (Chairperson)	
Murray Rankin	
David Dreverman	
Kaye Schofield	
Sharon Davis	Appointed 11 November 2015
Gary Jones	Appointed 1 July 2015
Alison White	Resigned 15 February 2016
Emily Phillips	Resigned 11 November 2015
Gavin Hanlon	Appointed 15 February 2016

The specified directors of eWater Innovation Pty Ltd during the period were:

Gary Jones (Chairperson)
Murray Rankin

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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 4: Key Management Personnel Remuneration (continued)

The aggregate compensation of the key management personnel of the Consolidated entity, including directors and executives, is set out below:

	2016 \$	2015 \$
Short-term employee benefits	1,005,333	812,805
	<u>1,005,333</u>	<u>812,805</u>

This compensation is included in the statement of comprehensive income under the categories of employee benefits expense (for executives) and Directors' fees (for Directors).

Note 5: Cash and cash equivalents

Cash on hand	428	124
Cash at bank	7,912,854	4,473,035
	<u>7,913,282</u>	<u>4,473,159</u>

Note 6: Other Current Assets

Prepaid Insurance	24,398	2,539
Prepaid Workers Compensation	11,876	5,044
Prepaid Other	60,753	-
	<u>97,027</u>	<u>7,583</u>

Note 7: Property, Plant and Equipment

Business equipment – at cost	60,031	28,282
Accumulated depreciation	(28,615)	(18,255)
	<u>31,416</u>	<u>10,027</u>
Furniture and Fittings – at cost	4,985	-
Accumulated depreciation	(397)	-
	<u>4,588</u>	<u>-</u>
Total property, plant and equipment	<u>36,004</u>	<u>10,027</u>

Movements in carrying amounts:

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period

	Furniture & Fittings	Business equipment	Total
2016		\$	\$
Balance at 1 July 2015	-	10,027	10,027
Additions	4,985	31,748	36,733
Depreciation expense	(397)	(10,359)	(10,756)
Balance at 30 June 2016	<u>4,588</u>	<u>31,416</u>	<u>36,004</u>

eWater Ltd ACN 47 115 422 903 and controlled entity

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 8: Payables

CURRENT	2016	2015
<i>Unsecured liabilities:</i>	\$	\$
Trade Payables	493,512	110,378
Accrued Expenses	265,750	66,078
Employee Benefits Payable	121,368	167,508
GST Payable	144,471	379,807
Credit Cards	27,108	36,455
	<u>1,052,209</u>	<u>760,226</u>

Note 9: Income In Advance

AWP Grant	6,034,932	2,917,105
NHMP Projects (MK I & II)	555,258	55,000
Consulting Projects	305,435	450,725
Products & Services	372,305	252,861
	<u>7,267,930</u>	<u>3,675,691</u>

The NHMP and AWP contracts stipulate that any unspent funds remaining at the termination of the contract shall be returned to the funding party. Therefore, eWater records the grants under Income in Advance and then transfers it monthly in arrears to revenue as the project costs are incurred.

The Consulting Projects Income in Advance of \$305,435 is income received by eWater which are not yet earned as the work related to these payments has not been performed yet. Therefore, all income received are recorded as a liability reduced in proportion with ongoing development costs as they are incurred.

Music and Source are water modelling softwares that eWater supplies to its customers. Software usage is allowed through licences and the fees paid under the licence agreement are recognised as revenue at time of invoice. Associated contractual support and maintenance agreements are recognised as Income in Advance. The fees are recorded in revenue at the end of each month proportionately. The training and conferences relating to these softwares are recognised at time of delivery.

Note 10: Provisions

	2016	2015
	\$	\$
(a) Current		
Employee benefits:		
Annual leave	196,695	153,408
Long-service leave	46,601	45,216
	<u>243,296</u>	<u>198,624</u>
(b) Non-current		
Long-service leave	44,698	8,974

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave vesting is based upon historical data. The measurement and recognition criteria for employee benefits have been discussed in Note 1(i).

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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 11: Commitments	2016	2015
	\$	\$
Non-cancellable operating lease commitments		
- Not later than 1 year	189,334	94,127
- Later than 1 year, not later than 5 years	284,000	-
Minimum lease payments payable	<u>473,334</u>	<u>94,127</u>

Note 12: Parent entity disclosure

Financial Position

Current Assets	9,352,287	4,920,010
Total Assets	9,388,291	4,930,037
Current Liabilities	8,563,435	4,634,541
Total Liabilities	8,608,133	4,643,515
Net Equity	<u>780,158</u>	<u>286,522</u>

Financial Performance

Total Income	6,833,416	5,721,491
Total Expenditure	6,339,780	4,949,615
Surplus	<u>493,636</u>	<u>771,876</u>
Other comprehensive income	-	-
Total comprehensive income	<u>493,636</u>	<u>771,876</u>

Note 13: Related Parties

(a) Key management personnel compensation

Details of Key management personnel compensation is disclosed in Note 4 to the financial statements.

(b) Other transactions with key management personnel

Transactions with key management personnel occur within a normal supplier or employee relationship on terms and conditions no more favourable than those available other employees and suppliers.

(c) Parent entities

The parent entity in the consolidated entity is eWater Ltd.

The ultimate parent entity is eWater Ltd.

Note 14: Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected the operations of the entity.

Note 15: Segment Information

The Company operates in multiple geographical areas with its base in Australia and increasing work in Asia. The focus remains in one industry segment, being the provision of software, research and development relating to water innovations.

eWater Ltd ACN 47 115 422 903 and controlled entity

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 16: Notes to the Cash Flow Statement

<u>Reconciliation of surplus / (deficit) for the period to net cash flows from operating activities</u>	2016	2015
	\$	\$
Surplus(Deficit) for the period	493,636	771,876
Depreciation and amortisation of non-current assets	10,756	10,065
Decrease/ (Increase) in assets:		
Current receivables	(810,004)	15,902
Other current assets	(89,444)	(1,293)
Work in progress	(92,706)	(16,470)
Decrease/ (Increase) in Liabilities:		
Current payables	291,983	242,140
Other Liabilities	3,592,239	2,079,147
Provisions	80,396	28,687
Net Cash used in operation activities	<u>3,476,856</u>	<u>3,130,054</u>

Note 17: Financial Instruments

The Consolidated entity's financial instruments consist of cash and cash equivalents, trade and other receivables and trade and other payables.

Due to the small size of the Consolidated entity significant risk management decisions are taken by the board of directors. These risks include market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

a) Categories of financial instruments

Financial Assets

Cash and cash equivalents	7,913,282	4,473,159
Trade and other receivables - at amortised cost	<u>1,154,133</u>	<u>344,129</u>
Total Financial Assets	<u><u>9,067,415</u></u>	<u><u>4,817,288</u></u>

Financial Liabilities

Trade and other payables - at amortised cost	<u>493,512</u>	<u>110,378</u>
Total Financial Liabilities	<u><u>493,512</u></u>	<u><u>110,378</u></u>

b) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values. The fair values and net fair values of financial assets and financial liabilities are determined in accordance with the accounting policies disclosed in Note 1.

c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated entity. The Consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Consolidated entity measures credit risk on a fair value basis.

The Consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, due to major funding being received from Government Grants and contracts. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. There are potential Forex and Sovereign risks related to some of our overseas contracts. However they have not been material to date. The company continues to monitor them so they can act should the need arise.

eWater Ltd ACN 47 115 422 903 and controlled entity

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 17: Financial Instruments (continued)

d) Interest rate risk management

The Consolidated entity is exposed to interest rate risk as entities in the Consolidated entity holds funds at floating interest rates. The Consolidated entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

e) Price risk

The consolidated entity is not exposed to commodity price risk.
The consolidated entity does not make investments in equity securities.

f) Liquidity risk

The Consolidated entity manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Note 18: Company Details

eWater Ltd is a Company limited by guarantee and which operates in Australia. It has 5 (2015: 5) Members, with a guarantee of \$10 per Member.

Company Secretary, Registered Office and Principal Place of Business:
Deborah Bowden (Company Secretary)
Building 22 Innovation Centre
University of Canberra
ACT 2601



AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF EWATER LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been no contraventions of:



1. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
2. any applicable code of professional conduct in relation to the audit.



Selina Stanford
Audit Director

Dated: 5 August 2016



Mr Don Blackmore AM
Chair
eWater Ltd
UC Innovation Centre, Building 22
University Drive South
Bruce ACT 2617



Dear Don

Report for the year ended 30 June 2016

The purpose of this report is to provide you and the Board, being those charged with governance, with constructive observations arising from the audit process. We, as auditors, set out below details of any expected modifications to our audit report, details of any unadjusted misstatements in the financial report (except any misstatements that are clearly trivial), any significant deficiencies in internal controls we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures, and any other relevant matters.



Our procedures are carried out solely for the purpose of our audit of the financial report. Our audit does not necessarily disclose every deficiency and, for this reason, the matters referred to below may not be the only shortcomings which may exist.

We take this opportunity to remind you that:

- ▶ This report has been prepared for the sole use of eWater Limited ('the Company') and its auditors;
- ▶ It must not be disclosed to any third party without our written consent; and
- ▶ No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purpose



Auditor's Responsibility

As auditors we have a statutory responsibility to:

1. Form an opinion, and report on, whether the financial approved by the Board is in accordance with the Corporations Act 2001 and:
 - a) Gives a true and fair view of the Company's financial position and performance, represented by the results of its operations and its cash flows; and
 - b) Complies with the Corporations Regulations 2001, Accounting Standards and other mandatory professional reporting requirements.





2. To form an opinion on whether:
 - a) We have been given all information, explanations and assistance necessary to conduct our audit;
 - b) You have kept financial records sufficient to enable a financial report to be prepared and audited; and
 - c) You have kept other records and registers required by the Corporations Act 2001.

We confirm we have fulfilled our statutory responsibilities and provide the following audit clearance.

We are satisfied that the financial results as presented to the Board give a true and fair view of the financial position and financial performance of the Company for the year ended 30 June 2016.

Audit clearance and opinion

We have completed our audit for the year ended 30 June 2016 and as such provide our clearance on the results for the financial year.

The consolidated surplus for the year amounted to \$493,636 (2015: \$771,846). The consolidated net assets totalled \$780,158 (2015: \$286,522).

We have completed our audit and received all appropriate evidence and explanations requested from management and we advise that, with the exception of the following outstanding matters:

- ▶ Receipt of the approved and signed Directors' Report and Directors' Declaration; and
- ▶ the receipt of the signed management representation letter from management

there are no other outstanding matters relating to our audit.

We do not expect to make any modifications to our audit opinion. However, our responsibilities with regard to the audit report extend up to the date on which it is signed and we will advise you of any changes to this position if necessary.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements as issued by the Accounting Professional and Ethical Standards Board and the Corporations Act 2001. We have confirmed our independence in our independence declaration issued to you as required by the Corporations Act 2001 (please see attached).

In terms of this declaration, we declare that during the year ended 30 June 2016, there have been:

- ▶ No contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ▶ No contraventions of any applicable code of professional conduct in relation to the audit.



In addition, we complied with all our internal quality assurance and independence policies and procedures to ensure that our independence and objectivity was not compromised.

Unadjusted audit differences

There is one unadjusted audit difference for the year ended 30 June 2016. Refer to 4-110 attached for details.

Audit and accounting matters

No significant audit matters were identified by us during the audit. One accounting matter was discussed with management during the year and satisfactorily resolved. This is explained further below.

Audit and accounting matters

Revenue recognition:

During the year management re-considered the revenue recognition treatment for grants and specifically whether accounting standard AASB 1004 applied, which would require revenue to be recorded on receipt of the grant funds into the bank account. After reviewing each grant agreement, and noting the clause requiring repayment of the funds in the event that they are not utilised by the company, management decided that AASB 1004 was not applicable and therefore the revenue recognition policy would remain the same as the prior year.

We agree with management's accounting treatment regarding this.

Qualitative aspects of accounting practices and financial reporting

During the course of our audit, we considered the following qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understand ability and significance of the information provided by the financial report.

Appropriateness of the accounting policies;

Based on our audit, we believe the accounting policies applied are appropriate to the circumstances of the Company.

Timing of transactions and the period in which they are recorded;

Based on specific audit evidence obtained, we believe that transactions are recorded in the appropriate periods.



Appropriateness of accounting estimates and judgements, including the consistency of assumptions and the degree of prudence reflected in the accounting records;

Based on audit evidence obtained, we believe accounting estimates and judgements, including the consistency of assumptions and the degree of prudence reflected in the accounting records are appropriate.

Outstanding matters

The following matters remain outstanding for our audit engagement. These matters are required to be completed prior to the issuing of the independent auditor’s report.

Signed management representation letter.

Signed Directors’ Report and Directors’ Declaration.

Concluding remarks

Finally, we take this opportunity to thank Deborah Bowden and Jenni Palombi for the assistance afforded to us during the course of our audit work. Their patient help and assistance was much appreciated.

We will be pleased to supply you with any further information that you may require. It would also be of assistance for you to inform us when any changes are made to existing systems and controls, together with details of such changes.

Yours sincerely,

Selina Stanford
Audit Director

5 August 2016

cc: Deborah Bowden, Chief Operating Officer

Directors' Report

The Directors of eWater Ltd, present their report together with the financial statements year ended 30 June 2016 and the auditor's report thereon.

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

Directors

Don Blackmore

Qualifications

Experience

Special Responsibilities

AM, FTSE

Director & Chair since 22/07/2005

Chairperson Remuneration Committee

David Dreverman

Qualifications

Experience

Special Responsibilities

Director from 01/03/2008

Member Audit & Compliance Committee

Murray Rankin

Qualifications

Experience

Special Responsibilities

BA, AICD Fellowship

Director from 22/11/2012

Chairperson Audit & Compliance Committee

Chairperson eWater Solutions Committee

Kaye Schofield

Qualifications

Experience

Special Responsibilities

BA, M.Ed

Director from 22/11/2012

Chairperson, Australian Water Partnership Advisory Committee

Alison White

Qualifications

Experience

BA (Communications)

Director from 22/11/2012 to 15/02/2016

Emily Phillips

Qualifications

Experience

Director from 18/11/2014 to 11/11/15

Sharon Davis

Qualifications

Experience

BA (Hons), PhD

Director from 11/11/15

Gavin Hanlon

Qualifications

Experience

M.Sc, MBA

Director from 15/02/16

Gary Jones

Qualifications

Experience

Special Responsibilities

B.Sc (Hons), PhD, GAICD

Executive Director from 01/07/15

Member eWater Solutions Committee

Company Secretary

Deborah Bowden

Qualifications

Experience

B.Bus, CPA, GAICD

Secretary from 28/01/16

Principal activities

The company undertakes two broad streams of activities, both of which support sustainable water management in Australia and overseas. eWater Solutions provides world-class water resource modelling solutions to support Australia's national modelling platform, eWater Source. eWater has developed products and services (Source, MUSIC & Toolkit) representing the encapsulated knowledge for water markets and integrated water management.

In the Australian market, the most widely used stormwater modelling product is Music, eWater's stormwater management solution, which continues to lead the way in decision support for stormwater quality management and water sensitive urban design. Music is seeking to expand activities into international markets.

eWater has built strategic relationships, in conjunction with the Australian Government, international organisations, and industry partners, to facilitate the use of Source and Toolkit models around the world, through capacity building and technology transfer. Directly in support of eWater's public good mission, free versions of Source and more than 20 Toolkit modelling tools are available via the internet to water educators, researchers, technical practitioners and consultants in Australia and around the world.

In May 2015, eWater was appointed by the Department of Foreign Affairs and Trade (DFAT) as the managing partner for the new Australian Water Partnership (AWP) initiative. DFAT established the AWP in response to growing water challenges in the Indo-Pacific region, and the need for better access to Australian water science, technology and management knowledge and expertise. The Government has initially committed \$20m over 4 years to the AWP initiative. AWP activities are consistent with eWater's stated Objects and involve the building and sharing of knowledge on water reform through capacity building activities with regional water organisations, industry sectors and civil society by supporting access to Australian water reform policy, management expertise and innovative approaches and technologies.

Review of Operations

Business operations in FY15-16 have been completed in alignment with the eWater 2012-2017 Strategic Plan and FY15-16 Annual Operating Plan, as approved by the Board.

Following establishment of the AWP initiative in May-June 2015, eWater reorganised its internal operations into two business divisions –

- (i) eWater Solutions (EWS), covering all model development and adoption activities, and
- (ii) the Australian Water Partnership (AWP), leading and managing the DFAT-funded program.

Dr. Robert Carr was appointed by the Board as CEO of EWS, with Dr. Ashis Dey as Deputy CEO. Dr. Gary Jones was appointed by the Board as CEO of AWP and Executive Director.

The existing Corporate Services business unit was retained with a new Chief Operating Officer, Ms. Deborah Bowden, being recruited in December 2015 following resignation of the previous COO.

EWS - The three-year operational focus of Source customisation and implementation against the COAG NHMP contract and broader national adoption of Source was completed in May 2015. The renewed COAG NHMP three-year agreement commencing July 2015 has successfully delivered against the FY15-16 Annual Operating Plan. The company is also providing continuing growth and support for the Australian and international MUSIC software market.

Beyond the national market, steady growth in new projects and software adoption in international markets, particularly in the Asia-Pacific region. eWater is working with support from DFAT and working collaboratively with Australian partners on a number of projects in South Asia and South-East Asia, and will continue to actively develop business, build new regional partnerships and grow revenue in these areas, and elsewhere where appropriate opportunities arise.

AWP - Operations of AWP during FY15-16 focused on the establishment of governance and management structures and processes, recruitment of new staff (3), establishment of Australian and International partnerships, and commencement of initial collaborative activities. Relationships with key international partners such as the World Bank, Asian Development Bank and the Governments of India and Myanmar have progressed well in 2015-16. The 2015-16 scheduled DFAT Agreement Milestone was met in September 2015 and associated payment was received.

Under the terms of the DFAT Agreement, an AWP Advisory Committee was established in July 2015, chaired by Director Ms.

Kaye Schofield AO. A representative from DFAT sits on this committee, with seven other members being competitively appointed. The Committee reviews and advises the eWater Board and AWP Management on the development of the AWP Strategic and Annual Plans, and the collaborative funding program, as well as on national and international partner engagement.

Performance Measures

eWater Ltd measures its performance through:

1. The delivery of the company objectives and strategy as outlined in the Annual Operating Plan.
2. Meeting the objectives and obligations of the NHMP and AWP Agreements.

Changes in state of affairs

There were no significant changes in the state of affairs of the Company.

eWater Innovation Pty Ltd is retained, as a dormant subsidiary company of eWater Ltd, with its accumulated losses until further notice.

Subsequent events

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected the operations of the entity.

Future developments

eWater Ltd will continue to develop its international engagement through contracts with the Australian Government and directly with overseas parties.

Members Guarantee

The Company is incorporated under the Corporation Act 2001 and is a Company limited by guarantee. If the Company is wound up, the Constitution states each member is required to contribute a maximum of \$10 each towards meeting any outstanding obligations of the Company.

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Consolidated entity has not otherwise, during the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial period and the number of meetings attended by each director (while they were a director or committee member).

Directors	Board		Audit Risk & Compliance Committee		eWater Solutions Committee		AWP Advisory Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Don Blackmore (Chairperson)	6	6	-	-	-	-	-	-
David Dreverman	6	6	3	3	6	6	-	-
Kaye Schofield	6	6	-	-	-	-	5	5
Murray Rankin	6	6	3	3	6	6	-	-
Gary Jones	6	6	-	-	6	5	-	-
Alison White	3	1	-	-	-	-	-	-
Emily Phillips	3	0	-	-	-	-	-	-
Sharon Davis	3	3	-	-	-	-	-	-
Gavin Hanlon	2	1	-	-	-	-	-	-

Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the financial report.

Signed in accordance with a resolution of the directors made pursuant to s.298 (2) of the Corporations Act 2001.
On behalf of the Directors

17th August 2016

Mr Don Blackmore
Chairperson
eWater Ltd

17th August 2016

Synergy Group Audit Pty Limited
Authorised Audit Company No.301280
PO Box 4789
Kingston ACT 2600

Dear Selina

In connection with your audit examination of the financial statements of eWater Limited and its controlled entity, ("the Group") for the year ended 30 June 2016 we hereby confirm, at your request, that to the best of our knowledge and belief, the following representations relating to the accounts are correct.

Financial statements

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated, for the preparation of the financial statements.

The financial statements of the Group have been drawn up so as to give a true and fair view of the Group's financial position as at 30 June 2016 and performance for the year ended on that date.

The accounting records of the Group were maintained in accordance with the requirements of the Corporations Act 2001 and the financial statements were prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations).

Assets

Accounts Receivable

1. Current accounts receivable at balance sheet date are valid debts and do not include amounts due for goods on consignment or on approval.
2. Debts due that are known to be uncollectible have been written off and the provision for impairment of Receivables is sufficient to cover allowances, discounts and losses that may be sustained in collection of the debts.

Other Current Assets

We expect to realise all other current assets at least at the amounts at which they are stated in the financial statements.

Property, Plant & Equipment

1. The additions to property, plant and equipment accounts, as recorded in the books, represent the cost of additions or improvements to existing facilities or replacements thereof. All units of property, plant and equipment which have been replaced, sold, dismantled or otherwise disposed of, or which are permanently unusable, have been removed from the fixed asset register. Adequate provision determined in a manner consistent with that of the preceding year, has been made to write off depreciable assets over their useful lives.
2. No circumstances have arisen which render adherence to the existing basis of depreciation misleading or inappropriate.
3. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.

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4. Depreciation rates have been reviewed against asset usage and the rate of technical and commercial obsolescence. Any adjustment to reflect the most recent assessment of the useful lives of all non-current assets has been recognised and disclosed in the financial report.
 5. All additions to property, plant and equipment represent actual additions or improvements of a capital nature. No items of repairs and maintenance have been carried forward as property, plant and equipment and no capital additions or improvements were charged to expenses.
 6. Where the recorded value of any item of property, plant and equipment exceeds its recoverable amount, the asset's recorded value has been written down to its recoverable amount. We have considered the requirements of *AASB 136 Impairment of Assets* when assessing the carrying value of non-current assets and in ensuring that no non-current assets are stated in excess of their recoverable amount.
 7. The Group has satisfactory title to all assets and there are no deficiencies or encumbrances attaching to the title of the assets of the Group at year end other than those reflected in the financial statements and these are not greater than the value of the asset.
 8. No operating or finance lease commitments exist that have not been included in the financial statements. All operating lease expenses have been disclosed in the notes to the Statement of Comprehensive Income. Finance leasing commitments have been included in the notes to the Statement of Financial Position.

Liabilities

1. All liabilities including those arising under derivative financial instruments, which have arisen or which will arise out of the activities of the members of the economic entity to the end of the financial year have been recorded and/or disclosed in the financial statements.
2. There were no provisions or contingent liabilities including:
 - Guarantees;
 - Bills and accounts receivable discounted, assigned or sold and which are subject to recourse;
 - Endorsements;
 - Pending law suits, unsatisfied judgements or claims;
 - Repurchase agreements; or
 - Uncalled capital on shares held in other companies at balance date;which are not shown in the notes to the financial statements.

Commitments

1. There are no material commitments for construction or acquisition of property, plant & equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial report.
2. There were no commitments for purchase or sale of securities or assets or any options given by the Group including options over share capital.

Related party transactions

1. We have made available to you all information regarding the identification of related party relationships and transactions.
2. We have made available to you details and records relating to:
 - a) Any agreements or transactions between employee controlled entities and the Group.
 - b) Any equity interests or directorships held by employees in other entities, which are party to, directly or indirectly, any agreements or transactions with this organisation and/or any related party of this organisation.

-
- c) Any external accounting advice received on these agreements, transactions or interests.
3. All details concerning related party transactions and related amounts receivable or payable (including sales, purchases, loans and guarantees) have been correctly recorded in the accounting records and have been properly disclosed in the Group's financial statements or the notes thereto, either where required by statute or where such disclosure is necessary for the fair presentation of the Group's financial statements.

Taxation

1. We have calculated income tax expense, current tax liability, deferred tax liability and deferred tax asset according to the definitions of taxable income and allowable deductions. We have calculated and recognised all other applicable taxes according to relevant tax legislation.
2. There are no activities that invoke the anti-avoidance provisions of any applicable tax legislation.

Environmental issues

We have considered whether environmental matters could have a material impact on the financial statements and conclude that:

- We are not aware of any material liabilities or contingencies arising from environmental matters, including those resulting from illegal or possibly illegal acts.
- We are not aware of environmental matters that may result in a material impairment of assets.
- Where we are aware of such matters referred to in the two points above, we have disclosed to you all facts relating to those matters.

Accounting misstatements detected by audit

1. We acknowledge that the attached uncorrected misstatements have been brought to our attention and have considered the impact of these on the financial report. We conclude these misstatements are quantitatively and qualitatively immaterial to the financial report taken as a whole, when considered individually or in aggregate.
2. We have advised to you and adjusted the financial report for all material misstatements that we have identified from previous periods.
3. We have also considered the impact of uncorrected misstatements from previous periods and conclude the aggregate amount of these misstatements is immaterial to the previous and current periods' financial reports.

Insurance

The economic entity has an established procedure whereby an officer reviews at least annually the adequacy of insurance cover on all assets and insurable risks. This review has been performed, and where it is considered appropriate, assets and insurable risks of the Group are adequately covered by insurance.

Litigation and claims

We have provided to you all information regarding material outstanding legal matters.

Accounting estimates

We confirm the significant assumptions used in making accounting estimates are reasonable and have been disclosed in the financial statements.

Fair value measurements and disclosures

We confirm the significant assumptions used in fair value measurements and disclosures are reasonable, and appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Group.

Going concern

In the opinion of the directors of the Group, there are reasonable grounds to believe that the Group will be able to:

- Pay its debts as and when they fall due.
- Continue as a going concern for the foreseeable future.

We, therefore, confirm that the going concern basis is appropriate for the financial statements.

Events after balance sheet date

We are not aware of any events that have occurred between the financial reporting date to the date of this letter that we need to disclose or recognise in the financial statements.

Publication on web site

With respect to publication of the financial statements on our website, we acknowledge that:

- a) We are responsible for the electronic presentation of the financial statements;
- b) We still ensure that the electronic version of the audited financial statements and the auditor's report on the web site will be identical to the final signed hard copy version;
- c) We will clearly differentiate between audited and unaudited information in the construction of the entity's web site as we understand the risk of potential misrepresentation;
- d) We have assessed the controls over the security and integrity of the data on the web site and that adequate procedures are in place to ensure the integrity of the information published; and
- e) We will not present the auditor's report on the full financial statements with extracts only of the full financial statements.

Comparative information

We confirm that there have been no restatements made to correct a material misstatement in the prior period financial statements that affects the comparative information.

Fraud and error

1. There has been no:
 - a) Fraud, error, or non-compliance with laws and regulations involving management or employees who have a significant role in the internal control structure.
 - b) Fraud, error, or non-compliance with laws and regulations that could have a material effect on the financial statements.
 - c) Communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
2. The economic entity has disclosed to the auditor all significant facts relating to any frauds or suspected frauds known to management that may have affected the entity.
3. The economic entity has disclosed to the auditor the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

General

1. We have made available to you:
 - a) All financial records and related data, other information, explanations and assistance necessary for the conduct of the review.

-
- b) Minutes of meetings of directors and other committees.
2. Neither the Group nor any directors have any plans or intentions that may materially affect the book value or classification of assets and liabilities at balance sheet date.
 3. The economic entity accepts responsibility for the implementation and operations of accounting and internal control systems that are designed to prevent and detect fraud and error. We have established and maintained adequate internal control to facilitate the preparation of the reliable financial statements, and adequate financial records have been maintained. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 4. We have no plans or intentions that may materially affect the carrying values, or classifications, of assets and liabilities.
 5. The following have been properly recorded or disclosed in the financial statements:
 - a) Arrangements involving restrictions on cash balances, compensating balances and line-of-credit or similar arrangements.
 - b) Agreements to repurchase assets previously sold.
 - c) Unasserted claims or assessments that our lawyer has advised us are probable of assertion.
 - d) Losses arising from the fulfilment of, or an inability to fulfil, any sale commitments or as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.
 6. The minutes of meetings of directors made available to you are complete and authentic records of all such meetings held during the year. All other statutory records were properly kept during the period.
 7. Records maintained during the period were in accordance with the Australian Taxation Office requirements.
 8. There are no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording an expense.
 9. The Group has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

We understand that your examination was made in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the Group taken as a whole, and that your tests of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

Yours sincerely

On behalf of the Board of Directors

On behalf of Management

Don Blackmore

Chairperson

Gary Jones

Executive Director

Dated this 17th day of August 2016