Village National Holdings Limited & Controlled Entities

ACN 158 332 284

Financial Report
For the year ended 30 June 2018

Table of Contents

VILLAGE NATIONAL HOLDINGS LIMITED AND CONTROLLED ENTITIES
ACN 158 332 284

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $
Revenue and other income		
Revenue	2	8,138,383
Interest received		1,305
		8,139,688
Less: expenses		
Materials and consumables used		(2,009,103)
Depreciation and amortisation expense		(861,414)
Employee benefits expense	3	(2,716,888)
Occupancy expenses		(952,929)
Finance costs		(412,746)
Impairment reversal (net)	9	1,084,728
Administrative costs		(607,970)
Total Expenses		(6,476,322)
Profit before tax		**1,663,366**
Income tax (expense) / benefit	4	1,145,862
Profit for the period		**2,809,228**
Other comprehensive income for the year		-
Total comprehensive income		**2,809,228**

The accompanying notes form part of these financial statements.

VILLAGE NATIONAL HOLDINGS LIMITED AND CONTROLLED ENTITIES
ACN 158 332 284

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 $
Current assets		
Cash and cash equivalents	5	288,442
Receivables	6	1,133,356
Inventories	7	53,999
Other assets	8	950
Total current assets		1,476,747
Non-current assets		
Intangible assets	10	4,660
Deferred tax assets	4	2,935,706
Property, plant and equipment	9	29,333,858
Other non-current assets	8	39,659
Total non-current assets		32,313,883
Total assets		33,790,630
Current liabilities		
Payables	11	662,550
Borrowings	12	8,257,321
Provisions	13	174,382
Other liabilities	14	6,000
Total current liabilities		9,100,253
Non-current liabilities		
Borrowings	12	137,518
Provisions	13	18,008
Total non-current liabilities		155,526
Total liabilities		9,255,779
Net assets		24,534,851
Equity		
Share capital	15	49,993,323
Accumulated losses	16	(25,458,472)
Total equity		24,534,851

The accompanying notes form part of these financial statements.

VILLAGE NATIONAL HOLDINGS LIMITED AND CONTROLLED ENTITIES
ACN 158 332 284

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Contributed equity $	Reserves $	Accumulated losses $	Total equity $
Balance as at 1 July 2017	48,043,182	-	(28,267,700)	19,775,482
Profit for the year	-	-	2,809,228	2,809,228
Total comprehensive income for the year	-	-	2,809,228	2,809,228
Transactions with owners in their capacity as owners:				
Shares issued, net of share issue costs	1,950,141	-	-	1,950,141
Balance as at 30 June 2018	49,993,323	-	(25,458,472)	24,534,851

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $
Cash flow from operating activities		
Receipts from customers (inclusive of GST)		8,221,635
Payments to suppliers and employees (inclusive of GST)		(7,225,414)
Finance costs		(411,441)
Net cash provided by operating activities	18(b)	584,780
Cash flow from investing activities		
Payment for property, plant and equipment		(2,164,790)
Payment for intangible assets		(738)
Net cash flow used in investing activities		(2,165,528)
Cash flow from financing activities		
Proceeds from share issue, net of share issue costs		1,950,141
Repayment of borrowings (net)		(109,471)
Total net cash provided by financing activities		1,840,670
Reconciliation of cash		
Cash at beginning of the financial year		28,520
Net increase in cash held		259,922
Cash at end of financial year	18(a)	288,442

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The financial report is for Village National Holdings Limited and its consolidated entities ("the Group"). Village National Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. Village National Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report is a special purpose financial report that has been prepared for internal use by the directors and members of the Group.

The financial report has been prepared in accordance with the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations. The financial report does not comply with the disclosure requirements of Australian Accounting Standards. No comparatives have been presented in this financial report.

The accounting policies set out below have been applied consistently by Group entities.

(a) Basis of preparation of the financial report

Statement of Compliance

The consolidated financial statements were authorised for issue by the Board of Directors.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency, unless otherwise stated.

(d) Principles of consolidation

The consolidated financial statements incorporate all the assets, liabilities and results of the parent, Village National Holdings Limited, and its subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. A list of subsidiaries is provided in Note 21.

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 and losses on transactions between the Group entities are eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary, to ensure conformity of the accounting policies adopted by the Group.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with AASB's requires management 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 underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Estimates and underlying assumptions are particularly relevant in calculating value-in-use for the purposes of assessing impairment on property, plant and equipment.

(f) Inventories

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

(g) Finance income and finance costs

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions.

(h) Financial instruments

i) Non-derivative financial assets:

The Group has the following non-derivative financial assets:

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

ii) Non-derivative financial liabilities:
The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

iii) Share capital:
Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Freehold land and buildings

Land and buildings are measured at cost less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Hire purchased assets are depreciated over the shorter of the hire purchase term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the hire purchase term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for significant items of property, plant and equipment are as follows:

Class of fixed asset	Useful lives	Depreciation basis
Buildings and improvements	5 - 45 years	Straight line
Motor vehicles	5 years	Straight line
Office equipment	1 - 5 years	Straight line
Furniture, fixtures and fittings	5 - 10 years	Straight line

Depreciation methods, useful lives and residual values are reviewed at each financial period-end and adjusted if appropriate.

(j) Leases

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

(l) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the consolidated statement of financial position.

(ii) Long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For currencies in which there is no deep market in such high-quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other long-term employee benefit obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the consolidated statement of financial position.
(l) Employee benefits (continued)

(iii) Defined contribution plans

The group makes superannuation contributions (currently 9.50% of the employee's average ordinary salary) to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The group's obligation with respect to employee's defined contributions 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 consolidated statement of financial position.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(n) Revenue Recognition

Goods Sold

Revenue from sale of goods in the course of ordinary activities is measure at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

All revenue is measured net of the amount of goods and services tax (GST).

Accommodation Services
Revenue is recognised at a point in time when the services are provided to the customers, which generally occurs upon the nightly accommodation being rendered to the customer.

Dining revenue
Dining revenue is recognised at the point in time when the service is rendered to the customer.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax

Tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets relating to capital losses has not be recognised.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(p) Going concern

The financial report has been prepared on a going concern basis.

(q) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

	2018
	$
NOTE 2: REVENUE AND OTHER INCOME	
Sales revenue	
Accommodation and dining services	8,138,383
Other revenue	
Interest income	1,305
	8,139,688

NOTE 3: EMPLOYEE BENEFITS EXPENSE

Employee benefits expense includes the following significant items:	
Wages and salaries	1,972,082
Superannuation contributions	192,308

	2018 $

NOTE 4 INCOME TAX

(a) Components of Income Tax Expense / (Benefit):

Deferred tax	(1,144,513)
Under / (over) provision in prior year	(1,349)
	(1,145,862)
Income Tax Expense / (Benefit) is attributable to:	
Continuing operations	(1,145,862)
Discontinued operations	-
	(1,145,862)

(b) Reconciliation of income tax expense to prima facie tax payable:

Profit from continuing operations before income tax expense	1,663,366
Prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:	
Prima facie income tax payable on profit before tax at 27.5% (2017: 30.0%)	457,426
Add / (less) tax effect amounts which are not deductible / (taxable) in calculating taxable income:	
Non-deductible expenses	486
Impact of reduction in tax rate on opening balances of Deferred Tax Assets	149,266
Tax effect of DTA first recognised in current period	(1,753,040)
Income tax expense / (benefit) attributable to profit	(1,145,862)

(c) Deferred tax

Deferred tax relates to the following:

Deferred tax asset balance comprises:

Employee benefits	57,904
Income tax losses	2,855,567
Other provisions	6,457
Accrued expenses	8,187
Other	7,591
Net Deferred Tax Assets / (Liabilities)	2,935,706

	2018 $
NOTE 4: INCOME TAX (CONTINUED)	
(d) Deferred income tax (revenue)/expense included in income tax expense comprises	
Decrease / (increase) in deferred tax assets	(1,127,454)
(Decrease) / increase in deferred tax liabilities	(18,408)
	(1,145,862)
(e) Deferred tax assets not brought to account	
Temporary differences	-
Capital losses	3,392,423
	3,392,423
NOTE 5: CASH AND CASH EQUIVALENTS	
Cash on hand	1,600
Cash at bank	286,842
	288,442
NOTE 6: RECEIVABLES	
CURRENT	
Trade and other receivables	1,133,356

Impairment of trade receivables

Trade receivables are non-interest bearing with 30 days terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The impairment losses have been included within administrative expenses within profit or loss. Trade receivables that are not impaired are expected to be received within trading terms.

As at 30 June 2018, no receivables were assessed as doubtful.

	2018 $
NOTE 7: INVENTORIES	
CURRENT	
At cost	
Stock on hand	53,999
NOTE 8: OTHER ASSETS	
CURRENT	
Other current assets	950
NON-CURRENT	
Other non-current assets	39,659
NOTE 9: PROPERTY, PLANT AND EQUIPMENT	
Land and buildings	
At cost	47,140,249
Accumulated depreciation and impairment	(18,746,145)
	28,394,104
Plant and equipment	
Motor vehicles at cost	82,593
Accumulated depreciation	(43,065)
	39,528
Office equipment at cost	154,761
Accumulated depreciation	(133,554)
	21,207
Furniture, fixtures and fittings at cost	2,250,661
Accumulated depreciation	(1,371,642)
	879,019
Total plant and equipment	939,754
Total property, plant and equipment	29,333,858

(b) Property, plant and equipment pledged as security

All property, plant and equipment owned by the Group is pledged as security under the loan facility agreement dated 13 September 2017 with National Australia Bank with a maturity date of 31 January 2019.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

c) Impairment

Impairment charges/reversals in relation to property plant and equipment are recorded in impairment reversal (net) line within the consolidated statement of profit or loss and other comprehensive income. Each individual property operated by the group is considered to be a separate cash generating unit (CGU).

The recoverable amount of each CGU has been determined using the value in use discounted cash flow valuation model by applying a capitalisation of future maintainable earnings before interest, tax, depreciation and amortisation (EBITDA) approach for each CGU. Accordingly, an impairment reversal of $1,084,728 has been recognised during the year ended 30 June 2018.

The total provision for impairment on land and building assets held by the group at 30 June 2018 is $15,553,548.

The discounted cash flow valuation models applied discount rates ranging from 12% to 14% with the higher discount rate reflective of increased levels of uncertainty in cash flow estimates for the properties that are most dependent on the mining and resources sector and seasonal cash flows.

Long-term perpetuity growth rates used in the value in use models ranged between 2% to 3%.

NOTE 10: INTANGIBLE ASSETS

	2018 $
Trademarks at cost	1,800
Website development at cost	5,380
Accumulated amortisation and impairment	(2,520)
	2,860
Total intangible assets	4,660

NOTE 11: PAYABLES

	2018 $
CURRENT	
Unsecured liabilities	
Trade creditors	315,737
Sundry creditors and accruals	346,813
	662,550

NOTE 12: BORROWINGS

	2018 $
CURRENT	
Unsecured liabilities	
Notes payable	331,815
Secured liabilities	
Bank loans	7,795,000
Capitalised Borrowing Costs	(12,434)
Hire purchase liability	142,940
	8,257,321
NON-CURRENT	
Secured liabilities	
Hire purchase liability	137,518
	8,394,839

(a) Terms and conditions and assets pledging as security relating to the above financial instruments

The bank loan facility was subject to a variation of terms on 13 September 2017, with the facility extended, maturing on 31 January 2019.

The bank loan is secured by a registered first mortgage over each property owned by the Group as well as a first priority general security agreement over the Group's assets. Additionally, each company within the Group has provided cross-guarantees to the other companies within the Group.

The bank loan facility is an interest only loan and the interest rate is variable (BBSY). Interest is paid 90 days in arrears. A facility fee of 2.75% of the facility limit is charged per annum, which is also paid every 90 days in arrears.

Finance leases and hire purchase loans are effectively secured by the asset(s) under lease or hire purchase and by guarantees provided by related entities within the Group.

NOTE 13: PROVISIONS

CURRENT	
Employee benefits	150,902
Decommissioning	23,480
	174,382
NON-CURRENT	
Employee benefits	18,008

NOTE 14: OTHER LIABILITIES

CURRENT	
Deposits held on behalf of third parties	6,000

	2018 $
NOTE 15: SHARE CAPITAL	
Issued and paid-up capital	49,993,323

	2018 Number	2018 $
(a) Ordinary shares		
Consolidated		
Opening balance	281,864,631	48,043,181
Shares Issued:		
13 September 2017	22,000,000	440,000
20 December 2017	28,500,000	570,000
31 December 2017	14,434,426	288,689
15 May 2018	2,804,735	56,095
29 May 2018	29,830,499	596,610
19 June 2018	5,358,355	107,099
Transaction costs relating to shares issued, net of tax	-	(108,351)
	102,928,015	1,950,142
At reporting date	384,792,646	49,993,323
Village National Holdings Limited (Parent)		
Opening balance	281,864,631	48,043,181
Shares Issued:		
13 September 2017	22,000,000	440,000
20 December 2017	28,500,000	570,000
31 December 2017	14,434,426	288,689
15 May 2018	2,804,735	56,095
29 May 2018	29,830,499	596,610
19 June 2018	5,358,355	107,099
Transaction costs relating to shares issued, net of tax	-	(108,351)
	102,928,015	1,950,142
At reporting date	384,792,646	49,993,323

	2018
	$

NOTE 15: SHARE CAPITAL (CONTINUED)

Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital management

When managing capital, management's objective is to ensure the group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cashflows.

During 2018, management paid no dividends (2017: $0).

NOTE 16: ACCUMULATED LOSSES

	2018
	$
Accumulated losses at beginning of year	(28,267,700)
Net profit (loss) for the year ended 30 June	2,809,228
	(25,458,472)

NOTE 17: CONTINGENT LIABILITIES

No contingent liabilities exist at 30 June 2018 (2017: $Nil).

NOTE 18: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position is as follows:

	2018 $
Cash on hand	1,600
Cash at bank	286,842
	288,442

(b) Reconciliation of cash flow from operations with profit after income tax

	2018 $
Profit from ordinary activities after income tax	2,809,228
Adjustments and non-cash items	
Depreciation and amortisation	861,414
Impairment reversals	(1,084,728)
Changes in operating assets and liabilities	
(Increase) / decrease in receivables	(730,587)
(Increase) / decrease in other assets	61,361
(Increase) / decrease in inventories	(7,494)
Increase / (decrease) in payables	(174,584)
(Increase) / decrease in deferred taxes	(1,144,513)
Increase / (decrease) in provisions	(5,317)
Cash flows from operating activities	584,780

(c) Non-cash financing and investing activities

Plant and equipment totalling $410,420 were acquired by means of hire purchase leases in 2018.

	Note	2018
		$

NOTE 19: CAPITAL AND LEASING COMMITMENTS

(a) Finance lease commitments

Payable	
- not later than one year	157,582
- later than one year and not later than five years	143,278
Minimum hire purchase payments	300,861
Less future finance charges	(20,403)
Total hire purchase liability	280,458
Represented by:	
Current liability	142,940
Non-current liability	137,518
	280,458

The group has plant and equipment with a carrying amount of $808,115 under hire purchase loans expiring within 1 to 5 years.

(b) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable	
- not later than one year	18,551
- later than one year and not later than five years	18,551
- later than five years	29,282
	47,833

Most of the operating lease commitments are in respect to equipment leased at the Coal Country Caravan Park and Pritchard Road Resort.

(c) Capital expenditure commitments contracted for:

No capital expenditure commitments were contracted at 30 June 2018 (2017: Nil).

NOTE 20: INTERESTS IN SUBSIDIARIES

(a) Subsidiaries

The following are the group's significant subsidiaries:

Subsidiaries of Village National Holdings Limited:	**Country of incorporation**	**Ownership interest held by the group**	
		2018	**2017**
		%	**%**
Village National Pty Ltd	Australia	**100**	100
Village National Properties Pty Ltd	Australia	**100**	100
Village National Operations Pty Ltd	Australia	**100**	100
Village National Emerald Properties Pty Ltd	Australia	**100**	100
Village National Emerald Operations Pty Ltd	Australia	**100**	100
Village National Coal Country Properties Pty Ltd	Australia	**100**	100
Village National Coal Country Operations Pty Ltd	Australia	**100**	100
Village National Pritchard Properties Pty Ltd	Australia	**100**	100
Village National Pritchard Operations Pty Ltd	Australia	**100**	100
Village National Facilities Management Pty Ltd	Australia	**100**	100

NOTE 21: ENTITY DETAILS

The registered office of the group is:
Village National Holdings Limited
35 Pritchard Street
EMERALD QLD 4720

DIRECTORS' DECLARATION

The directors have determined that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements

The directors of the company declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 1 – 22, including:

    (a) complying with the measurement and recognition principles of the Accounting Standards in Australia; and

    (b) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2018 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

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.

3. There are reasonable grounds to believe that the Company and the group entities identified in note 21 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Legislative Instrument 2017/785.

This declaration is made in accordance with a resolution of the Board of Directors.

Noel J Griffin

25 August 2020

Level 38, 345 Queen Street
Brisbane, QLD 4000

Postal address
GPO Box 1144
Brisbane, QLD 4001

p. +61 7 3222 8444

Independent Auditor's Report to the Members of Village National Holdings Limited

Opinion

We have audited the special purpose financial report of Village National Holdings Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with the basis of preparation and accounting policies described in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the internal use of the directors of Village National Holdings Limited. 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 Management and the Directors for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the Company's members and for such internal control as management determines 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, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors of the company 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment 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 management.
- Conclude on the appropriateness of management's 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 our audit.

Pitcher Partners

PITCHER PARTNERS

Daniel Colwell
Partner

Brisbane, Queensland
25 August 2020