VILLAGE NATIONAL HOLDINGS LIMITED
2017 ANNUAL REPORT

Village National Holdings Limited

ABN 158 332 284

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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CHAIRMANS REPORT

Village National has continue to improve its underlying performance during the 2017 year and is now strongly positioned to emerge as a significant player in the workforce accommodation sector.

There was encouraging improvement in the demand for workforce accommodation in the second half of calendar 2017, with this trend particularly evident in the Moranbah region. Strong metallurgical coal prices have provided the impetus for existing mines to seek to increase production levels, which has driven up demand for services and led to an expansion in accommodation demand.

Key achievements for the year included:

- Achieved a 41% lift in group revenue to $6,211,539 and a 529% increase in underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) to $1,029,251.
- Profit before tax and asset revaluations improved from a loss of $1,149,472 in 2016 to a loss of $294,994 in 2017.
- Total comprehensive income of $380,967 was down from on the $796,130 achieved in the prior year. This decline primarily reflected the reduction in Revaluation of Assets and the tax refund achieved in 2016.
- Occupancy levels increased significantly at Coal Country Village.
- The purchase and installation of a new 300 man kitchen and dining room at Coal Country Village to meet increasing demand requirements.
- The extension of the bank facility to January 2019.
- The successful completion of equity placement that raised in excess of $1,000,000 in new capital, before issue costs.
- The appointment of Petra Capital to advise on growth options.

Financial Results

A summary of the Village National results is as follows:

	2017	2016	% Change
Revenue	**6,211,539**	**4,398,582**	**+41.2%**
EBITDA	1,029,251	163,723	+528.7%
Depreciation &Amortisation	(912,624)	(849,954)	+7.4%
Interest Expense	(411,621)	(463,241)	N/A
Profit before tax and revaluations	**(294,994)**	**(1,149,472)**	**N/A**
Tax	(37,003)	345,602	N/A
Revaluation of Assets	712,964	1,600,000	(55.4%)
Total Comprehensive Income	**380,967**	**796,130**	**(57.2%)**

The Revaluation of Assets consisted of an increase in the carrying value of Coal Country Village of $2,500,000 and an impairment against Pritchard Road Country Resort ($1,000,000) and Emerald Tourist Park ($787,036).

In 2016 Village National received a tax refund of $345,602. Tax expense for 2017 was $37,003.

The balance sheet was strengthened during 2017 with the extension of the banking facility from a current to non-current liability, plus the injection of over $1,000,000 in new equity. A number of director loans were also converted to equity, further improving the financial position. Total bank debt was $8,545,841

We note that as at 31 December 2017, Village National has available tax benefits not brought to account in respect of tax losses of $11,308,073

Issued Capital

Issued Capital at the commencement of 2017 was 281,864,631. This was increased by 50,500,000 due to the equity placements and a further 14,434,426 from the conversion of loans to equity, and from the issue of director shares in lieu of the payment of cash director's fees. As at March 2018, shares on issue totalled 346,799,057.

Our Assets

Village National is an established provider of accommodation and associated services in Central Queensland. We own and operate three separate facilities within this region:

- **The Pritchard Road Country Resort (Emerald)** – a fully established 130 room, resort style facility characterised by high quality cabin accommodation, full catering services and with landscaped grounds, pool, and gymnasium.

- **Coal Country Village (Moranbah)** – a well located property with a mix of room types and landscaped grounds. The facility has over 214 corporate rooms.

- **The Emerald Tourist Park (Emerald)** – Emerald Tourist Park was significantly improved during 2016, with renewed focus on the tourist sector and offering 67 powered sites, 11 cabins and a self-contained recreational vehicle area.

CHAIRMAN'S REPORT

Overview of Operations

The revenue and EBITDA contribution by property is as follows:

	2017	2016	% Change
Revenue			
Coal Country Village	4,142,322	2,447,306	+69.3%
Pritchard Rd Resort	1,594,002	1,358,682	+17.3%
Emerald Tourist Park	318,523	362,005	-12.0%
Other	156,692	230,589	-32.0%
Total Revenue	**6,211,539**	**4,398,582**	**+41.2%**
EBITDA			
Coal Country Village	1,741,802	651,923	+167.2%
Pritchard Rd Resort	211,287	271,233	-22.1%
Emerald Tourist Park	-23,105	-35,339	-34.6%
Other	-900,733	-724,094	+24.4%
Total EBITDA	**1,029,251**	**163,723**	**+528.7%**

Coal Country Village was the standout performer in 2017, with revenue increasing by almost 70% and EBITDA by 167%. This reflected higher occupancy at the site as activity in the region escalated.

Pritchard Road reported a steady result, with a 17% lift in revenue but an 22% drop in EBITDA. Occupancy levels increased into the second half of the calendar year, although room rates remain low. Second half performance was significantly stronger than the first half year.

Emerald Tourist Park revenue declined by 12% due to reduced sale of assets and limited contribution from the Sullivan St guesthouse, with cost controls and a stronger operating performance resulted in a reduced EBITDA loss of $23,105.

Outlook

Calendar 2018 has started strongly with demand for workforce accommodation continuing to strengthen. Village National will continue to seek to increase its room availability at both Moranbah and Emerald whilst also investigating opportunities to expand the business via acquisition.

Our Team

Village National has a great team of people who are passionate about the success of the company. On behalf of the board, I would like to thank all our employees for their commitment and hard work during 2017.

DIRECTORS' REPORT

The directors present their report together with the financial report of the group, being the company and its controlled entities, for the year ended 31 December 2017 and auditor's report thereon.

Directors names

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

Noel J Griffin (Chairman)

David J Franklyn

Graeme M Yukich

Richard J Nelson

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Results

The profit of the group for the year after providing for income tax amounted to $380,967 (2016: $796,130).

Review of operations

The group continued to engage in its principal activity, the results of which are disclosed in the attached financial statements. Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Chairperson's Report which is included within this annual report.

Significant changes in state of affairs

There were no significant changes in the group's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

Principal activities

The principal activity of the group during the year was providing accommodation solutions to Australia's mining regions.

No significant change in the nature of these activities occurred during the year.

After balance date events

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

Likely developments

The group expects to maintain the present status and level of operations.

Environmental regulation

The group's operations are subject to environmental regulations under a law of the Commonwealth or of a State or Territory. Details of the group's performance in relation to such environmental regulation are as follows:

No incidents have been recorded and the Directors are not aware of any environmental issues which have had, or are likely to have, a material impact on the Group’s business.

Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

Information on directors

Noel J Griffin	Non-Executive Director - Chairman
Experience	Noel has extensive experience in management, operation and ownership of transport and agri businesses. From 1982 to 1995, Noel was Managing Director of Refrigerated Roadways Pty Ltd, which at one stage was the largest refrigerated carrier in Australia. The business was sold to TNT in 1995. Noel was a major shareholder and Managing Director of Table Grape Growers Pty Ltd from 1997 to 2003, and has served as a Director on a number of unlisted and listed companies.
Special responsibilities	Chairman of the Board
Interest in shares and options	Holds 45,681,685 ordinary shares directly.
David J Franklyn	Managing Director
Qualifications	B. Economics
Experience	David is an experienced corporate executive with expertise in the restructuring and repositioning of companies, management strategy, fund raising and investor relations. David has been Managing Director of Village National since 2014. Previous roles include being Executive Director and then Chairman of an ASX listed builder and operator of modular accommodation; Managing Director of a funds management business, Head of Research for a national stockbroker and General Manager, Corporate Communications, of an ASX 200 energy company. David is currently a non executive director of ASX listed company Dimerix.
Special responsibilities	Company Secretary.
Interest in shares and options	Holds 5,765,118 ordinary shares directly.

Information on directors (Continued)

Graeme M Yukich	Non-Executive Director
Qualifications	B.Com, ICAA, Dip. Financial Planning
Experience	Graeme founded Entrust Private Wealth Management in 2003 with the business providing financial and investment advice to high net worth clients. The business was sold to the ASX listed Euroz Securities Limited in 2015, by which time funds under management had grown to in excess of $600 million. Graeme is now actively involved in family business interests which include property development, vineyards, wine production and coffee roasting.
Special responsibilities	Audit Committee Chairman
Interest in shares and options	Holds 18,255,133 ordinary shares directly.

Richard J Nelson	Non-Executive Director (Resigned as Chairman on 31 October 2017)
Qualifications	FAICD
Experience	Rick was a founder of the Centrepoint Finance Group in 1982, which then grew to become one of Australia's largest commercial finance brokers. In 2005 it merged with Alliance Finance to form the ASX listed group Centrepoint Alliance. Rick served as Managing Director of this business until 2007 and then held the role of Deputy Chairman until 2008 and Chairman until his retirement in 2015. Rick brings strong financial and business analysis skills to Village National. He is a director of a number of unlisted companies, including a mining service business operating in Mongolia. Rick resigned as Chairman of Village National on 31 October 2017, but remains a non executive director.
Special responsibilities	Resigned as Chairman on 31 October 2017.
Interest in shares and options	Holds 10,948,480 ordinary shares directly.

Meetings of directors

Directors	Directors' meetings	
	Number eligible to attend	Number attended
Noel Griffin	13	13
David J Franklyn	13	13
Graeme M Yukich	13	13
Richard J Nelson	13	13

Options

No options over unissued shares or interests in the group were granted during or since the end of the year and there were no options outstanding at the end of the year.

Indemnification of officers

During or since the end of the year, the group has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premium of $8,000 in order to indemnify the directors of the group against all loss up to an aggregate of $5 million..

Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the group.

Auditor's independence declaration

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Proceedings on behalf of the group

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

Non-audit Services

During the period the Group's auditor has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the period by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the period by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

Signed on behalf of the board of directors.

Director: Noel J Griffin

Noel J Griffin

Date: 12th March 2018

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF VILLAGE NATIONAL HOLDINGS LIMITED

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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Auditor's Independence Declaration

To the Directors of Village National Holdings Limited

As lead auditor for the audit of Village National Holdings Limited for the year ended 31 December 2017, to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

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

PITCHER PARTNERS

NIGEL BATTERS
Partner

Brisbane, Queensland
12 March 2018

VILLAGE NATIONAL HOLDINGS LIMITED AND CONTROLLED ENTITIES
ABN 158 332 284

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $	2016 $
Revenue and other income			
Revenue	4	**6,211,539**	4,299,582
Other income	4	**-**	99,000
		6,211,539	4,398,582
Less: expenses			
Materials and consumables used		**(1,252,433)**	(835,820)
Depreciation and amortisation expense	12	**(912,624)**	(849,954)
Employee benefits expense		**(2,320,868)**	(1,854,873)
Occupancy expenses		**(1,109,824)**	(1,156,802)
Finance costs		**(411,621)**	(463,241)
Revaluation of assets	12	**712,964**	1,600,000
Administrative costs		**(499,163)**	(387,364)
		(5,793,569)	(3,948,054)
Profit (loss) before income tax expense		**417,970**	450,528
Income tax (expense) / benefit	7	**(37,003)**	345,602
Profit (loss) from continuing operations		**380,967**	796,130
Other comprehensive income for the year		**-**	-
Total comprehensive income		**380,967**	796,130

Earnings / (loss) per share:

VILLAGE NATIONAL HOLDINGS LIMITED AND CONTROLLED ENTITIES
ABN 158 332 284

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 $	2016 $
Current assets			
Cash and cash equivalents	8	**160,913**	97,919
Receivables	9	**785,529**	392,081
Inventories	10	**55,259**	44,059
Other assets	11	**102,808**	94,342
Total current assets		**1,104,509**	628,401
Non-current assets			
Intangible assets	13	**4,386**	5,276
Deferred tax assets	7	**1,801,927**	1,840,279
Property, plant and equipment	12	**28,364,645**	27,180,309
Other non-current assets	11	**23,572**	22,700
Total non-current assets		**30,194,530**	29,048,564
Total assets		**31,299,039**	29,676,965
Current liabilities			
Payables	14	**777,878**	831,248
Borrowings	15	**543,081**	8,110,327
Provisions	16	**199,217**	166,923
Other liabilities	17	**6,000**	34,994
Total current liabilities		**1,526,176**	9,143,492
Non-current liabilities			
Borrowings	15	**8,002,760**	417,974
Provisions	16	**16,871**	18,094
Total non-current liabilities		**8,019,631**	436,068
Total liabilities		**9,545,807**	9,579,560
Net assets		**21,753,232**	20,097,405
Equity			
Share capital	18	**49,318,041**	48,043,181
Accumulated losses	19	**(27,564,809)**	(27,945,776)
Total equity		**21,753,232**	20,097,405

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Contributed equity $	Reserves $	Accumulated losses $	Total equity $
Balance as at 1 January 2016	48,043,181	-	(28,741,906)	19,301,275
Profit for the year	-	-	796,130	796,130
Total comprehensive income for the year	-	-	796,130	796,130
Balance as at 1 January 2017	48,043,181	-	(27,945,776)	20,097,405
Profit for the year	-	-	380,967	380,967
Total comprehensive income for the year	-	-	380,967	380,967
Transactions with owners in their capacity as owners:				
Shares issued, net of share issue costs	1,274,860	-	-	1,274,860
Balance as at 31 December 2017	49,318,041	-	(27,564,809)	21,753,232

VILLAGE NATIONAL HOLDINGS LIMITED AND CONTROLLED ENTITIES
ABN 158 332 284

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $	2016 $
Cash flow from operating activities			
Receipts from customers (inclusive of GST)		**6,409,379**	4,612,431
Payments to suppliers and employees (inclusive of GST)		**(5,772,503)**	(4,293,252)
Interest received		**-**	24,628
Finance costs		**(346,905)**	(423,896)
Income tax (paid) / refunded		**-**	345,602
Net cash provided by operating activities	23(b)	**289,971**	265,513
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		**-**	1,015,000
Payment for property, plant and equipment		**(971,405)**	(1,323,590)
Net cash provided by / (used in) investing activities		**(971,405)**	(308,590)
Cash flow from financing activities			
Proceeds from share issue, net of share issue costs		**987,520**	-
Proceeds (repayment) of borrowings (net)		**(243,092)**	57,145
Net cash provided by financing activities		**744,428**	57,145
Reconciliation of cash			
Cash at beginning of the financial year		**97,919**	83,851
Net increase in cash held		**62,994**	14,068
Cash at end of financial year	23(a)	**160,913**	97,919

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board.

The consolidated financial statements of the Company for the year 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is a for-profit entity and is involved in delivering master-planned accommodation solutions to Australia's mining regions.
a for-profit entity for the purpose of preparing the financial statements.

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 financial report also complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

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 all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 31.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) 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.

(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 fair value. At each balance date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value. Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. To the extent that the increase reverses a decrease of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. Decreases that offset previous increases of the same asset are recognised in other comprehensive income under the heading of revaluation surplus; all other decreases are charged to profit and loss.

Property is measured on a cost basis.

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 is 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(k) Impairment of assets

i) Non-financial 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits (Continued)

(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.

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.

(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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue

i) Goods Sold

Revenue from sale of goods in the course of ordinary activities is measured 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).

(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 is not recognised for:

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) Segment reporting

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

(q) Going concern

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

(r) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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.

NOTE 2: ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the group. The group has decided not to early adopt any of these new and amended pronouncements. The group's assessment of the new and amended pronouncements that are relevant to the group but applicable in future reporting periods is set out below.

AASB 15: Revenue from Contracts with Customers, AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8: Amendments to Australian Accounting Standards - Effective Date of AASB 15 and AASB 2016-3: Amendments to Australian Accounting Standards - Clarifications to AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

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

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the group's reported revenue, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117. Although the directors anticipate that the adoption of AASB 16 may have an impact on the group's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 3: ONGOING OPERATIONS

At 31 December 2017, the Group was in a net current liability position of $421,667 (2016: $8,530,091).

The Group's ongoing operations, and its ability to meet its repayment obligations with existing creditors and lenders, is dependent on a number of factors including the ongoing support of its bank, its ability to reduce operating costs to a sustainable level, raise additional equity, achieve budgeted operating results and/or sell non-core assets to generate positive cash flows required to meet its debts as they fall due.

The Directors believe the required financial results will be achieved in 2018 on the basis that the group has successfully undertaken an operating cost reduction program and is now focused on several strategies for the Group to increase its existing accomodation capacity which would allow the Group to tender for new contracts and meet expected growth in the demand for short-term accommodation services to various companies servicing the local mining industry.

Management believe the Group is well placed to acheive their strategy, and if successful, the group's operating results will be positively impacted.

Discussions remain ongoing with the Group's bank regarding a principal repayment obligations as well as a restructure of financial and reporting covenants which may reasonably be expected to be achieved by the Group. Discussions to date have not given rise to any indication of an intention of the bank to withdraw their support to the Group.

The Directors are of the opinion that the Group is a going concern and will be able to pay its debts as and when they become due and payable provided lenders and creditors continue to provide their support.

The parent entity's ongoing operations are also dependent on the factors noted above, and its controlled entities providing sufficient funds to allow the parent entity to meet its debts as and when they fall due.

The financial statements have been prepared on a going concern basis which assumes that the parent entity and Group will realise their assets and extinguish their liabilities in the normal course of business. Ongoing operations are dependent upon the matters described above.

	Note	2017 $	2016 $
NOTE 4: REVENUE AND OTHER INCOME			
Sales revenue			
Accommodation and dining services		**6,210,667**	4,274,954
Other revenue			
Interest income		**872**	24,628
Other Income			
Profit on sale of assets		**-**	99,000
		6,211,539	4,398,582
NOTE 5: EMPLOYEE BENEFITS EXPENSE			
Wages and salaries		**2,091,869**	1,666,237
Superannuation contributions		**159,582**	137,672
		2,251,451	1,803,909
NOTE 6: FINANCE INCOME AND FINANCE COSTS			
Interest income		**872**	24,628
Interest expense on financial liabilities measured at amortised cost		**407,741**	463,241
		408,613	487,869
NOTE 7: INCOME TAX			
(a) Components of tax expense			
Current tax		-	-
Deferred tax		37,003	-
Under (over) provision for income tax in prior years		-	(345,602)
		37,003	(345,602)

	Note	2017	2016
		$	$

NOTE 7: INCOME TAX (CONTINUED)

(b) Prima facie tax payable

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax expense (benefit) on profit before income tax at 30.0% (2016: 30.0%)	125,391	135,158
Add tax effect of:		
- Other non-allowable items	72	540
Deferred tax asset not recognised	-	344,302
	72	344,842
Less tax effect of:		
Over provision for income tax in prior years	-	345,602
Impairment reversal of assets	-	480,000
Deferred tax asset not recognised	88,460	-
	88,460	825,602
Income tax expense / (benefit) attributable to profit	37,003	(345,602)

(c) Deferred tax

Deferred tax relates to the following:

Deferred tax assets		
The balance comprises:		
Employee benefits	74,920	78,036
Provision for doubtful debts	3,944	2,816
Provision for impairment - Land and buildings	1,714,065	1,714,066
Accrued expenses	6,114	43,151
Other	12,247	15,585
	1,811,290	1,853,654

	Note	2017 $	2016 $

NOTE 7: INCOME TAX (CONTINUED)

Deferred tax liabilities

The balance comprises:			
Borrowing costs		5,294	5,028
Prepayments		3,539	8,347
Capital raising costs		530	-
		9,363	13,375
Net deferred tax assets / (liabilities)		1,801,927	1,840,279

(d) Deferred income tax (revenue)/expense included in income tax expense comprises

Decrease / (increase) in deferred tax assets		43,007	15,247
(Decrease) / increase in deferred tax liabilities		(6,004)	(15,247)
		37,003	-

(e) Deferred income tax related to items charged or credited directly to equity

Decrease / (increase) in deferred tax assets		-	-
(Decrease) / increase in deferred tax liabilities		1,349	-
		1,349	-

(f) Deferred tax assets not brought to account

Temporary differences		2,952,000	3,165,889
Tax losses		3,392,423	3,266,993
		6,344,423	6,432,882

NOTE 8: CASH AND CASH EQUIVALENTS

Cash on hand		**1,500**	1,651
Cash at bank		**159,413**	96,268
		160,913	97,919

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is included at note 20.

NOTE 9: RECEIVABLES

CURRENT			
Trade and other receivables		798,677	401,468
Provision for impairment		(13,148)	(9,387)
		785,529	392,081

	Note	2017	2016
		$	$

NOTE 9: RECEIVABLES (CONTINUED)

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.

Aging analysis and impaired trade receivables

As at 31 December 2017 $13,148 (2016: $9,388) of trade receivables of the group were assessed as doubtful.

	Gross 2017 $	Provision 2017 $	Gross 2016 $	Provision 2016 $
Not past due	720,703	-	90,273	-
Past due 31-60 days	61,850	-	184,016	-
Past due 61-90 days	16,124	(13,148)	7,177	-
Past due more than 90 days	-	-	120,003	(9,388)
	798,677	(13,148)	401,469	(9,388)

	2017 $	2016 $
NOTE 10: INVENTORIES		
CURRENT		
At cost		
Stock on hand	**55,259**	44,059
NOTE 11: OTHER ASSETS		
CURRENT		
Prepayments	**82,032**	52,957
Other current assets	**20,776**	41,385
	102,808	94,342
NON CURRENT		
Other non-current assets	**23,572**	22,700

	Note	2017	2016
		$	$
NOTE 12: PROPERTY, PLANT AND EQUIPMENT			
Land and buildings			
At cost		45,257,153	44,191,455
Accumulated depreciation and impairment		(18,130,852)	(18,307,919)
		27,126,301	25,883,536
Plant and equipment			
Motor vehicles at cost		77,774	54,234
Accumulated depreciation		(37,826)	(32,543)
		39,948	21,691
Office equipment at cost		145,338	140,134
Accumulated depreciation		(130,605)	(131,757)
		14,733	8,377
Furniture, fixtures and fittings at cost		3,264,168	2,975,504
Accumulated depreciation		(2,080,505)	(1,708,799)
		1,183,663	1,266,705
Total plant and equipment		1,238,344	1,296,773
Total property, plant and equipment		28,364,645	27,180,309

(a) Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

		2017	2016
Land and buildings			
Opening carrying amount		25,883,536	24,411,621
Additions		1,125,576	1,244,342
Disposals		(7,290)	(916,000)
Depreciation expense		(535,897)	(456,427)
Impairment reversal (charge)		712,964	1,600,000
Transfers in (out)		(52,588)	-
Closing carrying amount		27,126,301	25,883,536
Motor vehicles			
Opening carrying amount		21,691	15,197
Additions		23,540	14,500
Depreciation expense		(5,283)	(8,006)
Closing carrying amount		39,948	21,691

	Note	2017 $	2016 $

NOTE 12: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliations (Continued)

		2017 $	2016 $
Office equipment			
Opening carrying amount		8,377	33,108
Additions		6,521	8,184
Disposals		(158)	-
Depreciation expense		(7)	(32,915)
Closing carrying amount		14,733	8,377
Furniture, fixtures and fittings			
Opening carrying amount		1,266,705	1,561,734
Additions		240,290	56,564
Disposals		(4,214)	-
Depreciation expense		(371,706)	(351,593)
Transfers in (out)		52,588	-
Closing carrying amount		1,183,663	1,266,705

(b) Property, plant and equipment pledged as security

All property, plant and equipment owned by the Group is pledged as security under the the loan facility agreement dated 13 September 2017 with National Australia Bank.

(c) Impairment

Impairment charges/reversals in relation to property plant and equipment are recorded in revaluation of assets line within the consolidated statement of 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 $712,964 (2016: $1,600,000 reversal) has been recognised during the year ended 31 December 2017.

At the CGU level Coal Country Village experienced an impairment reversal of $2,500,000 (2016: $ 2,000,000) while the Emerald Tourist Park incurred a further impairment loss of $787,036 (2016: $400,000). Pritchard Road Country Resort incurred an impairment loss of $1,000,000 (2016: $nil) during the year.

The total provision for impairment on land and building assets held by the group at 31 December 2017 is $15,553,548 (2016: $16,266,512)

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	2017 $	2016 $
NOTE 13: INTANGIBLE ASSETS			
Trademarks at cost		1,800	1,800
Website development at cost		4,642	4,642
Accumulated amortisation and impairment		(2,056)	(1,166)
		2,586	3,476
Total intangible assets		4,386	5,276

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

		2017 $	2016 $
Trademarks			
Opening balance		1,800	1,800
Closing balance		1,800	1,800
Website development			
Opening balance		3,476	4,489
Amortisation expense		(890)	(1,013)
Closing balance		2,586	3,476

Amortisation expense in relation to intangible assets has been recognised in depreciation and amortisation expense within the statement of comprehensive income.

NOTE 14: PAYABLES

		2017 $	2016 $
CURRENT			
Unsecured liabilities			
Trade creditors		**358,290**	335,370
Sundry creditors and accruals		**419,588**	495,878
		777,878	831,248

	Note	2017 $	2016 $
NOTE 15: BORROWINGS			
CURRENT			
Unsecured liabilities			
Notes payable		**310,119**	301,160
Insurance premium funding		**43,581**	39,777
Amounts payable to:			
Related parties		**51,155**	-
		404,855	340,937
Secured liabilities			
Bank loans		**-**	7,769,390
Hire purchase liability		**138,226**	-
		138,226	7,769,390
Total - Current		**543,081**	8,110,327
NON CURRENT			
Unsecured liabilities			
Notes payable		**-**	280,800
Amounts payable to:			
Related parties		**15,200**	137,174
Total - Non-current		**15,200**	417,974
Secured liabilities			
Bank loans		**7,777,354**	-
Hire purchase liability		**210,206**	-
		7,987,560	-
		8,002,760	417,974

	Note	2017	2016
		$	$

NOTE 15: BORROWINGS (CONTINUED)

(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, the facility was extended and expires 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.

The primary covenants imposed under the NAB finance agreement require management to provide monthly updates to the bank in respect to business performance. There are no financial covenants imposed on the Group.

The Directors expect to comply with all reporting covenants and undertakings required by NAB.

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.

Refer to Note 20(c) for information about the Group's exposure to variable interest rate risk.

(b) Defaults and breaches

During the year there have been no defaults or breach of any reporting covenant or undertaking required by NAB.

NOTE 16: PROVISIONS

	Note	2017	2016
CURRENT			
Employee benefits		**175,737**	143,443
Decommissioning		**23,480**	23,480
		199,217	166,923
NON CURRENT			
Employee benefits		**16,871**	18,094

	Note	2017 $	2016 $
NOTE 17: OTHER LIABILITIES			
CURRENT			
Other liabilities		-	10,115
Deposits held		6,000	24,879
		6,000	34,994
NOTE 18: SHARE CAPITAL			
Issued and paid-up capital		49,318,041	48,043,181

	2017 Number	2017 $	2016 Number	2016 $
(a) Ordinary shares				
Consolidated				
Opening balance	**281,864,631**	48,043,181	**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	-	-
Transaction costs relating to shares issued, net of tax	-	(23,829)	-	-
	64,934,426	1,274,860	-	-
At reporting date	**346,799,057**	49,318,041	**281,864,631**	48,043,181
Village National Holdings Limited (Parent)				
Opening balance	**281,864,631**	48,043,181	**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	-	-
Transaction costs relating to shares issued, net of tax	-	(23,829)	-	-
	64,934,426	1,274,860	-	-
At reporting date	**346,799,057**	49,318,041	**281,864,631**	48,043,181

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.

NOTE 18: SHARE CAPITAL (CONTINUED)

Rights of each type of share (Continued)

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 2017, management paid dividends of $- (2016: $-).

	2017	2016
	$	$
NOTE 19: ACCUMULATED LOSSES		
Accumulated losses at beginning of year	**(27,945,776)**	(28,741,906)
Net profit (loss) for the year ended 31 December	**380,967**	796,130
	(27,564,809)	(27,945,776)

NOTE 20: FINANCIAL RISK MANAGEMENT

The group is exposed to the following financial risks in respect to the financial instruments held at the end of the reporting period:

(c) Interest rate risk
(a) Credit risk
(b) Liquidity risk

The board of directors have overall responsibility for identifying and managing operational and financial risks.

Risk Management Framework
The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are informally reviewed from time to time to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The summaries below present information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

The group holds the following financial instruments:

	2017	2016
	$	$
Financial assets		
Cash and cash equivalents	160,913	97,919
Trade and other receivables	785,529	392,081
	946,442	490,000
Financial liabilities		
Bank and other loans	8,479,486	8,391,127
Trade and other payables	777,878	831,248
Related party payables	66,355	137,174
	9,323,719	9,359,549

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to financial statements.

The group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the group.

(i) Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

(ii) Trade and other receivables

Credit risk for trade receivables is managed by transacting with a large number of customers, undertaking credit checks for all new customers and setting credit limits and completing credit checks for all new customers commensurate with their assessed credit risk. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

The aging analysis of trade and other receivables is provided in note 9. As the group undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk.

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintainiAng adequate funding and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

Refer to note 15 for details of current facilities as well as defaults and breaches.

Maturity analysis

The table below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

Year ended 31 December 2017	< 6 months	6-12 months	1-5 years	Carrying amount
	$	$	$	$
Trade and other payables	777,878	-	-	777,878
Bank and other loans	112,694	379,232	7,987,560	8,479,486
Related party loans	51,155	-	15,200	66,355
Net maturities	941,727	379,232	8,002,760	9,323,719
Year ended 31 December 2016				
Trade and other payables	831,248	-	-	831,248
Bank and other loans	90,937	8,019,390	-	8,110,327
Related party loans	-	-	417,974	417,974
Net maturities	922,185	8,019,390	417,974	9,359,549

(c) Interest rate risk

The Statement of Comprehensive Income is affected by changes in interest rates due to the impact of such changes on interest income and expenses from cash and cash equivalents and borrowings.

At balance date, the Group had the following financial assets and liabilities exposed to variable interest rate risk:

	2017	2016
	$	$
Cash and cash equivalents	160,913	97,919
Bank and other loans	(7,795,000)	(7,795,000)
Trade and other payables	-	(42,650)
	(7,634,087)	(7,739,731)

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (Continued)

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

Sensitivity

If interest rates were to increase/decrease by 50 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2017	2016
+ / - 50 basis points:	**$**	**$**
Impact on profit before income tax	38,170	38,698

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, retained earnings and controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Board ensures costs are not incurred in excess of available funds.

The Group is exposed to the following externally imposed capital requirements:
- Dividend payments cannot be made without prior written consent from the bank;
- No change in control of the Group without the prior written consent of the bank;

(e) Net fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities of the Group, for the period ended 31 December approximate their net fair values, given the short time frames to maturity and or variable interest rates.

NOTE 21: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the group		
- short-term employee benefits	**303,425**	307,324
- post-employment benefits	**32,625**	29,196
- share-based payments	**40,000**	-
	376,050	336,520

NOTE 22: CONTINGENT LIABILITIES

No contingent liabilities exist at 31 December 2017 (2016: $Nil).

NOTE 23: CASH FLOW INFORMATION

(a) Reconciliation of cash

	Note	2017 $	2016 $
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:			
Cash on hand		**1,500**	1,651
Cash at bank		**159,413**	96,268
		160,913	97,919

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

	Note	2017 $	2016 $
Profit from ordinary activities after income tax		**380,967**	796,130
Adjustments and non-cash items			
Gain on disposal of property, plant and equipment		**-**	(99,000)
Depreciation and amortisation		**912,624**	849,954
Fair value adjustments and impairment		**(712,964)**	(1,600,000)
Changes in operating assets and liabilities			
(Increase) / decrease in receivables		**(393,448)**	(55,489)
(Increase) / decrease in other assets		**(9,338)**	37,795
(Increase) / decrease in inventories		**(11,200)**	(20,674)
Increase / (decrease) in related party payables		**41,839**	42,224
Increase / (decrease) in payables		**42,411**	288,020
Increase / (decrease) in other liabilities		**(28,994)**	4,334
(Increase) / decrease in deferred taxes		**37,003**	-
Increase / (decrease) in provisions		**31,071**	22,219
Cash flows from operating activities		**289,971**	265,513

(c) Non-cash financing and investing activities

Acquisition of plant and equipment by means of hire purchase leases in 2017 was $410,420 (2016: $Nil).

During the year the unsecured loans and accrued interest payable to David Franklyn ($63,781) and Graeme Yukich ($137,091) converted to equity. The debt for equity swap transaction had no cash impact on the Group.

	Note	2017	2016
		$	$

NOTE 24: CAPITAL AND LEASING COMMITMENTS

(a) Financial lease commitments

Payable			
- not later than one year		**157,582**	-
- later than one year and not later than five years		**222,069**	-
Minimum hire purchase payments		**379,651**	-
Less future finance charges		**(31,219)**	-
Total hire purchase liability		**348,432**	-
Represented by:			
Current liability		**138,226**	-
Non-current liability		**210,206**	-
		348,432	-

The group has plant and equipment with a carrying amount of $272,958 (2016: $159,677) 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		**40,796**	188,803
- later than one year and not later than five years		**14,365**	55,161
- later than five years		**-**	-
		55,161	243,964

The majority of the operating lease commitments are in respect to equipment leased at the Coal Country Caravan Park.

(c) Capital expenditure commitments contracted for:

No capital expenditure commitments were contracted at 31 December 2017 (2016: Nil).

NOTE 25: RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel and their related entities

The following related party transactions occurred during the year:

1) *$50,000 loan payable to Union Street Super Fund (entity related to Mr David Franklyn):*

On 28 August 2017 Union Street Super Fund loaned $50,000 to Village National Holdings Limited on the

Principal:
Repayment:
Maturity:
Redemption amount:
$55,000;
Interest:

Interest accrued on the loan was $2,468 to 31 December 2017. The outstanding principal and accrued interest

at 31 December 2017 was $37,468.

2) *$10,000 loan payable to Mr David Franklyn*

On 8 November 2017 Mr David Franklyn loaned $10,000 to Village National Holdings Limited. There is no loan

3) *Cabin buyback proceeds loan & rent payable to Union Street Super Fund (entity related to Mr David Franklyn)*

Loan Principal:	
Repayment:	Principal plus accrued rent on cabins charged at 20% per annum;
Maturity:	Not applicable;
Redemption amount:	$50,000 plus $13,781 accrued & unpaid rent;
Interest:	Not applicable;

The loan & accrued rent payable was settled on 15 December 2017 through the issue of 3,189,050 ordinary

4) *Loans payable to G&F Yukich Superannuation Pty Ltd (entity related to Mr Graham Yukich) converted to equity*

Loan A Principal:	$50,000;
Repayment:	Redemption amount payable at Maturity;
Maturity:	12 months from first advance;
Redemption amount:	$50,000 plus accrued & unpaid interest;
Interest:	10% p.a. capitalised daily;

Loan A was settled on 15 December 2017 through the issue of 3,099,701 ordinary shares in Village National

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

Loan B Principal:	$50,000;
Repayment:	Redemption amount payable at Maturity;
Maturity:	12 months from first advance;
Redemption amount:	$70,000;
Interest:	Incorporated into the Redemption amount;

Loan B was settled on 15 December 2017 through the issue of 3,500,000 ordinary shares in Village National

5) *Cabin Rent payable to G&F Yukich Superannuation Pty Ltd (entity related to Mr Graham Yukich) converted to*

A portion of accrued cabin rent payable brought forward from 2016 of $8,984 was settled on 15 December

6) *GST payable to G&F Yukich Superannuation Pty Ltd (entity related to Mr Graham Yukich) at 31 December*

At 31 December 2017 $15,000 GST remains payable in respect to the buyback of cabins from G&F Yukich

(b) Loans from key management personnel and their related entities

Details regarding loans outstanding at the reporting date to key management personnel and their related parties at any time in the reporting period, are as follows:

	2017	2016
	$	$
Entities related to D Franklyn	**47,468**	4,478
Entities related to G Yukich	**18,887**	132,697
	66,355	137,175

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Equity transactions with key management personnel

The following table details equity transactions of Key Management Personnel:

Name	Position	Shares held at 31 December 2016	Shares issued in lieu of cash Directors fees	Shares acquired during the year	Shares acquired under debt /equity swap	Share based payments	Shares held 31 December 2017
D Franklyn (a)	Director	2,576,068	-		3,189,050	-	5,765,118
N Griffin (a)	Director	2,512,500	-	42,669,185	-	500,000	45,681,685
G Yukich (a)	Director	7,668,237	732,346	2,500,000	6,854,550	500,000	18,255,133
R Nelson (a)	Director	3,290,000	1,658,480	5,000,000	-	1,000,000	10,948,480

(a) includes shares held by associates and shares held in capacity as a Director of an associate

NOTE 26: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 31 December 2017 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 December 2017, of the group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 31 December 2017, of the group.

NOTE 27: DEED OF CROSS GUARANTEE

Pursuant to ASIC Legislative Instrument 2016/785 dated 29 September 2016, the wholly owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and directors' report

It is a condition of the Legislative Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*.

If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

Village National Pty Ltd
Village National Operations Pty Ltd
Village National Emerald Operations Pty Ltd
Village National Coal Country Operations Pty Ltd
Village National Pritchard Operations Pty Ltd
Village National Properties Pty Ltd
Village National Emerald Properties Pty Ltd
Village National Coal Country Properties Pty Ltd
Village National Pritchard Properties Pty Ltd
Village National Facilities Management Pty Ltd

	Note	2017 $	2016 $
NOTE 28: AUDITOR'S REMUNERATION			
Audit services			
Auditors of the Group - Pitcher Partners		**60,000**	60,000
Non-audit services			
Taxation services - Pitcher Partners		**9,870**	78,000

NOTE 29: PARENT ENTITY DETAILS

Summarised presentation of the parent entity, Village National Holdings Limited, financial statements:

(a) Summarised company statement of financial position

	2017 $	2016 $
Assets		
Current assets	**145,187**	82,407
Non-current assets	**89,264,284**	89,273,253
Total assets	**89,409,471**	89,355,660
Liabilities		
Current liabilities	**509,309**	8,220,759
Non-current liabilities	**7,783,577**	405,774
Total liabilities	**8,292,886**	8,626,533
Net assets	**81,116,585**	80,729,127
Equity		
Share capital	**83,396,890**	82,122,030
Retained earnings	**(2,280,305)**	(1,392,903)
Total equity	**81,116,585**	80,729,127

(b) Summarised company statement of comprehensive income

	2017 $	2016 $
Loss for the year	**(886,002)**	(417,684)
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**(886,002)**	(417,684)

NOTE 30: 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**	
		2017	**2016**
		%	**%**
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 Facilties Management Pty Ltd	Australia	**100**	100

NOTE 31: SEGMENT INFORMATION

Management provide oversight of the business by reviewing and reporting financial results on a consolidated basis to the board of Directors.

The Group operates master-planned properties providing various accommodation solutions to Australia's mining regions. Management does not report to the board on an individual product or geographical basis. The Group is also not reliant on one single customer.

Given the conditions stated above, management has determined that there are no separately reportable operating segments. The Group operates as one reportable segment and the segment results are the same as those reported in the consolidated financial statements.

NOTE 32: EARNINGS PER SHARE

	2017 $	2016 $
Profit (loss) for the year attributable to equity holders of the Group		
- from continuing operations	380,967	796,298
	Number	**Number**
Weighted average number of shares at the end of the period	289,471,301	281,864,631
Basic and diluted loss per share (cents)	0.13	0.28
Basic and diluted loss per share from continuing operations (cents)	0.13	0.28

NOTE 33: ENTITY DETAILS

The registered office of the group is:

Village National Holdings Limited
35 Pritchard Street
EMERALD QLD 4720

VILLAGE NATIONAL HOLDINGS LIMITED AND CONTROLLED ENTITIES
ABN 158 332 284

DIRECTORS' DECLARATION

The directors of the company declare that:

1. In the directors opinion, the financial statements and notes thereto, as set out on pages 6 - 41, are in accordance with the *Corporations Act 2001*, including:

   (a) complying with with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

   (b) as stated in Note 1, the consolidated financial statements also comply with *International Financial Reporting Standards*; and

   (c) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2017 and its performance for the year ended on that date.

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 27 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 2016/785.

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

Director: Noel J Griffin

Noel J Griffin

Date: 12th March 2018

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VILLAGE NATIONAL HOLDINGS LIMITED

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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Pitcher Partners is an association of independent firms
Brisbane | Melbourne | Sydney | Perth | Adelaide | Newcastle

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

Report on the Audit of the Financial Report

Opinion
We have audited the financial report of Village National Holdings Limited (the Company) and the entities it controlled at period end or from time to time during the year (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

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

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

Other Information
The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VILLAGE NATIONAL HOLDINGS LIMITED

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VILLAGE NATIONAL HOLDINGS LIMITED

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Pitcher Partners

PITCHER PARTNERS

NIGEL BATTERS
Partner
Brisbane, Queensland   Date: 12 March 2018

CORPORATE DIRECTORY

Directors

N Griffin, Chairperson

D Franklyn, Managing Director

R Nelson, Non-Executive Director

G Yukich, Non-Executive Director

Secretary

D Franklyn, Company Secretary

Principal registered office in Australia

35 Pritchard Road

Emerald

Queensland 4720

Share register

Advanced Share Registry Ltd

110 Stirling Highway

Nedlands WA 6009

Auditor

Pitcher Partners

Level 30, Central Plaza 1

345 Queen Street

Brisbane QLD 4000

Solicitors

Russells

Level 18

300 Queen Street

Brisbane QLD 4000

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