

MASTER GROCERS AUSTRALIA LIMITED
A.C.N. 004 063 263
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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MASTER GROCERS AUSTRALIA LIMITED
A.C.N. 004 063 263
DIRECTORS REPORT
FOR THE YEAR ENDED 30 JUNE 2017

The Directors of Master Grocers Australia Limited present their report to the members on the results of the Company for the financial year ended 30 June 2017 and on the state of affairs of the Company as at that date.

The following Directors of Master Grocers Australia Limited held office during the financial year and, unless noted, until the date of this report:

Rodney Allen	President	Christopher Dos Santos	Director
Stephen Miller	Vice President	Gino Divitini	Director
Michael Daly	Director	Grant Hinchcliffe	Director
Deborah Smith	Director		
Andrew Bray (Resigned 20 June 2017)	Director		

PRINCIPAL ACTIVITIES

Master Grocers Australia Limited (MGA) is a national Industry Employer Association providing independent retail food and liquor stores with services and support within its 5 key function areas of Legal and HR, Training and Compliance, Industry Representation, Energy Efficiency Programs, Industry Community and to protect the status and best interests of its members.

MGA has its own Consent Awards negotiated with the trade unions on behalf of its members. MGA publishes 8 editions of its Independent Retailer magazine each year, provides a fortnightly E Checkout bulletin and conducts seminars, forums and workshops for its members. MGA also provides a suite of face to face and Online Compliance Training programs for its members and a widespread series of valuable store assistance programs presented at a store level. MGA's "Higher Purpose" is to "Make Life Easier" for all its members and industry stakeholders.

MGA is dedicated to the business well being of its members. This is achieved through the committed and dedicated MGA Staff who deliver MGA's key functions professionally and consistently day in and day out, face to face, on line and via the telephone.

MGA's key objectives for the financial year are summarised as follows:

- to achieve financial sustainability
- to grow independent retail food and liquor membership nationally
- to develop non food and retailer membership opportunities
- to deliver excellent Legal and HR support and services
- to develop and deliver online training solutions (Workplace Health & Safety system) in addition to existing training products
- to continue to grow the Company's image and presence in the media and with State and Federal politicians

In order to meet these objectives, MGA implemented the following strategies:

- develop and periodically review an operating budget that delivers all desired membership objectives
- grow independent food and liquor retailer and corporate memberships
- develop and implement a media and public relations plan to lift MGA's profile with the media and State and Federal politicians ie "The Year of Engagement"
- invest resources into developing On Line Training solutions (WH&S system) specific to the independent supermarket sector develop and launch a MGA Training Course Guide and calendar
- further develop MGA team skills and capability to achieve the organisation's objectives in Legal and HR, training, public relations and industry representation

Performance in achieving MGA's objectives is measured in a number of different ways including quantity of contacts, quality of advice (time), number of seminars attended, E Alerts sent, Magazines distributed, training courses provided (face to face and online) and number of representations.

OPERATING RESULTS

The results reported for the year is as follows:

	2017	2,016
Net (loss) / profit	\$210,540	(\$635,354)
Total comprehensive income (loss)	\$1,369,478	(\$635,354)

DIVIDENDS

The Directors do not recommend the payment of any dividend. No dividends have been paid or provided for since the end of the previous financial year.

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THE YEAR IN REVIEW

"Making Life Easier" for members

MGA has again provided members with another outstanding year of support and service. MGA's higher purpose is to "make life easier" for members and whilst doing so we work very hard and enthusiastically. This outstanding work for members could not take place without the dedication and commitment of MGA's management and staff. MGA is truly lucky to have staff who care about the work they do and pride themselves in providing benefits and outcomes for members.

Similar to many of our members, MGA's business environment is constantly changing. Understanding and dealing proactively with change is essential for any business to survive and prosper. MGA is no different and seeks to constantly embrace change to provide members with a relevant and seamless support service.

From January 2017, MGA's focus became "the year of engagement". Engagement and communication with members and industry stakeholders that is targeted frequent, timely, professional and relevant with the correct people – not a shot gun approach.

To that end MGA's Finance and Administration team led by Desma Harrod has experienced and delivered much change within MGA to achieve the goal of effective engagement with members. MGA's coordinator for Communications, Courtney Hirst, has reviewed and improved all forms of external member communication. MGA's website is undergoing significant change for better navigation outcomes, the Independent Retailer magazine has had an appearance and content lift whilst E Alerts and E Checkout Newsletters have been modernised. A relationship matrix which is a tool to identify the correct people in industry to receive MGA communications has been developed – all in the name of MGA delivering better engagement with members. MGA's Dale Clark has also been very busy making sure members details are absolutely correct in our data base, again assisting MGA to better communicate with members.

The Legal and HR team led by Marie Brown has again provided outstanding support to members throughout the year. This year we saw one of our more experienced employment law lawyers, David Sztrajt leave MGA to further his legal career with a private law firm. We thank David for his dedication and commitment. In turn we warmly welcomed employment law lawyers, Nikola Prestia and Belinda Imbriano to the team, who have quickly endeared themselves to our members around Australia.

Aside from the day to day activities of immediately assisting members with IR matters this team spends endless hours and does an amazing job in developing and producing a wide range of state and federal submissions in response to Senate, Productivity, and Government department inquiries and hearings. These include; National Wage Reviews, Annual Workplace Relations survey of members, reducing Sunday penalty rates, deregulation of trading ours matters in the states and many more.

David Grey-Smith leads MGA's Training program and together with the help of Christine Potter and Finance and Administration Manager Desma Harrod developed a compelling Training Course Guide comprising online and face to face compliance and professional development training courses. Training has become a difficult retail industry issue with federal and state government funding being withdrawn and only made available upon satisfying a number of unrealistic hurdles. MGA was therefore compelled to reinvent its training and compliance management offer, to satisfy member needs which took over 12 months to complete. MGA now has a unique and affordable training offer for members to take advantage of.

MGA membership services led by Steve Sellars is another important component of MGA's value proposition for members. Savings for insurance cover, energy, telephone services and other services offer significant savings for members and their staff. Corporate Member support is an extremely important component of MGA's day to day role to support members. Not only do MGA's 34 Corporate Members provide MGA with valuable insights and engage with members but their membership fee enables MGA to better resource itself, to strongly represent members best interests at State and Federal government levels.

MGA's national Liquor Committee led by George Kovits has been very active in pursuing a myriad of matters and issues effecting members packaged liquor business. With more than 1000 members

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THE YEAR IN REVIEW - Continued

nationally having a packaged liquor license, the MGA Liquor Committee has an important role to play in working with relevant state governments and bureaucrats to minimise the risk of any regulatory and red tape impacts on members businesses. The MGA Liquor Committee is to be commended for the high level of engagement it has with our industry, industry stakeholders and state governments. We thank the MGA Liquor Committee for their valuable time, enthusiasm and insights.

In late 2016 the Australian Hairdressing Council (AHC) appointed MGA as its Legal and HR provider to support its 400 hairdresser owner operators on the Eastern seaboard. Coupled with this 2 years of discussions and planning the MGA and the Timber Merchants Association (TMA) (Victoria) agreed to come together with the TMA being absorbed by MGA on 1st July 2017 bringing with it 120 independent timber and hardware members. Throughout the year the MGA team has met and worked through its 2020 strategic imperatives, discussing strategic opportunities and actioning initiatives that have been identified as relevant and vital to MGA delivering members the best possible support and service. Some of these initiatives include; improved communication tools such as a MGA smart phone app, a dynamic website, stronger and more modern branding, an up to date industry relationship matrix and the newly developed training Course Guide. The next financial year MGA's team will continue to build on the 2020 MGA business strategy, including a focus on further improving MGA's high performing culture, ongoing training of its staff and developing a succession plan for the future.

MGA Board members and staff have fostered and grown many vital relationships at state and federal government levels with MP's and Departments that have helped to lift MGA's profile and to engage with decision makers at a very high level. This will be continued in FY 2018.

In a very busy and engaging year, MGA has continued to perform well and has had many highlights:

MGA's development of a higher purpose – "make life easier"

MGA's focus to deliver the best support service to members and the industry is encapsulated in the theme "the Year of Engagement"

Federal Government engagement

Successful reduction of Sunday penalty rates: 100% – 50% also National wage reviews

Enforceable undertaking continues - Capping shopper dockets to 4c / litre

Reduction of Company tax rate from 30% to 27% for companies with \$50m in sales and less

Competition law reform – sec46 – misuse market power - inclusion of Effects Test

Illicit & illegal tobacco – strong advocacy to Government to eradicate

E-cigarettes – vapourisers – submission lodged to support an alternative to tobacco products

Development of MGA's on line and face to face training courses couple with the Launch of MGA's inaugural Training Course Guide

MGA has had various meetings with state ministers and government department heads to discuss an array of matters of concern. Several submissions have been developed and lodged by MGA in response to a variety of enquiries conducted by various state government departments;

MGA's Employment Law Master Classes were welcomed and well received by members.

After a financially challenging few years and prudent management of operating costs, MGA is able to report that its financial sustainability and stability is stronger than ever and this year has delivered a modest profit.

Membership numbers remain steady with no significant changes to last year

Corporate membership has continued to play a vital support role for MGA - eftpos, NAB and BATA continue to show strong support .

MGA's Legal and HR service and support continues to be well recognised for its excellent service.

Strong and sustainable partnerships continue to grow with key industry stakeholders such as ALM, Foodland, FoodWorks, Friendly Grocers , IGA, Metcash, Liquor Marketing Group, IBA, Local Liqor, and various industry service and product suppliers

I wish to conclude by sincerely thanking MGA's members for their continued support. It is an absolute pleasure that we work on behalf of all members, who comprise family enterprises and privately owned businesses from around Australia.

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FOR THE YEAR ENDED 30 JUNE 2017

SIGNIFICANT CHANGES

There are no significant changes other than those described in the Review of Operations.

As at year end, the number of employees were 11 Part Time staff and 8 Full Time staff

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the financial year and to the date of this report, in the opinion of the Directors, no matters or circumstances have arisen which significantly affect:

- (i) the operations of the Company;
- (ii) the results of those operations, or
- (iii) the state of affairs of the Company, in the financial year subsequent to 30th June, 2017

LIKELY DEVELOPMENTS

Investment of MGA funds and resources will continue to be allocated to the development of support services for members. Membership is forecasted to increase modestly - additional supermarkets joining brands, liquor and hardware.

DETAILS OF DIRECTORS

	Date Appointed	Experience and Special Responsibilities
Rodney Allen Dip. Industrial Engineering S.A.I.B.T	7th October 2002	Rodney was elected as President of MGA in November 2004/5. Rodney has 30 years experience as a owner/operator of a licensed independent supermarket in Victoria. Previous to this, Rodney had 23 years experience with General Motors Holden, beginning as a tool maker and then filling various management roles. Rodney has sat on numerous committees and was a director of Tuckerbag Supermarkets Pty Ltd and a founding director of FoodWorks Supermarkets Pty Ltd. Rodney's other directorships include Mount Martha Village Self Service Pty Ltd, Nizark Holdings Pty Ltd, Herod Pty Ltd Independent Retailer Pty Ltd and Comtrain Services Pty Ltd.
Stephen Miller	30th November 2000	Stephen was elected as Vice President of MGA in November 2007. Stephen has 40 years of wholesale grocery and retail supermarket experience including running his own supermarket for 10 years in Victoria. Stephen has retired from Retail as of August 31, 2015. Stephen's other directorships include Astson Pty Ltd, S & Y Miller Investments Pty Ltd and Independent Retailer Pty Ltd.
Michael Daly	21st November 2001	Michael has had 32 years experience running Daly's Supermarkets in Victoria and is responsible for all operations of the business. Michael's expertise centres around marketing and merchandising, IT infrastructure, design and development, external influences and day to day operations. Michael's other directorships include Kevmille Pty Ltd, Houseinvest.com Pty Ltd, M.A. Daly Pty Ltd, The Network Company Pty Ltd, MA & DM Daly Pty Ltd and MA Daly No 2 Pty Ltd.

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DETAILS OF DIRECTORS (CONT)

	Date Appointed	Experience and Special Responsibilities
<p>Deborah Smith Dip.Of Teaching, Cert. of Business Mangement, Dip. Of Business Management, Masters of Business Management</p>	<p>7th June 2006</p>	<p>Deborah as been an independent retailer for 21 years and owns 3 stores in Queensland in Oakey, Toowoomba Northland and Blue Mountains. Deborah has been on the Board of Directors for FoodWorks (Australian United Retailers Ltd) from 2002 and stood down in early 2016</p> <p>Deborah's other directorships include A & D (QLD) Holdings Pty Ltd, Australian United Retailers Ltd (2002-2015), DAALT Pty Ltd, Australian United Grocers Pty Ltd and Oakey FoodWorks Pty Ltd.</p>
<p>Andrew Bray</p>	<p>28th April 2009</p>	<p>Andrew has had 17 years' experience in the food retail industry. Prior to this, Andrew had 12 years' experience in the motor vehicle industry. Andrew stood down as a MGA Director in June 2017 as he had sold his last supermarket in June 2017</p> <p>Andrew's other directorships include Warriewood IGA Pty Ltd, Lyndhurst Nominees (HP) Pty Ltd, BQ Holdings Pty Ltd, Brayvic Pty Ltd and Castlecrag IGA Pty Ltd.</p>
<p>Grant Hinchcliffe B. Business (Accounting & Finance); Associate Dlp. Of Business (Accounting)</p>	<p>15th December 2011</p>	<p>Grant has worked in the retail grocery industry for the past 26 years via his employment with, Tasmanian Independent Retailers Coop Soc Ltd (TIR), who acts as the representative and administrative body for the IGA retailer network and other independent grocery outlets in Tasmania. TIR's Co-Operative Membership is limited to indepent grocery retailers (individuals and entities) that trade under the IGA Branding in Tasmania.</p> <p>Grant has held a variety of roles within TIR and was appointed to the position of CEO in 2007. Grant is also a Director of Statewide Independent Wholesalers (SIW), a joint venture company that facilitates the grocery warehousing and supply chain operations for independents and other customers in Tasmania. Grant's professional qualifications include an Associate Deploma in Business (Accounting) and a Batchelor of Business Degree (Accounting).</p> <p>Grant's other directorships include the Tasmania Small Business Council Inc. (TSBC)</p>
<p>Gino Divitini B. Business</p>	<p>15th December 2011</p>	<p>Gino has had over 39 years experience in the supermarket industry. Gino has been a joint owner/operator of SUPA IGA Hilton, WA since 2008.</p> <p>Gino's other directorships include LGR Hilton Pty Ltd, Oasis Nominees Pty Ltd, GSK Enterprises Pty Ltd and Newlight Investments Pty Ltd Ltd and ACUT Pty Ltd.</p>
<p>Chris dos Santos Cert. IV in Business and Front Line Management</p>	<p>16th November 2012</p>	<p>Christopher has had 10 years experience in the Retail Industry owning and operating Supermarkets in SA. Along with 21 years experience in State Public Office.</p> <p>Christopher's roles include Business Management Manager, Procurement, Senior Project Officer Health Procurement Reform and Procurement lead Oracle ERP.</p> <p>Christopher's other directorships include Sorte Pty Ltd, Retiro Alergre Pty Ltd, Purveyors of Fine Foods Pty Ltd, Dos Santos Finance Pty Ltd and Santos Retail Pty Ltd.</p>

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DIRECTORS' MEETINGS

The number of Board of Director's meetings and the number of meetings attended by each of the directors during the financial year were:

Director	Board Meetings	
	Number eligible to attend	Number attended
Rodney Allen	12	12
Stephen Miller	12	9
Michael Daly	12	6
Deborah Smith	12	11
Andrew Bray	12	10
Christopher Dos Santos	12	11
Gino Divitini	12	10
Grant Hinchcliffe	12	12

DIRECTORS BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company, or a related corporation with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest other than as shown in the Company's accounts or received as a fixed salary of a full-time employee of the Company or related corporation.

AUDITORS INDEPENDENCE DECLARATION

A copy of the independence declaration is set out on page 7

This report is made in accordance with a resolution of the Directors

DATED this 25th day of October, 2017



Rodney Allen
Director



Stephen Miller
Director

**AUDITORS' INDEPENDENCE DECLARATION
TO THE DIRECTORS OF MASTER GROCERS AUSTRALIA LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, I declare that,
to the best of my knowledge and belief, during the year ended 30 June 2017 there have been:

- (a) no contraventions of the auditors' independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

DATED this *25th* day of *October* 2017

COBAIN & LIM PTY LTD

Chartered Accountants



N A COBAIN

Registered Company Auditor Number: 10612

211 / 566 St. Kilda Rd
MELBOURNE VIC 3004

MASTER GROCERS AUSTRALIA LIMITED
A.C.N. 004 063 263
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

		2017	2016
	NOTE	\$	\$
Revenue	3	2,125,975	2,245,496
Other income	4	35,534	553
		<u>2,161,509</u>	<u>2,246,049</u>
Expenses			
Employee expenses	5A	(1,320,987)	(1,522,629)
Affiliation fees	5C	(7,345)	(7,345)
Administration expenses	5D	(318,673)	(302,845)
Audit fees	19	(11,500)	(10,500)
Campaign and project expenses	5E	(202,363)	(361,790)
Depreciation and amortisation	5G	(47,008)	(133,177)
Finance costs	5H	(12,001)	(16,971)
Grants or donations	5F	(100)	(100)
Legal costs	5J	(9,528)	-
Writedown and impairment of assets	5I	-	(428,389)
Loss on financial asset investments at fair value		-	(76,472)
Other expenses	5K	(21,464)	(21,184)
		<u>(1,950,969)</u>	<u>(2,881,402)</u>
Profit (loss) before tax		210,540	(635,353)
Income tax expense	7	-	-
Profit (loss) for the year		210,540	(635,353)
Other comprehensive income			
Item that will not be subsequently reclassified to profit or loss			
Gain on revaluation of properties		1,158,938	-
Total comprehensive income (loss) for the year attributable to members		<u>1,369,478</u>	<u>(635,353)</u>

MASTER GROCERS AUSTRALIA LIMITED
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STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2017

		2017	2016
	NOTE	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	8	410,542	647,484
Trade and other receivables	9	236,679	123,958
Other current assets	10	47,070	55,156
Financial asset investments	11	1,822,271	1,596,835
Total current assets		<u>2,516,562</u>	<u>2,423,433</u>
NON CURRENT ASSETS			
Investment property	12	830,000	-
Intangible assets	13	-	2,433
Property, plant and equipment	14	1,761,778	1,437,151
Total non-current assets		<u>2,591,778</u>	<u>1,439,584</u>
TOTAL ASSETS		<u>5,108,340</u>	<u>3,863,017</u>
CURRENT LIABILITIES			
Payables and borrowings	15	362,190	491,969
Provisions	16	88,260	101,515
Total current liabilities		<u>450,450</u>	<u>593,484</u>
NON CURRENT LIABILITIES			
Payables and borrowings	15	-	-
Provisions	16	88,712	69,833
Total non current liabilities		<u>88,712</u>	<u>69,833</u>
TOTAL LIABILITIES		<u>539,162</u>	<u>663,317</u>
NET ASSETS		<u>4,569,178</u>	<u>3,199,700</u>
<i>Represented by:</i>			
MEMBERS' EQUITY			
Revaluation Reserves		1,158,938	-
Retained earnings		3,410,240	3,199,700
TOTAL MEMBERS' EQUITY		<u>4,569,178</u>	<u>3,199,700</u>

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

	Revaluation Reserves	Retained Earnings	Total
	\$	\$	\$
Balance at 1st July 2015	59,764	3,775,290	3,835,054
Adjustment for adoption of new accounting standard	(59,764)	59,764	-
Comprehensive income			
Profit (loss) for the year	-	(635,354)	(635,354)
Other comprehensive income			
Gain on revaluation of properties	-	-	-
Total comprehensive income / (loss) for the year	<u>-</u>	<u>(635,354)</u>	<u>(635,354)</u>
Balance at 30th June 2016	<u>-</u>	<u>3,199,700</u>	<u>3,199,700</u>

	Revaluation Reserves	Retained Earnings	Total
	\$	\$	\$
Balance at 1st July 2016		3,199,700	3,199,700
Adjustment for adoption of new accounting standard		-	-
Comprehensive income			
Profit (loss) for the year		210,540	210,540
Other comprehensive income			
Gain on revaluation of properties	1,158,938	-	1,158,938
Total comprehensive income / (loss) for the year	<u>1,158,938</u>	<u>210,540</u>	<u>1,369,478</u>
Balance at 30th June 2017	<u>1,158,938</u>	<u>3,410,240</u>	<u>4,569,178</u>

MASTER GROCERS AUSTRALIA LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from members (GST inclusive)		1,907,092	2,234,574
Government funding (GST free)		19,430	41,042
Dividend & trust Income received		83,192	75,679
Interest received		19,949	18,991
Rents received (GST inclusive)		70,584	61,277
Sundry Receipts		93,512	173,295
Payments to suppliers and employees		<u>(2,115,537)</u>	<u>(2,486,436)</u>
Net cash provided by (used in) operating activities	17A	<u>78,222</u>	<u>118,422</u>
CASH FLOW FROM INVESTMENT ACTIVITIES			
Proceeds from disposal of financial asset investments		1,099,439	775,998
Proceeds from sale of plant & equipment		-	553
Purchase of plant and equipment		(40,264)	(44,652)
Purchase of financial asset investments		<u>(1,289,339)</u>	<u>(666,527)</u>
Net cash provided by (used in) investment activities		<u>(230,164)</u>	<u>65,372</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of borrowings		<u>(85,000)</u>	<u>(55,000)</u>
Net cash provided by (used in) financing activities		<u>(85,000)</u>	<u>(55,000)</u>
NET INCREASE / (DECREASE) IN CASH HELD			
		<u>(236,942)</u>	<u>128,794</u>
CASH AS AT START OF FINANCIAL YEAR		<u>647,484</u>	<u>518,690</u>
CASH AS AT END OF FINANCIAL YEAR	8	<u>410,542</u>	<u>647,484</u>

MASTER GROCERS AUSTRALIA LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 Summary of significant accounting policies

1.1 Basis of preparation of the financial statements

The financial statements are general purpose financial statements and have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period and the *Fair Work (Registered Organisation) Act 2009*. For the purpose of preparing the general purpose financial statements, Master Grocers Australia Limited is a not-for-profit entity.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost, except for certain assets and liabilities measured at fair value, as explained in the accounting policies below. Historical cost is generally based on fair values of the consideration given in exchange for assets. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

1.2 Comparative amounts

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

1.3 Significant accounting judgements and estimates

The following accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Key Estimates

Fair value of investments in financial assets

Investments in financial assets are measured at fair value. Where available, quoted market prices for the same or similar instruments are used to determine fair value. Management based its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available.

Intangible assets

Accounting standards require management to assess, at each reporting period, whether there are any indicators of impairment in relation to the carrying amount of intangible assets. Where an impairment indicator is identified, the recoverable amount of the asset must be determined and compared to the carrying amount.

Judgement is applied by management in assessing whether there are any impairment indicators and, where required, in determining the recoverable amount.

Provisions

A provision is recognised for items where the company has a present obligation arising from a past event. It is probable that an outflow of economic resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The provision is measured as the best estimate of the expenditure required to settle the present obligation. Management applies judgement in assessing whether a particular item satisfies the above criteria and in determining the best estimate.

MASTER GROCERS AUSTRALIA LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1.4 New Australian Accounting Standards

Adoption of New Accounting Standard requirements

The Company has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

In the prior year, the Company elected to early adopt AASB 9 Financial Instruments which addresses classification, measurement and derecognition of financial assets and financial liabilities.

The accounting policies adopted are consistent with those of the previous financial year.

New Accounting Standards for Application in Future Periods

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

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

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

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

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

The potential effect of the revised standards on the Company's financial statements has not yet been determined.

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

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

The main changes introduced by the new Standard are as follows:

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

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The potential effect of the revised standards on the Company's financial statements has not yet been determined.

- AASB 1058: *Income of Not-for-Profit Entities* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace AASB 1004 *Contributions* and introduce changes to the income recognition.

Under the new standard, NFPs will need to determine whether a transaction is genuine donation (accounted under AASB 1058) or a contract with a customer (accounted for under AASB 15 *Revenue from Contracts with Customers*).

The potential effect of the revised standards on the Company's financial statements has not yet been determined.

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1.5 Investment in associates and joint arrangements

An associate is an entity over which Master Grocers Australia Limited has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require an unanimous consent of the parties sharing control.

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the individual assets and obligations for the liabilities of the joint operation.

The results and assets and liabilities of associates and its joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Asset Held for Sale and Discounted Operations'. Under the equity method, an investment in an associate or joint venture is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the share of the profit or loss and other comprehensive income of the associate. When the share of losses of an associate or joint venture exceeds the interest in that associate, Master Grocers Australia Ltd discontinues its share of further losses. Additional losses are recognised only to the extent that it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An excess of the cost of acquisition over the share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. An excess of the share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the profit and loss.

1.6 Acquisition of assets and or liabilities that do not constitute a business combination

The net book value of assets and or liabilities transferred to Master Grocers Australia for no consideration is used to account for an amalgamation under Part 2 of Chapter 3 of the Fair Work (Registered Organisations) Act 2009/a restructure of the branches of Master Grocers Australia Limited/a determination by the General Manager under subsections 245(1) of the Fair Work (Registered Organisations) Act 2009/a revocation by the General Manager under subsection 249(1) of the Fair Work (Registered Organisations) Act 2009.

The assets and Liabilities are recognised as at the date of transfer.

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1.7 Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from memberships is accounted for on an accrual basis and is recorded as revenue in the year to which it relates.

Donation income is recognised when it is received.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Interest revenue is recognised on an accrual basis using the effective interest method.

Rental revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.8 Government Grants

Government grants are not recognised until there is reasonable assurance that Master Grocers Australia will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, the government grants whose primary condition is that the company should purchase, construct otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognised in profit or loss in the period in which they become receivable.

1.9 Gains

Sale of assets

Gains and losses from disposal of assets are recognised when control of the asset has passed' to the buyer.

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1.10 Capitation fees and levies

Capitation fees and levies are recognised on an accrual basis and recorded as a revenue and/or expense in the year to which it relates.

1.11 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and termination benefits when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities for short-term employee benefits (as defined in AASB 119 *Employee Benefits*) and termination benefits which are expected to be settled within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits which are expected to be settled beyond twelve months are measured as the present value of the estimated future cash outflows to be made by the reporting unit in respect of services provided by employees up to reporting date.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Provision is made for separation and redundancy benefit payments. The company recognises a provision for termination as part of a broader restructuring when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations. A provision for voluntary termination is recognised when the employee has accepted the offer of termination.

1.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Rental revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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1.13 Borrowing costs

All borrowing costs are recognised in profit and loss in the period in which they are incurred.

1.14 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes cash on hand, deposits held at call with bank, other short-term highly liquid investments with original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

1.15 Financial instruments

Financial assets and financial liabilities are recognised when Master Grocers Australia Limited becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1.16 Financial assets

Investments in financial assets are classified in the following categories: financial assets at amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Recognition and Derecognition

Regular purchases and sales of financial assets are recognised at trade date (the date on which the company commits to purchase or sell the asset). Investments are initially recognised at fair value and the transaction costs are expensed in the statement of profit or loss and other comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from them have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

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1.16 Financial assets (cont'd)

Subsequent Measurement

Financial assets classed as amortised costs are carried at amortised cost using the effective interest method.

Financial assets at FVTPL are subsequently carried at fair value. Gains or losses arising from changes in the fair value are presented in the statement of profit or loss and other comprehensive income within other income or part of expenses in the period in which they arise. Income from financial assets at FVTPL is recognised in the statement of profit or loss and other comprehensive income as part of revenue when the company's right to receive payments is established.

Financial assets classified as FVOCI are subsequently carried at fair value. Gains or losses arising from changes in the fair value are presented in other comprehensive income regardless of whether the investments was impaired or not. When the financial assets classified as FVOCI are sold, the gains or losses are presented in other comprehensive income.

Loan and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest rate basis except for debt instruments other than those financial assets that are recognised at fair value through profit or loss.

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1.16 Financial assets (cont'd)

Impairment of financial assets

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the reporting units past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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1.17 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the reporting unit manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the reporting units documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income.

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Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The reporting unit derecognises financial liabilities when, and only when, the reporting units obligations are discharged, cancelled or they expire. The difference between the carrying amounts of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

1.18 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the relevant notes. They may arise from uncertainty as to the existence of a liability or asset or represent an existing liability or asset in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are disclosed when settlement is greater than remote.

1.19 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of land, buildings, plant and equipment are recognised initially at cost in the Statement of Financial Position. The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Revaluations - Properties

Following initial recognition at cost, properties are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient frequency such that the carrying amount of assets do not differ materially from those that would be determined using fair values as at the reporting date.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the profit or loss except to the extent that they reverse a previous revaluation increment for that class. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is restated to the revalued amount.

Depreciation

Depreciation is based on the straight-line and reducing balance method of calculation.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2017	2016
Property and improvements	47 years	40 years
Plant and equipment	3 to 25 years	3 to 25 years

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

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Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss.

1.20 Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit and loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

1.21 Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful life. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. The useful life of the Master Grocers Australia Limited intangible assets are:

	2017	2016
Intangible assets	10 years	10 years

Derecognition

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit and loss when the asset is derecognised.

1.22 Impairment for non-financial assets

All assets are assessed for impairment at the end of each reporting period to the extent that there is an impairment trigger. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the company was deprived of the asset, its value in use is taken to be its depreciated replacement cost.

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1.23 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

1.24 Taxation

Master Grocers Australia Ltd is exempt from income tax under section 50.1 of the Income Tax Assessment Act 1997 however still has obligation for Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified within operating cash flows.

1.25 Fair value measurement

Master Grocers Australia Ltd measures financial instruments, such as, financial asset as at fair value through the profit and loss, and non-financial assets such as land and buildings and investment property, at fair value at each balance date. Also, the fair values of financial instruments measured at amortised cost are disclosed in Note 24 and in Notes 12 and 14 for non-financial assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Master Grocers Australia Limited uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as land and buildings and investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. For the purpose of fair value disclosures, Master Grocers Australia Limited has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

1.26 Going concern

Master Grocers Australia Limited is not reliant on the agreed financial support of another another reporting unit to continue on a going concern basis.

NOTE 2 Events after the reporting period

Master Grocers Australia had commenced absorbing the membership and net assets of the Timber Merchants Association on the 1 July 2017 and this is still in progress at the date of signing of the financial statements. The company expects to eventually absorb about \$140,000 of the net assets of Timber Merchant Association. No other material matters have arisen since 30 June 2017.

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	2017	2016
	\$	\$
NOTE 3 INCOME		
Membership subscriptions	1,212,236	1,216,485
Corporate partner memberships	337,051	310,821
Training programs	205,624	252,622
Workplace relations	113,937	135,905
Interest received	19,949	18,991
Dividends	80,650	65,770
Trust distributions	2,542	9,909
Rental revenue	68,975	61,699
Commissions	32,913	36,552
Donations	-	-
Campaign contributions	-	70,000
Other revenue - Corporate Functions/Sale of Merchandise/Advocacy	52,098	66,743
Capitation fees	-	-
Levies raised	-	-
	<u>2,125,975</u>	<u>2,245,496</u>
NOTE 4 OTHER INCOME		
Grants and/or donations	-	-
Gain on financial asset investments at fair value	35,534	-
Net gains from sale of fixed assets	-	553
	<u>35,534</u>	<u>553</u>
NOTE 5 EXPENSES		
NOTE 5A Employee expenses		
<i> Holders of Office:</i>		
- Wages and salaries	84,210	82,380
- Superannuation	8,000	7,826
- Separation and redundancies	-	-
- Transfers to provisions for annual leave	3,098	6,336
- Transfers to provisions for long service leave	-	-
- Other employee expenses	3,000	3,329
	<u>98,309</u>	<u>99,871</u>
<i> Employees other than Holders of Office:</i>		
- Wages and salaries	1,065,633	1,197,895
- Superannuation	91,495	108,272
- Separation and redundancies	-	55,677
- Transfers to provisions for annual leave	(16,353)	(19,314)
- Transfers to provisions for long service leave	18,879	2,444
- Other employee expenses	63,024	77,784
	<u>1,222,678</u>	<u>1,422,758</u>
Total employee expenses	<u>1,320,987</u>	<u>1,522,629</u>
NOTE 5B Capitation Fees		
	<u>-</u>	<u>-</u>
NOTE 5C Affiliation fees		
- Political parties	345	345
- Council of Small Business Association	7,000	7,000
	<u>7,345</u>	<u>7,345</u>

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	2017	2016
	\$	\$
NOTE 5D Administration expenses		
Consideration to employers for payroll deductions	-	-
Fees - Meeting and conference	12,000	14,000
Meeting and conference expenses	2,022	132
Promotion expenses	16,667	18,662
Accounting fees	5,808	5,375
Bad debts written off	18,753	360
Contractors/consultants	29,876	3,789
Compulsory levies	-	-
Human resource costs	12,427	28,953
Information technology	28,692	22,543
Insurance	16,864	19,395
Occupancy	42,012	41,976
Office services and supplies	47,477	53,694
Travel and accomodation	62,484	80,119
Venue Hire and catering	18,971	6,437
	<u>314,053</u>	<u>295,435</u>
Operating lease rentals:		
Minimum lease payments	4,620	7,410
	<u>318,673</u>	<u>302,845</u>
NOTE 5E Campaign and project expenses		
Magazine costs	78,079	72,436
Training costs	88,386	122,852
Legal and HR expenses recharged	24,894	75,154
Campaign costs	3,040	84,328
Postage / email campaigns	7,964	7,020
	<u>202,363</u>	<u>361,790</u>
NOTE 5F Grants and/ or donations		
Grants		
Total paid that were \$1000 or less	-	-
Total paid that exceeded \$1000	-	-
	<u>-</u>	<u>-</u>
Donations		
Total paid that were \$1000 or less	100	100
Total paid that exceeded \$1000	-	-
	<u>100</u>	<u>100</u>
NOTE 5G Depreciation and amortisation		
Depreciation		
Property, plant & equipment	-	-
	<u>-</u>	<u>-</u>
Amortisation		
Intangible assets	47,008	109,529
Total depreciation and amortisation	<u>47,008</u>	<u>133,177</u>
NOTE 5H Finance costs		
Commercial bills	<u>12,001</u>	<u>16,971</u>
NOTE 5I Writedown and impairment of assets		
Intangible assets - Compliance Management System	<u>-</u>	<u>428,389</u>
NOTE 5J Legal costs		
Litigation	-	-
Other legal matters	9,528	-
	<u>9,528</u>	<u>-</u>

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NOTES TO FINANCIAL STATEMENTS
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	2,017	2016
	\$	\$
NOTE 5K Other expenses		
Brokerage	11,191	11,038
Rental property costs	10,273	10,146
	21,464	21,184
NOTE 6 DIVIDENDS POLICY		
No dividends were paid during the financial year or are proposed to be paid.		
NOTE 7 INCOME TAX		
The company is income tax exempt effective from a Private Ruling dated 18th July 2003		
NOTE 8 CASH & CASH EQUIVALENTS		
<i>Current</i>		
Cash at bank	26,592	6,234
Cash on hand	266	267
Deposits at call	383,684	640,946
Other	-	37
	410,542	647,484
NOTE 9 TRADE AND OTHER RECEIVABLES		
<i>Current</i>		
Trade receivables	236,679	123,958
Less: provision for doubtful debts	-	-
	236,679	123,958
Other receivables:		
Receivables from other reporting units	-	-
	236,679	123,958
NOTE 10 OTHER CURRENT ASSETS		
<i>Current</i>		
Accrued income	15,319	17,795
Sundry debtors & prepayments	31,751	37,361
	47,070	55,156
NOTE 11 FINANCIAL ASSET INVESTMENTS		
<i>Current</i>		
Fair value through profit or loss (FVTPL)		
Shares	1,540,998	1,429,188
Fixed interest securities	281,273	167,647
	1,822,271	1,596,835
Fair value through other comprehensive income (FVOCI)	-	-
	1,822,271	1,596,835

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NOTES TO FINANCIAL STATEMENTS
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	2,017	2016
	\$	\$
NOTE 12 INVESTMENT PROPERTY		
<i>Non current</i>		
As at 1st July	-	-
From property, plant and equipment (Note 14)	830,000	-
	830,000	-

The Company has reclassified the property, located at Suite 9, 1 Milton Parade, Malvern 3144 from property, plant and equipment to investment property with effect from 18 October 2016. The property was inspected and valued by Charter Keck Cramer on 18 October 2016.

The fair value of completed investment property has been determined on a market value basis in accordance with International Valuation Standards (IVS), as set out by the International Valuation Standards Council (IVSC). In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgement and not only relied on historical transactional comparables.

The highest and best use of the investment property is not considered to be different from its current use.

Rental income earned and received from the investment property during the year was \$62,975

Direct expenses incurred in relation to the investment property that generated rental income during the year was \$10,273. During the year and as at the year-end, no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal were present. Master Grocers Australia Ltd does not have any contractual obligations to purchase, construct or develop the investment property or for repairs, maintenance or enhancements.

The fair value of investment property was determined by Charter Keck Cramer, using recognised valuation techniques. These techniques comprise both the direct sales comparison and income capitalisation method.

Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate of 6.25%.

The fair value of the investment property is included within Level 2 of the fair value hierarchy as stated at Note 1.25 to the financial statements.

MASTER GROCERS AUSTRALIA LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2,017	2016
	\$	\$
NOTE 13 INTANGIBLE ASSETS		
<i>Non current</i>		
Corporate branding	24,350	24,350
Less: accumulated amortisation	(24,350)	(21,917)
	<u>-</u>	<u>2,433</u>
Compliance management system	1,070,938	1,070,938
Less: accumulated amortisation and impairment	(1,070,938)	(1,070,938)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>2,433</u>
Reconciliation of the opening and closing balances		
As at 1st July		
Gross book value	1,095,288	1,095,288
Accumulated depreciation and impairment	(1,092,855)	(554,937)
Net book value 1 July	<u>2,433</u>	<u>540,351</u>
Additions:		
By purchase	-	-
Impairment	-	(428,389)
Amortisation	(2,433)	(109,529)
Disposals	-	-
Net book value 30 June	<u>-</u>	<u>2,433</u>
Net book value as at 30 June represented by:		
Gross book value	1,095,288	1,095,288
Accumulated depreciation and impairment	(1,095,288)	(1,092,855)
Net book value 30 June	<u>-</u>	<u>2,433</u>
NOTE 14 PROPERTY, PLANT AND EQUIPMENT		
<i>Non current</i>		
Property - Land and building		
at cost or fair value	1,700,000	1,219,562
accumulated depreciation	(25,733)	-
	<u>1,674,267</u>	<u>1,219,562</u>
Property improvements		
at cost	6,960	179,123
accumulated depreciation	(21)	(26,274)
	<u>6,939</u>	<u>152,849</u>
Plant & equipment - at cost		
at cost	167,761	134,457
accumulated depreciation	(87,189)	(69,717)
Net book value	<u>80,572</u>	<u>64,740</u>
	<u>1,761,778</u>	<u>1,437,151</u>

MASTER GROCERS AUSTRALIA LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Reconciliation of the Opening and Closing Balances

	Property	Property Improvements	Plant & Equipment	Total
As at 1st July 2015				
Gross book value	1,219,562	179,123	224,151	1,622,836
Accumulated depreciation and impairment	-	(21,797)	(184,892)	(206,689)
Net book value 1 July 2015	1,219,562	157,326	39,259	1,416,147
Year ended 30 June 2016				
Additions:				
By purchase	-	-	44,652	44,652
Revaluations	-	-	-	-
Depreciation expense	-	(4,477)	(19,171)	(23,648)
Disposals	-	-	-	-
Transfers in / (out)	-	-	-	-
Net book value 30 June 2016	1,219,562	152,849	64,740	1,437,151
Net book value as at 30 June 2016 represented by:				
Gross book value	1,219,562	179,123	134,457	1,533,142
Accumulated depreciation and impairment	-	(26,274)	(69,717)	(95,991)
Net book value 30 June 2016	1,219,562	152,849	64,740	1,437,151
Year ended 30 June 2017				
Additions:				
By purchase	-	6,960	33,304	40,264
Revaluations	1,158,938	-	-	1,158,938
To investment property (Note12)	(830,000)	-	-	(830,000)
Depreciation expense	(25,733)	(1,370)	(17,472)	(44,575)
Disposals	-	-	-	-
Transfers in / (out)	151,500	(151,500)	-	-
Net book value 30 June 2017	1,674,267	6,939	80,572	1,761,778
Net book value as at 30 June 2017 represented by:				
Gross book value	1,700,000	6,960	167,761	1,874,721
Accumulated depreciation and impairment	(25,733)	(21)	(87,189)	(112,943)
Net book value 30 June 2017	1,674,267	6,939	80,572	1,761,778

Property comprises of Suites 4 and 5, 1 Milton Parade, Malvern 3144.

Fair value of the properties was determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for the difference in the nature, location or condition of the specific property. As at the date of valuation 18 October 2016, the properties' fair values were based on valuations performed by Charter Keck Cramer.

The fair value of the properties are included within Level 2 of the fair value hierarchy as stated at Note 1.25 to the financial statements.

MASTER GROCERS AUSTRALIA LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Change in Accounting Estimates

AASB 116 - Property, plant and equipment requires the review of the residual value and the useful life of an asset at least at each financial year end. The Company revised its residual value and the estimated useful life of the properties with effect from 18 October 2016.

The revision was accounted for prospectively as a change in accounting estimates and as a result, the depreciation charge of the Company has increased by \$21,260

	2017	2016
	\$	\$
NOTE 15 PAYABLES AND BORROWINGS		
<i>Current</i>		
Trade payables	55,057	37,276
Sundry payables & accruals	67,920	102,741
Income in advance	89,213	116,952
	<u>212,190</u>	<u>256,969</u>
Commercial bills	150,000	235,000
Payables to other reporting units	-	-
	<u>362,190</u>	<u>491,969</u>
<i>Non Current</i>		
Commercial bills	-	-
	<u>-</u>	<u>-</u>

Asset pledged as collateral

The properties comprising of Suites 5 & 9 at 1 Milton Parade, Malvern are pledged as collateral for the commercial bills and corporate credit card facilities from ANZ.

The commercial bills facilities are subject to variable interest rate ranging from 1.77% to 1.96%. (2016: 1.9% to 2.29%)

NOTE 16 PROVISIONS

Employee provisions

Office holders:

Annual leave	20,704	17,606
Long service leave	-	-
Separations and redundancies	-	-
Other	-	-
Employee provisions - office holders	<u>20,704</u>	<u>17,606</u>

Employees other than office holders

Annual leave	67,556	83,909
Long service leave	88,712	69,833
Separations and redundancies	-	-
Other	-	-
Employee provisions - other than office holders	<u>156,268</u>	<u>153,742</u>

Current

Employee entitlements - provision for annual leave	88,260	101,515
Employee entitlements - provision for long service leave	-	-
	<u>88,260</u>	<u>101,515</u>

Non Current

Employee entitlements - provision for annual leave	-	-
Employee entitlements - provision for long service leave	88,712	69,833
	<u>88,712</u>	<u>69,833</u>

MASTER GROCERS AUSTRALIA LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2016	2015
	\$	\$
NOTE 17 CASH FLOW		
NOTE 17A: Cash flow reconciliation		
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement:		
Cash and cash equivalents as per:		
Cash flow statement	410,542	647,484
Balance Sheet	410,542	647,484
Difference	<u>-</u>	<u>-</u>
 (a) Reconciliation of operating profit after income tax to net cash provided by (used in) operating activities:		
 Operating profit after income tax	210,540	(635,354)
 Non-cash flows in operating profit:-		
(Profit) Loss on disposal of plant & equipment	-	(553)
Write-down or impairment of assets	-	428,389
(Gain) Loss on financial asset investments	(35,534)	76,472
Depreciation and amortisation	47,008	133,177
 Change in assets and liabilities:		
(Increase) / decrease		
- Trade receivables	(112,721)	125,032
- Sundry debtors, prepayments & receivables	8,086	(26,841)
(Decrease) / increase		
- Trade, sundry payables & accruals	(44,779)	28,635
- Employee provisions	5,622	(10,535)
Net cash provided by operating activities	<u>78,222</u>	<u>118,422</u>
 NOTE17B Cashflow information		
Cash inflows from reporting unit/ controlled entity	<u>-</u>	<u>-</u>
 Cash outflows from reporting unit/ controlled entity	<u>-</u>	<u>-</u>

MASTER GROCERS AUSTRALIA LIMITED
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NOTES TO FINANCIAL STATEMENTS
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	2017	2016
	\$	\$
NOTE 18 RELATED PARTY TRANSACTIONS		
(a) Key management personnel compensation		
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the company directly or indirectly is considered key management personnel.		
Short term employee benefits	416,120	423,207
Post employment benefits	27,616	32,499
Other long term employee benefits	14,264	4,084
Termination benefits	-	-
Share based payments	-	-
Total	458,000	459,790
(b) Other transactions with key management personnel and their close family members		
Loans to / from Key management personnel	-	-
Other transactions with key management personnel	-	-
	-	-
(c) Other related party transactions		
(i) Travel cost paid or reimbursed to officeholders		
Rodney Allen (President)	2,091	4,398
Stephen Miller	756	935
Michael Daly	1,043	914
Deborah Smith	2,845	3,525
Andrew Bray	2,018	4,890
Christopher Dos Santos	1,277	2,915
Gino Divitini	3,423	5,426
Grant Hinchcliffe	1,821	3,507
	15,274	26,510
(ii) Committee meeting attendance fees paid directly or indirectly to officeholders who are not employees	12,000	14,000
NOTE 19 REMUNERATION OF AUDITORS		
Value of the services provided		
Financial statement audit services	10,900	10,000
Other services	600	500
	11,500	10,500

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NOTES TO FINANCIAL STATEMENTS
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	2017	2016
	\$	\$
NOTE 20 CONTINGENT LIABILITIES, ASSETS AND COMMITMENTS		
Operating lease commitments - as lessee		
<i>Commitments for minimum lease payments in relation to non-cancellable operating lease is as follows:</i>		
Within one year	4,620	4,620
After two years but not more than five years	8,085	12,705
More than five years	-	-
	<u>12,705</u>	<u>17,325</u>

The lease is for a photocopier.

Operating lease commitments - as lessor

The company lease out one of its offices under non-cancellable operating lease expiring between one to two years.

Commitments for minimum lease payments in relation to non-cancellable operating lease is as follows:

Within one year	53,637	51,554
After one year but not more than five years	112,148	36,517
More than five years	-	-
	<u>165,785</u>	<u>88,071</u>

Capital commitments

At 30 June 2017, the company has commitments of \$79,218 (2016: \$93,862) principally relating to novated finance lease.

NOTE 21 MEMBERS GUARANTEE

The Company is limited by guarantee. If the company is wound up, the Constitution of the Company states that each member is required to contribute a maximum amount not exceeding one year's subscription towards meeting any outstanding obligations of the Company. At 30 June 2017, there were 2,404 members, 221 associate members and 23 corporate members.

NOTE 22 ECONOMIC DEPENDENCY

There is no economic dependency on another reporting unit.

MASTER GROCERS AUSTRALIA LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 23 FINANCIAL INSTRUMENTS

The company is exposed to various risks in relation to financial instruments. The main types of risk are market risk, credit risk, liquidity risk and cashflow interest risk.

Risk management is carried out by management under policies approved by Committee of Management. The Committee of Management identifies and evaluates financial risk as part of regular meetings.

The finance committee work in close co-operation with the company's external portfolio manager to minimise financial risk and to maximise returns.

	2017	2016
	\$	\$
NOTE 23A Categories of financial instruments		
Financial assets		
Cash and cash equivalents	410,542	647,484
Fair value through profit or loss	1,822,271	1,596,835
Trade and other receivables	236,679	123,958
Carrying amount of financial assets	2,469,492	2,368,277
Financial liabilities		
Trade payables and other payables	212,190	256,969
Borrowings	150,000	235,000
Carrying amount of financial liabilities	362,190	491,969

NOTE23B Market risk analysis

The company is exposed to market risk through its use of financial instruments and specifically to interest rate risk and equity price risks, which result from both its operating and investing activities. The company is not exposed to foreign exchange risk.

Interest rate sensitivity

At 30 June 2017, the company is exposed to changes in market interest rates through bank borrowings at variable interest rates and deposits at call at variable rates.

The following table illustrates the sensitivity of the profit and equity to a reasonably possible change in interest rates of + / - 1% (2016: + / -1%). The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Variable rate instruments

	Profit for the year	
	+1%	-1%
30-Jun-2017	4,105	(4,105)
30-Jun-2016	6,475	(6,475)

	Equity	
	+1%	-1%
30-Jun-2017	4,105	(4,105)
30-Jun-2016	6,475	(6,475)

	Profit for the year	
	+1%	-1%
30-Jun-2017	(1,500)	1,500
30-Jun-2016	(2,350)	2,350

	Equity	
	+1%	-1%
30-Jun-2017	(1,500)	1,500
30-Jun-2016	(2,350)	2,350

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NOTES TO FINANCIAL STATEMENTS
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NOTE 23C Credit risk analysis

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to the sale of services to members and customers, including outstanding receivables and committed transactions.

The company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2017	2016
Classes of financial assets		
<i>Carrying amounts:</i>		
Cash and cash equivalents	410,542	647,484
Trade and other receivables	236,679	123,958
Total	647,221	771,442

The company continuously monitors defaults of customers and other counterparties: identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and / or reports on customers and other counterparties are obtained and used.

The company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review and they are of good credit quality.

Some of the unimpaired trade and other receivables are past due as the reporting date. Information on financial assets past due but not impaired are as follows:

	2017	2016
Gross amount	236,679	123,958
Not more than 30 days	121,219	105,041
More than 30 days but not more than 60 days	50,600	11,651
More than 60 days but not more than 90 days	-	9
More than 90 days	64,860	7,257
Total	236,679	123,958

In respect of trade receivables, the company is not exposed to any significant credit risk to any single counterparty. At 30 June 2017, the company does not have any collective impairment on its trade receivables (2016: Nil)

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The carrying amounts disclosed above are the company's maximum possible credit risk exposure in relation to these instruments.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE23D Liquidity risk analysis

Liquidity risk is that the company might be unable to meet its obligations. The company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding as required and the ability to close-out market positions if necessary. The finance committee aims at maintaining flexibility in funding by keeping adequate liquidity available.

The company also maintains financing facility as per note 15.

As at 30 June 2017, the company financial liabilities have contracted maturities as summarised below:-

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	\$	\$	\$	\$
30-Jun-2017				
Borrowings	150,000	-	-	-
Trade and other payables	212,190	-	-	-
Total	362,190	-	-	-

This compares to the maturity of the company's financial liabilities in the previous year as follows:-

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	\$	\$	\$	\$
30-Jun-2016				
Borrowings	235,000	-	-	-
Trade and other payables	256,969	-	-	-
Total	491,969	-	-	-

MASTER GROCERS AUSTRALIA LIMITED
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NOTES TO FINANCIAL STATEMENTS
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NOTE 24 Fair value measurement

Financial assets and liabilities

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three (3) levels of a fair value hierarchy. The three (3) levels are defined based on the observability of significant inputs to the measurement, as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability; either directly or indirectly
- c) Level 3: unobservable inputs for the asset or liability

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2017 and 30 June 2016:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30-Jun-2017				
Assets				
Fair value through profit or loss	1,822,271			1,822,271
Net fair value	1,822,271	-	-	1,822,271
30-Jun-2016				
Assets				
Fair value through profit or loss	1,596,836			1,596,836
Net fair value	1,596,836	-	-	1,596,836

Fair value through profit or loss financial assets have been determined by reference to their quoted bid prices at the reporting date.

The fair value of cash, trade and other receivables and trade and other payables and borrowings are assumed to approximate their carrying amounts due to their short-term nature.

NOTE 25 BUSINESS COMBINATIONS

There were no business combinations or subsidiaries acquired during the year. (2016: Nil)

NOTE 26 ADMINISTRATION OF FINANCIAL AFFAIRS BY A THIRD PARTY

There is no third party administration.

MASTER GROCERS AUSTRALIA LIMITED
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FINANCIAL STATEMENTS
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In the opinion of the directors of the company;

- (a) The financial statements and notes to Master Grocers Australia Limited are in accordance with the *Corporations Act 2001*, including:
- i Giving a true and fair view of its financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*; and
- (b) At the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due,

This statement is made in accordance with the resolution of the board of directors and is signed for and on behalf of the directors by:

DATED this 23rd day of October, 2017



Director

Rodney Allen



Director

Steve Miller

Cobain & Lim Pty Ltd

Chartered Accountants

Suite 211, Level 2

566 St Kilda Road

Melbourne Vic. 3004

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Independent Audit Report to the Members of Master Grocers Australia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Master Grocers Australia Limited (the Reporting Unit), which comprises the statement of financial position as at 30th June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30th June 2017, notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of Master Grocers Australia Limited as at 30th June 2017, and its financial performance and its cash flows for the year ended on that date in accordance with:

- a) the Australian Accounting Standards; and
- b) Accounting Interpretations, and the disclosure requirements of AASB101 Presentation of Financial Statements, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors and AASB 1054 Australian Additional Disclosures.

We declare that management's use of the going concern basis in the preparation of the financial statements of Master Grocers Australia Limited is appropriate.

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 Master Grocers Australia Limited 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.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report is in the Directors Report accompanying the financial report.

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.

Cobain & Lim Pty Ltd

Chartered Accountants

Suite 211, Level 2

566 St Kilda Road

Melbourne Vic. 3004

T: 03 95105233 F: 03 9521 7900

Responsibilities of Directors for the Financial Report

The Directors of Master Grocers Australia Limited is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such internal control as the Directors determine are 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 Master Grocers Australia Limited's ability 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 Master Grocers Australia Limited or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objective is to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 my 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 Master Grocers Australia Limited's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Master Grocers Australia Limited'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 Master Grocers Australia Limited 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Master Grocers Australia Limited to express an opinion on the financial report. We are responsible for the direction, supervision and performance of Master Grocers Australia Limited audit. We remain solely responsible for our audit opinion.

Cobain & Lim Pty Ltd

Chartered Accountants

Suite 211, Level 2

566 St Kilda Road

Melbourne Vic. 3004

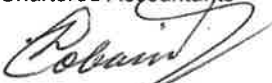
T: 03 95105233 F: 03 9521 7900

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.

I declare that I am an approved auditor, a member of Chartered Accountants Australia and New Zealand and hold a current Public Practice Certificate.

Cobain & Lim Pty Ltd

Chartered Accountants



N A Cobain

Registered Company Auditor Number: 10612

Melbourne

Dated this *25th* day of *October* 2017