MBL TRADING LIMITED T/A

MBL FOOD SERVICES

ACN 111 463 864

69 YEARS SERVICING THE FOOD INDUSTRY
1949 - 2018

2018 ANNUAL REPORT

Board of Directors

P B Stocker, Chairman
J G Percy, D Ciampini, A J Capolingua,
M J Smith, L D Hirst

Secretary

C Mitchell

Chief Executive Officer

D C Smith

Bankers

Bank of Western Australia Ltd
108 St. George's Terrace, Perth

Registered Office

3-5 Vulcan Road, Canning Vale
Western Australia 6155
Phone: (08) 9334 9600
Fax: (08) 93349601
Website: www.mbl.com.au
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Auditors

BDO Audit (WA) Pty Ltd
38 Station Street, Subiaco
Phone: (08) 6382 4600
Website: www.bdo.com.au

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Dear Fellow Shareholders,

On behalf of the Directors, I am pleased to present the year ended 30th June 2018 annual report for the Company along with the initiatives and decisions taken to work towards a stronger capacity for future organic and acquisition growth. The board views the current financial results as unacceptable and is committed to work and support management to improving the financial performance of your company for the long term benefit for all shareholders.

During the year, the Board committed to a review and revitalisation of the Board with a goal to bring a different skillset onto the Board, which would work with the Chief Executive Officer and his management team to implement the strategic plan and support the business to achieve its long-term vision.

The new board is working well together with a united purpose and drive to improve shareholders value and improve communication across the shareholder base. The new Board of Directors are working with the management team on the completion of a strategic review to reset the company's goals and targets. The Board is positive and committed to supporting management to accelerate sales and profit growth.

The year under review continued to focus on the key areas of butchery supplies and ingredients, packaging, bakery and the new addition being general food services to underpin the sales growth in a background of soft trading conditions for many of our customers.

Management's focus on the 4 pillars of growth, butchery, bakery, packaging, food service delivered a pleasing sales revenue performance with new products and new customers supporting the growth in sales.

A protracted legal dispute was concluded by the Board's decision to settle. Responsibly doing so stopped major distraction to our CEO and Board and allowed us to focus back on the core day-to-day business and stopped on going undetermined legal costs.

COMMENTARY ON FINANCIAL RESULTS

Sales revenue of $22.5M represented a growth in sales of 11.9% from previous year and 5.7% above budget.

The company achieved a trading operating profit before tax of $95,844.

Profit before tax was impacted by the board and management decision to;

- Write down obsolete point of sale stock in Retail Solutions.
- Write down of goodwill associated with the Brice equipment distribution agreement.
- The board finalising last costs associated with a legal dispute.

The company's financial position remains strong with no debt and cash reserves of $1.686M.

The net cash position deteriorated due to an increase in working capital to support revenue growth.

Total shareholder equity is $13M. The asset backing per share is $1.80 per share.

Maintaining a high level of service to all 4 pillars of growth is priority. The initiative to focus on butchery, new food service, bakery and packaging sectors has been successful. Operational efficiency to support this new business however did not allow the business to benefit from the increased revenue as a result of higher operating costs primarily in salaries and wages, warehouse and distribution costs.

Management undertook a mid-year review to assess the profitability of our new food service business and took decisive action resulting in a downsizing of the new sales team, deletion of non-profitable customers, reduction in purchasing department costs and a restructure of the warehouse and distribution operations.

DIVIDENDS

The Directors have resolved to not pay a dividend in view of limited cash generation of the business this year and forthcoming working capital expenditure requirements to support future growth. The board remains committed to paying dividends in the future. The Directors have implemented a new Sustainable Dividend Policy to ensure sufficient funds are available to support the long-term growth ambitions of the business, supports the company to be a competitive force in the market and provide a platform for prudent cash and capital management. Our vision is to provide increasing shareholder value and for our shareholders to benefit from the expected improved performance in the years to come.

OUTLOOK

Future earnings potential is on a positive footing with a continuation of strong revenue growth and improved operational efficiency expected to generate a much-improved net profit result in the coming years.

The Board is committed to providing the required capital to improve the asset whilst supporting improvements in operational efficiencies throughout the total supply chain to lower the cost of distribution and improve stock management.

Specifically, investment is required by the company to ensure management and staff can proudly honour the commitment of quality and service to our clients as we grow into the future.

Capital investment is required with the view to:

- Upgrading the truck fleet to improve efficiency and provide higher levels of customer service.
- Increasing freezer capacity to support business growth.
- Introducing up to date material-handling equipment.
- Improving the warehouse management system to enable us to provide a quality of service that will place us ahead of our competitors.

Gross profit is forecast to continue to grow on projected sales revenue and improved control of operating expenditure.

Gross margin is expected to show a small decline reflecting the change in the customer and product mix of the business.

The FY 18-19 target net profit before tax is $700,000 with accelerated net profit targets being set for the next 5 years generated from organic and acquisitive growth.

BOARD AND SENIOR MANAGEMENT

A number of changes were made during the year at Board and Management level following the retirement of Allan Lewis as Chairman/Director, James De Leo as a Director and Derek Smith reverting back exclusively to the CEO role.

On behalf of the Board, I would like to thank Allan and James for their contribution to the company. In particular, I would like to acknowledge the contribution made by Allan Lewis over his 20 years as a Director and the last 4 years as Chairman.

With this objective in mind, the following key appointments were made during the year.

- Mr. Nigel Trenaman was appointed as Warehouse and Distribution Manager on 11 December 2017. Nigel has a strong operational warehouse and distribution background having held several positions with Smiths Snack Foods a division of Pepsi Co. Nigel was a project leader on several key projects during this time and is experienced in change management processes.

- Mr. Peter Stocker was appointed to the Board on 3 April 2018. Peter Stocker is a long-term MBL shareholder, still strongly connected to the butchery industry and is respected amongst his peers. Peter developed his butchery operations from a small independent butcher operation into a large scale meat processing and value adding facility. Peter's business (Classic Meats) established themselves as leading suppliers to the growing food service sector and developed a reputation for excellence in quality and service. Peter has recently sold his business, remains and continues to take an active interest in developments within the meat industry and the food service sector. Peter fully understands the demands of the butchery sector and has recent hands on experience in business operations, sales, logistics, finance and customer service. He is passionate about ensuring the independent butchery sector continues to evolve and compete profitability in the market place and recognises the need for MBL Food Service to maintain its position as the states leading supplier of butchery supplies and ingredients whilst excited about MBL's plan to diversify into the packaging, bakery and food service sectors. Peter is a member of the Australian Institute of Company Directors (MAICD).

- Mr. Anthony Capolingua was appointed to the Board on 3 April 2018. Anthony Capolingua is a managing director of Capo & Co; a Perth based Accountancy, Management and Advisory Services Company. Integrity and personalised service have been the cornerstone of the accounting practices growth. Anthony was appointed managing director in 2000 and assumed the daily management of the firm. Anthony has 28 years in public practice and an advocate of careful planning and well-implemented strategies. Anthony is a firm believer that opportunities abound for business to increase revenues and drive profitability.

- Mr. Matthew Smith was appointed to the Board on 1 May 2018. Matthew Smith is an Executive Director of Marathon Consolidated Ltd and the Chief Executive of Menninger Capital, an investment manager & corporate advisory company which he founded in October 2012. Mr. Smith has over 10 years of experience in financial services, investment markets, accounting, taxation and audit, having spent the earlier part of his career with affiliate offices of ABN AMRO Morgans and RBS Morgans. Mr. Smith has a Bachelor of Commerce with both Accounting and Finance majors, has lectured in finance and investment subjects at James Cook University and he is also a member of the Australian Institute of Company Directors (MAICD).
- Mr. Lloyd Hirst was appointed to the Board on 1 May 2018. Lloyd Hirst is the Chief Investment Officer of Menninger Capital; the Investment Manager of Marathon Consolidated Ltd. Mr. Hirst has over 25 years of hands on experience as an investment company director and investor of private capital. His financial services experience includes financial advice, stockbroking and global equity funds management. Mr. Hirst holds a Master of Business Administration (MBA), a Master of Professional Accounting (MPA) and has lectured in finance and investment subjects at James Cook University. He is a Chartered Financial Analyst (CFA), a Fellow of the Financial Services Institute of Australia (F Fin) and a member of the Australian Company Institute of Directors (MAICD).

Your Directors are confident and committed in delivering an improved profit performance, expect to further grow shareholder value, and is committed to supporting and guiding the management team to achieve our long-term goals.

PETER STOCKER
Chairman of Directors
Dated this 25th day of October 2018

MBL Trading Limited has business operations covering the following areas

a) Butchery, bakery, packaging and food service sales
b) Blending and contract packing of food ingredients
c) Food equipment sales
d) Mechanical services and sharpening services
e) Retail point of sale systems

MBL Trading Limited is Western Australia's leading supplier of butchery ingredient supplies and equipment. The company has an increasing footprint in the bakery, packaging, and food service sectors. Sales revenue and gross profit is being driven through both customer and product development in the 4 key growth areas of the strategic plan.

SALES AND PURCHASING

Significant sales revenue growth compared to the prior year was recorded in the following strategic areas.

Food Additives	+21%
Packaging	+19%
Food Service	+49%
Chilled & Frozen	+53%
Frozen Dough	+10%

Additional resources were employed at the start of the year to support the establishment of a new product range specifically tailored to the food service sector. A mid-year review was undertaken which resulted in cost effective changes in the sales team as well and the deletion of non-profitable new customers.

The sales team is focussed on expanding sales to existing customers through an expansion of the product range supplied as well as targeting significant new customer sales opportunities. This approach delivered sales revenue growth of 11.9% compared to the prior year.

Growth opportunities in butchery supplies and ingredients are available as we continue to partner with the processing and retail sectors to support these businesses in a very competitive sector and make our customers aware of new products, which are on trend and provides opportunities to value add to their business and reduce costs where possible.

The bakery sector has seen a healthy increase in sales of bakery ingredients to the retail and processing sector as well and continued growth of the Yarrows range of frozen dough.

The IKON Pack range continues to expand as we increase our range of packaging solutions to the meat, bakery sectors, and food service sectors. The green movement towards recyclable, bio degradable and compostable products will present opportunities for the IKON brand as we partner with suppliers who have the capability of providing innovative and environmentally friendly packaging solutions.

Food Service including chilled and frozen product sales showed significant growth as a result of the investment in additional sales resources to generate new business and the move to next day delivery for all metro customers. Sales in this area are being driven by new business with some significant accounts.

Mechanical services continue to provide an important service to the butchery sector and supports the sale of food equipment by providing a clear service and repair option to equipment buyers. Gate installs are continuing as Aldi roll out new stores.

Sales in mechanical services, sharpening and retail solution recorded lower sales than the previous year. As a result, action was taken to reduce the wage costs associated with these services. $69K of Retail Solutions stock was written off due to new technology making various items obsolete.

The purchasing team ensured that the business reacted to any significant increase in product costs. This allowed the budgeted gross margin to be achieved.

FINANCE AND ADMINISTRATION

As market conditions continued to remain soft for many customers, tighter credit management was introduced to reduce the risk of bad / doubtful debts. The IT system provided accurate data to support decision making by the management team. A review of our IT system will take place in the New Year to ensure IT systems and data are supported and protected at the required level.

WAREHOUSE AND LOGISTICS

The warehouse and logistics team moved to a new business model of next day delivery in the metro area. Staffing and vehicle issues compounded the challenge and additional unbudgeted operating costs were incurred which reduced the gross profit gains made from increased sales revenue. A new manager was employed on 11 December 2017 to drive the change management program within the warehouse and logistics function. A new team of four leading hands were all promoted from within MBL.

Automated material handling equipment was introduced in the warehouse to increase the speed of the pick and reduce picker fatigue, which is expected to improve pick accuracy and help drive costs lower.

Inventory control throughout the warehouse continues to be a priority and new technology will be assessed which can support the warehouse process.

Next day delivery for all metropolitan orders in full, on time and within specification is the corner stone of our service promise to our customers.

OCCUPATIONAL HEALTH & SAFETY

The Occupational Health and Safety program continues to ensure the safety of all staff members. The company incurred 2 LTI's (Loss Time Injuries) last year.

Management is pleased to see staff more engaged resulting in an increase in reporting hazards to secure a safer workplace for all staff.

All statutory audits were completed successfully; MBL completed all Country of Origin labelling changes before the end of the year and supplied information to all customers to allow our customers to meet the 30 June 2018 deadline.

MBL FOOD SERVICES MISSION STATEMENT

To be the leading supplier to the butchery, bakery and selected food service sectors. By meeting our customers' needs and supported by operational excellence and service, we will provide growth opportunities for customers, shareholders, and staff.

MBL FOOD SERVICES VISION STATEMENT

To be WA's leading Butchery, Bakery, Packaging, and Food Service supplier, most admired for its people, partnerships, and performance.

D. C. Smith

DEREK C SMITH
Chief Executive Officer
Dated this 25th day of October 2018

Your directors present their report on the company for the financial year ended 30 June 2018.

DIRECTORS

P B Stocker	- appointed 3 April 2018 - (Chairman from 23 July 2018)	A W Lewis	- retired 30 June 2018
		D C Smith	- ceased 1 May 2018
J G Percy		J P De Leo	- retired 30 November 2017
D Ciampini			
A J Capolingua	- appointed 3 April 2018		
M J Smith	- appointed 1 May 2018		
L D Hirst	- appointed 1 May 2018		

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

PRINCIPAL ACTIVITIES

During the year, the principal continuing activities of the Company consisted of:

(a) Wholesale and Retail sales of Butchery, Food Service and, Bakery Ingredients and requisites
(b) Food Machinery Sales and Service
(c) Scales, Cash Registers and POS Sales and Service
(d) Sharpening and Grinding Sales and Service

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

REVIEW OF OPERATIONS

MBL Trading Limited has business operations covering the following areas:

a) Food service, distribution, and warehouse services
b) Contract blending and packing of premixes and other food ingredients
c) New machinery sales and service
d) Blade sharpening and other mechanical services
e) Retail sales systems solutions

During the year, all business divisions operated satisfactorily with the exception of Mechanical Services, Retail Solutions and Machinery which recorded sales lower than the previous year. Together these divisions provide the basis for the company's strong focus on customer service and value. MBL Trading Ltd remains Western Australia's leading diversified provider of services to the butchery, bakery and food service industry. Going forward, the company will continue to focus on improving customer service. Increasing sales revenue and gross profit will be supported by increasing the product range and customer base, purchasing management and a profit delivery program focused on improved efficiencies and cost control.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the company's state of affairs occurred during the financial year.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The company will continue to pursue increased profitability and market share of its major business sectors during the succeeding financial year, whilst evaluating possibilities to expand or add to these business sectors.

DIVIDENDS

Since the end of the financial year, the Directors have resolved not to pay a Dividend for the year ended 30 June 2018. (2017 – $0.03 cents).

	2018 $'000	**2017 $'000**
Final Ordinary Dividend Payable	-	215

a. A fully franked dividend of $215,374 was paid during the year as recommended in last year's report.

ENVIRONMENTAL REGULATION

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

OPTIONS

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

INDEMNIFICATION OF OFFICERS

The company has, during the financial year, in respect of any person who is or has been an officer of the company paid a premium of $4,004 in respect of Directors' and Officers' Liability Insurance which indemnifies the Directors and Officers of the company for any claims made against the Directors and Officers of the company, subject to the conditions contained in the insurance policy.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for the auditors of the company

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

INFORMATION ON DIRECTORS

Peter B Stocker, Chairman – Non-Executive
Non-executive director
Appointed to the Board on 3 April 2018
Qualifications and Experience: Butcher by Trade with over 30 years' experience in supplying food service sector, retail butchering and business management.

John G Percy, Non-Executive Director
Non-executive director for 18 years
Appointed to the Board on 6 December 2004
Experience in wholesale/retail butchering and business management

Daniele Ciampini, Non-Executive Director
Non-executive director
Appointed to the Board on 1 May 2017
Qualifications and Experience: Diploma in Dental Technology with over 20 years' experience in Practice Management. Current Chairman of Mondo Doro Smallgoods. Experienced in Business Management.

Anthony J Capolingua, Non-Executive Director
Non-executive director
Appointed to the Board on 3 April 2018
Qualifications and Experience: Dip in Accounting, Charted Tax Advisor, Dip in Financial Planning, Registered Tax Agent, Registered SMSF Auditor (FIPA)(CTA)(AFA).
Current CEO and Managing Partner of Capo & Co Business Advisors with 30 years' experience in business advisory, taxation and Business Management.

Matthew J Smith, Non-Executive Director
Non-executive director
Appointed to the Board on 1 May 2018
Qualifications and Experience: Bachelor of Commerce (Accounting – Finance).
Current Chief Executive Officer and founder of Menninger Capital with over 10 years of experience in financial services, investment markets, accounting, taxation and audit.

Lloyd D Hirst, Non-Executive Director
Non-executive director
Appointed to the Board on 1 May 2018
Qualifications and Experience: Master of Business Administration, Master of Professional Accounting, Chartered Financial Analyst and Fellow of the Financial Services Institute of Australia.
Current Chief Investment Officer of Menninger Capital with over 25 years of private capital investment experience including stockbroking, financial planning and global equity funds management.

Allan W Lewis, – Non-Executive
Non-executive director for 27 years
Experience in wholesale/retail butchering and business management

James P De Leo, Non-Executive Director
Non-executive director
Appointed to the Board on 23 June 2014
Qualifications and Experience: Bachelor Degree in Management/International Relations and Business Economics (Murdoch), Masters Degree in Strategic Affairs (Australian National University – Canberra), Experienced in wholesale food, importing and international logistics.

Derek C Smith, Casual Director
Appointed to the Board on 19 December 2016
Qualifications and Experience: Bachelor Degree in Business and Administration (University of Strathclyde – United Kingdom). Over 34 years' experience in business management covering both public and private organisations primarily within the food processing and wholesale distribution sectors.

DIRECTORS' MEETINGS

During the financial year, 15 meetings of directors (including committees of directors) were held.

Attendances by each director during the year were as follows:

Directors	Board Meeting	
	A	B
A W Lewis	15	15
J G Percy	15	15
J P De Leo	7	5
D C Smith	13	13
D Ciampini	15	15
P B Stocker	4	4
A J Capolingua	4	4
M J Smith	2	2
L D Hirst	2	2

A – Number of meetings held during the time the director held office during the year.

B – Number of meetings attended

Mr John Percy retires by rotation; and offers himself for re-election.

Mr Daniele Ciampini retires by rotation; and offers himself for re-election.

DIRECTORS' INTERESTS

The relevant interests of each director in the shares of the Company are:

	Ordinary Shares
P B Stocker	44,109
J G Percy	116,948
D Ciampini	1409
A J Capolingua	100
M J Smith	1,429,772[1]
L D Hirst	1,429,772[1]

[1] Mr Hirst and Mr Smith are associates of Marathon Consolidated Limited. Marathon Consolidated Limited and associated entities, collectively, have a relevant interest of 1,429,772 shares in the company.

No director has received or become entitled to receive, during or since the end of the financial period, a benefit because of a contract made by the company, or a related company with a director, a firm of which a director is a member or an entity in which a director has substantial financial interest, other than the benefits as disclosed in the notes to and forming part of the accounts.

COMPANY SECRETARY

The following person held the position of company secretary during and at the end of the financial year: C Mitchell.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 9.

No officer of the company is or has been a partner/director of any auditor of the company.

ASIC CORPORATIONS (ROUNDING IN FINANCIAL/DIRECTORS' REPORTS) INSTRUMENT 2016/191

The company is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars where stated.

This director's report is signed in accordance with a resolution of the Board of Directors:

P B STOCKER **J G PERCY**

Dated this 25th day of October 2018

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Australia

DECLARATION OF INDEPENDENCE BY MATTHEW CUTT TO THE DIRECTORS OF MBL TRADING LIMITED

As lead auditor of MBL Trading Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

2. No contraventions of any applicable code of professional conduct in relation to the audit.

Matthew Cutt

Director

BDO Audit (WA) Pty Ltd

Perth, 25 October 2018

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Revenue	2	22,511	20,104
Cost of sales	3	(16,083)	(14,098)
Gross profit		6,428	6,006
Other income	2	394	319
Employee expenses		(3,785)	(3,593)
Depreciation expenses	3	(172)	(217)
Borrowing costs	3	-	(1)
Transportation expenses		(667)	(639)
Stock Provision for Obsolescence and Stock Write Off Adjustments		(339)	(20)
Other expenses	3	(1,764)	(1,542)
Operating profit before income tax		95	313
Income tax expense	4	(40)	(86)
Profit after taxation for the year		55	227

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	1,686	1,977
Trade and other receivables	9	2,647	2,540
Inventories	10	3,961	3,829
Other assets	11	242	212
Financial assets	12	-	-
TOTAL CURRENT ASSETS		8,536	8,558
NON-CURRENT ASSETS			
Financial assets	12	52	52
Property, plant and equipment	13	7,745	7,675
Intangible assets	14	-	35
Deferred tax assets	17	256	267
TOTAL NON-CURRENT ASSETS		8,053	8,029
TOTAL ASSETS		16,589	16,587
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	2,115	1,838
Borrowings	16	-	5
Provision for income tax	17	(5)	34
Provision for employee benefits	18	380	376
TOTAL CURRENT LIABILITIES		2,490	2,253
NON-CURRENT LIABILITIES			
Borrowings	16	-	-
Deferred tax liabilities	17	1,116	1,195
Provision for employee benefits	18	28	24
TOTAL NON-CURRENT LIABILITIES		1,144	1,219
TOTAL LIABILITIES		3,634	3,472
NET ASSETS		12,955	13,115
EQUITY			
Issued capital	19	7,179	7,179
Reserves		1,972	1,972
Retained earnings		3,804	3,964
TOTAL EQUITY		12,955	13,115

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Note	Issued Capital Ordinary $'000	Retained Earnings $'000	Reserves – Revaluation Surplus $'000	Total $'000
Balance at 1 July 2016		7,179	4,096	1,972	13,247
Profit attributable to members of the entity		-	227	-	227
Subtotal		7,179	4,323	1,972	13,474
Dividends paid	7	-	(359)	-	(359)
Balance at 30 June 2017		7,179	3,964	1,972	13,115
Balance at 1 July 2017		7,179	3,964	1,972	13,115
Profit attributable to members of the entity		-	55	-	55
Subtotal		7,179	4,019	1,972	13,170
Dividends paid	7	-	(215)	-	(215)
Balance at 30 June 2018		7,179	3,804	1,972	12,955

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		22,702	19,917
Payments to suppliers		(18,675)	(16,140)
Payments to employees		(3,777)	(3,565)
Interest received		17	31
Borrowing costs		-	(1)
Income tax paid		(147)	(138)
Net cash generated from operating activities	23	120	104
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		66	23
Purchase of property, plant and equipment	13	(257)	(410)
Net cash used in investing activities		(191)	(387)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(5)	(24)
Dividend distribution paid		(215)	(359)
Net cash used in financing activities		(220)	(383)
Net (decrease) / increase in cash held		(291)	(666)
Cash and cash equivalent at beginning of financial year		1,977	2,643
Cash and cash equivalent at end of financial year	8	1,686	1,977

The accompanying notes form part of these financial statements

The financial statements cover MBL Trading Limited as an individual entity. MBL Trading Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 25th October 2018 by the directors of the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general-purpose financial statements have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

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

a. Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the entity in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Fair Value of Assets and Liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

c. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

d. Property, Plant and Equipment

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

Property

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are recognised against fair value reserves directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Property, Plant and Equipment (continued)

Depreciation

The depreciable amount of all fixed assets, including capitalised lease assets but excluding freehold land and buildings, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	3 – 40%
Motor Vehicles	15 – 27%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

e. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified "at fair value through profit or loss," in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The company does not designate any interests in subsidiaries, associates, or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial Instruments (continued)

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a company of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial Instruments (continued)

Financial guarantees

Where material, financial guarantees issued, which requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

– the likelihood of the guaranteed party defaulting during the next reporting period;

– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and

– the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are is subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

f. Impairment of Non-Financial Assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value in use, to the asset’s carrying amount. Any excess of the asset’s carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

g. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of the company is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars, which is the parent entity’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Foreign Currency Transactions and Balances (continued)

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise, the exchange difference is recognised in the statement of comprehensive income.

h. Employee Benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations due to changes in assumptions for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense in the periods in which the changes occur.

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

i. Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

j. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

k. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method, which, for floating rate financial assets is the rate inherent in the instrument. All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Revenue and Other Income (continued)

Investment property revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

Dividend revenue is recognised when the right to receive a dividend has been established

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

l. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(e) for further discussion on the determination of impairment losses.

m. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

n. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

o. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

p. Comparative Figures

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

Where the company retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

q. Critical Accounting Estimates and Judgments

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

Key estimates

(i) *Impairment – general*

The company assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised in respect of goodwill at the end of the reporting period.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q. Critical Accounting Estimates and Judgments (continued)

Key judgments

(i) *Provision for impairment of receivables*

Included in trade receivables at the end of the reporting period are sales receivable from various customers amounting to $68,517 (2017: $4,737) that have been outstanding for over 150 days. Some of these customers are experiencing financial difficulties. The directors consider these amounts to be impaired. Accordingly, a provision for impairment has been recognised in respect to these receivables.

(ii) *Available-for-sale investments*

The company maintains an investment in an unlisted company with a carrying amount at the end of the reporting period of $51,500 (2017: $51,500).

(iii) *Employee benefits*

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As the company expects that all its employees would use all their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, the directors consider that obligations for annual leave entitlements satisfy the definition of short-term employee benefits and, therefore, can be measured at the (undiscounted) amounts expected to be paid to employees when the obligations are settled.

(iv) *Property, plant and equipment*

The company obtains independent valuations for its property, plant and equipment at least every three years. At the end of each reporting period, the directors update their assessment of the fair value of property, plant and equipment, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar property, plant and equipment. Where such information is not available the directors consider information from a variety of sources including discounted cash flow projections based on reliable estimates of future cash flows.

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(v) *Inventories*

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Company's core business is subject to technology changes which may cause selling prices to change rapidly.

(vi) *Deferred Tax assets*

Deferred tax assets are recognised only if it is probable that future taxable amounts are available to utilise those temporary differences and losses. Management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future profits.

r. New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB together with an assessment of the potential impact of such pronouncements on the company when adopted in future periods, are discussed below:

– AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. New Accounting Standards for Application in Future Periods (continued)

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

– 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

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

– 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. New Accounting Standards for Application in Future Periods (continued)

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 2: REVENUE AND OTHER INCOME

	Note	2018 $'000	2017 $'000
Revenue			
Sales revenue:			
- Sale of goods		22,511	20,104
Other income:			
- Other revenue	2a	378	290
- Interest received	2b	16	29
		394	319
Total revenue		22,905	20,423

		2018 $'000	2017 $'000
a.	**Other revenue:**		
	- gain on disposal of property, plant and equipment	16	3
	- other sundry income	362	287
	Total other revenue	378	290
b.	**Interest revenue from:**		
	- bank	16	29
	Total interest income calculated using the effective interest method	16	29

NOTE 3: PROFIT BEFORE INCOME TAX

Profit before income tax from continuing operations includes the following specific expenses:

		2018 $'000	2017 $'000
a.	**Expenses**		
	Cost of sales	(16,083)	(14,098)
	Depreciation of property, plant and equipment	(172)	(217)
	Interest expense on financial liabilities not at fair value through profit or loss:		
	— Interest expense – Bank	-	(1)
	Total interest expense	-	(1)
	Bad and doubtful debts:		
	— trade receivables	(94)	(42)
	Total bad and doubtful debts	(94)	(42)

NOTE 3: PROFIT BEFORE INCOME TAX (CONTINUED)

	Note	2018 $'000	2017 $'000
Other expenses			
— Commission Paid		(83)	(81)
— Electricity		(150)	(133)
— Equipment Hire		(132)	(86)
— Insurance		(133)	(123)
— Rates & Taxes		(112)	(117)
— Repairs & Maintenance		(72)	(54)
— Stock Obsolescence Provision and stock related costs		(339)	(41)
— Subcontractors		(92)	(24)
— Legal and Professional Fees	(i)	(238)	(288)
— Others		(413)	(595)
Total other expense		(1,764)	(1,542)

(i). Included in legal and professional fees is an amount representing a legal settlement reached during the year.

NOTE 4: INCOME TAX EXPENSE

a. The components of tax expense comprise:

	Note	2018	2017
Current tax expense		108	136
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	17	(68)	(50)
		40	86

b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:

	2018	2017
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2017: 30%)	26	94
Add tax effect of:		
- other non-allowable items	229	184
	229	184
Less tax effect of:		
- Deductible depreciation	(72)	(90)
- Deferred tax transferred / (credited) to income tax	(68)	(50)
- Other allowable deduction	(75)	(52)
- Tax losses incurred / (utilised)	-	-
	(215)	(192)
Income tax attributable to entity	40	86

The applicable income tax rate is the Australian federal rate of 27.5% (2017: 30%) applicable to Australian resident companies.

	2018	2017
The applicable weighted average effective tax rates are as follows:	41%	28%

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

The totals of remuneration paid to key management personnel (KMP) of the company during the year are as follows:

	2018 $'000	2017 $'000
Short-term employee benefits	283	263
Post-employment benefits	28	26
	311	289

Remuneration of Directors and Executives

	Primary				Post Employment			
	Cash Salary and Fees		Non-Monetary Benefits		Superannuation Benefits		Total Remuneration	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
M P Collett	-	7	-	-		1	-	8
A W Lewis	31	22	-	-	3	2	34	24
J G Percy	17	17	-	-	2	2	19	19
R G Moonen	-	7	-	-	-	1	-	8
J P De Leo	7	17	-	-	1	2	8	19
D Ciampini	17	3	-	-	2	-	19	3
D C Smith	202	190	-	-	19	18	221	208
P B Stocker	6	-	-	-	1	-	7	-
A Capolingua	6	-	-	-	1	-	7	-
M J Smith	3	-	-	-	-	-	3	-
L D Hirst	3	-	-	-	-	-	3	-
	292	263	-	-	29	26	321	289

NOTE 6: AUDITORS' REMUNERATION

	2018 $'000	2017 $'000
Remuneration of the auditor:		
- audit of the financial statements	24	20
- preparation of the financial statements	-	4
	24	24

NOTE 7: DIVIDENDS

	2018	2017
Dividends recognised as distribution and paid during the period:		
Declared fully franked ordinary dividend of 3.0 (2017: 5.0) cents per share franked at the tax rate of 27.5% (2017: 30%)	215	359
	215	359
Per share dividends amount paid during the period	3.0 cents	5.0 cents

NOTE 8: CASH AND CASH EQUIVALENTS

	Note	2018 $'000	2017 $'000
Cash at bank and on hand		864	592
Short-term deposits		822	1,385
		1,686	1,977

Cash and cash equivalents balance as shown in the statement of financial position can be reconciled to that shown in that shown in the statement of cash flows as follows:

Per the statement of financial position		1,686	1,977
Less bank overdraft		-	-
Per the statement of cash flows		1,686	1,977

NOTE 9: TRADE AND OTHER RECEIVABLES

CURRENT			
Trade receivables		2,715	2,545
Provision for impairment of doubtful debts	9a	(68)	(5)
Total current receivables		2,647	2,540

a. Provision for impairment of receivables

Movement in the provision for impairment of receivables is as follows:

	$'000
Balance as at the beginning of the year	(5)
Amounts provided during the year	(94)
Amounts written off against the provision	31
Balance as at the end of the year	(68)

Credit risk

The company does not have any material credit risk exposure to any single receivable or company of receivables.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon.

Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

NOTE 9: TRADE AND OTHER RECEIVABLES (CONTINUED)

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

			Past Due but Not Impaired (Days Overdue)			
	Gross Amount $'000	Past Due and Impaired $'000	<30 $'000	31–60 $'000	>61 $'000	Not Past Due $'000
2018						
Trade and term receivables	2,715	68	881	231	64	1,471
Other receivables	-	-	-	-	-	-
Total	2,715	68	881	231	64	1,471
2017						
Trade and term receivables	2,545	5	758	207	66	1,509
Other receivables	-	-	-	-	-	-
Total	2,545	5	758	207	66	1,509

	Note	2018 $'000	2017 $'000
b. Financial assets at amortised cost classified as trade and other receivables			
Trade and other receivables:			
- total current		2,647	2,540
- total non-current		-	-
Total financial assets classified as trade and other receivables	25	2,647	2,540

c. Collateral held as security

Collateral is held over some trade and other receivables.

NOTE 10: INVENTORIES

	2018 $'000	2017 $'000
CURRENT		
At cost:		
- Finished Goods	4,096	3,829
- Provision for Obsolete Stock	(135)	-
	3,961	3,829

NOTE 11: OTHER ASSETS

	2018 $'000	2017 $'000
CURRENT		
Prepayments	144	118
Accrued income	97	93
Deposits and others	1	1
	242	212

NOTE 12: FINANCIAL ASSETS

	Note	2018 $'000	2017 $'000
CURRENT			
Available for-sale investments	12a	-	-
Total current financial assets		-	-
NON-CURRENT			
Available for-sale investments	12a	52	52
Total current financial assets		52	52

a. Available For-Sale Investments

	Note	2018 $'000	2017 $'000
Shares in an unlisted company, at fair value	25, 26	52	52
Total available for-sale investments		52	52

Financial assets comprise available-for-sale investments in the ordinary issued capital of an entity. There are no fixed returns or fixed maturity dates attached to these investments. No intention to dispose of any unlisted available-for-sale financial assets existed at 30 June 2018.

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

LAND AND BUILDINGS		
Land at valuation	5,034	5034
Buildings at valuation	1,766	1,766
Total land and buildings	6,800	6,800
PLANT AND EQUIPMENT AND VEHICLES		
Plant and equipment:		
At cost	2,688	2,593
Accumulated depreciation	(2,135)	(2,040)
Total plant and equipment	553	553
Motor Vehicles:		
At cost	870	857
Accumulated depreciation	(478)	(535)
Total motor vehicles	392	322
Total plant and equipment and vehicles	945	875
Total property, plant and equipment	7,745	7,675

a. Movements in carrying amounts

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

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold Land	Buildings	Plant and Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2016	5,034	1,766	456	246	7,502
Additions	-	-	247	163	410
Disposals — written-down value	-	-	-	(20)	(20)
Depreciation expense	-	-	(150)	(67)	(217)
Carrying amount at 30 June 2017	5,034	1,766	553	322	7,675
Balance at 1 July 2017	5,034	1,766	553	322	7,675
Additions	-	-	95	162	257
Disposals — written-down value	-	-	-	(16)	(16)
Depreciation expense	-	-	(95)	(76)	(171)
Carrying amount at 30 June 2018	5,034	1,766	553	392	7,745

NOTE 14: INTANGIBLE ASSETS

	2018 $'000	2017 $'000
Goodwill:		
At cost	-	50
Accumulated impairment losses	-	(15)
Net carrying amount	-	35

a. Movements in carrying amounts

	Goodwill $'000
Balance at 1 July 2016	35
Additions	-
Impairment losses	-
Carrying amount at 30 June 2017	35
Balance at 1 July 2017	35
Additions	-
Impairment losses	(35)
Carrying amount at 30 June 2018	0

b. Impairment assessment of goodwill

Goodwill has been fully written down due to the Brice Reseller Agreement expiring.

NOTE 15: TRADE AND OTHER PAYABLES

	Note	2018 $'000	2017 $'000
CURRENT			
Unsecured liabilities:			
Trade payables		1,722	1,275
Accrued expenses		238	350
Unpresented dividends and rebates		28	42
Other payables		152	171
	15a	2,140	1,838

a. Financial liabilities at amortised cost classified as trade and other payables

	Note	2018 $'000	2017 $'000
Trade and other payables:			
Total current		2,140	1,838
Total non-current		-	-
		2,140	1,838
Less: GST payable		(25)	(30)
Financial liabilities as trade and other payables	25	2,115	1,808

The average credit period on trade and other payables (excluding GST payable) is one month. No interest is payable on outstanding balances during this period.

NOTE 16: BORROWINGS

	Note	2018 $'000	2017 $'000
CURRENT			
Vehicle loans	16c	-	5
Total current borrowings		-	5
NON-CURRENT			
Vehicle Loans	16c	-	-
Total non-current borrowings		-	-
Total borrowings	20, 25	-	5

a. Total current and non-current secured liabilities:

	2018 $'000	2017 $'000
Vehicle loans liability	-	5

b. The carrying amounts of non-current assets pledged as security are:

	2018 $'000	2017 $'000
First mortgage:		
- Motor vehicles	-	22

c. Collateral provided:

Vehicle loans liabilities are secured by the underlying vehicle assets.

NOTE 17: TAX

	2018 $'000	2017 $'000
CURRENT LIABILITIES		
Income tax payable	(5)	34
NON-CURRENT ASSETS		
Deferred tax assets	256	267
NON-CURRENT LIABILITIES		
Deferred tax liabilities	1,116	1,195

		Balance as at 30 June 2018 $'000	(Charged)/ Credited to Income $'000	(Charged)/ Credited to Equity $'000	Balance as at 30 June 2017 $'000	(Charged)/ Credited to Income $'000	(Charged)/ Credited to Equity $'000	Balance as at 1 July 2016 $'000
Deferred tax assets on:								
Provision for employee benefits		112	(8)	-	120	8	-	112
Provision for doubtful debts		56	55	-	1	(4)	-	5
Accruals		88	(17)	-	105	35	-	70
Other		-	(41)	-	41	41	-	-
		256	(11)	-	267	80	-	187
Deferred tax liabilities on:								
Property, plant and equipment:								
-	accelerated depreciation for tax purposes	(98)	224	-	(322)	(24)	-	(298)
-	revaluation	(991)	(146)	-	(845)	-	-	(845)
Accrued income		(27)	1	-	(28)	(6)	-	(22)
		(1,116)	79	-	(1,195)	(30)	-	(1,165)
Net amount		(860)	68	-	(928)	50	-	(978)

The amount of deductible temporary differences and unused tax losses for which no deferred tax asset has been brought to account:

- temporary differences $Nil (2017: $Nil); and
- tax losses: operating losses $Nil (2017: $Nil).

The benefits of the above temporary differences and unused tax losses will be realised when the conditions for deductibility set out in Note 1(a) occur. These amounts have no expiry date.

NOTE 18: PROVISION FOR EMPLOYEE BENEFITS

	Employee Benefits $'000	Total $'000
Analysis of Provisions		
Opening Balance at 1 July 2017	400	400
Amount provided during the year	8	8
Balance at 30 June 2018	408	408

	2018 $'000	2017 $'000
CURRENT		
Annual leave	220	216
Long service leave	160	160
	380	376
NON-CURRENT		
Long service leave	28	24
	28	24
Total provisions	408	400

Provision for employee benefits

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

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

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

NOTE 19: ISSUED CAPITAL

	2018 $ '000	2017 $ '000
7,179,149 fully paid ordinary shares (2017: 7,179,149)	7,179	7,179
Total share capital	7,179	7,179

a. Movements in issued capital

Fully paid ordinary shares:		
At the beginning of the reporting period	7,179	7,179
Shares issued during the year	-	-
At the end of the reporting period	7,179	7,179

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

NOTE 19: ISSUED CAPITAL (CONTINUED)

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

b. Capital management

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate return and to ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. Currently, the company does not consider it necessary to finance its operations through debt capital. Accordingly, the company's only material financial liabilities at the end of the reporting period are trade and other payables.

There are no externally imposed capital requirements.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

There have been no changes in the capital structure or the objectives, policies, processes and strategy adopted by management to manage the capital of the company from the previous year.

The capital structure at 30 June 2018 and 30 June 2017 is as follows:

	Note	2018 $'000	2017 $'000
Total borrowings	16	-	5
Trade and other payables	15	2,115	1,838
Less cash and cash equivalents	8	(1,686)	(1,977)
Net debt		429	(134)
Total equity		12,955	13,115
Total capital		12,955	13,115
Gearing ratio		3%	Nil

NOTE 20: CAPITAL COMMITMENTS

Vehicle loan commitments

	Note	2018	2017
Payable — minimum lease payments:			
- not later than 12 months		-	5
- between 12 months and five years		-	-
Minimum vehicle loan payments		-	5
Less future finance charges		-	-
Present value of minimum vehicle loan payments	16	-	5

NOTE 21: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Estimates of the potential financial effect of contingent liabilities that may become payable:

Contingent Liabilities

Litigation

The company has no current litigation matters.

NOTE 22: EVENTS AFTER THE REPORTING PERIOD

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

NOTE 23: CASH FLOW INFORMATION

		2018 $'000	2017 $'000
a.	**Reconciliation of cash flows from operating activities with profit for the year**		
	Profit after income tax	55	227
	Non-cash flows in profit:		
	- depreciation and amortisation	172	217
	- net gain on disposal of property, plant and equipment	(16)	(3)
	Net Changes in working capital:		
	- (increase)/decrease in trade and other receivables	(106)	(453)
	- (increase)/decrease in inventories	(132)	(32)
	- (increase)/decrease in other assets	(30)	17
	- (increase)/decrease in deferred tax assets	11	(80)
	- increase/(decrease) in trade and other payables	275	155
	- increase/(decrease) in provision for income tax	(39)	(2)
	- increase/(decrease) in deferred tax liabilities	(79)	30
	- increase/(decrease) in provisions	9	28
	Net cash generated from operating activities	120	104

b. Credit standby arrangement and loan facilities

The company has a bank overdraft/ business multi option facility amounting to $511,000 (2017: $511,000). This may be terminated at any time at the option of the bank. At 30 June 2018, $Nil of this facility was used (2017: $Nil). Variable interest rates apply to these overdraft/business multi option facility.

NOTE 24: RELATED PARTY TRANSACTIONS

Related Parties

a. Parent Entity

MBL Trading Limited is the parent entity.

b. Subsidiaries

None.

c. Key management personnel

Disclosures relating to key management personnel short-term and post-employment benefits are set out in Note 5: Key Management Personnel Compensation.

No other long-term benefits or share based payments benefits accrued during the year.

d. Transactions with related parties

During the year:

Ambrosia Quality Foods Pty Ltd a related party of MBL Director John Percy purchased $41,143 of products from the company

Mondo Doro Pty Ltd a related party of MBL Director Daniele Ciampini purchased $33,801 of products from the company.

NOTE 24: RELATED PARTY TRANSACTIONS (CONTINUED)

In May 2018, Marathon Consolidated Limited became a related party. Directors Matthew Smith and Lloyd Hirst are associates of Marathon Consolidated Limited. As of 30 June 2018, Marathon Consolidated Limited and its associates held 1,429,772 shares in the parent entity.

Key management personnel are able to purchase non-commercial quantities of product from the retail shop as staff discount rates. These transactions are not material in value.

e. Receivable from and payable to related parties

As of 30 June 2018:

An accounts receivable of $4,104 was payable by Ambrosia Quality Foods Pty Ltd

An accounts receivable of $4,150 was payable by Mondo Doro Pty Ltd

f. Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date

g. Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

NOTE 25: FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, bank loans and overdrafts.

The totals for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies, are as follows:

	Note	2018 $'000	2017 $'000
Financial assets			
Cash and cash equivalents	8	1,686	1,977
Trade and other receivables	9	2,647	2,540
Available-for-sale investments	12	52	52
Total financial assets		4,385	4,569
Financial liabilities			
Trade and other payables	15	2,115	1,838
Borrowings	16	-	5
Total financial liabilities		2,115	1,843

Financial Risk Management Policies

The directors' overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

Senior executives meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts.

Specific Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and other price risk. There have been no substantive changes in the types of risks the company is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

NOTE 25: FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company. The company's objective in managing credit risk is to minimise the credit losses incurred, mainly on trade and other receivables and loans. There is no significant credit risk exposure on available-for-sale financial assets and held-to-maturity investments.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 14 to 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

The company has no significant concentrations of credit risk with any single counterparty or company of counterparties. Details with respect to credit risk of trade and other receivables is provided in Note 9.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 9.

All cash and cash equivalents are held with large reputable financial institutions within Australia and therefore credit risk is considered minimal.

	2018 $'000	2017 $'000
Cash and cash equivalents:		
- AA- rated	1,686	1,977
- AA rated	-	-
	1,686	1,977

b. Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company is not currently exposed to any significant liquidity risk on the basis that the realisable value of financial assets is significantly greater than the financial liabilities due for settlement. The company manages its liquidity risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities. The bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year-end could become repayable within 12 months. The company does not hold any derivative financial liabilities directly.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

NOTE 25: FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Financial liabilities due								
Trade and other payables	2,115	1,838	-	-	-	-	2,115	1,838
Finance lease liabilities	-	5	-		-	-	-	5
Total contractual outflows	2,115	1,843	-		-	-	2,115	1,843
Less bank overdrafts	-	-	-	-	-	-	-	-
Total expected outflows	2,115	1,843	-		-	-	2,115	1,843
Financial assets realisable								
Cash and cash equivalents	1,686	1,977	-	-	-	-	1,686	1,977
Trade and other receivables	2,647	2,540	-	-	-	-	2,647	2,540
Available-for-sale investments	-	-	52	52	-	-	52	52
Total anticipated inflows	4,333	4,517	52	52	-	-	4,385	4,569
Net inflow / (outflow)	2,218	2,674	52	52	-	-	2,270	2,726

c. Market risk

i *Interest rate risk*

Exposure to interest rate risk arises on interest-bearing financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect either the future cash flows (in the case of variable interest instruments) or the fair value financial instruments (in the case of fixed rate instruments).

Interest rate risk is managed using a mix of fixed and floating rate instruments. At 30 June 2018, the company had no interest-bearing financial liabilities and approximately 65% of group interest-bearing financial assets have fixed interest rates.

The company also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms

ii *Other price risk*

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk) for securities.

NOTE 25: FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit	Equity
Year ended 30 June 2018	**$'000**	**$'000**
+/- 2% in interest rates	39	39
+/-10% in available-for-sale investments	5	5
Year ended 30 June 2017		
+/- 2% in interest rates	22	22
+/-10% in available-for-sale investments	5	5

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Refer to Note 26 for detailed disclosures regarding the fair value measurement of the company's financial assets and financial liabilities.

		2018		2017	
	Note	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000
Financial assets					
Cash and cash equivalents (i)	8	1,686	1,686	1,977	1,977
Trade and other receivables (i)	9	2,647	2,647	2,540	2,540
Available-for-sale investments:	12, 26	52	52	52	52
Total financial assets		4,385	4,385	4,569	4,569
Financial liabilities					
Trade and other payables (i)	15a	2,140	2,140	1,808	1,808
Borrowings (ii)	16, 26	-	-	5	5
Total financial liabilities		2,140	2,140	1,813	1,813

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments whose carrying amounts approximate their fair values. Trade and other payables exclude amounts relating to the provision of annual leave and deferred revenue, which are outside the scope of AASB 139.

(ii) Fair values are determined using a discounted cash flow model incorporating current commercial borrowing rates. The fair value of fixed rate bank debt will differ from carrying amounts.

NOTE 26: FAIR VALUE MEASUREMENT

The company measures and recognises land and building, and shares in listed/unlisted companies at fair value on a recurring basis after initial recognition.

The company does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

a. Fair Value Hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

– *Market approach* uses prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

– *Cost approach* reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The land at 3-5 Vulcan Road, Canning Vale WA, 6155 was revalued by Knight Frank Australia Pty ltd on 6 December 2017, and the Directors were comfortable with the valuation received.

The following tables provide the fair values of the company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

NOTE 26: FAIR VALUE MEASUREMENT (CONTINUED)

	Note	30 June 2018 Level 1 $'000	 Level 2 $'000	 Level 3 $'000	 Total $'000
Recurring fair value measurements					
Financial assets					
Available-for-sale financial assets:					
- shares in unlisted investments	12	-	52	-	52
Total financial assets recognised at fair value		-	52	-	52
Non-financial assets					
Freehold land (i)	13	-	5,034	-	5,034
Freehold buildings (i)	13	-	1,766	-	1,766
Total non-financial assets recognised at fair value		-	6,800	-	6,800

	Note	30 June 2017 Level 1 $'000	 Level 2 $'000	 Level 3 $'000	 Total $'000
Recurring fair value measurements					
Financial assets					
Available-for-sale financial assets:					
- shares in unlisted investments	12	-	52	-	52
Total financial assets recognised at fair value		-	52	-	52
Non-financial assets					
Freehold land (i)	13	-	5,034	-	5,034
Freehold buildings (i)	13	-	1,766	-	1,766
Total non-financial assets recognised at fair value		-	6,800	-	6,800

b. Valuation Techniques and Inputs Used to Measure Level 2 Fair Values

Description	Fair Value at 30 June 2018 $'000	Valuation Technique(s)	Inputs Used
Financial assets			
Shares in unlisted companies	52	Original cost of investment	Fair value of underlying instruments
	52		

NOTE 26: FAIR VALUE MEASUREMENT (CONTINUED)

Description	Fair Value at 30 June 2018 $'000	Valuation Technique(s)	Inputs Used
Non-financial assets			
Freehold land (i)	5,034	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology	Price per hectare; market borrowing rate
Freehold buildings (i)	1,766	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology	Price per square metre; market borrowing rate
	6,800		

(i) The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the company to determine Level 2 fair values.

NOTE 27: COMPANY DETAILS

The registered office of the company is:

MBL Trading Limited
3 – 5 Vulcan Road Canning Vale
Western Australia 6155

The principal place of business is:

MBL Trading Limited
3 – 5 Vulcan Road Canning Vale
Western Australia 6155

In accordance with a resolution of the directors of MBL Trading Limited, the directors declare that:

1. the financial statements and notes, as set out on pages 10 to 42 are in accordance with the *Corporations Act 2001* and:

    a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the company.

2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Director **PETER STOCKER** Director **JOHN PERCY**

Dated this 25th day of October 2018

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of MBL Trading Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MBL Trading Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of MBL Trading Limited, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

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

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

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

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors Report, but does not include the financial report and our auditor's report thereon.

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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

BDO

M Cutt

Matthew Cutt

Director

Perth, 25 October 2018