

Annual Report 2020

Hudson Pacific Group Limited



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CORPORATE DIRECTORY

Hudson Pacific Group Limited

ACN 078 712 179
ABN 48 078 712 179

Registered and Corporate Office

Level 5
52 Phillip Street
Sydney NSW 2000

Telephone: +61 2 9251 7177
Fax: +61 2 9251 7500
Website: www.hpgl.com.au

Auditors

K.S. Black & Co
Level 1
251 Elizabeth Street
Sydney NSW 2000
Telephone: +61 2 8839 3000

Lawyers

Piper Alderman
Level 23, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000
Telephone: +61 2 9253 9999

Bankers

National Australia Bank Limited
Level 20, Tower 1
520 Oxford Street, Bondi Junction

Australia & New Zealand Banking Group Limited
Level 16, 20 Martin Place
Sydney NSW 2000
Telephone: +61 2 9216 2200

Board of Directors

John W Farey (Non-Executive Chairman)
Vincent Tan (Executive Director)
John Wang (Non-Executive Director)

Joint Company Secretary

Henry Kinstlinger
Mona Esapournoori

This financial report covers the Consolidated Entity consisting of Hudson Pacific Group Limited and its controlled entities.

Hudson Pacific Group Limited is a company limited by shares, incorporated and domiciled in Australia.

REVIEW OF OPERATIONS 2020

On behalf of the Board of Directors, I present to you the Annual Report for Hudson Pacific Group Limited (**the Company**) for the period to 31 December 2020. The Company recorded a consolidated net loss after tax of \$12.16 million. The losses arising mainly from changes in fair value of investment.

With the advent of the Covid-19 pandemic it has been a challenging year for the Company (and the country) and the economic impact has been immense. However, the Company came through these uncertain times relatively well.

The Company has a diverse asset portfolio which consists of:

a) Car Park – Hudson House, 131 Macquarie Street, Sydney 2000

The Company holds 48.94% unit holding in the Car Park located at Hudson House, 131 Macquarie Street. The Car Park is now managed by Wilson Parking Pty Ltd. It has 111 parking spaces, and is located in Sydney's CBD on the western side of Macquarie Street between Bridge and Bent Streets, directly opposite the Royal Botanic Gardens and caters for nearby hotels (including the Intercontinental Hotel, Sofitel Wentworth and Sir Stamford), Conservatorium of Music and Medical and Dental Centres.



b) 'Hudson House' Naming Rights and Rooftop Signage

The Company through Hudson Property Trust owns the strata for the building naming rights for Hudson House and the Hudson rooftop signage at 131 Macquarie Street, Sydney, NSW. It includes ground floor signboard and rooftop signage space within the 17-storey commercial building known as 'Hudson House'.



The Board of Directors continue to review the Company's strategies.

John W Farey
Chairman
18 March 2021

DIRECTOR'S REPORT

Your Director's present their report together with the financial statements on the consolidated entity (referred to hereafter as the **Group**) consisting of Hudson Pacific Group Limited (the **Company**) and the entities it controlled at the end of or during the year ended 31 December 2020.

Principal Activities	The principal activities of the Group during the course of the financial year were as follows: <ul style="list-style-type: none"> • Investment in commercial carpark; • Investment in listed and unlisted shares and businesses; and • Operation in corporate financial services
Operating results	The consolidated net loss after tax for the financial year ended 31 December 2020 was \$12.16 million (2019: profit \$0.1 million). Total shareholders' Funds as at 31 December 2020 are \$10.68 million (2019: \$22.85 million).
Review of Operations	Information on the operations of the Group and its business strategies and prospects are disclosed in both the Chairman's Report and the Review of Operations contained on page 3 of this Annual Report.
Dividends	The Directors of the Company do not recommend that any amount be paid by way of dividend (2019: nil).
Meetings of Directors	The number of Director's Meetings held, and the number of these meetings attended by each of the directors of the Company during the financial year were:

Director	Directors Meetings	
	Attended	Held Whilst in Office
John Farey	4	4
Vincent Tan	4	4
John Wang	4	4

INFORMATION ON DIRECTORS AND MANAGEMENT

DIRECTORS

The following persons held office as Directors of the Company at any time during or since the end of the financial year:

John W Farey	Non-Executive Chairman	Appointed 20 May 1998
Vincent Tan	Executive Director	Appointed 19 September 2003
John Wang	Non-Executive Director	Appointed 31 Jan 2018

All Directors have been in office since the commencement of the financial year unless otherwise stated.

John Farey, B. Com, FAIM, FAICD

Non- Executive Chairman – appointed on 20 May 1998

Experience and Expertise	John W Farey has over 45 years' experience in financial services including merchant and investment banking.
Other Current Directorships of Listed Companies	Non-Executive Chairman of Hudson Investment Group Limited (ASX: HGL)
Former Directorships in the last three years of Listed Companies	Non-Executive Director of Raffles Capital Limited (ASX: RAF)
Special Responsibilities	Chairman of the Board
Interests in Shares and Options	Direct interest in 10,000 shares Indirect interest in 107,799,608 shares

Vincent Tan

Executive Director – appointed on 19 September 2003

Experience and Expertise	Vincent Tan is a chartered accountant and has over the past 35 years worked in a range of industries, including insurance, securities trading, finance and property. Mr Tan has held senior management positions in a number of public and non-government organisations and has broad experience in corporate structuring.
Other Current Directorships of Listed Companies	None
Former Directorships in the Last Three Years of Listed Companies	None
Special Responsibilities	
Interests in Shares and Options	Direct interest: Nil Indirect interest in 184,760,837 shares

John Wang**Non-Executive Director – appointed on 31 January 2018**

Experience and Expertise	Mr Wang has many years' experience in managing carparking business.
Other Current Directorships of Listed Companies	None
Former Directorships in the Last Three Years of Listed Companies	None
Special Responsibilities	
Interests in Shares and Options	Direct interest: Nil Indirect interest: Nil

KEY MANAGEMENT PERSONNEL**Henry Kinstlinger****Joint Company Secretary – appointed 12 January 2016**

Experience and Expertise	Henry Kinstlinger has, for the past thirty years, been actively involved in the financial and corporate management of a number of public companies and non-governmental organisations. He is currently the Company Secretary of Australian Bauxite Limited. He is a corporate consultant with broad experience in investor and community relations and corporate and statutory compliance.
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Mona Esapournoori**Joint Company Secretary – appointed 19 December 2017**

Experience and expertise	Mona Esapournoori holds a Bachelor of Law from University of Western Sydney. She is admitted as a solicitor with the Law Society of New South Wales.
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Francis Choy MCom MBA FCPA (HK) FCPA CA**Chief Financial Officer**

Experience and Expertise	Francis Choy has held a number of senior positions in corporate financial management roles throughout Australia and South East Asia. He has extensive experience in project finance, compliance, acquisition and investment appraisals. He has been involved in project finance, financial management of property development and telecommunication projects in South East Asia. He held senior financial roles for numerous public listed companies both in Hong Kong and Australia.
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LIKELY DEVELOPMENTS

Information on likely developments in the operations of the Group, known at the date of this report has been covered generally within the report. In the opinion of the Directors providing further information would prejudice the interests of the Group.

RISK MANAGEMENT

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against budgets.

MATTERS SUBSEQUENT TO BALANCE DATE

At the date of this report there are no other matters or circumstances that have arisen since 31 December 2020 that have significantly affected or may significantly affect:

- The operations, in financial years subsequent to 31 December 2020 of the Group;
- The results of those operations; or
- The state of affairs, in financial years subsequent to 31 December 2020 of the Group.

ENVIRONMENTAL REGULATIONS

There has been no breach of environmental regulations during the financial year or in the period subsequent to the end of the financial year and up to the date of this report.

The Company aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are mindful of the regulatory regime in relation to the impact of the Company's activities on the environment.

To the best of the Director's knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Director's Report.

EXECUTIVE SERVICE AGREEMENTS

There were two service agreements in place formalising the terms of remuneration of Mr Farey and Mr Tan. The agreements have no specific term and may be terminated by either party upon reasonable notice. The Company may terminate the agreement in the event of serious misconduct by either party without any compensatory payment.

SHARE OPTIONS GRANTED TO DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

There were no options granted during or since the end of the financial year to any of the Directors or other Key Management Personnel of the Company and the Group as part of their remuneration. At the date of this report there were no unissued shares under option to Directors or other Key Management Personnel of the Company.

DIRECTOR'S INTEREST

The relevant interest of each Director in the share capital of the Company as shown in the Register of Director's Shareholdings as at the date of this report is:

Particulars of Director's Interest in the Issued Capital of the Company:

Ordinary Shares (Number)	Direct Interest	Employee Share Plan	Indirect Interest	Total
Director				
John Farey	10,000	-	107,799,608* ¹	107,809,608
Vincent Tan	-	-	184,760,837* ²	184,760,837
John Wang	-	-	-	-

Please refer to Note 24 of the financial statements for details.

*¹John Farey holds an indirect interest in shares as a result of being a director of other companies.

*²Vincent Tan holds an indirect interest in shares as a result of being a director of other companies.

SHARES UNDER OPTION

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.

LOANS TO DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

There is no loan to directors and officer at the reporting date.

PROCEEDINGS ON BEHALF OF THE COMPANY

Other than the matter referred to in the Director's Report 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 purposes of taking responsibility on behalf of the Company for all or part of these proceedings.

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under Section 237 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* has been received and is set out on page 11.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor K.S. Black & Co for audit and non-audit services provided during the year are set out below:

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

AUDITOR'S REMUNERATION

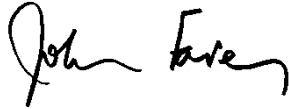
During the year the following fees were paid or payable for services provided by the Auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2020	2019
	\$	\$
Audit services:		
Amounts paid or payable to auditors for audit and review of the financial report for the entity in the Group		
Audit services fees	13,025	13,025
Taxation and other advisory services:		
Amounts paid or payable to the Auditor for non-audit taxation services for the entity or any entity in the Group for review and lodgement of the income tax return		
Taxation services	1,875	1,785
Advisory services	-	-
Total	14,900	14,810


AUDITOR

K.S. Black & Co continues in office in accordance with Section 237 of the *Corporations Act 2001*.

This Director's Report, incorporating the Remuneration Report, is signed in accordance with a Resolution of the Board of Directors.



John W Farey
Chairman



Vincent Tan
Director

18 March 2021

AUDITOR'S INDEPENDENCE DECLARATION

Level 1
251 Elizabeth Street
SYDNEY NSW 2000

75 Lyons Road
DRUMMOYNE NSW 2047

K.S. Black & Co.

ABN 48 117 620 556

20 Grose Street
NORTH PARRAMATTA NSW 2151

PO Box 2210
NORTH PARRAMATTA NSW 1750

Lead Auditors' Independence Declaration under Section 307C of the Corporations Act 2001

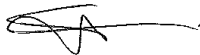
To the Members of Hudson Pacific Group Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2020 there has been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

The entities are in respect of Hudson Pacific Group Limited and the entities it controlled during the period.

KS Black & Co
Chartered Accountants



Scott Bennison
Partner

Dated in Sydney on this 18th day of *March* 2021

Liability limited by a
scheme approved
under Professional
Standards Legislation

Phone 02 8839 3000 Fax 02 8839 3055
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CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Consolidated	
		2020 \$'000	2019 \$'000
Revenue	4	943	2,166
Cost of providing services		(541)	(772)
Other income and expenses	5	(11,371)	340
Cost of providing services and administration expenses	6a	(1,245)	(1,799)
Finance income	6b	198	295
Finance expenses	6c	(148)	(130)
PROFIT/(LOSS) BEFORE INCOME TAX		(12,164)	100
Income tax	7	-	-
PROFIT/(LOSS) AFTER TAX		(12,164)	100
Other Comprehensive Income			
Other comprehensive income		-	-
Income Tax		-	-
Other comprehensive income after tax		-	-
Total comprehensive income for the year		(12,164)	100
Profit attributable to non-controlling interests		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO MEMBERS		(12,164)	100
Earnings/(Loss) per shares			
		Cents	Cents
Basic earnings/(loss) per share (cents)	17	(4.70)	0.04
Diluted earnings/(loss) per share (cents)	17	(4.70)	0.04

The above Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Consolidated	
	Notes	2020 \$'000	2019 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	39	112
Trade and other receivables	9	202	77
Financial assets	10	625	573
Other current assets	11	2	2
TOTAL CURRENT ASSETS		868	764
NON-CURRENT ASSETS			
Other receivables	9	3,489	4,749
Financial assets	10	10,465	22,439
Property, plant and equipment - net	12	35	23
TOTAL NON-CURRENT ASSETS		13,989	27,211
TOTAL ASSETS		14,857	27,975
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	465	244
Provision	14	242	275
Other liabilities	15	49	49
TOTAL CURRENT LIABILITIES		756	568
NON-CURRENT LIABILITIES			
Trade and other payables	13	77	1,147
Deferred tax liability	7	-	-
Provisions	14	219	243
Other liabilities	15	3,116	3,164
TOTAL NON-CURRENT LIABILITIES		3,412	4,554
TOTAL LIABILITIES		4,168	5,122
NET ASSETS/(DEFICIENCY IN NET ASSETS)		10,689	22,853
EQUITY			
Issued Capital	16	20,950	20,950
Reserves		(15,202)	(15,202)
Retained Profits		4,941	17,105
Total equity attributable to equity holders of the parent entity		10,689	22,853
Non-controlling interest		-	-
TOTAL EQUITY		10,689	22,853

The above Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

Consolidated	Notes	Issued Capital	Reserves	Retained Profits	Total Equity
		\$'000	\$'000	\$'000	\$'000
Balance at 1 Jan 2020	16	20,950	(15,202)	17,105	22,853
Share issued		-	-	-	-
Share issuing cost		-	-	-	-
Profit/(loss) for the year		-	-	(12,164)	(12,164)
Business Combination		-	-	-	-
Balance at 31 December 2020	16	20,950	(15,202)	4,941	10,689
Balance at 1 Jan 2019		20,950	(15,202)	17,005	22,753
Share issued		-	-	-	-
Share issuing cost		-	-	-	-
Profit for the year		-	-	100	100
Business Combination		-	-	-	-
Balance at 31 December 2019	16	20,950	(15,202)	17,105	22,853

The above Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Consolidated	
		2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers		981	2,083
Payments to suppliers and employees		(1,223)	(2,665)
Interest received		1	93
Interest paid		(12)	-
Net cash (used in)/ provided by operating activities		(253)	(489)
Cash flows from investing activities			
Proceeds from sale investments		-	158
Repayment from/(Advance to) related entities		202	405
Payments for purchases of investments		-	(44)
Payments for property, plant and equipment		(22)	(1)
Net cash provided by/(used in) investing activities		180	518
Cash flows from financing activities			
Proceeds from share placement		-	-
Share issuing cost		-	-
Drawdown from bank borrowings		-	-
Repayment of bank borrowings		-	-
Net cash (used in)/provided by financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		(73)	29
Cash and cash equivalents at the beginning of the year		112	83
Cash and cash equivalents at the end of the year	8	39	112

The above Statement should be read in conjunction with the accompanying notes.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. CORPORATE INFORMATION

The consolidated financial statements and notes of the Company for the year ended 31 December 2020 was authorised for issue in accordance with a resolution of the directors and covers Hudson Pacific Group Limited (the Company) as the parent entity as well as the group consisting of Hudson Pacific Group Limited and its subsidiaries as required by the *Corporations Act 2001* (the Group).

The consolidated financial statements and notes is presented in Australian currency. Hudson Pacific Group Limited is a company limited by shares incorporated in Australia.

2. STATEMENT OF SIGNIFICANT POLICIES

a. Basis of preparation

This general-purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncement of the Australian Accountancy Standards Board and the *Corporations Act 2001*.

Statement of Compliance

Australian Accounting Standards ('AASBs') include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Hudson Pacific Group Limited also complies with International Financial Reporting Standards.

Critical accounting estimates and judgements

Details of critical accounting estimates and assumptions about the future made by management at reporting date are set out below:

– Impairment of assets

The Company assess impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Critical judgements

Management have made the following judgements when applying the Group's accounting policies:

– Recognition of deferred tax assets

In line with the Group's accounting policy (Note 2f) and as disclosed in Note 7, deferred tax assets have not been recognised.

– Measurement of financial assets

If there is an active market for financial assets, they have been fair valued in line with market prices, if not they are carried at cost.

The directors believe the Company will be able to pay its debts as and when they fall due and to fund near term anticipated activities.

2. STATEMENT OF SIGNIFICANT POLICIES continued

Going Concern

This financial report has been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and payments of liabilities in the normal course of business.

The directors believe the Company will be able to pay its debts as and when they fall due and to fund near term anticipated activities.

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on the historical cost convention except for where noted in these accounting policies.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

ASIC Class Order 98/100

The Company is of a kind referred to in ASIC Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

b. Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hudson Pacific Group Limited ("**the parent entity**") as at the reporting date and the results of all subsidiaries for the year then ended. Hudson Pacific Group Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The financial performance of those entities is included only for the period of the year that they were controlled.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Hudson Pacific Group Limited.

2. STATEMENT OF SIGNIFICANT POLICIES continued

c. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. Reporting to management by segments is on this basis

d. Foreign currency transactions and balances

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Hudson Pacific Group Limited's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(iii) *Group companies*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- retained earnings are translated at the exchange rates prevailing at the date of transactions; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid a proportionate share of such exchange differences are recognised in the Statement of Profit or Loss and Other Comprehensive Income as part of the gain or loss on sale where applicable.

e. Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

2. STATEMENT OF SIGNIFICANT POLICIES continued

Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to buyer when goods have been delivered to the customer.

Interest

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset

Rental Income

Rental income on investment properties is accounted for on a straight-line basis over the lease term. Contingent rentals are recognised as income in the periods when they are earned.

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

f. Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

The Company and its wholly owned entities are part of a tax-consolidated group under Australian taxation law. Hudson Pacific Group Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The amounts receivable/payable under tax funding arrangements are due upon notification by the entity which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiaries. These amounts are recognised as current inter-company receivables or payables.

2. STATEMENT OF SIGNIFICANT POLICIES continued

g. Goods and services tax (GST)

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

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

Cash flows are included in Statement of Cash Flows on a gross basis except for the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

h. Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents on hand and at call deposits with banks or financial institutions, investment in money market instruments maturing within less than 3 months, net of bank overdrafts

i. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the Group will not be able to collect all amounts due according to the original terms of receivables.

j. Inventories

Inventories include raw materials, work in progress and finished goods.

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

k. Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

2. STATEMENT OF SIGNIFICANT POLICIES continued

I. Financial instruments

Recognition and initial 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 the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction 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

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties. 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:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) fewer principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

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 value with a consequential recognition of an income or expense in profit or loss.

The Group 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 either 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 group 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 value being included in profit or loss.

(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.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

2. STATEMENT OF SIGNIFICANT POLICIES continued

(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 Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be 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.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date. (All other financial assets are classified as current assets.)

(v) *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value 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.

2. STATEMENT OF SIGNIFICANT POLICIES continued

m. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the Statement of Financial Position date. The quoted market price used for financial assets held by entities in the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Entities in the Group use a variety of methods and make assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to entities in the Group for similar financial instruments.

n. Property, plant and equipment

Depreciation on other assets is calculated using the straight line, over their estimated useful lives, as follows:

- Plant and equipment 5 – 10 years (depreciation rate 10% to 20%)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

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 (note 2 (m)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Profit or Loss and Other Comprehensive Income.

o. Investment property

Investment property is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. These valuations are reviewed annually. Changes in fair values are recorded in the Statement of Profit or Loss and Other Comprehensive Income as part of other income.

2. STATEMENT OF SIGNIFICANT POLICIES - continued**p. Leases***Company as lessor*

Lease income from operating leases is recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on the same bases as the lease income.

q. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

r. Provisions

Provisions are recognised when the group 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 the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

s. Other liabilities

Other liabilities comprise non-current amounts due to related parties that do not bear interest and are repayable within one year of Statement of Financial Position date.

Income received in advance relates to car park income that will be brought to account over the life of the car space contracts.

t. Employee benefits*Wages, Salaries and Annual Leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within one year of Statement of Financial Position date are recognised in other liabilities in respect of employees' services rendered up to Statement of Financial Position date and are measured at amounts expected to be paid when the liabilities are settled.

Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy resting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

u. Issued capital

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

2. STATEMENT OF SIGNIFICANT POLICIES - continued**v. Share-based payments**

Ownership-based remuneration is provided to employees via an employee share option plan and employee share plan.

Share-based compensation is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each Statement of Financial Position date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

w. Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for costs of servicing equity (other than dividends), the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

x. New Accounting Standards for Application

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The group has decided against early adoption of these standards. We have reviewed these standards and interpretations and there are none having any material effect.

3. FINANCIAL RISK MANAGEMENT

a. General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's finance function also reviews the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Further details regarding these policies are set out below.

The Group and the parent entity hold the following financial instruments:

	Consolidated	
	2020	2019
	\$'000	\$'000
Financial assets		
Current		
Cash and cash equivalents	39	112
Trade and other receivables	202	77
Financial assets	625	573
Non-current		
Trade and other receivables	3,489	4,749
Financial assets	10,465	22,439
	14,820	27,950
Financial liabilities		
Current		
Trade and other payables	465	244
Financial liabilities	-	-
Non-current		
Trade and other payables	77	1,147
Financial liabilities	-	-
	542	1,391

3. FINANCIAL RISK MANAGEMENT - continued

b. Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group excluding the available for sale financial assets.

The maximum exposure to credit risk at balance date is the carrying amount of the financial assets, excluding the available for sale financial assets, as summarised under note(a) above.

For banks and financial institutions, only independently rated parties are accepted and each deposit account is kept to under \$1 million to ensure that it is covered by the Governments bank deposit guarantee scheme.

The maximum exposure to credit risk at balance date by country is as follows:

	Consolidated	
	2020	2019
	\$'000	\$'000
Australia	202	77
	202	77

c. Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments that is, borrowing repayments. Bank loans are detailed below. The funds were provided by bankers for the Group and the Parent Company. It is the policy of the Board of Directors that treasury reviews and maintains adequate committed credit facilities and the ability to close-out market position.

Maturity analysis of financial assets

	Carrying Amount	Contractual Cash flows	< 6 months	6 – 12 months	1 – 3 years	> 3 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated 2020						
Current						
Cash and cash equivalent	39	39	39	-	-	-
Trade and other receivables	202	202	202	-	-	-
Financial assets	625	-	-	-	-	-
Non-current						
Other receivables	3,489	3,489	-	-	3,489	-
Financial assets	10,465	-	-	-	-	-
Total financial assets	14,820	3,730	241	-	3,489	-
2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current						
Cash and cash equivalent	112	112	112	-	-	-
Trade and other receivables	77	77	77	-	-	-
Financial assets	573	-	-	-	-	-
Non-current						
Other receivables	4,749	4,749	-	-	4,749	-
Financial assets	22,439	-	-	-	-	-
Total financial assets	27,950	4,938	189	-	4,749	-

3. FINANCIAL RISK MANAGEMENT continued**Maturity Analysis of financial liabilities**

	Carrying Amount \$'000	Contractual Cash flows \$'000	< 6 months \$'000	6 – 12 months \$'000	1 – 3 years \$'000	> 3 years \$'000
Consolidated						
2020						
Current						
Trade and other payables	465	465	304	161	-	-
Financial Liabilities	-	-	-	-	-	-
Non-current						
Trade and other payables	77	77	-	-	77	-
Financial Liabilities	-	-	-	-	-	-
Total financial liabilities at amortised cost	542	542	304	161	77	-
2019						
Current						
Trade and other payables	244	244	244	-	-	-
Financial Liabilities	-	-	-	-	-	-
Non-current						
Trade and other payables	1,147	1,147	-	-	1,147	-
Financial Liabilities	-	-	-	-	-	-
Total financial liabilities at amortised cost	1,391	1,391	244	-	1,147	-

d. Market risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (another price risk).

- Currency risk

The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency (AUD) with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

In order to monitor the continuing effectiveness of this policy, the Group receives forecast, analysed by the major currencies held by the Group, of liabilities due for settlement and expected cash reserve.

There is no foreign currency loan as at reporting date (2019: Nil).

- Another price risk

The Group takes advice from professional advisers as to when to sell shares quoted at market value.

3. FINANCIAL RISK MANAGEMENT continued

	Carrying Amount \$'000	+10% Profit & Loss \$'000	-10% Profit & Loss \$'000
Consolidated			
2020			
Shares at fair value	17,031	1,703	(1,703)
Tax charge (26%)		(443)	443
After tax increase/(decrease)	<u>17,031</u>	<u>1,260</u>	<u>(1,260)</u>
2019			
Shares at fair value	26,441	2,644	(2,644)
Tax charge (27.5%)		(727)	727
After tax increase/(decrease)	<u>26,441</u>	<u>1,917</u>	<u>(1,917)</u>

There is no concentration of risk

e. Capital risk management

In managing its capital, the Group's primary objectives are to pay dividends and maintain liquidity. These objectives dictate any adjustments to capital structure. Rather than set policies, advice is taken from professional advisors as to how to achieve these objectives. There has been no change in either these objectives, or what is considered capital in the year.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'Financial liabilities' and 'trade and other payables' as shown in the Statement of Financial Position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Statement of Financial Position (including minority interest) plus net debt.

It is the Group's policy to maintain its gearing ratio at a healthy and manageable level. The Group's gearing ratio at the Statement of Financial Position date is as follows:

Gearing ratios	Consolidated	
	2020 \$'000	2019 \$'000
Total borrowings	-	-
Less: cash and cash equivalents	(39)	(112)
Net borrowings	<u>(39)</u>	<u>(112)</u>
Total equity	10,689	22,853
Total equity plus borrowings	<u>10,689</u>	<u>22,853</u>
Gearing ratio	0.0%	0.0%

There have been no other significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

4. REVENUE

	Consolidated	
	2020	2019
	\$'000	\$'000
Rendering of services	296	622
Rental income	92	238
Corporate services fee Income	555	1,306
	<u>943</u>	<u>2,166</u>

5. OTHER INCOME AND EXPENSES

	Consolidated	
	2020	2019
	\$'000	\$'000
Gain/(loss) on disposal of investments	-	57
Change in fair value of financial assets	(11,922)	280
Others	551	3
	<u>(11,371)</u>	<u>340</u>

6. EXPENSES

	Consolidated	
	2020	2019
	\$'000	\$'000

The profit/(loss) before income tax is arrived after (charging)/crediting the following specific amounts:

a. Cost of providing services and administration expenses

Consulting and professional expenses	(45)	(83)
Superannuation contribution expenses	(112)	(119)
Director and Employee expenses and on costs	(700)	(860)
Lease payment	(6)	(10)
Legal expenses	(13)	-
Others	(369)	(727)
	<u>(1,245)</u>	<u>(1,799)</u>

b. Finance income

Interest received	198	295
	<u>198</u>	<u>295</u>

c. Finance expenses

Interest paid	(12)	(33)
Depreciation and amortisation	(10)	(7)
Doubtful debt provision	(100)	(56)
Others	(26)	(34)
	<u>(148)</u>	<u>(130)</u>

7. INCOME TAX

a. Income tax expenses

	Consolidated	
	2020	2019
	\$'000	\$'000
Income tax expenses		
Current tax expenses	-	-
Deferred tax expenses	-	-
Deferred tax not recognised	-	-
Recoupment of prior year tax losses	-	-
Total income tax expenses/(benefit)	<u>-</u>	<u>-</u>
Deferred tax expenses		
Increase in deferred tax expenses/(benefit)	<u>-</u>	<u>-</u>

b. Numerical reconciliation of income tax to prima facie tax payable

Profit/(loss) from continuing operations before income tax expenses	<u>(12,164)</u>	100
Income tax expense (benefit) calculated @ 26% (2019:27.5%)	(3,163)	28
Deferred tax expenses relating to partly owned subsidiaries outside of the tax consolidated group		
Temporary differences not brought to account	2,932	(65)
Tax losses not brought to account		
Recoupment of prior year tax losses not previously brought to account	231	37
Income tax expenses/(benefit) at effective tax rate of 26% (2019:27.5%)	<u>-</u>	<u>-</u>

c. Amounts recognised directly in equity

Aggregate current and deferred tax arising during the reporting period and not recognised in profit and loss but directly debited or credited to equity:

Current income tax	-	-
Current income tax on transaction costs of issuing equity Instruments	<u>-</u>	<u>-</u>

d. Unrecognised deferred tax assets and liabilities

The unrecognised deferred tax assets of the Group includes \$3,024,600 (2019: \$2,140,132) in relation to carried forward tax losses and \$2,004,398 (2019: \$2,004,398) in relation to carried forward Capital losses

Deferred tax assets and liabilities have not been recognised in the statement of financial position for the following items:

Prior year unrecognised tax losses now ineligible due to change in tax consolidation group	-	-
Other deductible temporary differences and tax losses	11,279	(236)
	<u>11,279</u>	<u>(236)</u>
Potential benefit/(expense) at 26% (2019: 27.5%)	<u>2,932</u>	<u>(65)</u>

7. INCOME TAX continued**e. Deferred tax assets**

	Consolidated	
	2020	2019
	\$'000	\$'000
Deferred tax assets compromise temporary differences attributable to:		
Amounts recognised in profit and loss		
Tax losses	-	-
Amounts recognised directly in equity		
Share issue expenses	-	-
	<u>-</u>	<u>-</u>

f. Deferred tax liabilities

Deferred tax liabilities compromise temporary differences attributable to:

Amounts recognised directly in equity		
Revaluations of land and buildings	-	-
Amounts recognised in profit and loss		
Capitalised development costs	-	-
	<u>-</u>	<u>-</u>

8. CASH & CASH EQUIVALENTS

	Consolidated	
	2020	2019
	\$'000	\$'000
Cash at bank and on hand	39	36
Cash held in trust accounts	-	76
	<u>39</u>	<u>112</u>

9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2020	2019
	\$'000	\$'000
Current		
Trade receivables (note a)	134	772
Less: Provision for doubtful debts	(23)	(691)
	<u>111</u>	<u>81</u>
Advances to other entities and deposits	368	184
Less: Provision for doubtful debts	(274)	(184)
Other receivables (note c)	(3)	(4)
	<u>202</u>	<u>77</u>
Non-current		
Advances to other entities (note b)	3,489	4,749
Less: Provision for doubtful debts	-	-
	<u>3,489</u>	<u>4,749</u>

9. TRADE AND OTHER RECEIVABLES continued**a. Trade receivables past due but not impaired**

	Consolidated	
	2020	2019
	\$'000	\$'000
Up to 3 months	111	81
Up to 6 months	-	-
	111	81

b. Advances to other entities and parties*Non- Current*

One interest bearing secured loan of \$3.48 million (2019: \$4.74 million) was advanced to a related entity. The loan has security and has fixed repayment terms. None were written down during the year.

Please refer to note 25 for details.

c. Other receivables

These amounts relate to receivables for GST paid and deposits paid.

d. Advance to controlled entities

There are no advances to controlled entities that are past due but not impaired as measurement is tied to recoverability. The advances are non-interest bearing and with no securities.

e. Fair value and credit risk*Current trade and other receivables*

Due to the short-term nature of these receivables their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Non-current receivables

All non-current receivables from other entities are interest bearing, and are repayable on demand. The fair value is approximately equivalent to the carrying value.

10. FINANCIAL ASSETS

	Consolidated	
	2020	2019
	\$'000	\$'000
Current		
Investment equity securities	3,222	3,222
Provision for diminution in value	(2,597)	(2,649)
	<u>625</u>	<u>573</u>
Non-Current		
Investment equity securities	13,809	23,219
Provision for diminution in value	(3,344)	(780)
	<u>10,465</u>	<u>22,439</u>

Financial assets are recorded by marking to market value if available. The fair value is approximately equivalent to market values.

11. OTHER CURRENT ASSETS

	Consolidated	
	2020	2019
	\$'000	\$'000
Prepayment	2	2
Others	-	-
	<u>2</u>	<u>2</u>

12. PLANT AND EQUIPMENT

	Consolidated	
	2020	2019
	\$'000	\$'000
Plant and equipment at cost	158	229
Accumulated depreciation	(123)	(206)
Total plant and equipment-net	<u>35</u>	<u>23</u>

a. Reconciliations

Reconciliations of the carrying amounts of each plant & equipment at the beginning and end of the current and previous financial year are set out below:

Plant & Equipment	Consolidated	
	\$'000	Total \$'000
2020		
Carrying amount at 1 January 2020	23	23
Additions	22	22
Disposal	-	-
Depreciation	(10)	(10)
Carrying amount at 31 December 2020	<u>35</u>	<u>35</u>
2019		
Carrying amount at 1 January 2019	29	29
Additions/Acquired	1	1
Disposal/Deconsolidated adjustment	-	-
Depreciation	(7)	(7)
Carrying amount at 31 December 2019	<u>23</u>	<u>23</u>

13. TRADE AND OTHER PAYABLES

	Consolidated	
	2020	2019
	\$'000	\$'000
Current		
Unsecured		
Trade and other creditors	303	83
Other payables	162	161
	465	244
Non-current		
Unsecured		
Payable to related entities	77	1,147
	77	1,147

14. PROVISION

	Consolidated	
	2020	2019
	\$'000	\$'000
Current		
Employee leave entitlements	242	275
	242	275
Non-current		
Restoration provision	50	50
Employee leave entitlements	169	193
	219	243

15. OTHER LIABILITIES

	Consolidated	
	2020	2019
	\$'000	\$'000
Current		
Income received in advance	49	49
	49	49
Non-current		
Income received in advance	3,116	3,164
	3,116	3,164

Income received in advance represents income received up front for the user using the car park. Income is allocated to the Statement of Profit or Loss and Other Comprehensive Income on equal apportionment basis over the term of the agreements.

16. ISSUED CAPITAL

	Consolidated and Parent Entity		Consolidated and Parent Entity	
	2020 Shares Number	2019 Shares Number	2020 \$'000	2019 \$'000
Share capital				
Ordinary shares	258,546,022	258,546,022	20,950	20,950
a. Movement during the period				
Opening Balance	258,546,022	258,546,022	20,950	20,950
Share issued	-	-	-	-
Share issuing cost	-	-	-	-
Closing Balance	258,546,022	258,546,022	20,950	20,950

b. Terms and conditions

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

c. Options

There are no unissued ordinary shares of the Company under option at the date of this report.

d. Performance Options

No options were granted and issued during this year.

17. EARNINGS / (LOSS) PER SHARE

	2020	2019
	Cents	Cents
Basic earnings/(loss) per share	(4.70)	0.04
Diluted earnings/(loss) per share	(4.70)	0.04
	2020	2019
	\$'000	\$'000
Profit/(Loss) used in calculating basic and diluted earnings/(loss) per share	(12,164)	100
	2020	2019
	Shares	Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	258,546,022	258,546,022
Adjustments for calculation of diluted earnings per share	-	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	258,546,022	258,546,022

18. OPERATING SEGMENTS

The Consolidated entity primary reporting format is business segments and its secondary reporting format is geographical segments.

Business segments

The Consolidated entity is organised into the following divisions by product and service type.

Property investment

Investment in properties related project in eastern Australia.

Investment and corporate services

Equity investment in listed entities and providing corporate finance services.

Geographical segments

All business segments are operated principally within Australia.

18. OPERATING SEGMENTS - continued**Inter-segment transfers**

Segment revenues, expenses and results include transfers between segments. All other intersegment transfers are priced on an “arm’s-length” basis and are eliminated on consolidation.

Primary reporting – business segments

	Property Investment \$'000	Investment & corporate services \$'000	Intersegment eliminations/ unallocated \$'000	Consolidated \$'000
2020				
Sales to external customers	548	735	(340)	943
Intersegment sales	(140)	(200)	340	-
Total sales revenue	408	535	-	943
Other revenue	-	-	-	-
Total segment revenue	408	535	-	943
Segment result				
Profit/(loss) before income tax	20	(12,184)	-	(12,164)
Income tax	-	-	-	-
Net profit/(loss)	20	(12,184)	-	(12,164)
Segment assets				
	9,687	13,671	(8,501)	14,857
Segment liabilities				
	6,806	4,014	(6,652)	4,168
Acquisition of non-current assets	-	22	-	22
Depreciation and amortisation expense	-	10	-	10
2019				
Sales to external customers	1,378	1,465	(677)	2,166
Intersegment sales	(557)	(120)	677	-
Total sales revenue	821	1,345	-	2,166
Other revenue	-	-	-	-
Total segment revenue	821	1,345	-	2,166
Segment result				
Profit/(loss) before income tax	112	(12)	-	100
Income tax	-	-	-	-
Net profit/(loss)	112	(12)	-	100
Segment assets				
	6,517	17,834	3,629	27,975
Segment liabilities				
	6,172	4,582	(5,632)	5,122
Acquisition of non-current assets	-	1	-	1
Depreciation and amortisation expense	-	7	-	7

19. CONTROLLED ENTITIES

Name of entity	Class of Share	Equity Holding		Country of formation or incorporation
		2020 %	2019 %	
Hudson Imports Pty Limited	Ordinary	100	100	Australia
Raffles Equities Pty Limited	Ordinary	100	100	Australia
Hudson Asset Management Pty Limited	Ordinary	100	100	Australia

PARENT ENTITY FINANCIAL INFORMATION**a. Summary financial information**

The individual financial statements for the parent entity show the following aggregate amount:

	Parent Entity	
	2020 \$'000	2019 \$'000
Balance Sheet		
Current assets	7	101
Non-current asset	9,680	6,411
Total assets	9,687	6,512
Current liabilities	285	69
Non-current liabilities	6,521	6,103
Total liabilities	6,806	6,172
Shareholder's equity		
Issued Capital	20,950	20,950
Reserves	6,508	6,508
Accumulated losses	(24,577)	(27,118)
Profit and Loss		
Profit/(Loss) for the year	2,541	112
Total comprehensive Profit/(Loss)	2,541	112

b. Guarantees entered by the parent entity

Hudson Pacific Group Limited has provided guarantees to some of the subsidiaries within the Group. No liability was recognised by Hudson Pacific Group Limited in relation to these guarantees as the likelihood of payment is not probable.

c. Contingent liabilities of the parent entity

Refer to note 20.

d. Contractual commitments by the parent entity for the acquisition of property, plant and equipment.

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment.

20. CONTINGENT ASSETS AND LIABILITIES**Guarantees**

Cross guarantees under Class Order 98/1418 by Hudson Pacific Group Limited and its wholly owned controlled entities exist in respect of loans.

Deed Of Cross Guarantee

As at 31 December 2020, Hudson Pacific Group Limited Hudson Imports Pty Limited, Raffles Equities Limited and Hudson Asset Management Pty Limited entered a Deed of Cross Guarantee under which each Company guarantees the debts of the others.

By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended by Class Order 98/2017) issued by the Australian Securities & Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Hudson Pacific Group Limited, they also represent the 'Extended Closed Group'. These consolidated financial statements for the year ended 31 December 2020 represent those of the "Closed Group".

21. COMMITMENTS

	Consolidated	
	2020	2019
	\$'000	\$'000
Lease commitments		
Non-cancellable operating leases – future minimum lease payments		
Within one year	249	6
Less than one year but not later than 5 years	462	22
Later than 5 years	-	-
	711	28

The Group leases various copiers and office under non-cancellable operating leases expiring within 3 years. Nor do they include commitments for any renewal options on leases. Lease conditions do not impose any restrictions on the ability of Company and its controlled entities from borrowing further funds or paying dividends.

22. EVENTS OCCURRING AFTER BALANCE DATE

At the date of this report there are no other matters or circumstances, which have arisen since 31 December 2020 that have significantly affected or may significantly affect:

- The operations, in financial years subsequent to 31 December 2020 of the Group;
- The results of those operations; or
- The state of affairs in financial years subsequent to 31 December 2020 of the Group.

23. SUPERANNUATION**Superannuation**

Entities in the Group contribute to an accumulation fund, administered by a third party, to which all full time and certain part time employees are invited to join.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES**a. Directors**

The following persons were Directors of Hudson Pacific Group Limited during the financial year unless otherwise stated:

John W Farey	Non-Executive Director	Appointed 20 May 1998
Vincent Tan	Executive Director	Appointed 19 September 2000
John Wang	Non-Executive Director	Appointed 31 January 2018

Other key management personnel

The following persons were key management personnel of Hudson Pacific Group Limited during the financial year:

Henry Kinstlinger	Joint Company Secretary
Mona Esapournoori	Joint Company Secretary
Juliana Tan	Corporate Consultant
Allan Scadden	Compliance Consultant
Francis Choy	Chief Financial Officer

24. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**b. Compensation of Directors and key management personnel**

	Short Term Employee Benefits	Post-Employment Benefits		Long Term Benefits	Total
	Salary and Other fees	Non- Monetary Benefits	Superannuation	Long Service Leave	
	\$	\$	\$	\$	\$
Consolidated 2020					
Directors					
John Farey	20,000	-	-	-	20,000
Vincent Tan	120,000	-	11,400	1,990	133,390
John Wang	-	-	-	-	-
Director – Total	140,000	-	11,400	1,990	153,390
KMP					
Henry Kinstlinger	-	-	-	-	-
Mona Esapournoori	-	-	-	-	-
Juliana Tan	90,000	-	8,550	1,492	100,042
Allan Scadden	34,650	-	-	-	34,650
Francis Choy	190,000	-	18,050	3,148	211,198
KMP – Total	314,650	-	26,600	4,640	345,890
2019					
Directors					
John Farey	20,000	-	-	-	20,000
Vincent Tan	200,000	-	11,400	1,985	213,385
John Wang	-	-	-	-	-
Director – Total	220,000	-	11,400	1,985	233,385
KMP					
Henry Kinstlinger					
Mona Esapournoori					
Juliana Tan	150,000	-	8,550	2,416	160,966
Allan Scadden	49,500	-	-	-	49,500
Francis Choy	240,000	-	23,562	3,969	267,531
KMP – Total	439,500	-	32,112	6,385	477,997

The amounts reported represent the total remuneration paid by entities in the Group in relation to managing the affairs of all the entities within the Group. The remuneration has not been allocated between the individual entities within the Group as this would not be practicable.

There are no performance conditions related to any of the above payments.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**c. Shareholdings and option holdings of key management personnel****Shares held in Hudson Pacific Group Limited**

The numbers of shares in the Company held during the financial year by each director of Hudson Pacific Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Direct and indirect interest in ordinary shares

Ordinary Shares	Balance at start of year shares	Changes during the year shares	Balance at end of year shares
Direct Interest			
2020			
Directors			
John W Farey ¹	10,000	-	10,000
Vincent Tan ²	-	-	-
John Wang	-	-	-
2019			
Directors			
John W Farey	10,000	-	10,000
Vincent Tan	214,362	(214,362)	-
John Wang	-	-	-
Ordinary Shares			
Indirect Interest			
2020			
Directors			
John W Farey	107,799,608	-	107,799,608
Vincent Tan	184,760,837	-	184,760,837
John Wang	-	-	-
2019			
Directors			
John W Farey	107,799,608	-	107,799,608
Vincent Tan	199,183,104	(14,422,267)	184,760,837

*1 John Farey has an indirect interest in shares as a result of being a director in other companies

*2 Vincent Tan has an indirect interest in shares as a result of being a director in other companies

No options over unissued shares were granted during the year and no options have been granted in the period since the end of the financial year and to the date of this report. At the date of this report there were no unissued shares in the capital of the Company under option.

d. Loans to key management personnel

No loans made to Directors and other Key Management Personnel (KMP) of Hudson Pacific Group Limited as at reporting date.

25. RELATED PARTY DISCLOSURES**a. Parent entities**

The parent entity and ultimate Australian parent entity is Hudson Pacific Group Limited (the Company).

b. Subsidiaries

Interests in subsidiaries are disclosed in Note 19.

c. Key management personnel compensation

Key management personnel compensation information is disclosed in Note 24.

d. Transactions with related parties

The following transactions occurred with related parties during the year.

	Consolidated	
	2020	2019
	\$	\$
Corporate services fee received		
- From Hudson Resources Limited	60,000	240,000
- From RafflesCo Limited	60,000	180,000
- From Hudson Investment Group Limited	150,000	240,000
- From Hudson Marketing Pty Limited	80,000	84,000
- From Hudson Property Trust	120,000	120,000
- From Hudson Capital Corporation Pty Ltd	30,000	120,000
- From HTH Holdings Pty Ltd	8,302	7,964
- From Regent Property Trust	-	120,000
Rental income		
- From Hudson Resources Limited	-	61,695
- From Hudson Marketing Pty Ltd	58,000	72,000
Rental Expenses		
- Paid to Hudson Minerals Pty Limited	-	111,072
- Paid to Hudson Capital Corporation Pty Ltd	-	163,909

25. RELATED PARTY DISCLOSURES continued**Corporate services fee received**

Consolidated group only

Hudson Asset Management Pty Ltd (HAMPL) received a corporate service fee from Hudson Resources Limited \$60,000 (2019: \$240,000) as payment of recoveries for office administration and running expenses incurred in HAMPL.

HAMPL received a corporate service fee from RafflesCo Limited \$60,000 (2019: \$180,000) as payment of recoveries for office administration and running expenses incurred in HAMPL.

HAMPL received a corporate service fee from Hudson Investment Group \$150,000 (2019: \$240,000) as payment of recoveries for office administration and running expenses incurred in HAMPL.

HAMPL received a corporate service fee from Hudson Marketing Pty Ltd \$80,000 (2019: \$84,000) as payment of recoveries for office administration and running expenses incurred in HAMPL.

HAMPL received a corporate service fee from Hudson Property Trust \$120,000 (2019: \$120,000) as payment of recoveries for office administration and running expenses incurred in HAMPL.

HAMPL received a corporate service fee from Hudson Capital Corporation Pty Ltd \$30,000 (2019: \$120,000) as payment of recoveries for office administration and running expenses incurred in HAMPL.

HAMPL received a corporate service fee from HTH Holdings Pty Ltd \$8,302 (2019: \$7,964) as payment of property management of its Warnervale industrial property.

HAMPL received a corporate service fee from Regent Property Trust \$nil (2019: \$120,000) as payment of recoveries for office administration and running expenses incurred in HAMPL.

Rental income

Consolidated group only

Group received rental income from HRL \$nil (2019: \$61,695) for using the storage facilities in Geraldton plant.

Group received rental income from Hudson Marketing Pty Ltd \$58,000 (2019: \$72,000) for using the office facilities in Sydney office.

Rental expenses

Consolidated group only

Group incurred rental expenses of \$nil (2019: \$110,072) payable to Hudson Minerals Pty Limited (HMPL) for leasing the Geraldton property.

Group incurred rental expenses of \$nil (2019: \$163,909) payable to Hudson Capital Corporation Pty Limited for using the building naming right and rooftop signage.

25. RELATED PARTY DISCLOSURES continued**e. Outstanding balances**

The following balances are outstanding at the reporting date in relation to transaction with related parties:

	Consolidated	
	2020	2019
	\$	\$
Payable		
Non-Current		
Related Entities		
- Hudson Resources Limited	-	760,918
- Hudson Property Trust	77,058	386,682
Receivable		
Non-Current		
Related Entities		
- RafflesCo Limited	3,489,245	4,749,297

Payable – related entities

Hudson Resources Limited advanced interest-bearing secured loan \$nil million (2019: 0.76 million). The loan was fully repaid during the year.

Hudson Property Trust advanced an interest bearing non-secured loan of \$0.07 million (2019: 0.38 million). The loan has fixed repayment term.

Receivable – related entities

An interest-bearing secured loan of \$3.48 million (2019: \$4.74 million) was advanced to RafflesCo Limited. The loan was secured by shares. None were written down during the year.

f. Guarantees

No guarantees were given or received from related parties during the year.

g. Terms and conditions

All transactions were made on normal commercial terms and conditions and at market interest rates, except that there are no fixe terms or repayment of loans between the parties.

26. REMUNERATION OF AUDITORS

	Consolidated	
	2020	2019
	\$	\$
Audit services:		
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group		
Audit and review services fee	13,025	13,025
Taxation and other advisory services:		
Amounts paid or payable to the Auditor for non-audit taxation Services for the entity or any entity in the Group for review and lodgement of the income tax return		
Taxation services	1,875	1,785
Advisory services	-	-
Total	14,900	14,810

DECLARATION BY DIRECTORS

The directors of the Company declare that:

- The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - comply with Accounting Standards which as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with international Financial Reporting Standards (IFRS); and
 - give a true and fair view of the financial position as at 31 December 2020 and of the performance for the year ended on that date of the Company and the Group.
- 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.

The entities identified in Note 19 are parties to the deed of cross guarantee under which each company guarantees the debts of the others. At the date of this declaration there are reasonable grounds to believe that the companies which are parties to this deed of cross guarantee will as a Group be able to meet any obligations or liabilities to which they are, or may become, subject to, by virtue of the deed of cross guarantee described in Note 20.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



John W Farey
Non-Executive Chairman



Vincent Tan
Executive Director

18 March 2021

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Members of Hudson Pacific Group Limited

Opinion

We have audited the financial report of Hudson Pacific Group Limited (the company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and *the Corporations Regulations 2001*.

Basis of opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board 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.

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Other Matters – impact of COVID-19

I draw your attention to note 10 Financial Assets; and the impairment in relation thereto of \$11.92mil in note 5.

A significant portion of this impairment relates to the Group's 48.945% interest in a related party property trust that owns a commercial car park at 131 Macquarie Street Sydney NSW 2000.

The Group is reliant upon the valuation of the trust's real property assets to support the carrying amount of financial assets stated in the financial statements and rental income that provide working capital for the Group.

The impact of COVID-19 has reduced the value of non-current financial assets from \$22.43mil last financial year to \$10.465mil this financial year and rental income from \$238k last financial year to \$92k this financial year.

During the financial year, the property trust was forced to replace its tenant, replacing the existing fixed income model with a commission basis revenue model.

In consideration of AASB 136, management took a conservative approach and impaired the property assets in the Trust based on a net present value of future rents from the new tenancy arrangement.

As a consequence of this impairment, the LVR ratio has moved from 56% to 80%, which exceeds the current agreed LVR ratio of 60%.

The bank loan is due to expire in August 2021 and has been classified as a current liability in the financial statements of the property trust.

Until such time that the bank is approached to extend to loan facility of the trust, it is unknown what the impact will be on the Group's valuation of financial assets.

Notwithstanding the above, management is confident that bank will extend its debt facility on similar terms that are current in place.

Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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

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inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Directors' responsibility for the financial report

The directors 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 controls as the directors determine is necessary to enable the presentation 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 Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility 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 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 representation of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.

KS Black & Co
Chartered Accountants



Scott Bennison
Partner

Dated: 18/3/2021
Sydney

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