

MYKCO LIMITED

**Financial Statements
For the year ended 31 March 2018**

Mykco Limited

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MYKCO LIMITED
Statement of Comprehensive Income
For the year ended 31 March 2018

	Note	2018 NZ\$	2017 NZ\$
Administration expenses		274,924	218,695
Loss on sale of investments		-	5,285
		<u>274,924</u>	<u>223,980</u>
Operating loss before financing costs and taxation expense		(274,924)	(223,980)
Finance income	5	8,914	9,031
Net finance income		<u>8,914</u>	<u>9,031</u>
Net loss before income taxation benefit		<u>(266,010)</u>	<u>(214,949)</u>
Taxation benefit	6	-	-
Net (loss) after income taxation benefit		<u>(266,010)</u>	<u>(214,949)</u>
Other comprehensive income			
Unrealised profit / (loss) on investments		-	(954)
Fair value adjustment on Equity Securities - available for sale		(4,360)	-
Other comprehensive income / (loss) for the period		<u>(4,360)</u>	<u>(954)</u>
Total comprehensive (loss) for the period		<u>(270,370)</u>	<u>(215,903)</u>
Earnings / (loss) per share:			
Basic earnings / (loss) per share (cents per share)	7	(1.36)	(1.36)
Diluted earnings / (loss) per share (cents per share)	7	(1.36)	(1.36)

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

MYKCO LIMITED
Statement of Changes in Equity
For the year ended 31 March 2018

	Share Capital	Retained Earnings	Available for Sale Reserve	Treasury Stock	Total
Balance at 1 April 2016	3,113,454	(1,934,398)	-	(163,474)	1,015,582
Comprehensive income					
Net (loss) for the period	-	(214,949)	-	-	(214,949)
Other comprehensive income					
Unrealised(loss) on investments	-	(954)	-	-	(954)
Total comprehensive income	-	(215,903)	-	-	(215,903)
Transactions with owners					
Shares Issued	420,128	-	-	45,773	465,901
Costs of share issues	(41,380)	-	-	-	(41,380)
Loss on sale of treasury shares	-	(117,701)	-	117,701	-
Total transactions with owners	378,748	(117,701)	-	163,474	424,521
Balance at 31 March 2017	<u>\$3,492,202</u>	<u>\$ (2,268,002)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,224,200</u>
Comprehensive income					
Net (loss) for the period	-	(266,010)	-	-	(266,010)
Other comprehensive income					
Fair value adjustment on Equity Securities - available for sale	-	-	(4,360)	-	(4,360)
Total comprehensive income	-	(266,010)	(4,360)	-	(270,370)
Balance at 31 March 2018	<u>\$3,492,202</u>	<u>\$ (2,534,012)</u>	<u>\$ (4,360)</u>	<u>\$ -</u>	<u>\$ 953,830</u>

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

MYKCO LIMITED
Statement of Financial Position
As at 31 March 2018

	<u>Note</u>	<u>2018 NZ\$</u>	<u>2017 NZ\$</u>
SHAREHOLDERS EQUITY			
Share capital	8	3,492,202	3,492,202
Retained earnings		(2,534,012)	(2,268,002)
Available for sale reserve	14	(4,360)	-
Total shareholders equity		<u>\$ 953,830</u>	<u>\$ 1,224,200</u>
<i>Represented by:</i>			
CURRENT ASSETS			
Cash and cash equivalents	10	266,547	416,704
Investment option	11	-	100,000
Prepayments and other current assets	12	22,713	33,218
Total current assets		<u>289,260</u>	<u>549,922</u>
NON-CURRENT ASSETS			
Intangible assets - Bartercard Trade Dollars	13	696,353	697,122
Equity securities - available for sale	14	95,640	-
Total non-current assets		<u>791,993</u>	<u>697,122</u>
Total assets		<u>1,081,253</u>	<u>1,247,044</u>
CURRENT LIABILITIES			
Trade and other payables	15	127,423	22,844
Total current liabilities		<u>127,423</u>	<u>22,844</u>
Total liabilities		<u>127,423</u>	<u>22,844</u>
Net assets / (liabilities)		<u>\$ 953,830</u>	<u>\$ 1,224,200</u>
Net Tangible Assets per share (cents per share)		1.31	2.69

For and on behalf of the Board, dated


Brent King
 Director


Huei Min Lim
 Director

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

MYKCO LIMITED
Statement of Cash Flows
For the year ended 31 March 2018

	<u>Note</u>	<u>2018 NZ\$</u>	<u>2017 NZ\$</u>
Cash flows from operating activities			
<u>Cash was provided from:</u>			
Interest received	5	8,914	9,031
<u>Cash was applied to:</u>			
Cash payments to suppliers and employees		(159,071)	(238,305)
Net cash inflow from operating activities		<u>(150,157)</u>	<u>(229,274)</u>
Cash flows from investing activities			
<u>Cash was provided from:</u>			
Sale of listed securities		-	140,283
<u>Cash was applied to:</u>			
Payment of Investment option	11	-	(100,000)
investing activities		<u>-</u>	<u>40,283</u>
Cash flows from financing activities			
<u>Cash was provided from:</u>			
Issue of shares	8	-	420,128
Sale of treasury stock	9	-	45,773
<u>Cash was applied to:</u>			
Capital raising costs	8	-	(41,380)
Related party payables	16	-	(1,800)
Net cash flows from financing activities		<u>-</u>	<u>422,721</u>
Net increase / (decrease) in		<u>(150,157)</u>	<u>233,730</u>
Cash and cash equivalents at the beginning of the period		416,704	182,974
Cash and cash equivalents at end of the period		<u>\$ 266,547</u>	<u>\$ 416,704</u>

The accompanying notes form an integral part of and should be read in conjunction with these financial statements.

MYKCO LIMITED

Notes to the Financial Statements

For the year ended 31 March 2018

1. REPORTING ENTITY

Mykco Limited (the “**Company**”) is a company incorporated and domiciled in New Zealand and registered under the *Companies Act 1993*. The company is listed on the Alternative Market of the New Zealand Stock Exchange (“NZAX”) and the addresses of its registered office and principal place of business are disclosed in the directory to the annual report. The Company is a FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013 and its financial statements comply with the Companies Act 1993 and the Financial Reporting Act 2013.

The principal activity of the Company was that of a managed internet service provider until its operating subsidiaries were sold in September 2015. The Company is now a shell. The financial assets of the Company are held as cash, cash equivalents or listed securities where the returns are higher than interest on bank deposits.

These financial statements were authorised for issue by the directors on 29 May 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Compliance with IFRS

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. These financial statements also comply with International Financial Reporting Standards ('IFRS').

Historical cost convention

These financial statements have been prepared under the historical cost convention, except as stated below.

New and amended standards and interpretations

The accounting policies adopted are consistently applied with the following exceptions:

(i) New and amended standards adopted by the Company

No new standards, amendments and interpretations to existing standards are mandatory for the first time for the financial period ended 31 March 2018.

(ii) Early adopted new and amended standards

No new standards, amendments and interpretations to existing standards have been early adopted by the Company in preparing these financial statements.

(iii) New standards, amendments and interpretations issued but not yet effective for the financial period ended 31 March 2018 and not early adopted by the Company

The following new standards, amendments and interpretations are issued but not yet effective for the Company's accounting periods beginning on or after 1 April 2017 or later periods. The Company has not early adopted them.

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS continued

NZ IFRS 9 'Financial Instruments'

NZ IFRS 9 is applicable for annual periods beginning on or after 1 January 2018. Earlier application is permitted. NZ IFRS 9 is part of the International Accounting Standards Board's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces an expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. Lifetime expected credit losses are recognised if the credit risk on a financial instrument has increased significantly since initial recognition. 12 month expected credit losses are recognised if the credit risk on a financial instrument has not increased significantly.

Recognition and Measurement. The standard introduces amended requirements for classifying and measuring financial assets and liabilities and also incorporates amendments to hedge accounting.

The Company will adopt this standard for the first time in the financial statements for the year ending 31 March 2019.

Management are still finalising the assessment the impact of these changes, preliminary assessments have indicated that the adoption of the standard will have the following impact in the 31 March 2019 financial statements as follows:

The equity instruments that are held by the Company and are classified as Available for Sale will be available for election as fair value through other comprehensive income. Accordingly the classification and measurement of these equity instruments will not change, however gains or losses realised on the sale of these equity instruments will no longer be transferred to profit or loss on sale but instead be reclassified below the line from the fair value through other comprehensive income reserve to retained earnings.

The standard introduces an expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. Lifetime expected credit losses are recognised if the credit risk on a financial instrument has increased significantly since initial recognition. 12 month expected credit losses are recognised if the credit risk on a financial instrument has not increased significantly.

The expected credit losses model will not apply to the Company's equity instruments, which will continue to be measured at fair value through other comprehensive income under NZ IFRS 9.

NZ IFRS 15 'Revenue from contracts with customers'

NZ IFRS 15 deals with revenue recognition and establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flow arising for an entity's contracts with customers. This standard replaces IAS 18 Revenue and is applicable to periods beginning on or after 1 January 2018.

The Company will adopt this standard for the first time in the financial statements for the year ending 31 March 2019.

As the Company does not currently have any contracts with customers, management have indicated that the adoption of the standard will have no impact the 31 March 2019 financial statements.

NZ IFRS 16 'Leases'

NZ IFRS 16, 'Leases', replaces NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MYKCO LIMITED

Notes to the Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES

Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Lessors will also be affected by the new standard. The standard is effective for accounting periods beginning on or after 1 January 2019. General Finance Limited intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

As the Company does not currently have any leases, management have indicated that the adoption of the standard will have no impact the 31 March 2019 financial statements.

(a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company's financial statements are presented in New Zealand dollars (NZD), which is the Company's presentation currency. All financial information has been rounded to the nearest dollar.

(b) Goods and services tax

Mykco Limited, the parent Company is not registered for GST in New Zealand. Accordingly, all parent Company revenue and expense transactions are recorded inclusive of GST and all assets and liabilities are similarly stated inclusive of GST.

(c) Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest method (also refer significant accounting policy (e) below).

(d) Expenses

Expenses are recognised as incurred in profit or loss on an accrual basis. The following specific recognition criteria must also be met before expenses are recognised:

- Interest expense and borrowing costs

Interest expense and borrowing costs are recognised in profit or loss as they accrue, using the effective interest method (also refer significant accounting policy (e) below).

(e) Interest income and interest expense

Interest income and interest expense are recognised in profit or loss as they accrue, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability. The application of the method has the effect of recognising income and expense on the financial asset or liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES continued

(f) Income tax

Income tax on net profit for the period comprises current and deferred tax. Income tax is recognised in profit or loss except when it relates to items recognised outside profit or loss (equity or other comprehensive income), in which case it is also recognised outside profit or loss.

Current income tax is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all 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 income tax liabilities are recognised when tax deductions have exceeded accounting expenditure for temporary differences and depreciation.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date.

(g) Financial instruments

Basis of recognition and measurement

The Company classifies financial instruments into one of the following categories at initial recognition: financial assets or liabilities at fair value through profit or loss, available for sale, loans and receivables, held to maturity, and financial liabilities measured at amortised cost.

Some of these categories require measurement at fair value. Where available, quoted market prices are used as a measure of fair value. Where quoted market prices do not exist, fair values are estimated using present value or other market accepted valuation techniques, using methods and assumptions that are based on market conditions and risks existing as at balance date.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised if the Company's contractual rights to the cash flows expire or if the Company transfers them without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognised if the company's obligations specified in the contract are extinguished.

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES continued

(g) Financial instruments continued

Financial assets

Purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in other comprehensive income, except for foreign exchange movements on monetary assets, which are recognised in profit or loss. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss as gains and losses from investment securities.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired.

If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the financial asset acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

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

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date.

(ii) Available for sale financial assets

Available for sale financial assets are non-derivatives, principally equity securities, which are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date.

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES continued

(g) Financial instruments continued

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Assets in this category are measured at amortised cost using the effective interest method, less any impairment losses.

The Company's loans and receivables comprise cash and cash equivalents.

(iv) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

The Company has not classified any financial assets in this category.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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

The carrying amount of the financial asset is reduced by the impairment loss through the use of an allowance account. When a financial asset carried at amortised cost is uncollectible, it is written off against the allowance account. A financial asset carried at amortised cost is deemed to be uncollectible upon notification of insolvency of the debtor or upon receipt of similar evidence that the Company will be unable to collect the trade receivable. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed. Subsequent recoveries of financial asset carried at amortised cost previously written off are credited against the allowance account.

In respect of available-for-sale debt instruments, the loss is reversed through profit or loss. In respect of available-for-sale equity instruments, impairment losses are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated as a separate component of equity in the available-for-sale revaluation reserve.

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES continued

(g) Financial instruments continued

Financial liabilities

(i) Financial liabilities at fair value through profit or loss

This category has two sub categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial liability is classified in this category if acquired principally for the purpose of paying in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Liabilities in this category are classified as current liabilities if they are either held for trading or are expected to be realised within 12 months of the reporting date.

The Company has not classified any financial liabilities in this category.

(ii) Other financial liabilities

This category includes all financial liabilities other than those designated as fair value through profit or loss. Subsequent to initial recognition liabilities in this category are measured at amortised cost using the effective interest method.

The Company's other financial liabilities comprise trade and other payables and related party payables.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. Bank overdrafts (if any) are shown in current liabilities on the statement of financial position.

(i) Intangible assets - Bartercard Trade Dollars

Intangible assets - Bartercard Trade Dollars are bartercard trade dollars that are held by the Company. They are non-monetary assets which are classified as indefinite life intangible assets. The assets are recognised at cost less accumulated impairment losses. The trade dollars are acquired as earned and consumed as utilised and are tested at least annually for impairment or when indication of an impairment exist. An impairment loss is recognised whenever the carrying amount of a bartercard exceeds its recoverable amount. The estimated recoverable amount of intangible assets - Bartercard Trade Dollars are the greater of their fair value less costs to sell or value in use.

Trade debits arising from sales to customers and trade credits from purchases of services are recognised in the statement of comprehensive income in the period in which the transaction occurs. Where trade credits are used to purchase an asset, the asset is capitalised and recognised in the statement of financial position.

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES continued

(j) Investments in equity securities

Investments in equity instruments (other than investments in subsidiaries) are valued at their fair value.

Where investments in equity instruments or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured, the investments are recognised and subsequently carried at cost.

(k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(l) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

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. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

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

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES continued

(m) Share capital

Share capital is classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

(n) Statement of cash flows

The statement of cash flows has been prepared using the direct approach.

Cash and cash equivalents includes cash on hand, cash held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows from related party receivables and payables and borrowings have been netted to provide meaningful disclosure to better reflect the activities of party providing the funding.

The following are the definitions of the terms used in the statement of cash flows:

- Operating activities

Operating activities include all transactions and other events that are not investing or financing activities;

- Investing activities

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangible assets and of investments. Investments can include securities not falling within the definition of cash; and

- Financing activities

Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid (if any) in relation to the capital structure are included in financing activities.

(o) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors, as they make all key strategic resource allocation decisions (such as those concerning acquisition, divestment and significant capital expenditure).

(p) Comparative figures

Where applicable, certain comparative numbers have been restated in order to comply with the current period presentation of the financial report.

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES continued

(q) Going concern

The Company's financial statements have been prepared on a going concern basis. The Company is currently has no operating activities with financial assets held as cash, cash equivalents or listed securities where the returns are expected to be higher than interest on bank deposits. This enables the Company to consider the acquisition of other businesses.

The Company has entered into a conditional contract to purchase all the shares of Corporate Holdings Limited (CHL) that it does not already own. Mykco will issue 16.27 ordinary shares for every share in CHL that it does not already own. CHL owns all the shares in General Finance Limited and Investment Research Group Limited.

The contract is conditional on the share holders of Mykco approving the contract, The Reserve Bank approving the change in ownership of General Finance Limited and Covenant Trustee Services consenting to remain the Trustee for General Finance Limited.

The Directors have determined the Company will not be liquidated in the foreseeable future.

The directors have reached the conclusion that the going concern basis is appropriate having regard to the net assets of the Company and to circumstances which they believe will occur after that date.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ERRORS

(a) Critical accounting estimates and judgments

In the application of NZ IFRS, the Board of Directors and management are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from the estimates, judgments and assumptions made by the Board of Directors and management.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

In particular, information about significant areas of estimation uncertainty that have the most significant effect on the amount recognised in the financial statements is outlined below:

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ERRORS continued

(i) Classification of Intangible Assets - Bartercard Trade Dollars

Bartercard uses an electronic currency called a Bartercard Trade Dollar. The Company earns Bartercard Trade Dollars for the goods it sells to customers (trade debits) and uses the Bartercard Trade Dollars to make purchases (trade credits) from other Bartercard holders. The assets have been classified as indefinite life intangible assets.

Management have classified the Bartercard Trade Dollars as having an indefinite useful life based on the analysis of relevant factors including:

- the participants in the Bartercard network;
- the availability of relevant goods and services in the Bartercard network;
- an assessment of the future viability of the Bartercard platform as a means of payment;
- the level of expenditure required to maintain a Bartercard account and the Company's intention to continue paying these maintenance fees.

Refer to Note 4(b) for details on the change in classification from the prior period.

The useful life of the intangible assets are reviewed each period to determine whether events and circumstances continue to support the indefinite useful life estimate.

(ii) Impairment Assessment – Bartercard Trade Dollars

As the Bartercard Trade Dollars are classified as indefinite life intangible assets, Management are required to test for impairment annually by comparing the recoverable amount with the carrying value of the assets. Recoverable amount is the higher of its fair value less costs of disposal and its value in use.

Management have performed a fair value less costs of disposal impairment test in relation to the carrying value of the asset at 31 March 2018. While there are restrictions on the sale or use of Bartercard Trade Dollars, all market participants (being other Bartercard members) have agreed to the terms and conditions of Bartercard which stipulate that a Bartercard Trade Dollar is equivalent to a New Zealand dollar for all future transactions. As there are no significant disposal costs associated with the settling of transactions in Bartercard Trade Dollars, management have determined that there is no impairment in the carrying value of the asset at 31 March 2018. Further information on the significant estimates and assumptions is included in Note 13 Intangible Assets - Bartercard Trade Dollars.

(iii) Value of Equity securities in Corporate Holdings Limited

The equity securities in Corporate Holdings Limited were acquired on the conversion of the investment options at 21 December 2017. Information on the judgements made, assumptions and estimates are included in the following notes:

Note 14 Equity securities - available for sale

Note 19 Fair values of financial assets and liabilities

(b) Correction of classification error in relation to the prior period financial statements.

Management have identified the following error in relation to the prior period financial statements.

The Bartercard Trade Dollars were previously classified as non-current other assets. They have been reclassified to non-current intangible assets with an indefinite useful life as they have no physical substance and are non-monetary assets.

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

5. PROFIT / (LOSS) BEFORE INCOME TAX

	Note	2018 NZ\$	2017 NZ\$
Net loss for the year before income tax has been determined after:			
Directors fees		82,225	39,600
New Zealand Alternative Stock Exchange fees		18,000	16,726
Auditors remuneration			
Audit fees - Crowe Horwath New Zealand Audit Partnership		1,547	18,621
Audit fees - Staples Rodway Auckland		20,000	-
Total audit remuneration		\$ 21,547	\$ 18,621
Net finance costs			
Finance income:			
Interest income		8,914	9,031
Total net finance income / (costs)		\$ 8,914	\$ 9,031

6. INCOME TAX

	Note	2018 NZ\$	2017 NZ\$
(a) Income tax			
Net profit / (loss) before taxation		(266,010)	(214,949)
Income taxation at prevailing tax rates		(74,483)	(60,186)
Non-deductible expenses		28,656	21,727
Tax losses not recognised		45,827	38,459
Taxation benefit per the statement of comprehensive income		\$ -	\$ -
Comprising:			
- Current tax		-	-
- Deferred tax		-	-
		\$ -	\$ -

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

6. INCOME TAX continued

(b) Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority.

	2018 NZ\$	2017 NZ\$
Deferred tax assets:	-	-
Deferred tax liabilities:	-	-
Net deferred tax assets/(liabilities)	\$ -	\$ -

The gross movement on the deferred income tax account in the year ended 31 March 2018 was Nil (2017: Nil)

Deferred tax assets and liabilities are recognised to the extent that the realisation of the related benefit / outflow through future taxable income / expense is probable.

(c) Deferred tax not recognised

	2018 NZ\$	2017 NZ\$
	Gross	Gross
	Tax Effectuated	Tax Effectuated
Tax losses	388,363	224,755
Temporary differences	27,500	22,844
Total	\$ 415,863	\$ 247,599

Losses can be carried forward indefinitely under New Zealand tax law (assuming shareholder continuity requirements are met and approval of the Inland revenue Department is obtained. The issue of shares described in note 23 will breach the shareholder continuity rules and the tax losses will be forfeited at that date.

(d) Imputation credit account

	2018 NZ\$	2017 NZ\$
Balance at beginning of the year	-	-
Balance at end of the year	-	-
	\$ -	\$ -

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

7. EARNINGS PER SHARE

(a) **Earnings per share**

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	2018	2017
Weighted average number of ordinary shares on issue for earnings per share	19,616,874	15,800,989
Basic earnings per share (cents per share)	(1.36)	(1.36)

(b) **Diluted earnings per share**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has no category of dilutive potential ordinary shares; (2017: Nil)

	2018	2017
Weighted average number of ordinary shares on issue for diluted earnings per share	19,616,874	15,800,989
Diluted earnings per share (cents per share)	(1.36)	(1.36)

8. ISSUED SHARE CAPITAL

	Company Shares Issued No.	Company NZ\$
Share capital		
Balance at 1 April 2016	13,077,916	\$ 3,113,454
Movement for 2017		
Ordinary shares issued	6,538,958	420,128
Cost of share issues	-	(41,380)
	6,538,958	378,748
Balance at 31 March 2017 and 31 March 2018	19,616,874	\$ 3,492,202

All ordinary shares rank equally with one vote attached to each fully-paid ordinary share. Shares have no par value. The Company is listed on the NZAX - the secondary market of the New Zealand Stock Exchange.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number and amounts paid on the shares held.

Each 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.

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

9. TREASURY STOCK

	Company Shares Issued No.	Company NZ\$
Treasury Stock		
Balance at 1 April 2016	(653,896)	(163,474)
Movement for 2017		
Sale of treasury stock	653,896	45,773
Loss on sale of treasury stock transferred to retained earnings	-	117,701
	653,896	163,474
Balance at 31 March 2017 and 31 March 2018	-	\$ -

Treasury shares are those shares acquired by the company from Mykris International Sdn Bhd and others as part of payment for the purchase of the company's operating subsidiaries that was approved by shareholders at the Annual Meeting on 29 September 2015. 49,042,184 shares were cancelled and 653,896 shares were held as Treasury stock in the year ended 31 March 2016.

These treasury shares were sold during the year ended 31 March 2017 for \$45,773 and the loss on sale of \$117,701 was recorded into retained earnings.

10. CASH AND CASH EQUIVALENTS

	2018 NZ\$	2017 NZ\$
Cash at bank - on call	266,547	416,704
	\$ 266,547	\$ 416,704

11. INVESTMENT OPTION

	2018 NZ\$	2017 NZ\$
Non-recourse advance to Corporate Holdings Limited (refer to note 14)	-	100,000
	\$ -	\$ -

Corporate Holdings Limited (CHL) is a holding company whose Directors include Garth Ward, Rewi Bugo and Brent King (Refer to note 24).

The transaction was on the basis that if a purchase of a financial services company is completed by CHL then the non-recourse advance will convert to ordinary shares in CHL and Mykco has the first right of refusal to acquire CHL at a value to be agreed.

The investment options were converted to ordinary shares on 21 December 2017 (Refer to note 14).

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

12. PREPAYMENTS AND OTHER CURRENT ASSETS

	2018 NZ\$	2017 NZ\$
Prepayments	244	11,027
Other receivables	2,469	2,191
NZAX listing deposit	20,000	20,000
	<u>\$ 22,713</u>	<u>\$ 33,218</u>

The New Zealand Alternative Stock Exchange (NZAX) listing deposit has been pledged with the NZAX which complies with the NZAX listing rules.

13. INTANGIBLE ASSETS - BARTECARD TRADE DOLLARS

	2018 NZ\$	2017 NZ\$
Intangible assets - Bartercard Trade Dollars at the beginning of the year	697,122	701,838
Additions of Intangible assets - Bartercard Trade Dollars	-	-
Disposal of Intangible assets - Bartercard Trade Dollars	(769)	(4,716)
Balance of Bartercard Trade Dollars at the end of the year	<u>696,353</u>	<u>697,122</u>
less accumulated impairment losses	-	-
Net book value	<u>\$ 696,353</u>	<u>\$ 697,122</u>

Intangible assets - Bartercard Trade Dollars comprise the balance of Bartercard Trade Dollars on hand at period end net of accumulated impairment losses.

For the year ended 31 March 2018 it was determined that the fair value less costs of disposal of the Bartercard Trade Dollars was equivalent to the carrying value of the assets. Fair value less costs of disposal was determined based on the fact that all market participants (being other Bartercard members) accept the terms and conditions of Bartercard which stipulate that a Bartercard Trade Dollar is equivalent to a New Zealand dollar at the date of exchange in respect of future purchases or goods and services. In addition, as there are no significant disposal costs associated with settling transactions in Bartercard Trade Dollars, management have determined that the fair value less costs of disposal are equal to the carrying value of Bartercard Trade Dollars at 31 March 2018.

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

14. EQUITY SECURITIES - AVAILABLE FOR SALE

	2018	2017
	NZ\$	NZ\$
Corporate Holdings Ltd	95,640	-
	<u>\$ 95,640</u>	<u>\$ -</u>

Equity securities - available for sale comprises the 100,000 equity securities held in Corporate Holdings Limited.

Corporate Holdings Limited (CHL) is a holding company, whose Directors include Garth Ward, Rewi Bugo and Brent King, that has the wholly owned subsidiaries General Finance Limited and Investment Research Group Limited.

The shares in CHL were acquired on 19 December 2017 on the conversion of the investment options held by Mykco. The terms of the investment options provided that the conversion to ordinary shares would occur at the time that CHL acquired a financial services company. CHL acquired General Finance Limited (GFL) on 19 December 2017 and the investment option of \$100,000 converted into 100,000 ordinary shares in CHL at that date.

The directors have determined at 31 March 2018 that the fair value of the investment in CHL is 95.64 cents per share. For additional information on the fair value of the CHL ordinary shares refer to note 19 : Fair values of financial assets and liabilities.

15. TRADE AND OTHER PAYABLES AND ACCRUALS

	2018	2017
	NZ\$	NZ\$
Trade creditors	99,924	-
Amount payable to related parties	7,500	7,500
Accruals	19,999	15,344
	<u>\$ 127,423</u>	<u>\$ 22,844</u>

The normal trade credit terms granted to the Company range from 30 to 90 days.

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

16. RELATED PARTY BALANCES AND TRANSACTIONS

Related party transactions and balances

The Company had related party dealings with the following related parties during the reporting periods:

Related party	Relationship
Almond Draw Limited	Director and Shareholder Garth William Ward
Barter Investment Limited	Common director Brent Douglas King Director Garth William Ward
Corporate Holdings Limited	Common director Brent Douglas King Common Director Rewi Hamid Bugo Director and Shareholder Garth William Ward
Equity Investment Advisers Limited	Common director Brent Douglas King
Investment Research Group Limited	Common director Brent Douglas King
Moneyonline Limited	Common director Brent Douglas King

Related party payables:

	2018	2017
	NZ\$	NZ\$
Included in trade and other payables (note 15) amounts payable to:		
Almond Draw Limited	7,500	7,500
	<u>\$ 7,500</u>	<u>\$ 7,500</u>

The above amounts payable to related parties are unsecured, interest-free and repayable on demand.
The amounts are to be settled in cash.

Transactions with related parties

	2018	2017
	NZ\$	NZ\$
Expenses recharged by Investment Research Group Limited	-	1,999
Expenses recharged by Moneyonline Limited	341	45
Advance to Corporate Holdings Limited (refer to note 13)	-	100,000
Services provided by Investment Research Group Limited	10,350	13,800
Services provided by Equity Investment Advisers Limited	-	34,943
Services provided by Almond Draw Limited	14,950	9,200
42,205 Shares placed with Barter Investment Limited at 0.065 cents per share (refer note 8)	-	2,786

Transactions with key management personnel

	2018	2017
	NZ\$	NZ\$
Directors fees	82,225	39,600

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

17. FINANCIAL ASSETS AND LIABILITIES

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 (g) to the financial statements.

Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

	2018	2017
	NZ\$	NZ\$
<i>Financial assets:</i>		
Loans and receivables:		
- Cash and cash equivalents	266,547	416,704
- Other receivables	20,000	20,000
Available for sale financial assets:		
- Equity securities	95,640	-
Financial assets at fair value through profit and loss:		
- Investment Option	-	100,000
	<u>\$ 382,187</u>	<u>\$ 536,704</u>
<i>Financial liabilities:</i>		
Financial liabilities at amortised cost:		
- Trade payables	99,924	-
- Other payables	19,999	15,344
- Related party payables	7,500	7,500
	<u>\$ 127,423</u>	<u>\$ 22,844</u>

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

18. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks. The financial risks arise from the business activities of the Company. The specific financial risks that the Company is exposed to are discussed below.

(a) Liquidity risk

Liquidity risk arises mainly from general funding and business activities. The Company practices prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on the rate at the end of the reporting period):

2018	Carrying amount	Total	0-6 mths	7-12 mths	1-2 yrs	2-5 yrs
Trade payables	99,924	99,924	99,924	-	-	-
Related party payables	7,500	7,500	7,500	-	-	-
	<u>\$ 107,424</u>	<u>\$ 107,424</u>	<u>\$ 107,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

** The weighted average effective interest rate for the related party payables is 0.00%.

2017	Carrying amount	Total	0-6 mths	7-12 mths	1-2 yrs	2-5 yrs
Related party payables	7,500	7,500	7,500	-	-	-
	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

** The weighted average effective interest rate for the related party payables is 0.00%.

(b) Capital risk

The Company considers its capital to comprise its ordinary share capital and accumulated retained earnings.

The capital of the Company is monitored to ensure equity holder objectives are met, the primary of which is to ensure the Company's continued ability to provide a consistent return to its equity shareholders through a combinations of capital growth and distributions.

In order to achieve the objectives of equity holders, the Company seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable to Company to meet its working capital and strategic investment needs.

Strategic investments include the investment in Corporate Holdings Limited during the year, refer to note 14.

In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, or new share issue, the Company takes into consideration not only its short-term position but also its long-term operational and strategic objectives.

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

19. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(a) Accounting classification and fair values

The carrying values of short term financial assets and liabilities are equivalent to their fair values. Short term financial assets include cash, trade and other receivables. Short term financial liabilities include trade payables, other payables and related party payables.

(b) Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as significant unobservable inputs used. Related valuation processes are described in Note 3.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity securities	Market comparison: The equity security is not quoted on any market, however the valuation is based on transactions in the CHL equity security.	The financial statements include holdings in unlisted shares which are measured at fair value. Fair value is estimated using a discounted cash flow model and includes some assumptions that are not supportable by observable market prices or rates. In determining fair value, reference is made to the carrying value of CHL's consolidated net assets at reporting date, together with the probability that the proposed transaction will proceed.	The estimated fair value would increase (decrease) if transactions in the CHL ordinary shares were higher (lower)

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

19. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES continued

(b) Measurement of fair values continued

(ii) Level 3 fair values

Reconciliation of level 3 fair values

The following table shows the reconciliation from the opening balances to the closing balances for Level 3 values.

Equity securities available for sale

	2018 NZ\$
Balance on 1 April 2017	-
Acquisition on conversion of Investment option	100,000
Loss included in other comprehensive income	
Net change in fair value (Unrealised)	(4,360)
Balance at 31 March 2018	<u><u>\$ 95,640</u></u>

The Company holds an investment in equity shares of Corporate Holdings Limited, which is classified as available for sale, with a fair value of \$95,640 at 31 March 2018 (2017:nil). The fair value of the investment was categorised as Level 3 on conversion from investment options (for information on the valuation technique see (i) above).

Sensitivity analysis

For the fair values of equity securities available for sale, reasonably possible changes of the unobservable inputs, holding other inputs constant would have the following effects:

Equity securities available for sale	Other comprehensive income	
	increase	decrease
A movement in the fair value of the investment in CHL. (10% movement)	9,564	(9,564)

20. OPERATING AND GEOGRAPHIC SEGMENTS

The Company has only one operating segment and all operations are in New Zealand.

MYKCO LIMITED
Notes to the Financial Statements
For the year ended 31 March 2018

21. RECONCILIATION OF NET LOSS AFTER TAXATION TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

Reconciliation of net loss with cash outflow from operations

	Note	2018 NZ\$	2017 NZ\$
Profit / (loss) after tax		(266,010)	(214,949)
<i>Add / less movements in working capital items:</i>			
Decrease / (increase) in prepayments and other current assets		10,505	(4,437)
Decrease / (increase) in intangible assets - Bartercard			
Trade Dollars	13	769	4,716
(Decrease) / increase in trade and other payables and accruals		104,579	(14,604)
Net cash outflow / (inflow) from operating activities		<u>\$ (150,157)</u>	<u>\$ (229,274)</u>

22. COMMITMENTS

Mykco Limited has commitments to Lowndes Law and Simmons Corporate Finance Services Limited for Legal Services and Consulting services relating the conditional contract to purchase of shares in Corporate Holdings Limited. The total commitments at 31 March 2018 is \$34,500.

23. SUBSEQUENT EVENTS

On 28 May 2018 Mykco entered a conditional contract to purchase all the shares of Corporate Holdings Limited (CHL) that it does not already own. Mykco will issue 16.27 ordinary shares for every share in CHL that it does not already own.

CHL owns all the shares in General Finance Limited and Investment Research Group Limited. The contract is conditional on the share holders of Mykco approving the contract, The Reserve Bank approving the change in ownership of General Finance Limited and Covenant Trustee Services consenting to remain the Trustee for General Finance Limited.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mykco Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mykco Limited ('the Company') on pages 1 to 27, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS').

Our report is made solely to the Shareholders of Mykco Limited, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Mykco Limited and the Shareholders of Mykco Limited, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Mykco Limited.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion

on these matters. Key audit matters are selected from the matters communicated with the Directors, but are not intended to represent all matters that were discussed with them.

Key Audit Matter	How our audit addressed the key audit matter
<p>Classification and Measurement of Bartercard Trade Dollar Assets</p> <p>As disclosed in notes 4(i) and 13 of the financial statements, the carrying value of Bartercard assets at 31 March 2018 is \$696,353 (2017: \$697,122).</p> <p>Valuation and presentation of the Bartercard assets was considered a key audit matter due to the nature and significance of these assets to the Company's statement of financial position.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ We reviewed the following: <ul style="list-style-type: none"> ○ The accounting opinion obtained by the Company with respect to the classification and measurement of its Bartercard Trade Dollar assets at 31 March 2018, and ○ The appropriateness of the Company's accounting policy with regards to the classification and measurement of its Bartercard Trade Dollar assets at 31 March 2018; ▪ We consulted with our internal technical accounting specialists with respect to the above; ▪ We obtained and reviewed the directors' impairment assessment at 31 March 2018; ▪ We assessed the appropriateness of the classification of the Bartercard assets as noncurrent, and ▪ Reviewed the adequacy of the Company's disclosures with respect to its holding of the Bartercard assets in general, and the correction of the classification error in the prior period.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible on behalf of the Company 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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (NZ) 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 these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Nigel de Frere.

Staples Rodway

STAPLES RODWAY AUCKLAND

Auckland, New Zealand

29 May 2018