



LAG FOUNDATION LTD
ABN: 32 624 664 204

Financial Report
For the Year Ended 30 June 2018

Dear Supporters of Loki,

We're very pleased to be publishing a long-awaited external audit of the Loki Foundation. The Foundation is a somewhat unusual organisation for Australia, and this is one of the first ICOs to be externally audited. Few frameworks existed to make accounting determinations about the project. It's taken significant time and effort by a number of people to determine how all of this fits within Australian accounting standards.

This report details the financial standing of the Loki Foundation (LAG) for the 17/18 financial year, ending June 30, 2018. During this time, we conducted a pre-sale, which allowed us to develop what we have today. Thanks to the pre-sale contributors, we have been able to use these past 2 years to bring the world Session, our secure messaging app that eliminates metadata, and all the Loki Core features that have advanced CryptoNote blockchain technology. We've also been able to bring new and exciting developments to the Loki Project including Lokinet, our decentralised, Sybil-resistant onion router, which was not in the original scope of the project.

Transparency has always been important to us at the Loki Foundation. From the beginning, we've believed that our transparency, community engagement, and the open nature of our organisation are the things that would most set us apart from other competing technologies. Although it's taken some time, this report should give the community confidence that we have been dutifully managing the income the Foundation has received to produce the outcomes expected of us.

At the end of the 2018 financial year, the Loki Project had only a handful of full-time staff. Now, we're able to fund as many as 30 concurrent staff members to drive the project forward. This team of hardworking engineers and experts has produced excellent outcomes for the project. Technologically, we have not only realised our initial vision, but exceeded it, with many new features and plenty of user-facing developments hitting the ground.

Our mission here at the Loki Foundation is to bring the world better privacy tools, and through those tools, to give privacy to those who need it most — the defenders of our democratic values. Your contributions are crucial: providing infrastructure through the Service Node network, promoting the work we've done by telling your friends, family and colleagues to try out Session, and by participating in our frequent community discussions. Your support means a great deal to us, and to our mission.

Yours,

Simon Harman
Director



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of LAG Foundation Ltd

In relation to our audit of the financial report of LAG Foundation Ltd for the financial period ended 30 June 2018, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature in black ink that reads 'Alison Parker' in a cursive script.

Alison Parker
Partner
22 July 2020

LAG Foundation Ltd

ABN: 32 624 664 204

Financial Statements For the Period Ended 30 June 2018

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LAG FOUNDATION LTD
ABN: 32 624 664 204
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2018

	Note	2018 \$
Income	2	7,251,913
Other income	2	5,327
Losses on sale of Cryptocurrency		(874,650)
Management Fees – Rangeproof Pty Ltd	9	(538,406)
ICO Costs		(373,313)
Consulting and Accounting expenses		(60,175)
Legal expenses		(54,941)
Rental expenses		(16,707)
Other expenses		(94)
Total comprehensive income for the period		5,338,954

The accompanying notes form part of these financial statements.

LAG FOUNDATION LTD
ABN: 32 624 664 204
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 30 JUNE 2018

	Note	2018 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	3	7,315,543
Other receivables	4	36,333
Prepayments	5	70,000
TOTAL CURRENT ASSETS		7,421,876
NON-CURRENT ASSETS		
Intangible assets	6	2,235,981
TOTAL NON-CURRENT ASSETS		2,235,981
TOTAL ASSETS		9,657,857
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	7	16,171
Accrued liabilities		30,997
Provisions	8	4,271,735
TOTAL CURRENT LIABILITIES		4,318,903
TOTAL LIABILITIES		4,318,903
NET ASSETS		5,338,954
EQUITY		
Retained earnings		5,338,954
TOTAL EQUITY		5,338,954

The accompanying notes form part of these financial statements.

LAG FOUNDATION LTD
ABN: 32 624 664 204
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2018

	Retained Earnings	Total
Note	\$	\$
Balance at 26 February 2018	-	-
Comprehensive Income		
Profit for the period	5,338,954	5,338,954
Total comprehensive income attributable to members of the entity	5,338,954	5,338,954
Balance at 30 June 2018	5,338,954	5,338,954

The accompanying notes form part of these financial statement

LAG FOUNDATION LTD
ABN: 32 624 664 204
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2018

	Note	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees		(407,284)
Interest received		5,327
Net cash flows from operating activities		(401,957)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of Cryptocurrency		7,717,500
Net cash flows from investing activities		7,717,500
Net increase in cash and cash equivalents		7,315,543
Cash and cash equivalents at beginning of the financial period		-
Cash and cash equivalents at end of the financial period	3	7,315,543

The accompanying notes form part of these financial statements.

LAG FOUNDATION LTD
ABN: 32 624 664 204
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

The financial statements cover LAG Foundation Ltd (the “Company”) as a consolidated group (the “Foundation” or the “Group”), incorporated 26 February 2018 and domiciled in Australia. LAG Foundation Ltd is a Company limited by guarantee. The financial statements were authorised for issue on 22 July 2020 by the directors of the Company.

Corporate information

The Foundation has been established to be a charity for purposes beneficial to the community generally and for the advancement of education. It will achieve these purposes through the following activities:

- a) facilitating the development of an open source, highly secure, decentralised data transmission network that allows individuals, business and government to freely transact and communicate without the threat of malicious third-party interference;
- b) ensuring the continuing development of the secure network by funding independent development projects;
- c) providing education and support to developers seeking to build apps utilising the secure network;
- d) ensuring the open source network is developed as a genuinely decentralised system absent any external control or influence to ensure the independence, security and longevity of the network;
- e) raising moneys to fund the activities and charitable objectives of the Foundation, including through the offering of the Loki cryptocurrency; and
- f) all other such activities as are ancillary or incidental to the above purposes

The Foundation has developed Loki which provides users with tools to interact online in an anonymous, decentralised, secure and private way. By combining a private transaction network, the \$LOKI cryptocurrency, and economically incentivised Service Nodes, Loki has created a trustless quorum-based onion router called Lokinet. Built into Lokinet is Session — a decentralised, anonymous, and private messaging service. Front end applications, known as Service Node Apps (SNApps) operate on Lokinet, and will allow browser integration and contribution from our open-source community.

The Group includes 100% ownership of the non-operating Green Door Capital Pty Ltd, this entity was established to safeguard the risks associated with the banking community and freezing of bank accounts associated with cryptocurrency activities. As of the issue date of these financial statements Green Door Capital has been deregistered and has ceased to exist as a legal entity.

Note 1 Significant Accounting Policies

Accounting Policies

The directors have prepared the financial statements on the basis that the Foundation is a reporting entity. These financial statements are general purpose financial statements prepared under the reduced disclosure requirements of the Australian accounting standards (AAS).

The Foundation is in the business of digital currencies and is required to make judgments as to the application of AAS and the selection of its accounting policies. The Foundation has disclosed its presentation, recognition and derecognition, and measurement of digital currencies, and the recognition of income as well as significant assumptions and judgments, however, if specific guidance is enacted by the AASB in the future, the impact may result in changes to the Foundation’s earnings and financial position as presented.

The financial statements have been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* including complying with the Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-Profits Commission Regulation 2013. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise. The amounts presented in the financial statements have been rounded to the nearest dollar.

LAG FOUNDATION LTD
ABN: 32 624 664 204
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

(a) Income

In applying the accounting treatment of the Initial Coin Offering (ICO) the Foundation has exercised significant judgment in determining appropriate accounting treatment for the recognition of income relating to the ICO funds. In the event any future authoritative guidance is enacted by the AASB, the Foundation may be required to change its policies which could result in a change in the Company's financial position and earnings.

Income from the ICO funds has been recognised on a straight-line basis over a period of time associated with the delivery of key milestones that have been determined as constructive obligations, as described further below.

(i) Provisions

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

The directors have determined that the below milestones represent a constructive obligation that the company has to the token holders:

Milestones / Constructive Obligations		
Number	Constructive Obligation	Date of Delivery
Milestone 1	Launch of Mainnet	3-May-18
Milestone 2	Early Marketing Drive	31-Jul-18
Milestone 3	Service Nodes go live on Mainnet	1-Sep-18
Milestone 4	Loki Messenger goes live on Mainnet	1-Jul-19

As the Foundation delivers on these milestones the funds raised from the ICO will be recognised as income in consolidated statement of profit and loss.

(b) Fair value measurement

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

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

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

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

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

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

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at-call with banks.

LAG FOUNDATION LTD
ABN: 32 624 664 204
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

(d) Goods and service tax (GST)

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

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

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

(e) Income tax

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

(f) Intangible assets

Digital assets consist of Bitcoin and Loki. Digital assets meet the definition of intangible assets in AAAS 138 - *Intangible Assets* as they are identifiable non-monetary assets without physical substance. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in an exchange of digital currencies is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The foundation considers digital assets to be intangible assets with indefinite useful lives. Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually.

An impairment describes a permanent reduction in the value of an asset. When testing an asset for impairment the total profit, cash flow, or other benefit expected to be generated by that specific asset is periodically compared with its recorded value. If it is determined that the recorded value of the asset exceeds the future cash flow or benefit of the asset, the difference between the two is written off.

The foundation considers that for Bitcoin and holdings an active market exists that allows for a reasonable quoted price as the basis of fair value calculations. For Loki holdings, the foundation considers that markets are not active to the extent that a reasonable fair value calculation may be made.

The Foundation's determination to classify its holding of digital assets as non-current assets is based on management's assessment that it is not the intention to sell the holding in the short term.

Where the Foundation is settling a liability for the purchase of goods and services where the price was established in the functional currency, the difference between the liability settled and the fair value of the digital assets transferred is recognised as a gain or loss on sale. Otherwise, the transaction is measured based on the fair value of the digital assets exchanged. Any difference between the fair value of the digital assets exchanged and the carrying amount of the digital assets is recognised in profit and loss.

(g) Trade and other payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Foundation during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

LAG FOUNDATION LTD
ABN: 32 624 664 204
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

(h) Critical accounting estimates and judgements

The preparation of the Foundation's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts; however, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Foundation based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Foundation. The following are the estimates and assumptions that have been made in applying the Foundation's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

Provisions and related Income from ICO Funds

The foundation has exercised significant estimates and judgements surrounding the provision for Funding. The milestones have been determined after careful consideration of the constructive obligations and estimates surrounding their delivery dates are based on information available at the time this report was prepared.

ICO Costs

The foundation has exercised significant judgements surrounding the treatment of the ICO costs in expensing them in the period that they were paid. There was consideration of the how costs related to the funding and whether there were alternative methods of recognition however it was determined recording these costs as an expense was reflective of the underlying nature of the costs.

(i) New accounting standards for application in future periods

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

The significant accounting requirements of *AASB 1058 – Income of Not-for-Profit Entities* are as follows:

- Income arising from an excess of the initial carrying amount of an asset over the related contributions by owners, increases in liabilities, decreases in assets and revenue should be immediately recognised in profit or loss. For this purpose, the assets, liabilities and revenue are to be measured in accordance with other applicable Standards.
- Liabilities should be recognised for the excess of the initial carrying amount of a financial asset (received in a transfer to enable the entity to acquire or construct a recognisable non-financial asset that is to be controlled by the entity) over any related amounts recognised in accordance with the applicable Standards. The liabilities must be amortised to profit or loss as income when the entity satisfies its obligations under the transfer.

A private sector not-for-profit entity may elect to recognise volunteer services or a class of volunteer services as an accounting policy choice if the fair value of those services can be measured reliably, whether or not the services would have been purchased if they had not been donated. Recognised volunteer services should be measured at fair value and any excess over the related amounts (such as contributions by owners or revenue) immediately recognised as income in profit or loss.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented in accordance with AASB 108 (subject to certain practical expedients); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. For this purpose, a completed contract is a contract or transaction for which the entity has recognised all of the income in accordance with

AASB 1004: Contributions

Although the directors anticipate that the adoption of AASB 1058 may have an impact on the entity's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

LAG FOUNDATION LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

			2018
	Note 2	Income	\$
Income			
		Income recognised from release of Provision for Funding	7,251,913
		Total Income	7,251,913
Other Income			
		Interest received	5,327
		Total Other Income	5,327
		Total Income	7,257,240
	Note 3	Cash and cash equivalents	
Cash and cash equivalents			
		Cash at Bank	7,315,543
		Total Cash and cash equivalents	7,315,543
	Note 4	Other receivables	
		GST	36,333
		Total Other Receivables	36,333
	Note 5	Prepayments	
Prepaid Expenses			
		Prepaid Rent in Advance	70,000
		Total Prepayments	70,000
	Note 6	Intangible Assets	
Intangible Assets			
		Bitcoin Holdings	2,220,848
		Loki Holdings	15,133
		Total Intangible Assets	2,235,981

Bitcoin Holdings

The foundation has a holding of 255.80 BTC as at 30 June 2018. The AUD market value for 1 BTC at 30 June 2018 was \$7,952 (\$5,936 USD) resulting in a fair value of A\$2,034,134. There exists a difference between the fair value and the recorded amounts due to the accounting policy discussed in Note 1(f)

Loki Holdings

The Foundation as at 30 June 2018 held 9,351,883.51 Loki inclusive of tokens to be distributed to participants as a result of the initial coin offering. The AUD market value for 1 LOKI at 30 June 2018 was \$0.2623 (\$0.1833 USD) resulting in a fair value of A\$2,452,985. The 24h exchange trade volume on this date was \$130,326 USD

LAG FOUNDATION LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

Note 7	Trade and Other Payables	2018
	Accounts Payable	\$
	Trade Creditors	16,171
	Total Trade and other payables	16,171

Note 8 Provisions

	Provision for Funding
	\$
At 26 February 2018	-
Arising during the period	11,523,648
Released to income (Note 2)	(7,251,913)
At 30 June 2018	4,271,735

Note 9 Related Party Transactions

a. Key Management Personnel

The key management personnel of the foundation are individuals and associated entities that have control or significant influence over the foundation.

During the current financial year there was no remuneration or benefits paid to any of the directors or key management personnel.

b. Rangeproof Pty Ltd Management Fee

Rangeproof Pty Ltd has a general service agreement with the foundation to provide services on an ongoing basis, payments are separately requested and approved by the foundation on a bi-monthly basis.

The service agreement was awarded to Rangeproof following an invitation by the foundation to public individuals and companies to submit proposals to carry out the software development and project management in accordance with the Loki Project's goals

The total management fee paid to Rangeproof Pty Ltd during the period for ongoing software development, marketing, research and development, data analytics and network performance testing was:

Rangeproof Pty Ltd – Management Fees – AUD	216,254
Rangeproof Pty Ltd – Initial Seed Funding received prior to incorporation of LAG Foundation – AUD value of Ethereum	322,152

Total Management Fee Paid	538,406
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LAG FOUNDATION LTD
ABN: 32 624 664 204
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

Note 10 **Commitments**

The foundation has a service agreement with Rangeproof to provide services to the foundation. This contract covers services until 1 July 2018. As of the date of issue the Foundation has renewed its contract with Rangeproof with the most recent contract due to expire 1 July 2020.

Note 11 **Cash Flow Information**

**Reconciliation of Cash Flows from Operating Activities with
Net Current Year Surplus**

Net current year profit	5,338,954
Adjustment for:	
AUD proceeds from sale of cryptocurrency assets	(7,717,500)
<i>Change in operating assets and liabilities:</i>	
(Increase)/decrease in Other Receivables	(36,333)
Increase/(decrease) in Provisions	4,271,735
Increase/(decrease) in Accrued Liabilities	30,997
Increase/(decrease) in Trade and Other Payables	16,171
(Increase)/decrease in Prepayments	(70,000)
(Increase)/decrease in Intangible assets	(2,235,981)
Net Cash used during operating activities	(401,957)

LAG FOUNDATION LTD
ABN: 32 624 664 204
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018

Note 12 Entity Details

LAG Foundation was incorporated on 26 February 2018

The registered office of the entity is:

Level 1 / 452 Flinders Street
Melbourne VIC 3000
Australia

The principal place of business is:

Level 4 / 460 Collins Street
Melbourne VIC 3000
Australia

Note 13 Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$10 towards meeting any outstanding obligations of the entity. At 30 June 2018 the number of members was 3.

Note 14 Events after the reporting period

The foundation notes that the following events have occurred after the reporting period:

- 1) Following a 12-month lockup schedule, the successful distribution of over 7 million Loki held in escrow for Founders, Advisors and Seed funding.
- 2) All milestones discussed in note 1(a) have been achieved including:
 - a. Service nodes are live. Service Nodes do the heavy lifting on the Loki network and get a significant financial reward for their efforts. Service Nodes host services, run SNApps, and allow the users to browse the Lokinet.
 - b. Loki Messenger is live and has been rebranded as Session. Session is an end-to-end encrypted messenger that removes sensitive metadata collection and is designed for people who want privacy and freedom from any forms of surveillance.
- 3) The cryptocurrency market has experienced significant volatility following the end of the reporting period and continues to be volatile. This has affected the value of the cryptocurrency holdings held by the foundation.
- 4) On 11 March 2020, the World Health Organization (WHO) declared the outbreak of COVID-19 coronavirus to be a global pandemic. The identification of the COVID-19 coronavirus and its spread is considered to be a non-adjusting subsequent event. As at the date of this report, it is not possible to reliably estimate the financial impact (if any) on the Company's operations.

Other than those events listed above there have been no other significant events occurring after the 30 June 2018 reporting date which may affect the Company's operations, state of affairs or results.

LAG FOUNDATION LTD
ABN: 32 624 664 204
DIRECTORS'
DECLARATION

In the opinion of the directors of LAG Foundation Ltd (the "Foundation"):

1. The financial statements and notes of the Foundation are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - (a) give a true and fair view of the financial position of the Foundation as at 30 June 2018 and of its performance for the period ended on that date; and
 - (b) comply with Australian Accounting Standards – Reduced Disclosure Requirements, and the Australian Charities and Not-for-profits Commission Regulation 2013; and
2. There are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with subs 60.15(2) of the Australian Charities and Not-for-profits Commission Regulation 2013.

Director



Simon Harman

Dated

22 July 2020

Director



Josh Jessop-Smith

Dated

22 July 2020



**Building a better
working world**

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Independent Auditor's Report to the Members of LAG Foundation Ltd

Report on the Financial Report

Opinion

We have audited the financial report of LAG Foundation Ltd (the Company) and its subsidiary (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, 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 *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the period ended on that date; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Opinion

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

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

Emphasis of Matter: Subsequent Events – Impact of the Coronavirus (COVID-19) Outbreak

We draw attention to Note 14 of the financial report which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 30 June 2018 and how this has been considered by the Directors in the preparation of the financial report. As set out in Note 14, no adjustments have been made to financial statements as at 30 June 2018 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.



Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report

A handwritten signature in black ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Alison Parker'.

Alison Parker
Partner
Melbourne, Australia
22 July 2020