

**TRUFFLE PROPERTIES LIMITED
ACN 116228114
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

C O N T E N T S

Directors' Report

Independent Auditor's Report

Directors' Declaration

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TRUFFLE PROPERTIES LIMITED

DIRECTORS' REPORT

The directors present their report, on the Company and its controlled entity (referred to hereafter as the 'consolidated entity') for the year ended 30 June 2021.

Directors

The names of persons holding the position of Director of the Company, during the financial year and up to the date of this report, unless otherwise stated are:-

Geoffrey Thomas Barrett (Managing Director) LLB (Hons), B.Com (Accounting)

Geoff Barrett is the co-founder of the Oak Valley truffle business and until 1 May 2018 was the Chair of the Company. Geoff has had an extensive back ground in Agribusiness since he founded the Watershed Premium Wine business in Margaret River in 2001. Until 30 June 2002, he was managing partner of the law firm Garton Smith & Barrett, advising in relation to managed investments in forestry, viticulture, wineries and manufacturing. Prior to practicing law he had over 18 years experience in banking and finance. He managed several major banking projects, including the development and introduction of automated teller machines. Geoff has previously lectured in International Taxation Law, International Business Law and Contract Law and tutored in Corporations Law at Curtin University.

He is also Managing Director of Truffle Projects Pty Ltd and a former Director of Watershed Land Ltd and Watershed Premium Wines Ltd.

Directors' meeting attended 4 of 4.

Wally Edwards (Chair) BE MIE (Aust)

Wally Edwards is the co-founder of the Oak Valley truffle business and until 1 May 2018 was the Managing Director of the Company. He is a civil engineer and registered builder who has specialised in the field of irrigation products and systems. Wally has considerable project management expertise in plantation forestry, construction and civil engineering projects. Wally was the Managing Director of Hazel Hill Pty Ltd from its inception in 1997. He resigned this position on 11 September 2009. Wally was an executive member of the Western Australia Cricket Association (WACA) from 1987 to 2012, retiring as Senior Vice President in October 2012. He was granted life membership of the WACA in 2003.

Wally retired as Chairman of Cricket Australia on 29 October 2015. Wally Edwards was elected Chairman of Truffle Producers Western Australia Inc. in October 2015. He is also the Chair of Truffle Projects Pty Ltd.

Directors' meeting attended 4 of 4.

TRUFFLE PROPERTIES LIMITED
DIRECTORS' REPORT (Continued)

Directors (Cont.)

Richard Hill M.B. B.S. F.R.A.C.P. B.Com (Econ) Dip Naut Sc

From 1981 until March 2002, Dick Hill was the Head of Gastroenterology at Princess Margaret Hospital, Perth. Until his retirement in September 2007 he was a consultant gastroenterologist at Princess Margaret Hospital. His qualifications include a Bachelor of Commerce (Econ) and he has successfully built and managed a significant investment portfolio. Dick has been actively involved in the Project since its inception. He is also a Director of Truffle Projects Pty Ltd, and a former Director of Watershed Land Ltd and Watershed Premium Wines Ltd.

Directors' meeting attended 4 of 4.

Greg Martin

Greg has more than thirty four years in the hospitality industry both locally and overseas. He has obtained his qualification as a Chef at Perth's King Arthurs Table at the Red Castle winning several gold plate awards before moving to another of Perth's most awarded restaurants, the Mediterranean in Subiaco. He has also over the years owned and successfully operated a number of local Perth restaurants. Greg is currently the joint owner of an independent supermarket in Capel, Western Australia. He is also a Director of Truffle Projects Pty Ltd and a former Director of Watershed Land Ltd and Watershed Premium Wines Ltd.

Directors' meeting attended 3 of 4.

Company Secretary

Tracie Oakes (Graduate Diploma Professional Accounting) - Company Secretary

Tracie was the former Financial Controller of Watershed Premium Wines from 2010 to 2020 and is presently the Financial Controller of Truffle Projects Pty Ltd. Tracie enrolled in a Master of Business Administration with the Australian Institute of Business and has successfully completed six units.

Review of Operations

The Manjimup region had a below average season in 2021 for truffle yields. This resulted from cooler than average temperatures during Summer and extremely wet conditions during the harvest. Oak Valley generated more than 60% of the total Western Australian harvest in 2021. The 2021 dirty truffle harvest was up 18% on the 2020 harvest. The 2020 dirty truffle harvest was 6,603,500 grams and in 2021 this increased to 7,793,740 grams. This 2021 harvest result placed the truffle business on track with the projected long term harvest yield. Despite the extremely difficult trading conditions arising from COVID-19 we managed to sell 100% of saleable truffles and recorded an operating profit for the 2021 financial year. The average price paid for fresh truffle in 2021 improved on the 2020 prices and further price improvements are anticipated for the 2022 season as the world markets continue to overcome the negative impacts of Coronavirus (COVID-19).

The 2020/21 revenue result was also impacted by COVID due to shipping restrictions to international destinations throughout the 2020 truffle harvest despite a bumper season. This resulted in surplus truffles being frozen to be sold at a lower price per gram in the 2020/21 financial year

TRUFFLE PROPERTIES LIMITED
DIRECTORS' REPORT (Continued)

Review of Operations (Cont)

The positive change in biological assets \$193,164 and depreciation and amortisation expense (\$725,368) resulted in an operating profit of \$37,655. Excluding non cash items the operating profit for 2021 was \$569,859 compared to an operating profit of \$99,684 in 2020.

Operating Results

The operating profit of the consolidated entity for the year ended 30 June 2021 after income tax amounted to \$281,668 (2020: operating loss of \$170,336).

Dividends

No dividends were paid during the year however the Directors have approved a dividend payment of \$0.10 cents per share for FY21.

Options

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

Indemnifying Officer or Auditor

The consolidated entity has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the consolidated entity or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

Significant Changes in The State Of Affairs

During the financial year, there have not been any significant changes in the state of affairs of the consolidated entity, other than as discussed in the Review of Operations.

Environmental Regulation and Performance

The consolidated entity's operations throughout the year and to the date of this report are not regulated by any significant regulation under the law of the Commonwealth or of a State or Territory.

TRUFFLE PROPERTIES LIMITED
DIRECTORS' REPORT (Continued)

Events Subsequent to Reporting Date

There is no transaction or event of a material nature that has occurred after the reporting period which is likely to significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Proceedings On Behalf Of Company

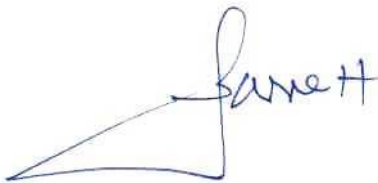
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

Our auditor, RSM Australia Partners, has provided the Board of Directors with an independence declaration in accordance with section 307C of the *Corporations Act 2001*. The independence declaration is included within the financial statements.

Signed for and on behalf of the Board of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

A handwritten signature in blue ink, appearing to read 'G T Barrett', with a large, stylized flourish extending to the left.

G T BARRETT
Managing Director

5 November 2021
Perth, WA



RSM Australia Partners

Level 32 Exchange Tower, 2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61(0) 8 9261 9100
F +61(0) 8 9261 9101

www.rsm.com.au

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
TRUFFLE PROPERTIES LIMITED**

Opinion

We have audited the financial report of Truffle Properties Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

**THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING**

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

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 Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

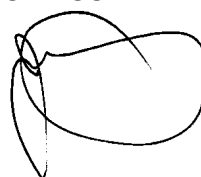
Auditor's Responsibilities for the Audit of the Financial Report

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: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



RSM AUSTRALIA PARTNERS



Perth, WA
Dated: 8 November 2021

J A KOMNINOS
Partner

TRUFFLE PROPERTIES LIMITED

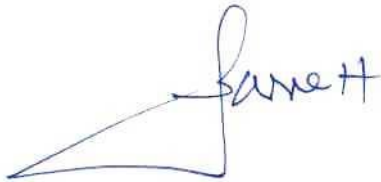
DIRECTORS' DECLARATION

The directors of the Company declare that, in the opinion of the directors:

- (a) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, the Australian Accounting Standards – Reduced Disclosure Requirements, the Corporation Regulations 2001 and other mandatory professional reporting requirements;
- (b) the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

Signed for and on behalf of the Board of Directors

A handwritten signature in blue ink, appearing to read 'G T Barrett', is written over a horizontal line. The signature is stylized and includes a large loop at the end.

G T BARRETT
Managing Director

5 November 2021
Perth, WA

TRUFFLE PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue from contracts with customers	2	2,886,628	1,445,685
Other revenue	2	82,982	124,573
Total revenue		2,969,610	1,570,258
Fair value changes in biological assets, net	8	193,164	301,418
Changes in inventories		(71,576)	129,008
Depreciation and amortisation expense	4	(725,368)	(449,878)
Employee benefits expense		(944,679)	(558,180)
Directors' fees		(75,000)	(100,000)
Purchase of truffle for resale		(481,554)	(225,075)
Administration costs		(50,000)	(120,000)
Commission paid		(54,113)	(31,897)
Repairs and maintenance		(38,902)	(40,441)
Consultancy fees		(12,343)	(2,163)
Agricultural supplies		(186,714)	(130,960)
Truffle hunting expenses		(102,757)	(77,108)
Finance costs		(19,953)	(29,223)
Other expenses	3	(362,160)	(284,537)
Profit/(loss) before income tax		37,655	(48,778)
Income tax benefit / (expense)	5	244,013	(121,558)
Profit/(loss) for the year		281,668	(170,336)
Other comprehensive income:		-	-
Items that will not be reclassified subsequently to profit and loss			
- gain in revaluation of freehold land, net of tax		-	31,868
- gain in revaluation of bearer plants, net of tax		-	2,905,378
		-	2,937,246
Total comprehensive income attributable to members of the Company		281,668	2,766,910

The accompanying notes form part of these financial statements

TRUFFLE PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 \$	2020 \$
Current Assets			
Cash at bank	6(a)	265,267	-
Trade and other receivables	7	682,422	531,958
Inventories		129,319	200,895
Biological assets	8	923,907	730,743
Total Current Assets		<u>2,000,915</u>	<u>1,463,596</u>
Non-Current Assets			
Freehold land	9	1,421,148	1,421,148
Property, plant and equipment	10	5,542,500	5,721,686
Intangible assets	11	5,375,051	5,686,034
Total Non-Current Assets		<u>12,338,699</u>	<u>12,828,868</u>
Total Assets		<u>14,339,614</u>	<u>14,292,464</u>
Current Liabilities			
Interest bearing liabilities	14	-	29,792
Trade and other payables	12	305,775	201,465
Provision	13	25,323	27,435
Total Current Liabilities		<u>331,098</u>	<u>258,692</u>
Non-Current Liabilities			
Trade and other payables	12	37,500	500,411
Interest bearing liabilities	14	900,000	500,000
Deferred tax liabilities	5	1,065,813	1,309,826
Total Non-Current Liabilities		<u>2,003,313</u>	<u>2,310,237</u>
Total Liabilities		<u>2,334,411</u>	<u>2,568,929</u>
Net Assets		<u>12,005,203</u>	<u>11,723,535</u>
Equity			
Issued capital	16	10,250,092	10,250,092
Accumulated losses		(1,626,882)	(1,908,550)
Revaluation reserve		3,381,993	3,381,993
Total Equity		<u>12,005,203</u>	<u>11,723,535</u>

The accompanying notes form part of these financial statements

TRUFFLE PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Issued Capital Ordinary	Accumulated Losses	Revaluation Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2020	10,250,092	(1,908,550)	3,381,993	11,723,535
Profit for the year	-	281,668	-	281,668
Other comprehensive income	-	-	-	-
Total comprehensive income attributable to members of the Company	-	281,668	-	281,668
Balance at 30 June 2021	10,250,092	(1,626,882)	3,381,993	12,005,203
Balance at 1 July 2019	10,250,092	(1,738,214)	444,747	8,956,625
Loss for the year	-	(170,336)	-	(170,336)
Other comprehensive income	-	-	2,937,246	2,937,246
Total comprehensive income attributable to members of the Company	-	(170,336)	2,937,246	2,766,910
Balance at 30 June 2020	10,250,092	(1,908,550)	3,381,993	11,723,535

The accompanying notes form part of these financial statements

TRUFFLE PROPERTIES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		2,625,982	1,047,363
Payments to suppliers		(1,941,964)	(1,000,736)
Interest received		-	43
Payments to directors		(366,173)	-
Interest paid		(15,849)	(29,223)
Cash flows provided by operating activities	6(b)	<u>301,996</u>	<u>17,447</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	10	<u>(235,199)</u>	<u>(117,450)</u>
Cash flows used in investing activities		<u>(235,199)</u>	<u>(117,450)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(500,000)	-
Repayment of loans to related parties		(171,738)	-
Proceeds from borrowings		900,000	-
Cash flows provided by investing activities		<u>228,262</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		295,059	(100,003)
Cash and cash equivalents held at the beginning of the year	6(a)	<u>(29,792)</u>	<u>70,211</u>
Cash and cash equivalents held at the end of the year	6(a)	<u>265,267</u>	<u>(29,792)</u>

The accompanying notes form part of these financial statements

TRUFFLE PROPERTIES LIMITED
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers the consolidated entity of Truffle Properties Limited and a controlled entity “consolidated entity” or “group”. Truffle Properties Limited is an unlisted public company, incorporated and domiciled in Australia.

The financial report was authorised for issue on 5 November 2021 by the board of directors.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (“RDR”), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The accounting policies set out below have been consistently applied to all years presented unless otherwise stated.

Except for the statement of cash flows, the financial report has also been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(w).

New and Revised Accounting Standards

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have an impact on the financial performance or position of the consolidated entity for the current reporting period or the comparative information.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 15.

(a) Principles of Consolidation

A controlled entity is an entity controlled by Truffle Properties Limited. Control exists where Truffle Properties Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Truffle Properties Limited to achieve the objectives of Truffle Properties Limited.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the financial position date.

Deferred tax is accounted for using the Statement of Financial Position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future are based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The company and its wholly owned Australian controlled entity are not tax consolidated for tax purposes.

(c) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Cash and cash equivalents

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

(e) Revenue

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered and recognises revenue when or as each performance obligation is satisfied.

Sale of truffles and other products

Sale of truffles and other products is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rent

Revenue from the lease of water supply is recognised on a straight line basis over the term of the relevant lease.

Management Fee

Revenue from management fees is recognised when services are rendered.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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

(f) Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(g) Property, Plant and Equipment and Freehold land

Property, plant and equipment is measured on the cost basis less accumulated depreciation and impairment losses. The depreciable amount of all fixed assets is depreciated on a diminishing basis over their useful lives to the consolidated entity commencing from the time an asset is held ready for use.

Freehold land and bearer plants are carried at fair value, determined using open market value, based on periodic independent revaluation every three to five years.

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Property, Plant and Equipment and Freehold land (Cont'd)

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

Increases in the carrying amount arising on revaluation of bearer assets are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

The useful lives of each class of depreciable assets are:

Plant and equipment	6-20 years
Office and workshop buildings	40 years
Irrigation equipment	30 years
Bearer plants	30 years
Freehold land is not depreciated.	

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

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

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

(h) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 15 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(i) Biological assets

Biological assets consist of unharvested truffles measured at fair value as per AASB141 Agriculture. The fair value is ascertained by taking the market value of unharvested truffles, less any costs to sell at the point of harvest.

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST.

(k) Financial instruments

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the consolidated entity becomes a party to the contractual provisions of the instrument.

Trade date accounting is adopted for financial assets that are delivered within timeframes established by market place convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to the Consolidated Statement of Comprehensive Income immediately. Financial instruments are classified and measured as set out below.

(l) Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(m) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Consolidated Statement of Comprehensive Income.

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

TRUFFLE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually.

Intangible assets consist of the right to future income from Oak Valley Truffle Project 2006, Oak Valley Truffle Project 2007 and Oak Valley Truffle Project 2008. Intangible assets are amortised over the remaining lease term of the Oak Valley Truffle Projects.

The remaining lease term of the Oak Valley Truffle Projects are:

Oak Valley Truffle Project 2006	11 years
Oak Valley Truffle Project 2007	12 years
Oak Valley Truffle Project 2008	13 years

(o) Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale

(q) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event. It is probable the consolidated entity will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(s) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and long service leave are not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

(t) Interest-bearing liabilities

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(u) Foreign currency translation

The financial statements are presented in Australian dollars, which is the consolidated entity's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(v) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Fair value measurement (Cont'd)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, recognised the use of relevant observable inputs and recognised the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(w) Critical accounting estimates and judgments

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

Key estimates

Assessment of impairment of goodwill

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) Critical accounting estimates and judgments (Cont'd)

Fair value of biological assets

The consolidated entity estimates the fair value of biological assets based on the market price of the unharvested truffles, less any harvest costs incurred to sell the truffles. The key to estimating the value of the truffles includes the quality of the truffles, the anticipated market price of the truffles, the estimated yield and the estimated harvest costs incurred for the particular harvest.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probably that future taxable amounts will be available to utilise those temporary differences and losses.

Useful life of fixed assets and intangible assets

The consolidated entity determines the useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated, or technically obsolete or non-strategic assets that have been sold will be written off or written down.

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

		2021	2020
		\$	\$
2.	REVENUE		
	<i>Revenue from contracts with customers</i>		
	Truffle sales	2,496,124	1,209,047
	Management fee	390,504	236,638
		<u>2,886,628</u>	<u>1,445,685</u>
	<i>Other revenue</i>		
	Miscellaneous income	16,435	39,619
	Interest income	-	43
	Cashflow boost	36,547	60,911
	JobKeeper	30,000	24,000
		<u>82,982</u>	<u>124,573</u>
	Total Revenue	<u>2,969,610</u>	<u>1,570,258</u>
	<i>Geographical regions</i>		
	Australia	491,698	220,047
	Europe	1,095,757	525,705
	USA	412,181	223,939
	Asia	229,693	144,969
	Other	266,795	94,387
		<u>2,496,124</u>	<u>1,209,047</u>
	<i>Timing of revenue recognition</i>		
	Goods transferred at a point in time	2,496,124	1,209,047
	Revenue recognised over time	390,504	236,638
		<u>390,504</u>	<u>236,638</u>
3.	OTHER EXPENSES		
	Audit or review of financial statements	38,500	34,500
	Accounting fees	13,700	24,100
	Freight	132,226	72,482
	Other expenses	177,734	153,455
		<u>362,160</u>	<u>284,537</u>
4.	DEPRECIATION AND AMORTISATION EXPENSE		
	Amortisation expense (Note 11)	310,983	310,981
	Depreciation expense (Note 10)	414,385	138,897
		<u>725,368</u>	<u>449,878</u>

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

5. INCOME TAX

	2021	2020
	\$	\$
Current tax	-	-
Deferred tax benefit / (expense)	(186,438)	121,558
Change in tax rate	(57,575)	-
	(244,013)	121,558

No current tax is payable by the consolidated entity due to utilisation of tax losses carried forward from prior years.

(a) The prima facie tax on loss) from ordinary activities before income tax is reconciled to income tax as follows:

Profit / (loss) before income tax	37,655	(48,778)
Prima facie income tax expense/(benefit) at 26% (2020: 27.5%)	9,790	(13,414)
Non-deductible expenses	71,353	68,770
Deferred tax assets/(liabilities) not recognized, net	(176,759)	80,212
Utilisation of tax loss carried forward from prior year	(89,315)	(14,010)
Change in tax rate	(57,575)	-
Others	(1,507)	-
Income tax (benefit) / expenses attributable to operating loss	(244,013)	121,558

(b) Deferred tax

Deferred tax assets and deferred tax liabilities not booked on the basis that the recognition criteria disclosed in Note 1(b) is not satisfied are as follows:

Deferred tax assets not recognised:		
Accrual and provision	23,808	18,172
Tax losses	373,549	477,805
	397,357	495,977
Deferred tax assets used to offset deferred tax liabilities	(381,678)	(214,964)
Deferred tax assets not recognised	15,679	281,013

Deferred tax assets have not been recognised as it is not considered probable that future taxable profit will be available against which the deferred tax assets can be realised.

Deferred tax liabilities:		
Property, plant and equipment	145,071	118,719
Other financial assets and biological assets	236,607	217,803
Deferred tax assets used to offset deferred tax liabilities	(381,678)	(214,964)
	-	121,558
Amount recognised in equity:		
Revaluation reserve	1,081,493	1,188,268
	1,065,814	1,309,826

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

(c) Franking account

The consolidated entity has no franking credits available to pay franked dividends.

6. CASH AND CASH EQUIVALENTS

(a) Reconciliation of Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents at 30 June 2020 as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as shown:

	2021	2020
	\$	\$
Cash at bank	265,267	-
Bank overdraft (note 14)	-	(29,792)
	<u>265,267</u>	<u>(29,792)</u>
(b) Reconciliation of cash flows from operating activities to operating (loss) after income tax		
Operating profit/ (loss) after income tax	281,668	(170,336)
Non-cash flows		
Depreciation and amortisation	725,368	449,880
Movements in assets and liabilities		
Receivables	(78,888)	(268,612)
Biological assets	(193,164)	(301,418)
Payables	(186,863)	193,467
Provisions	(2,112)	(7,092)
Deferred taxation	(244,013)	121,558
Cash flows provided by operating activities	<u>301,996</u>	<u>17,447</u>
(c) Bank Overdraft Facility		
Amount used	-	29,792
Unused facility	200,000	170,208
Total facility	<u>200,000</u>	<u>200,000</u>
(d) Bank Loan Facility		
Amount used	900,000	500,000
Unused facility	500,000	-
Total facility	<u>1,400,000</u>	<u>500,000</u>

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

7. TRADE AND OTHER RECEIVABLES

	2021	2020
	\$	\$
Trade receivables	682,422	531,958

Allowance for expected credit losses

The consolidated entity has recognised no loss in profit or loss in respect of the expected credit losses for the year ended 30 June 2021. Subsequent to year end all trade receivables were received.

8. BIOLOGICAL ASSETS

Biological assets	923,907	730,743
Reconciliation:		
Opening biological assets	730,743	429,325
Fair value	923,907	730,743
Cost of sales	(730,743)	(429,325)
Closing biological assets	923,907	730,743

The biological assets consist of un-harvested truffles at the end of the financial year and are measured at fair value, less costs to sell at the point of harvest.

Fair value determination

The valuation of biological assets are Level 2 fair value measurements under the group's accounting policy (see note 18), with the principal inputs being:

- Anticipated market price of truffles;
- Estimated yield; and
- Estimated harvest costs.

Business risk in relation to truffle yield

The consolidated entity's ability to fulfill demand is restricted by the availability of truffles. Climate change, agricultural and other factors, such as disease, pests, extreme weather conditions, water scarcity and biodiversity loss create risk for the consolidated entity. To the extent that any of the foregoing impact the quality and quantity of truffles available, the financial prospects of operations could be adversely affected. The above risks are mitigated through long term planning and trufferie maintenance and management.

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

9.	FREEHOLD LAND	2021	2020
		\$	\$
	At independent valuation	<u>1,421,148</u>	<u>1,421,148</u>

The basis of the valuation of freehold land is fair value. The freehold land was revalued in April 2020 based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of freehold land being valued. The directors do not believe that there has been a material movement in fair value since the revaluation date. Valuations are based on current prices for similar properties in the same location and condition.

10.	PROPERTY, PLANT & EQUIPMENT		
	Office and workshop buildings		
	- At cost	605,509	402,820
	- Accumulated depreciation	<u>(140,669)</u>	<u>(124,850)</u>
		<u>464,840</u>	<u>277,970</u>
	Plant and equipment		
	- At cost	603,337	570,827
	- Accumulated depreciation	<u>(423,547)</u>	<u>(383,314)</u>
		<u>179,790</u>	<u>187,513</u>
	Irrigation equipment		
	- At cost	577,593	577,593
	- Accumulated depreciation	<u>(337,803)</u>	<u>(311,390)</u>
		<u>239,790</u>	<u>266,203</u>
	Bearer plants		
	- At fair value	4,990,000	4,990,000
	- Accumulated depreciation	<u>(331,920)</u>	<u>-</u>
		<u>4,658,080</u>	<u>4,990,000</u>
	Carrying value at the end of year	<u>5,542,500</u>	<u>5,721,686</u>

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

10. PROPERTY, PLANT & EQUIPMENT (Cont.)

Movements in carrying values for property, plant and equipment between the beginning and end of the financial year:

	Office & Workshop Buildings \$	Plant and equipment \$	Irrigation equipment \$	Bearer plants \$	Total \$
Balance at 30 June 2019	291,582	163,441	233,251	972,410	1,660,684
Depreciation	(13,612)	(40,283)	(20,143)	(64,859)	(138,897)
Additions	-	64,355	53,095	-	117,450
Revaluation Increment	-	-	-	4,082,449	4,082,449
Balance at 30 June 2020	277,970	187,513	266,203	4,990,000	5,721,686
Depreciation	(15,819)	(40,233)	(26,413)	(331,920)	(414,385)
Additions	202,689	32,510	-	-	235,199
Revaluation Increment	-	-	-	-	-
Balance at 30 June 2021	464,840	179,790	239,790	4,658,080	5,542,500

1. Property, plant and equipment is held as security over the bank loan facility and working capital facility of its Subsidiary.
2. Bearer plants consist of oak and hazelnut trees and were revalued in April 2020 by an independent valuer. The increase in the value of the bearer plants was taken to other comprehensive income.

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

11. INTANGIBLES

	2021	2020
	\$	\$
Rights to truffle income	3,964,153	3,964,153
Less: Accumulated amortisation	<u>(2,021,390)</u>	<u>(1,710,407)</u>
	1,942,763	2,253,746
Goodwill on consolidation (1)	3,432,288	3,432,288
Total Intangibles	<u>5,375,051</u>	<u>5,686,034</u>

(1) Goodwill acquired through the business combination was allocated to the whole truffle business.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Oak Valley Truffle Project 2006 \$	Oak Valley Truffle Project 2007 \$	Oak Valley Truffle Project 2008 \$	Total \$
Balance at 1 July 2020	969,357	741,027	543,362	2,253,746
Amortisation	<u>(133,280)</u>	<u>(98,804)</u>	<u>(78,899)</u>	<u>(310,983)</u>
Balance at 30 June 2021	<u>836,077</u>	<u>642,223</u>	<u>464,463</u>	<u>1,942,763</u>
Balance at 1 July 2019	1,102,637	839,830	622,260	2,564,727
Amortisation	<u>(133,280)</u>	<u>(98,803)</u>	<u>(78,898)</u>	<u>(310,981)</u>
Balance at 30 June 2020	<u>969,357</u>	<u>741,027</u>	<u>543,362</u>	<u>2,253,746</u>

12. TRADE AND OTHER PAYABLES

	2021	2020
	\$	\$
Current		
Trade creditors and accruals	305,775	179,791
GST payable	<u>-</u>	<u>21,674</u>
	305,775	201,465
Non Current		
Trade creditors and accruals (related parties)	<u>37,500</u>	<u>500,411</u>
	<u>343,275</u>	<u>701,876</u>

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

13. EMPLOYEE BENEFITS PROVISION

	2021	2020
	\$	\$
Current		
Employee entitlement - Annual leave	25,323	14,548
Employee entitlement - Long service leave	-	12,887
	25,323	27,435

The annual leave benefits are reported as current because it is expected to be taken or paid within the next 12 months based on past experience.

14. INTEREST BEARING LIABILITIES

Current		
Bank overdraft	-	29,792
	-	29,792
Non-current		
Bank loan (1)	900,000	500,000
	900,000	500,000
Total interest bearing liability	900,000	529,792

(1) The Company increased the working capital business loan from \$500,000 to \$1,400,000 and the term of loan from 3 years to 5 years on 12 March 2021. The loan is secured against the Company's land and properties and personal guarantee by the Company's Directors. Additionally, the Company's 100% owned subsidiary has a working capital overdraft facility of \$200,000. This facility is personally guaranteed by the Company's directors. The bank loan requires interest only payments payable monthly until 01/03/2021 at variable rate of 1.98% per annum and principal and interest payments from 01/04/2021 for the next 2 years paid monthly. The better business loan matures in March 2026.

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

15. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

	2021	2020
	\$	\$
Financial Position		
ASSETS		
Current assets	32,498	7,997
Non-current assets	12,168,698	12,565,064
Total Assets	12,201,196	12,573,061
LIABILITIES		
Current liabilities	31,131	32,303
Non-current liabilities	1,844,255	1,688,268
Total Liabilities	1,875,386	1,720,571
EQUITY		
Issued capital	10,250,092	10,250,092
Accumulated losses	(3,306,275)	(2,779,595)
Revaluation reserve	3,381,993	3,381,993
Total Equity	10,325,810	10,852,490
Financial Performance		
Loss for the year	(526,680)	(499,771)
Total comprehensive (loss)/income for the year	(526,280)	2,437,475

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

16.	SHARE CAPITAL	2021	2020
		\$	\$
	3 \$1 shares issued on registration	3	3
	1,250,000 \$1 seed capital shares issued pursuant to an Offer Information Statement dated 19 January 2006 and Supplementary Offer Information Statement dated 12 June 2006	1,250,000	1,250,000
	731,741 \$2 shares and 156,000 \$1.50 shares issued pursuant to the Product Disclosure Statement / Prospectus dated 16 April 2007 and subsequently extended and a Product Disclosure Statement / Prospectus dated 10 March 2008	1,697,482	1,697,482
	2,625,267 \$1.51 shares issued pursuant to the Prospectus dated 6 October 2014 (Grower Issue)	3,964,154	3,964,154
	2,210,897 \$1.51 shares issued pursuant to the Prospectus dated 6 October 2014 (TPPL issue)	3,338,456	3,338,456
		<hr/>	<hr/>
		10,250,092	10,250,092
		<hr/>	<hr/>
	Reconciliation of contributed equity	No of shares	\$
	Balance 30 June 2021 and 30 June 2020	<hr/>	<hr/>
		6,973,836	10,250,092

Ordinary shares participate in dividends and the proceeds in winding up of the Company in proportion to the number of shares held. At a shareholder's meeting, each ordinary share is entitled to one vote on a poll called, otherwise each shareholder has one vote on a show of hands.

The Company does not have a limited amount of authorised capital.

17. CONTROLLED ENTITY

Name of entity	Place of incorporation	Equity holding	
		2021	2020
Truffle Projects Pty Ltd	Australia	100%	100%

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

18. FAIR VALUE MEASUREMENTS

The consolidated entity measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Freehold land
- Bearer plants
- Biological assets

(i). *Fair Value Hierarchy*

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

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

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

(ii). *Valuation Techniques*

The consolidated entity selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation technique selected by the consolidated entity is:

- *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

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

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

18. FAIR VALUE MEASUREMENTS (Cont'd)

The following table provides the fair values of the consolidated entity's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Freehold land	-	1,421,148	-	1,421,148
Bearer plants	-	4,658,080	-	4,658,080
Biological assets	-	923,907	-	923,907
Total assets		7,003,135	-	7,003,135

2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Freehold land	-	1,421,148	-	1,421,148
Bearer plants	-	4,990,000	-	4,990,000
Biological assets	-	730,743	-	730,743
Total assets		7,141,891	-	7,141,891

Valuation Techniques and Inputs Used to Measure Level 2 Fair Values:

Descriptions	Fair value at 30 June 2021	Valuation Technique	Inputs Used
Freehold land	\$1,421,148	Market approach using recent observable market data for similar properties	Price per hectare
Bearer plants	\$4,658,080	Market approach using recent observable market data for similar assets	Price per tree
Biological assets	\$923,907	Market approach using observable market price of truffles sold post year end less any harvest costs to sell	Selling price for the truffle less harvest costs to point of sale

The fair values of the freehold land and bearer plants are based on valuation by an independent valuer who has recognised and appropriate professional qualifications.

There were no changes during the year in the valuation technique used by the consolidated entity to determine level 2 fair values.

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

19. RELATED PARTY INFORMATION AND KEY MANAGEMENT PERSONNEL DISCLOSURES

a. Names of Directors

The names of the Directors who held office during the year are as disclosed in the Directors' Report.

b. Key management personnel compensation

	2021	2020
	\$	\$
Directors' fees	75,000	100,000

c. Transactions of directors and director-related entities

Purchase of PPE	-	11,953
Administration fees	50,000	120,000
Purchase of truffle for resale	481,554	204,502
Income from sale of Truffle	(3,260)	(5,886)
Management fee income	(321,631)	(236,638)
Service fee income	(68,873)	-
Income from supplying water	(4,950)	(4,950)
Other	-	-

20. CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2021 and at 30 June 2020.

21. CAPITAL COMMITMENTS

The consolidated entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

22. EVENTS AFTER THE REPORTING PERIOD

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

TRUFFLE PROPERTIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

23. COMPANY DETAILS

The registered office and principal place of business of the Company is:

Truffle Properties Limited
57 Kilcarnup Road
BURNSIDE WA 6285

The principal activity of the consolidated entity is to maintain and cultivate Truffle inoculated oak and hazelnut trees on the Trufferies, for the purpose of harvesting Truffles for sale at Appadene Road, Manjimup.

RSM Australia Partners

Level 32 Exchange Tower, 2 The Esplanade, Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61(0) 8 9261 9100
F +61(0) 8 9261 9101

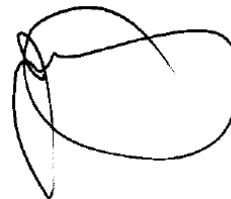
www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Truffle Properties Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read "J A Komninos".

Perth, WA
Dated: 5 November 2021

J A KOMNINOS
Partner

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