

Palmera Projects

31 December 2023

AUDIT COMPLETION REPORT

1 March 2024

The Directors
Palmera Projects
57 Chalmers Road
Strathfield NSW 2135

Dear Directors

Audit of Palmera Projects for the year ended 31 December 2023

The completion report attached is part of our ongoing dialogue with those charged with governance in the performance of our audit of Palmera Projects (“the Company”) in accordance with the Australian Auditing Standards.

The completion report summarises the significant matters arising from our audit of the Company’s financial report for the year ended 31 December 2023. These matters have been discussed with Management and comments have been included where appropriate. Should you require clarification on any matter in this report please do not hesitate to contact us.

The matters in this completion report came to our attention during the course of our year end audit, which is designed primarily to enable us to form a conclusion on the year-end financial report. Our completion report cannot, therefore, be expected to include all possible comments and recommendations which a more extensive examination might indicate.

We would like to take this opportunity to extend our appreciation to Management of the Company for their assistance and cooperation during the course of our audit.

Private and confidential

This report has been prepared solely for the use of the Directors and Management of the Company. This report is not for distribution, nor should it be used by any other party for any other purpose whatsoever. No part of this document may be reproduced without prior written consent of In.Corp Audit & Assurance Pty Ltd.

Yours sincerely

Daniel Dalla
Director

In.Corp Audit & Assurance Pty Ltd
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INTRODUCTION

We have prepared this report to enable us to fulfil our responsibilities for communicating matters identified during the course of our audit to the Directors as required under the Australian Auditing Standards and to assist you in fulfilling your obligations to oversee the financial reporting and disclosure process of the Company for which the Directors are responsible. This report includes only those matters that have come to our attention as a result of performing our audit procedures which we believe are appropriate to present to the Directors.

OUTSTANDING MATTERS

Our audit of the financial report is substantially complete.

We expect to issue an unmodified audit report on the financial report, subject to the following:

- Receipt of the signed written representation letter which is to be provided at the time of signing the Directors' Declaration; and
- Adoption of the accounts by the Directors and signing of the and Directors' declaration.

SCOPE OF THE YEAR END AUDIT

Our year end audit was conducted in accordance with Australian Auditing Standards. Those Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial report.

We are responsible for forming and expressing an opinion on the financial report that has been prepared by the Directors with the oversight of those charged with governance.

The audit of the financial report does not relieve the Directors and those charged with governance of their responsibilities.

KEY AREAS OF FOCUS IN THE AUDIT OF THE FINANCIAL REPORT

Our audit procedures were focused on those areas of the Company's financial report that were identified and assessed as key audit risks. These areas were identified as a result of:

- The risk assessment processes undertaken during the planning phase and throughout our engagement;
- Our understanding of the business risks faced by the Company based on discussions with the Directors during the course of our audit; and
- Other sources of information as considered appropriate.

We detail below the areas of focus which we have identified as relevant to our audit that include significant risks and other areas of interest that we are required to or have determined should be, communicated to you

| Risk | Response to assessed risk |
|--|--|
| <p>Basis for Consolidation</p> | <p>Palmera Projects (Australia) holds a 50% ownership of Palmera Sri Lanka, as specified in its legal documentation. Additionally, in accordance with its delegated authorities, Palmera Projects (Australia) exercises 100% operational control over Palmera Sri Lanka, a determination deemed reasonable by your organisation. We agree with this determination.</p> <p>We have reviewed the audited financial report of Palmera Sri Lanka and did not identify any discrepancy compared to the consolidated financial report. We also performed our own testing of Palmera Sri Lanka balances with our testing further supporting the balances included in the consolidated financial report.</p> <p>We consider that consolidating the results of Palmera Sri Lanka is appropriate and the basis for consolidation included in the financial report is appropriate.</p> |
| <p>Foreign Currency Translation</p> | <p>As part of our audit at 31 December 2023, we have discussed with management regarding the process of translating the trial balance of Palmera Sri Lanka.</p> <p>Under AASB 121 The effects of changes in foreign exchange rates, if the functional currency is different from presentation currency, the following procedures need to be applied:</p> <ul style="list-style-type: none"> • Assets and liabilities presented shall be translated at the exchange rate at the date of that statement of financial position; • Income and expenses shall be translated at the date of the transactions or average rate for the period; and • All resulting exchange differences shall be recognised in other comprehensive income. • Any intragroup monetary asset (or liability) cannot be eliminated against the corresponding intragroup liability (or asset) without showing the results of currency fluctuations in the consolidated financials statement. Such an exchange difference is to be recognized in the profit or loss. <p>We consider that the treatment of foreign currency translation in the financial report of Palmera Projects as at 31 December 2023 is appropriate and in accordance with Australian Accounting Standards.</p> |

| Risk | Response to assessed risk |
|---|--|
| <p>Revenue recognition</p> | <p>The Company's main activity is the provision of aid for humanitarian projects overseas. As such, the Company's principal revenue streams being grant revenue from government and project fund are recognized over time.</p> <p>Grant revenue was received by the Company which incurred an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction, and the grant revenue is recognised as liability until the service has been delivered to the contributor. Otherwise, the grant is recognised as revenue. As such, given its substantial value relative to financial position, this was also identified as a material risk to the audit.</p> <p>We performed the following procedures:</p> <ul style="list-style-type: none"> • Reviewed the general ledger account for grant revenue from government and project fund received which are the main revenue streams for the Company. • Reviewed agreements and ensured that the balances were consistent with the figures recorded in financial statement. <p>Our testing did not identify any significant matters to be reported regarding revenue recognition.</p> |
| <p>Management override of controls</p> | <p>Australian Auditing Standards require us to consider management override of controls as a significant risk. Procedures that we performed includes the following:</p> <ul style="list-style-type: none"> • Review of journal entries posted throughout the year; • Analytical procedures utilised at planning, completion and during the audit; and • Substantive procedures on year-end account balances. <p>Our testing did not identify any significant matters to be reported to you in this regard.</p> |

FRAUD AND ERROR

The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and Management.

Our responsibility is for obtaining reasonable assurance that the financial report taken as a whole is free from material misstatement, whether caused by fraud or error.

During our audit, we have not become aware of any fraud which would cause the financial report to be materially misstated.

REPORTING ON DEFICIENCIES IN INTERNAL CONTROL

The Australian Auditing Standards requires us to obtain an understanding of the Company and its environment including the Company's internal controls relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial report, whether due to fraud or error.

We remind you that our audit was not designed to provide assurance as to the overall effectiveness of internal control within the Company.

In performing our audit of the Company for the year ended 31 December 2023 we noted the following deficiencies in internal control:

| Observation | Recommendation |
|---|---|
| As part of our fixed asset testing, we noted that depreciation has not been applied to the existing fixed assets. | We recommend that the fixed assets depreciation calculation be applied and recorded in the financial statement. |
| As part of our review on insurance, we noted that the Company only has workers compensation insurance. | We recommend that the Company consider taking out business insurance to mitigate any unexpected risk to the business. |

MATERIALITY AND UNCORRECTED MISSTATEMENTS

For the audit of the Company's financial report for the year ended 31 December 2023, our materiality was set at \$45,000, performance materiality set at \$36,000 and our reporting threshold was set at \$4,000.

We have not identified any uncorrected misstatements during our audit of the financial report.

AUDITOR INDEPENDENCE

We confirm that we have maintained our independence in accordance with the independence requirements and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* and the *Australian Charities and Not-for-profits Commission Act 2012*.

We confirm that In.Corp Audit & Assurance Pty Ltd, and its related entities, did not provide any non-assurance services to the Company during the year ended 31 December 2023.

COMPLIANCE WITH LAWS AND REGULATIONS

In performing our audit of the Company for the year ended 31 December 2023 we have not become aware of any instances of non-compliance with applicable laws and regulations that would have an impact on the determination of material amounts and disclosures in the financial report.

DISCLOSURE OF ACCOUNTING POLICY INFORMATION

Effective for annual reporting periods beginning on or after 1 January 2023 (i.e. the year ended 31 December 2023 for the Company) AASB 101 *Presentation of Financial Statements* has been amended to require disclosure of material accounting policies as opposed to significant accounting policies.

The intention of this change is to help preparers make more effective accounting policy disclosures. Entity-specific accounting policy information is emphasized as being more useful than generic accounting policies which are typically rolled forward year on year.

The revised standard provides guidance on when accounting policy information is considered material:

- Where an entity has changed accounting policies during the year;
- Where there is an accounting policy choice;
- Where the policy is not subject to an Australian Accounting Standard;
- Where the area requires significant estimates, assumptions and/or judgement; or
- The accounting is complex.

We recommend that the Company review its accounting policy disclosures and update its accounting policies to disclose only material accounting policies.

MANAGEMENT REPRESENTATIONS

Attached at Appendix 1 is the draft representation letter that we have requested from management.

APPENDIX 1 – DRAFT REPRESENTATION LETTER

26 February 2024

Daniel Dalla
In.Corp Audit & Assurance Pty Ltd
Level 1, 6-10 O'Connell St
Sydney NSW 2000

Dear Daniel

This representation letter is provided in connection with your audit of the financial report for Palmera Projects (the "Company") for the year ended 31 December 2023 for the purpose of expressing an opinion as to whether the financial report presents fairly in accordance with the Australian Accounting Standards – Simplified Disclosures.

We confirm to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves that:

Financial report

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, with regard to the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Simplified Disclosures.
2. The selection and application of accounting policies is appropriate.
3. We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error. We have established and maintained adequate internal control to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained. There are no material transactions that have not been properly recorded in the accounting records underlying the financial report.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed.
6. All events subsequent to the date of the financial report and for which Australian Accounting Standards require adjustment or disclosure have been adjusted or disclosed.
7. You have not advised us of any uncorrected misstatements that you detected during your audit.

Financial report

8. We have provided you with:
 - Access to all information of which we are aware, that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

APPENDIX 1 – DRAFT REPRESENTATION LETTER (cont.)

9. Minutes of all meetings of the Directors held prior to the date of this letter have been included in the minute books and have been made available to you. All material agreements entered into and guarantees given by the Company have been minuted or otherwise recorded.
10. All transactions have been recorded in the accounting records and are reflected in the financial report.
11. We have no plans or intentions that may materially affect the carrying values, or classification, of assets and liabilities.
12. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
13. We have disclosed to you all information in relation to fraud, allegations of fraud or suspected fraud that we are aware of and that could have a material effect on the financial report.
14. There have been no allegations of fraud, or suspected fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others.
15. There are no known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
16. There are no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report.

Assets

17. We have considered the requirements of AASB 136 - *Impairment of Assets* when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.
18. The entity has satisfactory title to all assets and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral. Allowances for depreciation have been adjusted for all important items of plant and equipment that have been abandoned or are otherwise unusable.

Liabilities and commitments

19. All liabilities at the reporting date have been included in the financial report, and have been correctly classified between non-current and current. Adequate provision has been made for liabilities that are known to exist but the amount of which cannot be accurately determined.
20. There are no onerous contracts where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

APPENDIX 1 – DRAFT REPRESENTATION LETTER (cont.)

21. At the date of the statement of financial position there were no:

- commitments for future purchases for quantities in excess of normal / anticipated requirements or at prices which could result in loss / in excess of prevailing market prices, nor agreements to repurchase items previously sold, for which no provision has been made in the financial report. Material losses are not expected to be sustained in the fulfilment of, or inability to fulfil any sales commitments;
- commitments under contracts placed for capital expenditure or amounts of capital expenditure authorised by the Directors which have not been contracted for.

Contingent liabilities

22. At the date of the statement of financial position there were no material contingent or potential liabilities under claims or for any other matter, including liabilities in respect of guarantees, discounted bills of exchange, breach of software and other licensing agreements other than those provided for or shown in the financial report.

23. The Company has not entered into guarantees, warranties or other financial commitments relating to any subsidiaries, fellow subsidiaries, holding companies, associates, affiliates or any other body or person.

24. The Company has complied with all aspects of contractual agreements that could have a material effect on the financial report in the event of non-compliance.

25. There are no current or pending litigations and claims of which the Company is a party to.

Related parties

26. We confirm the completeness of the information provided to you regarding the identification of related parties and related party balances and transactions, associated undertakings, undertakings in which the Company has a participating interest, members, Directors and their immediate families, senior management or others whose position enables them to enter into transactions with the Company other than at arm's length.

27. The identity of, balances and transactions with related parties have been adequately disclosed in the financial report where required to present a true and fair view.

Events after the reporting date

28. We have considered events arising since the reporting date. Our review enables us to conclude that nothing has occurred since the reporting date which necessitate revision of the figures included in the financial report or inclusion of a note thereto. Should any material events occur, which may necessitate revision of the figures included in the financial report or inclusion of a note thereto, we will advise you accordingly.

29. In addition no events have occurred which, though properly excluded from the statement of financial position and statement of profit or loss and other comprehensive income and related notes, are of such importance that they need to be disclosed to the members.

APPENDIX 1 – DRAFT REPRESENTATION LETTER (cont.)

Going concern

30. We are not aware of any factors that may materially affect the Company's ability to continue operating as a going concern, or the classification and/or carrying value of any of its assets or liabilities. In our opinion the cash flow is adequate to meet the Company's commitments.

We understand that your examination was made in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the financial report of the Company taken as a whole, and that your tests of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

The Directors have reviewed the financial report, the contents of which have been approved by the appropriate officers of Palmera Projects. Further, all material facts known to us which could affect the financial report have been communicated to you.

Yours Faithfully

Abarna Raj
CEO & Co-Founder

PALMERA PROJECTS
INDEPENDENT AUDITOR'S REPORT

To the Directors of Palmera Projects

Opinion

We have audited the financial report of Palmera Projects (“the Company”), which comprises the statement of financial position as at 31 December 2023, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, and the directors' declaration. In our opinion, the accompanying financial report of Palmera Projects, is in accordance with the Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (the ACNC Act), including:

- a) giving a true and fair view of the company's financial position as at 31 December 2023 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards to the extent described in Note 1 to the financial statements and the *Australian Charities and Not-for-Profit 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 Company in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the ethical requirements of the Accounting Professional & 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 confirm that the independence declaration required by the *Australian Charities and Not-for-profits Commission Act 2012*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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PALMERA PROJECTS

INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibility of Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Simplified Disclosures and for such internal control as the directors determine is necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial 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 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/ar4.pdf. This description forms part of our auditor's report.

In.Corp Audit & Assurance Pty Ltd

Daniel Dalla
Director

Sydney, 21 February 2024