

# **Bonlac Supply Company Pty Limited**

## **Financial Report**

**30 June 2016**

**ACN 095 271 266**

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The Directors of Bonlac Supply Company Pty Limited ("Company" or "BSC") submit their Report and Financial Report for the company for the year ended 30 June 2016.

## **Directors**

The following persons were Directors during the whole financial year and up to the date of this report (unless otherwise noted):

Anthony K Marwood (Chairman)  
Aubrey O Pellett (Deputy Chairman)  
Christiaan L Hofing  
Gregory J Bourke  
Mark A Billing  
Leo M Delahunty  
Stuart J Griffin (appointed 21 September 2016)  
John G Dalton (appointed 21 September 2016)

## **Principal Activities**

The principal activity of the Company is the acquisition of milk from suppliers as agent for Fonterra Milk Australia Pty Ltd.

## **Review of Operations**

The Company's profit from ordinary activities before tax for the year was \$25,246 (2015: \$911,226).

The Company's profit has decreased as a result of its reduced holding of interest bearing investments (loans and receivables) and a number of once off items in 2015 (such as the loyalty payment received).

## **Dividends**

No dividends (2015: \$958,506) were paid by the Company during the year. This is as a result of the redemption of the unsecured capital note with Fonterra in 2015/16 and the subsequent buy-back of all 'supplier' share classes.

## **Significant Changes in State of Affairs**

On 1 January 2016 the Company changed its company structure from being a Public company to a Proprietary company. This step was undertaken to better reflect the current organisational structure of the Company. There were no other significant changes in the state of affairs of the Company.

## **Matters Subsequent to the End of the Financial Year**

Other than matters or circumstances dealt with elsewhere in this report or the financial statements, since the end of the financial year, the Directors are not aware of any matter or circumstance that has significantly or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

## **Likely Developments and Expected Results of Operations**

Likely developments in the operations of the Company and the expected results of those operations are included in the Chairman's Report which will form part of the Annual Report. In the opinion of the Directors, the disclosure of any additional information could be prejudicial to the interests of the Company.

## Information on Directors

Director	Qualifications, experience and responsibilities
Anthony K Marwood	Non-executive director since 2006 and Chairman since 2009. Dairy Farmer.
Christiaan L Hofing	Non-executive director since 17 November 2011. Dairy Farmer.
Gregory J Bourke	Non-executive director since 22 May 2013. Director.
Aubrey O Pellett	Non-executive director since 22 May 2013. Dairy Farmer.
Mark A Billing	Non-executive director since 22 May 2013. Dairy Farmer.
Leo M Delahunty	Non-executive director since 22 May 2013. Director.

## Company Secretary

Will Kermode was appointed as BSC Company Secretary on 16 June 2014. Prior to joining BSC, Mr. Kermode, who is a qualified Chartered Accountant, held senior finance roles with Fonterra, Telstra and KPMG.

## Meetings of Directors

The number of meetings of the Company's Board of Directors held during the year ended 30 June 2016 and the number of meetings attended by each director was:

Director	Meetings attended whilst a Director	Meetings held whilst a Director
Anthony K Marwood	13	13
Simon C Finger <sup>1</sup>	10	10
Tania S Luckin <sup>2</sup>	10	10
Christiaan L Hofing	11	13
Gregory J Bourke	12	13
Aubrey O Pellett	13	13
Mark A Billing	13	13
Leo M Delahunty	13	13

<sup>1</sup> Simon Finger resigned from the Board on 12 May 2016 and <sup>2</sup> Tania Luckin on 15 May 2016. These positions have been filled by Mr Stuart John Griffin and Mr John Gerard Dalton, who were formally appointed to the board on 21 September 2016.

## Details of remuneration

Details of the remuneration of the directors and key management personnel of the Company (as defined in AASB 124 Related Party Disclosure) are set out in the following tables. All of the directors have the authority and responsibility for planning, directing and controlling the activities of the Company.

Directors of Bonlac Supply Company - 2016	Short-term employee benefits			Post-employment	Total
	Directors' Base Fee \$	Additional Services \$	Other Benefits ** \$	Super-annuation \$	
<b>Non Executive</b>					
Anthony K Marwood	73,000	-	15,108	7,665	<b>95,775</b>
Aubrey O Pellett	48,000	-	-	5,040	<b>53,040</b>
Simon C Finger <sup>1</sup>	30,250	-	2,647	3,176	<b>36,073</b>
Christiaan L Hofing	33,000	-	2,970	3,465	<b>39,435</b>
Gregory J Bourke	33,000	10,000	339	4,515	<b>47,854</b>
Mark A Billing	33,000	10,000	3,720	4,515	<b>51,235</b>
Leo M Delahunty	33,000	-	6,372	3,465	<b>42,837</b>
Tania S Luckin <sup>2</sup>	30,250	-	3,300	3,176	<b>36,726</b>
<b>Total</b>	<b>313,500</b>	<b>20,000</b>	<b>34,456</b>	<b>35,017</b>	<b>402,973</b>

<sup>1</sup> Mr Simon Finger resigned effective 12 May 2016 and <sup>2</sup> Ms. Tania Luckin resigned effective 15 May 2016

\*\* Other Benefits include the provision of a vehicle for the Chairman and rates per kilometre reimbursements for other directors.



### **Service Agreements**

On appointment to the Board, all directors enter into an ongoing service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director. The contracts do not provide for the payment of benefits on termination or retirement. The service agreements do not provide for a specified notice period.

### **Indemnification and Insurance of Directors and Officers**

The Company has entered into agreements to indemnify all of the directors named in this report and current and former executive officers of the Company against all liabilities to persons (other than the Company or a related body corporate), which arise out of the performance of their normal duties as directors or executive officers unless the liability relates to conduct involving a lack of good faith. The Company has agreed to indemnify the Directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

During the financial year, the Company paid a premium for an insurance policy for the benefit of the directors, secretaries and executive officers of the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

### **Auditor's independence declaration**

A copy of the auditors' independence declaration is set out on page 4.

This report is made in accordance with a resolution of the Directors. The Directors have the power to amend and reissue the financial report.



**Anthony K Marwood**  
**Chairman**

Dated at Melbourne the 21<sup>st</sup> September 2016

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BONLAC SUPPLY COMPANY PTY LTD

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been:

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



Matthew Hung  
rdl.accountants

15 September 2016  
Blackburn, Victoria

Bonlac Supply Company Pty Limited  
Statement of Comprehensive Income  
For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Other revenue	5	680,189	3,110,322
Directors and staff costs		(368,530)	(362,895)
Distribution of loyalty bonus		-	(1,507,603)
Corporate support expenses		(346,302)	(518,200)
<b>Operating Profit</b>		<b>(34,643)</b>	<b>721,624</b>
Dividend income		95,978	145,954
Gain / (Loss) on sale of investments		(36,089)	202,317
Finance costs		-	(158,669)
<b>Profit before income tax</b>		<b>25,246</b>	<b>911,226</b>
Income tax expense		(21,463)	(316,774)
<b>Profit for the year</b>		<b>3,783</b>	<b>594,452</b>
<b>Other Comprehensive Income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets		(19,756)	45,021
Reclassification adjustment for net gains(losses) included in net income		83,112	
		<b>63,356</b>	<b>45,021</b>
<b>Total comprehensive income for the year</b>		<b>67,139</b>	<b>639,473</b>
<b>Profit attributable to owners of Bonlac Supply Company Limited</b>		<b>3,783</b>	<b>594,452</b>
<b>Total comprehensive income for the year attributable to owners of Bonlac Supply Company Limited</b>		<b>67,139</b>	<b>639,473</b>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

Bonlac Supply Company Pty Limited  
Statement of Financial Position  
As at 30 June 2016

	Notes	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	14,877	184,770
Prepayments		-	5,273
Current tax assets		22,145	-
Loans and receivables		25,688	17,402
<b>Total current assets</b>		<b>62,710</b>	<b>207,445</b>
<b>Non-current assets</b>			
Available-for-sale financial assets	6	2,129,373	2,233,960
<b>Total non-current assets</b>		<b>2,129,373</b>	<b>2,233,960</b>
<b>Total assets</b>		<b>2,192,083</b>	<b>2,441,405</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accruals		955	19,897
Current tax liabilities		-	297,519
<b>Total current liabilities</b>		<b>955</b>	<b>317,416</b>
<b>Total liabilities</b>		<b>955</b>	<b>317,416</b>
<b>Net assets</b>		<b>2,191,128</b>	<b>2,123,989</b>
<b>EQUITY</b>			
Contributed equity	7	1	1
Share buy back reserve		79,845,483	79,845,483
Asset revaluation reserve		174,571	111,215
Accumulated losses		(77,828,927)	(77,832,710)
<b>Total equity</b>		<b>2,191,128</b>	<b>2,123,989</b>

*The above statement of financial position should be read in conjunction with the accompanying notes.*

Bonlac Supply Company Pty Limited  
Statement of Changes in Equity  
For the year ended 30 June 2016

	Contrib-uted equity	Share buy back reserve	Asset reval- uation reserve	Accum- ulated losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	<b>20,412,926</b>	<b>79,845,483</b>	<b>66,194</b>	<b>(77,468,651)</b>	<b>22,855,952</b>
Profit after income tax expense for the year				594,452	594,452
Other comprehensive income for the year	-	-	45,021		45,021
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>45,021</b>	<b>594,452</b>	<b>639,473</b>
Transactions with equity holders in their capacity as equity holders:					
Redemptions of equity	(19,528,599)	-	-	-	(19,528,599)
Conversion to dry shares	(884,326)	-	-	-	(884,326)
Dividends paid	-	-	-	(958,506)	(958,506)
	(20,412,925)	-		(958,506)	(21,371,431)
<b>Balance at 1 July 2015</b>	<b>1</b>	<b>79,845,483</b>	<b>111,215</b>	<b>(77,832,710)</b>	<b>2,123,989</b>
Profit after income tax expense for the year				3,783	3,783
Other comprehensive income for the year			63,356		63,356
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>63,356</b>	<b>3,783</b>	<b>67,139</b>
<b>Balance at 30 June 2016</b>	<b>1</b>	<b>79,845,483</b>	<b>174,571</b>	<b>(77,828,927)</b>	<b>2,191,128</b>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*



Bonlac Supply Company Pty Limited  
Cash Flow Statement  
For the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from debtors (inclusive of GST)		752,736	3,727,672
Payments to suppliers and employees (inclusive of GST)		(797,306)	(5,018,072)
		<u>(44,570)</u>	<u>(1,290,400)</u>
Interest received on unsecured capital notes		-	1,597,316
Interest received other		6,457	100,808
Income tax paid		<u>(317,613)</u>	<u>(217,116)</u>
<b>Net cash inflow from operating activities</b>	10	<u>355,726</u>	<u>190,608</u>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of financial assets		695,688	2,822,560
Payment for financial assets		(547,031)	(2,028,000)
Gain on sale of investments		(36,089)	202,317
Dividends received		73,265	116,022
Redemption of unsecured capital notes		-	22,184,944
<b>Net cash inflow from investing activities</b>		<u>185,833</u>	<u>23,297,843</u>
<b>Cash flows from financing activities</b>			
Redemption of supplier shares		-	(19,528,599)
Redemption of investment and dry shares		-	(3,816,433)
Interest paid		-	(158,669)
Dividends paid		-	(958,506)
<b>Net cash outflow from financing activities</b>		<u>-</u>	<u>(24,462,207)</u>
<b>Net increase / (decrease) in cash held</b>		<u>(169,893)</u>	<u>(973,756)</u>
Cash and cash equivalents at the beginning of the financial year		184,770	1,158,526
<b>Cash and cash equivalents at the end of the financial year</b>	10	<u>14,877</u>	<u>184,770</u>

*The above cash flow statement should be read in conjunction with the accompanying notes.*

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### a) Basis of preparation

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared in order to meet the needs of the business and have been prepared in accordance with the recognition, measurement and disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures', as appropriate. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the business.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below which the directors have determined are appropriate to meet the purposes of preparation. Such accounting policies are consistent with the previous period unless stated otherwise.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets at fair value.

#### *Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company'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 4.

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

### b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed are net of taxes paid.

BSC has entered into a milk supply agency agreement with Fonterra Milk Australia Pty Ltd. Under the terms of this agreement, Fonterra Milk Australia Pty Ltd appointed BSC as its agent for the purpose of acquiring and/or arranging for the collection of milk for the benefit solely of Fonterra Milk Australia Pty Ltd and have agreed to pay BSC an agency fee which is payable monthly.

### c) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction. It has not been adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods.

### d) Cash and cash equivalents

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



**e) Receivables**

Collectability of debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established where there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

**f) Investments and other financial assets**

Financial assets (Listed securities) are presented as non-current assets as they are not held for trading and management does not intend to dispose of them within 12 months of the reporting period. All such assets are re-valued to market value at balance date and any gain or loss is recognised through the asset revaluation reserve. Gains and losses are recognised in the profit or loss when the asset is derecognised or impaired.

Purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all the financial assets not carried at fair value through profit and loss.

The Company assesses at each balance date whether there is objective evidence that financial assets are impaired. The impairment of listed securities is assessed at the class level, not at the level of individual shareholdings.

**g) Trade and other payables**

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

**h) Employee benefits**

*Wages and salaries* - Liabilities for wages and salaries recognised as provisions 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.

*Superannuation* - Contributions to defined contribution funds are recognised as an expense as they become payable.

*Employee benefit on-costs* - Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

**i) Goods and Services Tax (GST)**

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable, to the taxation authority, is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from, or payable, to the taxation authority are presented as operating cash flows.

**j) Reliance on Fonterra**

The company is dependent on Fonterra Co-Operative Group Limited's agency fee income from which the majority of the company's operating profits and operating cash flows are earned.

**2. NEW ACCOUNTING STANDARDS AND UIG INTERPRETATIONS**

The Company has considered all new accounting standards and interpretations issued up until the date of signing of these accounts and have assessed that these standards and interpretations will not impact the financial statements of the company.

**3. FINANCIAL RISK MANAGEMENT**

**(a) Market Risk**

The Company is exposed to foreign exchange risk as a number of its investments are denominated in USD. The balanced investment portfolio (between Australian and US shares) is professionally managed by CommSec Advisory, and the Board is comfortable with the current level of foreign exchange exposure.

**(b) Credit Risk**

Credit rate risk arises from cash and cash equivalents deposited with banks. The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets.

**(c) Liquidity Risk**

The Company's liquidity risk is managed by contractual arrangements entered into by the Company with Fonterra Milk Australia Pty Ltd to fund cash requirements of operating expenditure.

**(d) Fair value estimation**

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

The carrying value of receivables and payables are assumed to approximate fair value as there is no open market for the receivables and payables which are payable at call.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(a) Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**(b) Critical judgements in applying the entity's accounting policies**

There have been no instances noted where critical judgements have been used in applying the entity's accounting policies.



## 5. OTHER REVENUE

	2016 \$	2015 \$
Agency fee income	678,000	680,450
Interest income on unsecured capital notes	-	521,142
Loyalty bonus received from Fonterra	-	1,773,952
Interest income on cash at bank	2,189	99,873
Other	-	34,905
<b>Total other revenue</b>	<b>680,189</b>	<b>3,110,322</b>

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 \$	2015 \$
<b>Non-current assets</b>		
<b>Listed securities</b>		
Equity securities	2,129,373	2,233,960
	<b>2,129,373</b>	<b>2,233,960</b>

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed determinable payments, and management intends to hold them for the medium to long term.

## 7. CONTRIBUTED EQUITY AND DIVIDENDS

(a) Paid capital	2016 Shares	2015 Shares	2016 \$	2015 \$
Z class share (\$1 paid up capital)	1	1	1	1

The Z Class Share is an ordinary share valued at \$1.

### (b) Dividends

	2016 \$	2015 \$
<b>Ordinary Shares</b>		
Fully franked dividend of 4.65 cents per fully paid supplier share paid on 13 October 2014	-	657,736
Fully franked dividend of 2.35 cents per fully paid supplier share paid on 13 February 2015	-	300,770
	<b>-</b>	<b>958,506</b>

### (c) Franking Credits

- (a) franking credits that will arise from the payment of the current tax liability;
- (b) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date;
- (c) franking credits that may be prevented from being distributed in subsequent years.

	2016 \$	2015 \$
Franking credits available for future financial years	1,991,502	1,673,870

## 8. DIRECTOR & KEY MANAGEMENT PERSONNEL DISCLOSURES

### Key management personnel remuneration

Details of remuneration of directors and the key management personnel of BSC are set out in the following table.

	2016	2015
	\$	\$
Short-term employee benefits	367,956	359,204
Post employment benefits	35,017	34,545
	<u>402,973</u>	<u>393,749</u>

Detailed remuneration disclosures have been provided in the Director's report.

### Other Transactions with Directors

As agent for Fonterra Milk Australia Pty Ltd, the Company acquires milk from suppliers. The directors, who are suppliers, are paid for their milk on the same commercial terms and conditions as all other suppliers. The level of individual supply from directors is immaterial in relation to the total milk purchases with their combined supply being in the region of < 1%.

## 9. AUDITOR'S REMUNERATION

	2016	2015
	\$	\$
During the year the following services were paid or payable to the auditor of the Company: PricewaterhouseCoopers **		
<b>Audit Services</b>		
Audit and review of financial reports and other work under the Corporations Act	19,060	36,658
<b>Taxation Services</b>		
Tax compliance services including review of income tax return	5,500	8,000
<b>Other Services</b>		
Accounting & tax advice	-	7,140
Total remuneration paid	<u>-</u>	<u>51,798</u>

\*\* During the year the Company changed auditors to RDL.Accountants. No fees were paid or payable to RDL.Accountants as at balance date.

## 10. CASH FLOW INFORMATION

	2016	2015
	\$	\$
<b>Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
Cash and cash equivalents	<b>14,877</b>	184,770
Profit from ordinary activities after tax	<b>3,783</b>	594,452
Changes in assets and liabilities:		
Dividend income & interest paid	<b>(72,464)</b>	35,711
Net (Gain) / Loss on sale of financial assets	<b>36,089</b>	(202,317)
(Decrease) / Increase in income taxes payable	<b>(319,633)</b>	60,878
Decrease / (Increase) in prepayments	<b>5,273</b>	6,452
Decrease / (Increase) in receivables	<b>11,203</b>	4,056,286
Increase / (Decrease) in payables	<b>(19,947)</b>	(4,360,854)
Net cash inflow from operating activities	<b>(355,726)</b>	190,608

## 11. COMPANY DETAILS

The financial report covers Bonlac Supply Company Pty Limited as an individual entity. The financial report is presented in the Australian currency.

A description of the nature of the entity's operations and its principal activities is included in the Directors' Report. Bonlac Supply Company Pty Limited was incorporated on 11 December 2000. Bonlac Supply Company Pty Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 327 Ferntree Gully Road, Mount Waverley, VIC 3149.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BONLAC SUPPLY COMPANY PTY LTD

**Report on the Financial Report**

We have audited the accompanying financial report, being a special purpose financial report, of Bonlac Supply Company Pty Ltd (the company), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report and have determined that the accounting policies described in Note 1 to the financial report are appropriate to meet the requirements of the business and are appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those 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 procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bonlac Supply Company Pty Ltd, would be in the same terms if given to the directors as at the time of the auditor's report.



*Opinion*

In our opinion the financial report of Bonlac Supply Company Pty Ltd

- a. gives a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- b. complies with Australian Accounting Standards to the extent described in Note 1.

*Basis of Accounting*

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of meeting the needs of the business. As a result, the financial report may not be suitable for another purpose.

A handwritten signature in black ink, appearing to read 'Matt B' with a stylized flourish at the end.

Matthew Hung  
rdl.accountants

21 September 2016  
Blackburn, Victoria