

**Bonlac Supply Company Pty Limited**

**Financial Report**

**30 June 2017**

**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 2017.

## 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)  
 Gregory J Bourke  
 Leo M Delahunty  
 Stuart J Griffin  
 John G Dalton  
 Mark A Billing (resigned 30 May 2017)  
 Christiaan L Hofing (resigned 30 June 2017)

## 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 \$216,630 (2016: \$25,246).

The Company's profit has increased as a result of realised profits on the sale of several investments of \$85,501 (after losses in the prior year of -\$36,089), the continued focus on reducing costs, plus several once off items in 2017.

## 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.
Aubrey O Pellett	Non-executive director since 22 May 2013. Dairy Farmer.
Gregory J Bourke	Non-executive director since 22 May 2013. Director.
Leo M Delahunty	Non-executive director since 22 May 2013. Director.
Stuart J Griffin	Non-executive director since 21 September 2016. Dairy Farmer.
John G Dalton	Non-executive director since 21 September 2016. Dairy Farmer.
Mark A Billing *	Non-executive director since 22 May 2013. Dairy Farmer. * Resigned 30 May 2017
Christiaan L Hofing **	Non-executive director since 17 November 2011. Dairy Farmer. ** Resigned 30 June 2017

## 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 2017 and the number of meetings attended by each director was:

Director	Meetings attended whilst a Director	Meetings held whilst a Director
Anthony K Marwood	12	13
Aubrey O Pellet	13	13
Stuart J Griffin	11	11
John G Dalton	11	11
Gregory J Bourke	11	13
Leo M Delahunty	13	13
Christiaan L Hofing <sup>1</sup>	13	13
Mark A Billing <sup>2</sup>	12	12

<sup>1</sup> Chris Hofing resigned from the Board on 30 June 2017 and <sup>2</sup> Mark Billing on 30 May 2017.

## 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 - 2017	Short-term employee benefits			Post-employment	Total
	Directors' Base Fee \$	Additional Services \$	Other Benefits ** \$	Super-annuation \$	
<b>Non Executive</b>					
Anthony K Marwood	74,500	-	14,333	7,822	96,655
Aubrey O Pellet	48,800	-	-	5,124	53,924
Stuart J Griffin	22,533	-	-	2,506	25,039
John G Dalton	22,533	-	-	2,506	25,039
Christiaan L Hofing <sup>1</sup>	33,800	-	1,637	3,549	38,986
Gregory J Bourke	33,800	9,167	-	4,599	47,566
Mark A Billing <sup>2</sup>	30,984	10,000	2,524	4,215	47,723
Leo M Delahunty	33,800	-	-	3,549	37,349
<b>Total</b>	<b>300,750</b>	<b>19,167</b>	<b>18,494</b>	<b>33,870</b>	<b>372,281</b>

<sup>1</sup> Chris Hofing resigned from the Board on 30 June 2017 and <sup>2</sup> Mark Billing on 30 May 2017

\*\* Other Benefits include the provision of a vehicle for the Chairman.

## 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 28 February 2018

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 2017 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, CA  
rdl.accountants

28 February 2018  
Blackburn, Victoria

Bonlac Supply Company Pty Limited  
Statement of Comprehensive Income  
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Other revenue	5	719,427	680,189
Directors and staff costs		(365,514)	(368,530)
Corporate support expenses		(312,310)	(346,302)
<b>Operating Profit</b>		<b>41,603</b>	<b>(34,643)</b>
Dividend income		89,526	95,978
Gain / (Loss) on sale of investments		85,501	(36,089)
<b>Profit before income tax</b>		<b>216,630</b>	<b>25,246</b>
Income tax expense		54,559	(21,463)
<b>Profit for the year</b>		<b>162,071</b>	<b>3,783</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		157,569	(19,756)
Reclassification adjustment for net gains (losses) included in net income		(57,299)	83,112
		100,270	63,356
<b>Total comprehensive income for the year</b>		<b>262,342</b>	<b>67,139</b>
<b>Profit attributable to owners of Bonlac Supply Company Limited</b>		<b>162,071</b>	<b>3,783</b>
<b>Total comprehensive income for the year attributable to owners of Bonlac Supply Company Limited</b>		<b>262,342</b>	<b>67,139</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 2017

	Notes	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	217,248	14,877
Current tax assets		-	22,145
Receivables		33,495	25,688
<b>Total current assets</b>		<b>250,743</b>	<b>62,710</b>
<b>Non-current assets</b>			
Available-for-sale financial assets	6	2,247,704	2,129,373
<b>Total non-current assets</b>		<b>2,247,704</b>	<b>2,129,373</b>
<b>Total assets</b>		<b>2,498,447</b>	<b>2,192,083</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accruals		12,788	955
Current tax liabilities		32,191	-
<b>Total current liabilities</b>		<b>44,979</b>	<b>955</b>
<b>Total liabilities</b>		<b>44,979</b>	<b>955</b>
<b>Net assets</b>		<b>2,453,468</b>	<b>2,191,128</b>
<b>EQUITY</b>			
Contributed equity	7	1	1
Share buy back reserve		79,845,483	79,845,483
Asset revaluation reserve		274,841	174,571
Accumulated losses		(77,666,857)	(77,828,927)
<b>Total equity</b>		<b>2,453,468</b>	<b>2,191,128</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 2017

	Contrib-uted equity	Share buy back reserve	Asset reval- uation reserve	Accum- ulated losses	Total
	\$	\$	\$	\$	\$
<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 1 July 2016</b>	<b>1</b>	<b>79,845,483</b>	<b>174,571</b>	<b>(77,828,927)</b>	<b>2,191,128</b>
Profit after income tax expense for the year				162,071	162,071
Other comprehensive income for the year			100,270		100,270
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>100,270</b>	<b>161,071</b>	<b>262,341</b>
<b>Balance at 30 June 2017</b>	<b>1</b>	<b>79,845,483</b>	<b>274,841</b>	<b>(77,666,856)</b>	<b>2,453,468</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 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from debtors (inclusive of GST)		812,814	752,736
Payments to suppliers and employees (inclusive of GST)		(762,738)	(797,306)
		<u>50,076</u>	<u>(44,570)</u>
Interest received other		1,002	6,457
Income tax paid		<u>15,000</u>	<u>(317,613)</u>
<b>Net cash inflow from operating activities</b>	10	<u>66,078</u>	<u>355,726</u>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of financial assets		279,810	695,688
Payment for financial assets		(297,871)	(547,031)
Gain on sale of investments		85,501	(36,089)
Dividends received		<u>68,852</u>	<u>73,265</u>
<b>Net cash inflow from investing activities</b>		<u>136,292</u>	<u>185,833</u>
<b>Net cash outflow from financing activities</b>		<u>-</u>	<u>-</u>
<b>Net increase / (decrease) in cash held</b>		202,370	(169,893)
Cash and cash equivalents at the beginning of the financial year		14,877	184,770
<b>Cash and cash equivalents at the end of the financial year</b>	10	<u>217,248</u>	<u>14,877</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 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

	2017	2016
	\$	\$
Agency fee income	687,000	678,000
Interest income on cash at bank	1,001	2,189
Other	31,426	-
<b>Total other revenue</b>	<b>719,427</b>	<b>680,189</b>

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	\$	\$
<b>Non-current assets</b>		
<b>Listed securities</b>		
Equity securities	2,247,704	2,129,373
	<b>2,247,704</b>	<b>2,129,373</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

Paid capital	2017 Shares	2016 Shares	2017 \$	2016 \$
Z class share (\$1 paid up capital)	1	1	1	1

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

## 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.

	2017	2016
	\$	\$
Short-term employee benefits	338,411	367,956
Post employment benefits	33,870	35,017
	<b>372,281</b>	<b>402,973</b>

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

	2017 \$	2016 \$
During the year the following services were paid or payable to the auditor of the Company: RDL.Accountants**		
<b>Audit Services</b>		
Audit and review of financial reports and other work under the Corporations Act	6,900	19,060
<b>Taxation Services</b>		
Tax compliance services including review of income tax return	1,400	5,500
Total remuneration paid	<u>8,300</u>	<u>24,560</u>

\*\* During the 2016 financial year the Company changed auditors – from Pricewaterhouse Coopers to RDL.Accountants. All fees were paid for 2016 were paid to Pricewaterhouse Coopers

## 10. CASH FLOW INFORMATION

	2017 \$	2016 \$
<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	<u>217,248</u>	<u>14,877</u>
Profit from ordinary activities after tax	162,071	3,783
Changes in assets and liabilities:		
Dividend income & interest paid	(74,302)	(72,464)
Net (Gain) / Loss on sale of financial assets	(85,501)	36,089
(Decrease) / Increase in income taxes payable	54,337	(319,633)
Decrease / (Increase) in prepayments	-	5,273
Decrease / (Increase) in receivables	25,688	11,203
Increase / (Decrease) in payables	(16,215)	(19,947)
Net cash inflow from operating activities	<u>66,078</u>	<u>355,726</u>

## 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.

30 June 2017

In the directors' opinion:

- (a) the company is not a reporting entity because there are no users dependent on general purpose financial statements.
- (b) the special purpose financial statements and notes set out on pages 7 to 13:
  - (i) 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; and
  - (ii) give a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Anthony K Marwood  
Director

Melbourne  
28 February 2018

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

**Report on the Financial Report***Opinion*

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 2017, 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.

In our opinion the financial report of Bonlac Supply Company Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- complying with Australian Accounting Standards to the extent described in Note 1 and complying with 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 Company 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.

*Emphasis of Matter - Basis of Accounting*

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 fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

*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 *Corporations Act 2001* 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.

### *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 *Corporations Act 2001* 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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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



Matthew Hung, CA  
rdl.accountants

2 May 2018  
Blackburn, Victoria