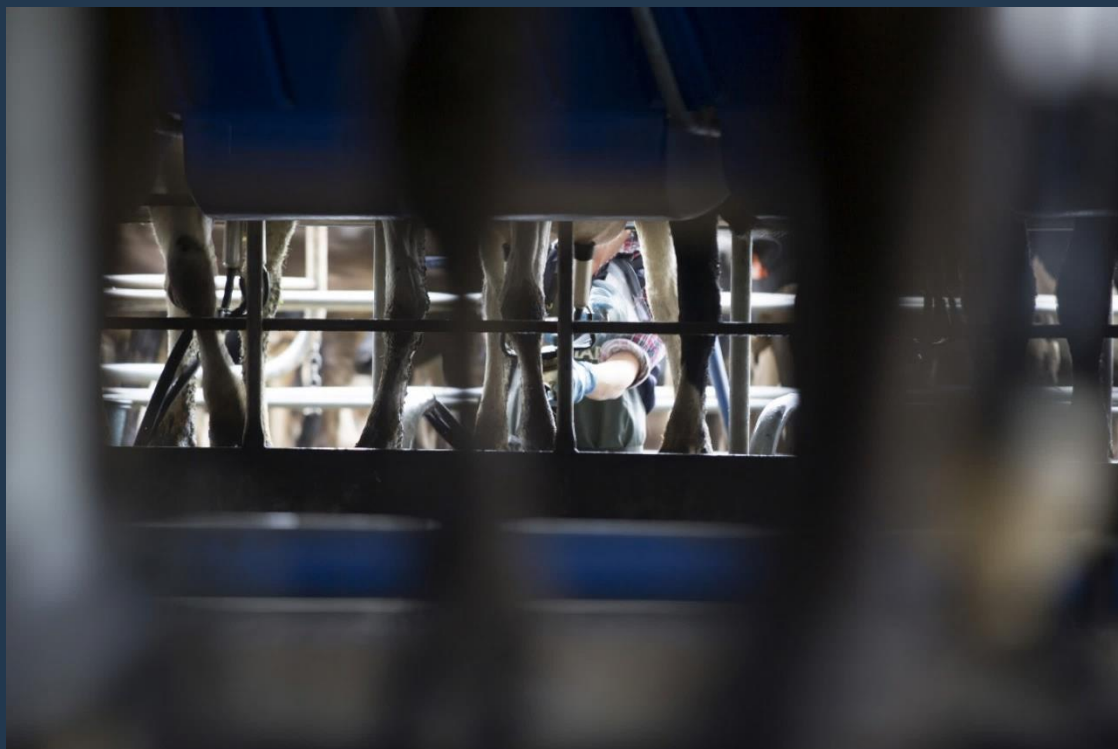


Australian Dairy Farmers Corporation Limited



ADFC Annual Report

Financial Year 2016 – 2017

Index

Corporate Directory	3
ADFC	4
Chairman & Executive Director's Report	5
ADFC Board	8
ADFC Management & Advisory Committee	9
Directors' Report	10
Auditor's Independence Declaration	13
Corporate Governance	14
Statement of Profit or Loss and Other Comprehensive Income	15
Statement of Financial Position	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19
Directors' Declaration	31
Independent Auditor's Report	32



Australian Dairy Farmers Corporation Limited

ACN 610 590 200

Suite 222A, 757 Bourke Street, Docklands, Victoria, 3008

T: +61 3 9909 2208 | E: info@adfc.org.au | W: adfc.org.au

Corporate Directory

Registered office

Suite 222A
757 Bourke Street
Docklands Victoria 3008
T: +61 3 9909 2208
W: adfc.org.au

Principal place of business

Suite 222A
757 Bourke Street
Docklands Victoria 3008
T: +61 3 9909 2208
W: adfc.org.au

Chairman & Executive Director

Scott Sieben

Bank

Australia and New Zealand
Banking Group

Directors

Rod Slattery
Darin Blain
Peter Mulheron

Auditor

Grant Thornton Audit Pty Ltd

Company Secretary

(shared role)
Ron Page
Bee Shiraz

Solicitor

HWL Ebsworth Lawyers



ADFC

Australian Dairy Farmers Corporation Limited (ADFC) is an independent dairy co-operative run by Australian dairy farmers.

Our farmers, based in northern and south west Victoria, supply around 125 million litres of quality milk to ADFC's two partners – Bulla Dairy Foods and Procal Dairies. These partner companies use our milk to make premium dairy products that are sold in Australia and overseas.

ADFC was established in 2012 with a firm vision: to look after dairy farmers and make sure they receive a fair price for their milk. We work with our farmers to give them every opportunity to be profitable so they can grow their businesses with confidence.

ADFC is guided by four values:

Collaboration – we must not compete with our partners, but work together to maximise the efficiency for all

Co-operation – our farmers are all members and shareholders and are prepared to share the risk and success of what we do

Choice - our milk pricing system enables our farmers to choose what is best for them

Cost-effective – a low-cost model underpins everything we do



Chairman & Executive Director's Report



Scott Sieben
Chairman & Executive Director

The 2016-17 financial year has been a year of challenges, growth and change at ADFC.

In the broader dairy industry, the 2016/17 year began with a lot of uncertainty. The decline in milk production was imminent and many farmers needed to adjust to the predicted low milk price.

ADFC management proceeded to negotiate with our two partners, Bulla and Procal, to achieve an opening price that would give our farmers some confidence to keep their supply with ADFC.

This was a very challenging time for ADFC with negotiations resulting in an opening milk price of \$4.90 kg/ms for Bulla and \$5.07 for our Procal farmers. The closing price finished at \$5.35 kg/ms for both Bulla and Procal farmers influencing a reduction of 6.7% in total annual volumes when compared with the FY16 season.

We continued to explore our strategy to find a business partner to invest in a processing plant. And while it did not happen this financial year, the vision to potentially invest in manufacturing remains a strong option for ADFC.

June - October

ADFC's time was spent assuring our farmers that we had the right measures in place to pay out a full year competitive milk price. Within this period, we also had some board changes to address with Michael Roache retiring from farming. We had three very worthy nominations in Darin Blain, Chris Porter and John Hinkley. Once again, I would like to thank Michael for his invaluable contribution to the ADFC, serving as a board member from the co-op's inception in 2012.

November - February

Our AGM was held in November where the two successful candidates - John Hinkley and Darin Blain - were elected to the ADFC Board. The AGM was well attended with no additional changes made or motions carried. We announced a step up for our Bulla farmers, which took them to \$5.10 kg/ms.

In November, Bulla indicated to ADFC that they required additional milk for their business to make up for a cream shortage. ADFC put into place a recruitment plan and decided to look to northern Victoria to secure the additional volume. To secure the additional milk required we needed a price to attract farmers, so we secured the price to \$6.00 kg/ms for all existing and new suppliers who signed up.



March - June

With our investment strategy still in motion and two potential investors interested in a 50:50 joint venture, the board engaged the advisory committee in order to receive advice and feedback on the offers on the table. The board members subsequently decided to put the concept on hold as we felt the initial upfront payment required from our shareholders was not appropriate in the current environment.

Following this decision, newly elected director John Hinkley decided to stand down. The board approached the advisory committee to fill the casual position, and Peter Mulheron was the successful applicant. The board also accepted the resignation from Paul Kerr as both director and CEO effective immediately. We thank Paul for his work in bringing the initial investment options to the board.

We are continuing discussions with potential investors and are communicating closely with Bulla to seek options to better manage our milk supply in the future.

Partners

As a supply co-op we continue to work closely with Bulla and Procal to assure our shareholders we are negotiating the best possible outcomes for you, our farmers. Bulla has (in conjunction with ADFC) made some changes to the milk payment model which we communicated to you. The weighted opening milk price in July 2017 for our Bulla farmers is \$5.76 kg/ms and \$5.92 kg/ms for Procal farmers.



Looking forward

Although we have seen some significant change within ADFC over the past 12 months, I believe it is an exciting time to grow and commit to our strategic plan and seek an investor to strengthen our future.

Following the resignation of Paul Kerr, the board agreed to proceed with the current members; and, as I have been at the fore of all negotiations with our customers, the Board requested I fill the Executive Director position.

I am well supported by Ron Page (Chief Operating Officer) and Bee Shiraz (Finance/Office Manager). They also share the role of Company Secretary. Both Ron and Bee contribute a wealth of experience and I thank them for their dedication to the business.

Under our constitution the co-op requires an Independent Director and I am excited to have Rod Slattery offer his wealth of knowledge to the ADFC Board. To board members Darin and Peter, I thank you for your contribution to the business during the year: your industry knowledge, commitment and dedication are vital components for ADFC's continued growth and prosperity.

I would like to thank you - our farmers and shareholders. Without you we simply do not have a business. We have welcomed around 25 new farmers to ADFC this year and look forward to growing into the future.

Finally, thank you to Jade and my family for your support and for making sure both our farming business and my off-farm commitments are met with due diligence.

A handwritten signature in black ink, appearing to read 'Scott Sieben', with a long, flowing horizontal stroke extending to the right.

Scott Sieben
Chairman & Executive Director

ADFC Board



L to R: Rod Slattery, Darin Blain, Scott Sieben and Peter Mulheron

Chairman and Executive Director – Scott Sieben

Scott Sieben has been on the ADFC Board since its inception in 2012 and accepted the Chairman's position in February 2013 and the Executive Director role in 2017. Scott is a member of the Australian Institute of Company Directors and is studying for his Diploma of Business Management. Scott and his wife, Jade, have a dairy farm at Torrumbarry in northern Victoria where they milk 230 cows on 180 hectares.

Director – Darin Blain

Darin Blain was elected to the ADFC Board in November 2016. Darin has more than 25 years of experience as a dairy farmer and he and his wife, Sally, currently milk around 270 cows on 220 hectares in Timboon in Victoria's south west. He also has extensive experience working in the broader dairy industry and has provided insight and advice to businesses and farmers about budgets, commodity markets and forecasts.

Director – Peter Mulheron

Peter joined the ADFC Board in April 2017. He has been a dairy farmer for over 38 years and took over the family farm 21 years ago – a farm that had been in the family for over 100 years. Peter and his wife, Trish, and their 21-year-old son James, milk around 220 cows at Swan Marsh in south west Victoria. Peter is committed to ADFC's vision, and is keen to help grow and develop the business.

Independent Director – Rod Slattery

Rod joined the ADFC Board in June 2017 as a Non-Supplier Director. Rod is a Chartered Accountant and has over 30 years of experience working in a professional environment, with PPB Advisory (17 years) and PwC (18 years). He has provided strategic advice to all levels of agribusiness, in consultation with financiers and advisors to achieve the best outcomes for all stakeholders. Rod is based in regional Victoria (small farm on the Bellarine Peninsula) and is sensitive to the economic and personal impact unique to dairy families and local communities.

ADFC Management



L to R: Bee Shiraz, Scott Sieben and Ron Page

Executive Director – Scott Sieben

Scott Sieben has been on the ADFC Board since its inception in 2012, accepting the Chairman's position in 2013 and the Executive Director role in 2017. Scott is a member of the Australian Institute of Company Directors and is studying for his Diploma of Business Management.

Chief Operating Officer & Company Secretary – Ron Page

Ron Page has been with ADFC from the outset and has helped create the unique company that it is today. Ron holds a diploma from the Australian Institute of Company Directors and has served on numerous state government and non-government boards. Ron's commitment to primary industry is supported by a Master of Sustainable Agriculture and a Bachelor of Applied Science (Agriculture). He has worked with dairy farmers throughout Australia for the last two decades and is well placed to provide good governance within ADFC.

Finance Manager & Company Secretary – Bee Shiraz

Bee Shiraz is a senior level executive with more than 14 years of experience in business management and finance. She has worked in diverse industries including hospitality, automotive and agriculture and in her previous role, held the position of chief financial officer for a multinational company. Bee holds a Bachelor of Business Administration, a Master of Commerce, a Master of Professional Accounting and is a member of CPA Australia.

Board Advisory Committee

The ADFC Board Advisory Committee members are ADFC shareholders from both south west and northern Victoria. The committee is a great resource for the ADFC Board. The members provide valuable feedback and offer advice regarding board-level decisions.

During the 2016-17 financial year, the following people generously offered their time to serve on the committee: Andrea Thompson, Alana Brennan, John Hinkley (before becoming a board member), Joe Giblin, Peter Mulheron (now a director), Craig Bennett, Brad Couch, Rod Sheen and Ben Bennett.

Directors' Report

In accordance with a resolution of Directors, the Directors of Australian Dairy Farmers Corporation Ltd ('ADFC' or the 'Company') present their report on the Company for the year ended 30 June 2017.

DIRECTORS

The following persons were directors during the financial year and up to the date of this report:

- Scott Sieben - Chairman
- Darin Blain (appointed November 2016)
- Peter Mulheron (appointed April 2017)
- Rod Slattery (appointed June 2017)
- Paul Kerr (resigned April 2017)
- John Hinckley (appointed November 2016, resigned March 2017)
- Michael Roache (resigned November 2016)

See page 8 for the biographies of the current board members.

PRINCIPAL ACTIVITIES

ADFC is an unlisted public company that is owned and run by Australian dairy farmers. There have been no significant changes in the nature of these activities during the year.

REVIEW OF OPERATIONS

Profit from continuing operations after income tax was \$163,151 (2016: loss \$55,998).

Revenue for the year has decreased by 4% from \$57,933,963 to \$55,699,974 which was driven by the decrease in milk price during the year.

DIVIDENDS

There were no dividends paid or declared for the year ended 30 June 2017.

SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the Company's operations in future financial years;
- the results of those operations in future financial years; or
- the Company's state of affairs in future financial years.

FUTURE DEVELOPMENTS

The Company expects to continue operating as an ongoing entity and it is expected that new supply arrangements will be entered into with existing and new customers.

Directors' Report

UNISSUED SHARES OR ISSUED SHARES UNDER OPTION

There were no unissued shares or issued shares under option during or since year end.

ENVIRONMENTAL LEGISLATION

The Company's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

COMPANY SECRETARY

Bee Shiraz was appointed on 1 October 2014 and remains Company Secretary as at the date of this report. Ron Page was appointed on 16 May 2017, he now shares the company secretary position with Bee Shiraz.

INDEMNIFICATION AND INSURANCE

During the financial year, the Company paid a premium to insure past and present directors and officers. The insurance contract prohibits further disclosure.

In addition, the Company has indemnified past and present directors and officers of the Company. The indemnity covers legal and other costs incurred in defending certain civil or criminal proceedings that may be brought against the directors or officers while acting in that capacity.

PROCEEDINGS ON BEHALF OF THE ENTITY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

MEETINGS OF DIRECTORS

The number of eligible board meetings held and attended by each Director during the year was:

	Board Meetings	
	A	B
Scott Sieben	10	10
Darin Blain	6	6
Peter Mulheron	3	3
Rod Slattery	1	1
Paul Kerr	7	7
John Hinkley	3	3
Michael Roache	4	4

Column A – The number of meetings attended.

Column B – Indicates the number of meetings the Directors were eligible to attend.

Directors' Report

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2017 is included on page 13 and forms part of the Directors' Report.

This report is signed in accordance with a resolution of the Directors.



Scott Sieben
Chairman
Melbourne, 12 October 2017



Darin Blain
Director

AUDITOR'S INDEPENDENCE DECLARATION



The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration to The Directors of Australian Dairy Farmers Corporation Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Australian Dairy Farmers Corporation Ltd for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized signature of 'Grant Thornton' in a cursive script.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A stylized signature of 'A. Pititto' in a cursive script.

A J Pititto
Partner - Audit & Assurance

Melbourne, 12 October 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

Corporate Governance

THE BOARD OF DIRECTORS

Board composition

The board comprises 4 directors: 3 farmer directors and 1 non-farmer director.

The chairman is elected by the board in the first board meeting following the AGM. Directors are generally subject to re-election every four years.

Board responsibilities

The board is responsible to members for the overall governance of the Company and aims to carry out its responsibilities to create and build value for the benefit of all members.

The board recognises its responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the Company's members. Directors and members of board committees have access to the advice of external experts when required. Requests for advice are approved by the board and advice, when obtained, is made available to the whole board.

The board is responsible to members for the overall governance of the Company and aims to carry out its responsibilities to create and build value for the benefit of all members.

The board typically meets on a monthly basis. In addition, the board has established the following committees to assist with the execution of its duties as well as allow for more detailed consideration of issues. Each committee has a charter which has been approved by the board. Details of board and committee meetings are provided in the Directors' report.

AUDIT, FINANCE AND GOVERNANCE COMMITTEE

The committee is comprised of four directors appointed by the board, and is chaired by a director who is not the chairman of the board.

Composition

The committee currently comprises:

Peter Mulheron

Darin Blain

Rod Slattery

Scott Sieben

The Committee did not meet during the year.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017	Note	2017	2016
		\$	\$
Sales revenue		55,699,974	57,933,963
Other income	2	8,805	12,593
Total revenues		55,708,779	57,946,556
Cost of materials		(54,350,151)	(56,562,635)
General expenses	2	(427,701)	(769,959)
Finance expenses		(12,963)	(9,630)
Employee benefits expenses	2	(608,754)	(626,816)
Motor vehicle expenses		(38,199)	(36,016)
Depreciation and amortisation expenses		(34,124)	(21,613)
Total expenses		(55,471,892)	(58,026,669)
Profit/(loss) from continuing operations before income tax		236,887	(80,113)
Income tax benefit/(expense)	3	(73,736)	24,115
Profit/(loss) from continuing operations after income tax		163,151	(55,998)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year attributable to members of the Company		163,151	(55,998)

The above statement of profit or loss & other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2017	Note	2017	2016
		\$	\$
Current assets			
Cash and cash equivalents	4	496,091	241,328
Trade and other receivables	5	6,359,329	4,558,086
Other assets	6	1,004	21,251
Total current assets		6,856,424	4,820,665
Non-current assets			
Intangible assets	7	38,285	18,481
Plant & equipment	8	3,425	7,172
Deferred tax asset	9	113,125	111,891
Total non-current assets		154,835	137,544
Total assets		7,011,259	4,958,209
Current liabilities			
Trade and other payables	10	6,335,956	4,420,303
Provisions	11	15,788	34,568
Income tax payable	3	57,007	114,511
Total current liabilities		6,408,751	4,569,382
Total liabilities		6,408,751	4,569,382
Net assets		602,508	388,827
Equity			
Share capital	20	272,788	222,258
Retained earnings	13	329,720	166,569
Total equity		602,508	388,827

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

Statement of Changes in Equity

For the year ended 30 June 2017

	Note	Share capital	Retained earnings/ (Accumulated losses)	Total
		\$	\$	\$
Balance at 30 June 2015*		-	222,567	222,567
Loss for the year		-	(55,998)	(55,998)
Other comprehensive income		-	-	-
Total comprehensive income/(loss)		-	(55,998)	(55,998)
Conversion of members' capital to share capital	20	97	-	97
Issue of redeemable preference shares	20	275,000	-	275,000
Share issue costs (net of tax benefit)	20	(52,839)	-	(52,839)
Balance at 30 June 2016		222,258	166,569	388,827
Profit for the year		-	163,151	163,151
Other comprehensive income		-	-	-
Total comprehensive income/(loss)		-	163,151	163,151
Issue of share capital	20	23	-	23
Issue of redeemable preference shares	20	74,505	-	74,505
Share issue costs (net of tax benefit)	20	(23,998)	-	(23,998)
Balance at 30 June 2017		272,788	329,720	602,508

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

*Note that in 2015 and in accordance with AIFRS, members' share capital ('ordinary shares') was treated as a liability.

Statement of Cash Flows

For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		53,929,262	64,813,606
Payments to suppliers and employees		(53,540,894)	(64,970,555)
Interest received/ (paid)		8,805	12,593
Income tax received/(paid)		(132,474)	(46,002)
Net cash (used in)/from operating activities	19	264,699	(190,358)
Cash flows from investing activities			
Purchase of plant & equipment		(50,181)	(1,727)
Net cash used in investing activities		(50,181)	(1,727)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	20	23	72
Proceeds from issue of redeemable preference shares	20	74,505	230,834
Payments for share issue costs	20	(34,283)	(75,485)
Repayments of loans from related parties		-	-
Net cash from/(used in) financing activities		40,245	155,421
Net increase/(decrease) in cash and cash equivalents			
Net increase/(decrease) in cash and cash equivalents for the year		254,763	(36,664)
Cash and cash equivalents at the beginning of the financial year		241,328	277,992
Cash and cash equivalents at the end of the year	4	496,091	241,328

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial report is for Australian Dairy Farmers Corporation Ltd (formerly Australian Dairy Farmers Co-operative Limited) ('ADFC' or the 'Company'), an unlisted public company incorporated and domiciled in Australia.

(a) Basis of preparation

The Company has elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements).

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001. Australian Dairy Farmers Corporation Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial statements for the year ended 30 June 2017 were approved and authorised for issue by the Board of Directors on 12 October 2017.

These financial statements have been prepared on an accrual basis and are based on historical cost modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Going concern basis of accounting

As outlined in Note 21, the Company is economically dependent on two customers. One customer contract is due to expire on 30 June 2018, while the other expired on 30 June 2017 and is currently being re-negotiated.

The ability of the Company to continue as a going concern is dependent on the renewal of existing customer contracts or obtaining new contracts.

The financial statements of the Company do not include any adjustments relating to the recoverability or classification of recorded asset amounts or classification of liabilities, which might be necessary should the Company not be able to continue as a going concern.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions which are subject to an insignificant risk of change in value.

(d) Trade and other receivables

Trade and other receivables are recognised initially at fair value, which is typically the invoice value, and are subsequently measured at amortised cost less provision for impairment. Trade and other receivables are generally due for settlement within 30 days.

The collectability of receivables are reviewed on an ongoing basis and a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

(e) Intangible assets

Acquired intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

Subsequent measurement

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. The following useful lives are applied:

Software: 4 years

Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

(f) Trade and other payables

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

(g) Foreign currency translation

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

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

A sale is recorded when the goods have been delivered to and accepted by the customer or its agent and collectability of the related receivable is probable.

(ii) Interest revenue

Interest income is recognised on a time proportion basis using the effective interest method.

(i) Members' share capital

Ordinary shares are initially recorded at fair value and are subsequently measured at amortised cost. As a result, the liability is measured at \$1.00 per share. When ordinary shares are repurchased, the consideration of \$1.00 per share is deducted from members' share capital.

On 5 February 2016, the Company changed its structure from a Co-operative registered in NSW to an Unlisted Public Company Limited by Shares. As a result, members' capital was converted to share capital during that year.

(j) Goods and services tax (GST)

Revenues, 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 trade and 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 in operating cash flows.

(k) Income tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Company's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

(l) Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries and annual leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Other long-term employee benefits

The Company presents employee benefit obligations as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

(m) Financial instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition, (ii) less principal repayments, (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

I. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

II. Financial liabilities

The Company's financial liabilities include trade and other payables. Financial liabilities are measured subsequently at amortised cost.

(n) Significant management judgements

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilised.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(o) New accounting standards Changes in accounting policies

New and revised standards are effective for annual periods beginning on or after 1 July 2015

A number of new and revised standards became effective for annual periods beginning on or after July 1 2015. Information on these new standards is presented below.

I. AASB 9 Financial Instruments:

Nature of change

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- a) Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.
- b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
 - the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

Likely impact on initial application

The Company is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the Company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

II. AASB 1057 Application of Australian Accounting Standards

Nature of change

In May 2015, the AASB decided to revise Australian Accounting Standards that incorporate IFRSs to minimise Australian-specific wording even further. The AASB noted that IFRSs do not contain application paragraphs that identify the entities and financial reports to which the Standards (and Interpretations) apply. As a result, the AASB decided to move the application paragraphs previously contained in each Australian Accounting Standard (or Interpretation), unchanged, into a new Standard AASB 1057 Application of Australian Accounting Standards.

Impact on initial application

This Standard was first adopted for the year ending 30 June 2017. There has been no impact on the financial statements resulting from this.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

III. AASB 16 Leases

Nature of change

- replaces AASB 117 Leases and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

Likely impact on initial application

The Company is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

IV. AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

Nature of change

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.

The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated
- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy

Impact on initial application

These amendments were first adopted for the year ending 30 June 2017. There has been no material impact on the financial statements resulting from this.

Notes to the Financial Statements

	2017 \$	2016 \$
NOTE 2: REVENUE AND EXPENSES		
Other income		
Interest revenue	8,805	10,093
Other	-	2,500
	8,805	12,593

Expenses

General expenses		
Accounting and bookkeeping fees	43,914	42,980
Advertising and marketing	5,774	3,348
Legal fees	33,707	54,553
Software expenses	67,248	76,810
Rent and outgoings	33,359	29,896
Dairy technical services' testing	51,964	67,115
Consulting fees	92,075	190,935
Milk swap fee	-	153,000
Other expenses	99,660	151,322
Total general expenses	427,701	769,959

Employee benefits expenses		
Wages, salaries	379,637	397,883
Superannuation	49,140	48,788
Directors' fees	127,854	115,677
Other	52,123	64,468
Total employee benefits expenses	608,754	626,816

NOTE 3: INCOME TAX

The major components of tax expense and the reconciliation of the expected tax expense based on effective tax rate of 30% (2016: 30%) and the reported tax expense in profit or loss are as follows:

Profit/(loss) from ordinary activities before tax	236,887	(80,113)
Prima facie tax expense/(benefit) on the profit(loss) from ordinary activities calculated at 30%	71,066	(24,034)
Under/over from prior year	-	-
Other	2,670	(81)
Income tax expense/(benefit)	73,736	(24,115)

Tax expense comprises:

• Current tax expense	60,869	34,666
• Deferred tax expense	12,867	(58,700)
• Under/over from prior year	-	-
• Other		(81)
Income tax expense/(benefit)	73,736	(24,115)

Income tax payable comprises:

Income tax payable in relation to prior year	-	80,166
Income tax payable in relation to current year	57,007	34,345
Income tax payable	57,007	114,511

Notes to the Financial Statements

	2017 \$	2016 \$
NOTE 4: CASH AND CASH EQUIVALENTS		
Cash at bank	496,091	241,328
NOTE 5: TRADE AND OTHER RECEIVABLES		
Trade receivables	6,354,379	4,508,690
Other receivables	4,950	49,396
Total trade and other receivables	6,359,329	4,558,086
NOTE 6: OTHER ASSETS		
Prepayments	1,004	21,251
Total other assets	1,004	21,251
NOTE 7: INTANGIBLE ASSETS		
Computer software license at cost		
Balance at beginning of year	18,481	35,429
Additions during the year	50,000	742
(Less) amortisation expense	(30,981)	(17,690)
Balance at end of the year	37,500	18,481
Computer software at cost		
Balance at beginning of year	1,181	829
Additions during the year	-	742
(Less) amortisation expense	(396)	390
Balance at end of the year	785	1,181
NOTE 8: PLANT & EQUIPMENT		
Computers at carrying value		
Balance at beginning of year	3,975	5,791
Additions during the year	-	772
(Less) depreciation expense	(2,592)	(2,588)
Balance at end of the year	1,383	3,975
Office equipment at carrying value		
Balance at beginning of year	3,197	4,319
Additions during the year	180	213
(Less) depreciation expense	(1,335)	(1,335)
Balance at end of the year	2,042	3,197
Total plant and equipment	3,425	7,172

Notes to the Financial Statements

NOTE 9: DEFERRED TAX ASSETS

	1 July 2016	Recognised in profit or loss	Recognised directly in equity	30 June 2017
	\$	\$	\$	\$
Liabilities				
Accruals	18,028	(539)	-	17,489
Other				
Section 40-88o deductions	93,863	13,406	(11,633)	95,636
	<u>111,891</u>	<u>12,867</u>	<u>(11,633)</u>	<u>113,125</u>

	1 July 2015	Recognised in profit or loss	Recognised directly in equity	30 June 2016
	\$	\$	\$	\$
Liabilities				
Accruals	18,264	(237)	-	18,028
Other				
Section 40-88o deductions	12,282	58,937	22,645	93,863
	<u>30,546</u>	<u>58,700</u>	<u>22,645</u>	<u>111,891</u>

2017
\$

2016
\$

NOTE 10: TRADE AND OTHER PAYABLES

Current		
Superannuation payable	2,290	1,379
Trade creditors	6,302,466	4,347,696
Accrued expenses	27,499	69,016
Other current liabilities	3,701	2,212
Total trade and other payables	<u>6,335,956</u>	<u>4,420,303</u>

NOTE 11: PROVISIONS

Current		
Annual leave	15,788	34,568
Total provisions	<u>15,788</u>	<u>34,568</u>

Provision for annual leave represents the Company's obligations to its current employees that are expected to be settled in the 2018 financial year.

Notes to the Financial Statements

NOTE 12: FINANCIAL ASSETS AND LIABILITIES

Note 1(m) provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	2016 Financial assets at amortised cost \$	2016 Total \$	2017 Financial assets at amortised cost \$	2017 Total \$
Financial assets				
Cash and cash equivalents	241,328	241,328	496,091	496,091
Trade and other receivables	4,558,086	4,558,086	6,359,329	6,359,329
	<u>4,799,414</u>	<u>4,799,414</u>	<u>6,855,420</u>	<u>6,855,420</u>
	Other liabilities at amortised cost \$	Total \$	Other liabilities at amortised cost \$	Total \$
Financial liabilities				
Trade and other payables	4,420,303	4,420,303	6,335,956	6,335,956
Income tax payable	114,511	114,511	57,007	57,007
	<u>4,534,814</u>	<u>4,534,814</u>	<u>6,392,963</u>	<u>6,392,963</u>

The carrying amount of the following financial assets and liabilities are considered a reasonable approximation of fair value:

- cash and cash equivalents
- trade and other receivables
- trade and other payables

NOTE 13: RETAINED EARNINGS/(ACCUMULATED LOSSES)

Balance at beginning of the year	166,569	222,567
Current year earnings/(loss)	<u>163,151</u>	<u>(55,998)</u>
Balance at end of the year	<u>329,720</u>	<u>166,569</u>

NOTE 14: CAPITAL COMMITMENTS

The Company has no capital commitments for expenditures as at 30 June 2017.

Notes to the Financial Statements

2017
\$

2016
\$

NOTE 15: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company does not have any contingent liabilities or contingent assets as at 30 June 2017.

NOTE 16: AUDITOR'S REMUNERATION

Audit services – Grant Thornton

Remuneration for audit or review of financial statements

36,450 40,500

Other services – Grant Thornton

- investigating accountant
- taxation services
- other

15,000 20,000
7,464 9,130
- 17,283

Total other services remuneration

22,464 46,413

Total auditor's remuneration

58,914 86,913

NOTE 17: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The Directors of the Company during the year and up to the date of the Directors' Report were:

Scott Sieben (Chairman), Darin Blain (appointed November 2016), Peter Mulheron (appointed April 2017), John Hinckley (appointed December 2016, resigned March 2017), Michael Roache (resigned November 2016), Paul Kerr (resigned April 2017) and Rod Slattery (appointed June 2017).

(b) Principles used to determine the nature and amount of remuneration

Remuneration was provided to Directors during the period for duties performed as Directors of the Company.

(c) Key management personnel compensation

Short-term employment benefits

127,854 115,677

Post-employment benefits (superannuation)

12,146 10,989

Total key management personnel compensation

140,000 126,666

The compensation noted above comprises the fixed fees for all Directors during the year (inclusive of superannuation).

NOTE 18: RELATED PARTY TRANSACTIONS

There is no outstanding payable/receivable from related parties as at 30 June 2017.

NOTE 19: CASH FLOW RECONCILIATION

Profit/(loss) attributable to members

163,151 (55,998)

Non-cash items in operating profit

Depreciation and amortisation

34,124 21,613

Movement in assets and liabilities

(Increase)/decrease in trade and other receivables

(1,790,958) 987,497

(Increase)/decrease in other assets

20,246 1,523

(Increase)/decrease in deferred tax assets

(1,234) (58,699)

Increase/(decrease) in trade and other payables

1,915,654 (1,088,146)

Increase/(decrease) in provisions

(18,780) 13,269

Increase/(decrease) in income tax payable

(57,504) (11,417)

Net cash (used in)/from operating activities

264,699 (190,358)

Notes to the Financial Statements

NOTE 20: SHARE CAPITAL

Ordinary shares

Ordinary shares entitle the holder to participate in dividends of the Co-operative in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each shareholder is entitled to one vote.

Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to members and for other stakeholders and to maintain an optimal structure to reduce costs of capital.

In order to maintain or adjust the capital structure the Company may reduce its share capital, adjust the amount of dividends paid to shareholders including through the dividend re-investment plan (currently suspended) or may guarantee capital through deductions from payments to members of milk supplies under the terms of its share acquisition program (currently suspended).

The board of Directors and the audit, finance and governance committee monitor the capital needs of the Company.

	2017 No. of Shares	2016 No. of Shares	2017 \$	2016 \$
Opening balance – shares of \$1 each (fully paid)	97	-	97	-
Converted to share capital – ordinary shares of \$1 each (fully paid)	23	97	23	97
Redeemable preference share issues – shares of \$1 each (fully & partly paid)	349,505	230,834	349,505	230,834
Redeemable preference share issues – shares of \$1 each (unpaid)	-	44,166	-	44,166
Share issue costs (net of tax benefit)	-	-	(76,837)	(52,839)
Closing Balance	349,625	275,097	222,258	222,258

In accordance with the Company's constitution, redeemable preference shares were issued during the year of which \$31,000 of the proceeds was unpaid at 30 June 2017. The redemption of preference shares and payment of dividends are at the discretion of the Board.

Notes to the Financial Statements

NOTE 21: ECONOMIC DEPENDENCE

The Company is dependent upon the renewal of its two customer contracts, one of which expires on 30 June 2018 and the other which expired on 30 June 2017 and is in the process of re-negotiation. At the date of this report, the Directors have no reason to believe that these contracts will not be renewed.

NOTE 22: EVENTS AFTER THE REPORTING PERIOD

There are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the Company's operations in future financial years;
- the results of those operations in future financial years; or
- the Company's state of affairs in future financial years.

NOTE 23: COMPANY DETAILS

The registered office and principal place of business is:

Suite 222A 757 Bourke Street Docklands VIC 3008

Directors' Declaration

In the opinion of the Directors of Australian Dairy Farmers Corporation Ltd:

- (a) the financial statements and notes of Australian Dairy Farmers Corporation Ltd, as set out on pages 6 to 21, are in accordance with the Corporations Act 2001, including:
 - (i) giving 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.
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Australian Dairy Farmers Corporation Ltd 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.



Scott Sieben
Chairman
Melbourne, 12 October 2017



Darin Blain
Director

Independent Auditor's Report



Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.granthornton.com.au

Independent Auditor's Report to The Members of Australian Dairy Farmers Corporation Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Australian Dairy Farmers Corporation Ltd (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or 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 a summary of significant accounting policies, and the directors' declaration.

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

- a 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
- b Complying with Australian Accounting Standards 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 Company in accordance with 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) and Note 21 in the financial report which indicates that the Company is economically dependent on two customers one of whose contract is due to expire on 30 June 2018, the other which expired on 30 June 2017. These conditions, along with other matters as set forth in Note 1(b) and Note 21, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our report is not modified in relation to this matter.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report



Information Other than the Financial Report and Auditor's Report Thereon

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 30 June 2017, 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 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.

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 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 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 Directors either intends to liquidate the Company or to cease operations, or has 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.

A stylized signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A stylized signature in blue ink that reads "A. J. Pititto".

A J Pititto
Partner - Audit & Assurance

Melbourne, 12 October 2017

