

Bonlac Supply Company Pty Limited

Financial Report

30 June 2019

ACN 095 271 266

Contents	Page
Directors' Report	1
Auditor's Independence Declaration	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Cash Flow Statement	8
Notes to the Financial Statements	9
Directors' Declaration	15
Independent Audit Report to the Members	16

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 2019.

Directors

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

John G Dalton (Chairman)
 Stuart J Griffin
 Alan J Davenport
 Paul Weller
 Bruce G Knowles
 Gregory J Bourke
 Leo M Delahunty
 Anthony K Marwood (resigned 23 Jan 2019)
 Aubrey O Pellett (resigned 15 July 2018)

Principal Activities

The principal activity of the Company is the representation of farmer suppliers to Fonterra

Review of Operations

The Company's profit from ordinary activities before tax for the year was \$123,089 (2018: \$114,473).

The Company's profit has decreased slightly as a result of higher operating costs, offset by increased investment income.

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

There are no known likely developments in the operations of the Company other than ongoing discussions with Fonterra on the replacement model for the Milk Supply Agency Agreement that expires on 31 December 2019. This new agreement will not materially impact the operations of the Company.

Information on Directors

Director	Qualifications, experience and responsibilities
John G Dalton	Non-executive director since 2016 and Chairman since 2019. Dairy Farmer.
Stuart J Griffin	Non-executive director since September 2016. Dairy Farmer.
Alan J Davenport	Non-executive director since October 2017. Dairy Farmer.
Paul Weller	Non-executive director since September 2018. Dairy Farmer.
Bruce G Knowles	Non-executive director since September 2018. Dairy Farmer.
Gregory J Bourke	Non-executive director since May 2013. Director.
Leo M Delahunty	Non-executive director since May 2013. Director.
Anthony K Marwood *	Non-executive director since 2006 and Chairman since 2009. Dairy Farmer. * Resigned 23 January 2019
Aubrey O Pellett **	Non-executive director since May 2013. Dairy Farmer. ** Resigned 15 July 2018

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 2019 and the number of meetings attended by each director was:

Director	Meetings attended whilst a Director	Meetings held whilst a Director
John G Dalton	12	12
Stuart J Griffin	12	12
Alan J Davenport	12	12
Paul Weller ³	9	10
Bruce G Knowles ⁴	10	10
Gregory J Bourke	11	12
Leo M Delahunty	11	12
Anthony K Marwood ²	7	7
Aubrey O Pellet ¹	0	0

¹ Aubrey Pellett resigned from the Board on 15 July 2018

² Tony Marwood resigned from the Board on 23 January 2019

³ Paul Weller commenced on 26 September 2018

⁴ Bruce Knowles commenced on 26 September 2018

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 - 2019	Short-term employee benefits			Post-employment	Total
	Directors' Base Fee \$	Additional Services \$	Other Benefits ** \$	Super-annuation \$	
Non Executive					
John G Dalton	53,926	-	-	5,153	59,049
Stuart J Griffin	41,880	-	2,168	3,979	48,027
Alan J Davenport	35,250	-	-	3,349	38,599
Paul Weller ³	26,878	-	1,320	2,553	30,752
Bruce G Knowles ⁴	26,878	-	4,447	2,553	33,879
Gregory J Bourke	35,250	-	-	3,701	38,386
Leo M Delahunty	35,250	-	4,462	3,701	41,106
Anthony K Marwood ²	43,524	-	7,140	4,570	55,233
Aubrey O Pellet ¹	1,875	-	-	866	2,471
Total	300,711	-	19,537	30,396	350,644

¹ Aubrey Pellett resigned from the Board on 15 July 2018

² Tony Marwood resigned from the Board on 23 January 2019

³ Paul Weller commenced on 26 September 2018

⁴ Bruce Knowles commenced on 26 September 2018

** Other Benefits include km allowances paid to directors and the provision of a vehicle for Mr. Marwood in his time as 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.



.....
John G Dalton
Chairman

Dated at Melbourne the 15 October 2019

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 2019 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

17th October 2019
Blackburn, Victoria

Bonlac Supply Company Pty Limited
Statement of Comprehensive Income
For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Other revenue	5	636,419	636,562
Directors and staff costs	9	(354,101)	(335,424)
Corporate support expenses		(302,695)	(297,964)
Operating Profit		(20,377)	3,174
Dividend income		143,466	111,299
Profit before income tax		123,089	114,473
less Income tax expense on operating profit		33,850	31,606
Operating Profit for the year		89,239	82,867
Other Comprehensive Income			
Realised capital gains on asset sales		72,774	38,430
Unrealised gains on revaluation of investments		267,431	94,199
Net fair value movements on equity investments		340,205	132,629
less Income tax expense on realised capital gains		20,012	10,568
Total comprehensive income for the year		409,432	204,928
Profit attributable to owners of Bonlac Supply Company Limited		69,227	72,299
Total comprehensive income for the year attributable to owners of Bonlac Supply Company Limited		409,432	204,928

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 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	10	323,720	40,853
Current tax assets		-	-
Receivables		7,000	7,165
Total current assets		<u>330,720</u>	<u>48,018</u>
Non-current assets			
Other financial assets	6	2,755,211	2,653,306
Total non-current assets		<u>2,755,211</u>	<u>2,653,306</u>
Total assets		<u>3,085,931</u>	<u>2,701,324</u>
LIABILITIES			
Current liabilities			
Trade payables and accruals		8,517	29,930
Current tax liabilities		9,586	12,998
Total current liabilities		<u>18,103</u>	<u>42,928</u>
Total liabilities		<u>18,103</u>	<u>42,928</u>
Net assets		<u>3,067,828</u>	<u>2,658,396</u>
EQUITY			
Contributed equity	8	1	1
Share buy back reserve		79,845,483	79,845,483
Asset revaluation reserve		636,471	369,040
Accumulated losses		(77,414,127)	(77,556,128)
Total equity		<u>3,067,828</u>	<u>2,658,396</u>

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 2019

	Contributed equity	Share buy-back reserve	Asset reval- uation reserve	Accum- ulated losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2017	1	79,845,483	274,841	(77,666,857)	2,453,468
Profit after income tax expense for the year				72,299	72,299
Other comprehensive income for the year	-	-	94,199	38,430	132,629
Total comprehensive income for the year	-	-	94,199	110,729	204,928
Balance at 1 July 2018	1	79,845,483	369,040	(77,556,128)	2,658,396
Profit after income tax expense for the year				69,227	69,227
Other comprehensive income for the year	-	-	267,431	72,774	340,205
Total comprehensive income for the year	-	-	267,431	142,001	409,432
Balance at 30 June 2019	1	79,845,483	636,471	(77,414,127)	3,067,828

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 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from debtors (inclusive of GST)		699,600	699,380
Payments to suppliers and employees (inclusive of GST)		(740,920)	(646,622)
		<u>(41,320)</u>	<u>52,758</u>
Interest received other		419	762
Income tax (paid)		(17,929)	(32,120)
		<u>(17,929)</u>	<u>(32,120)</u>
Net cash inflow from operating activities	10	<u>(58,830)</u>	<u>21,400</u>
Cash flows from investing activities			
Proceeds from the sale of financial assets		244,637	302,463
Payment for financial assets		(7,225)	(580,594)
Dividends received		104,285	80,336
		<u>104,285</u>	<u>80,336</u>
Net cash inflow from investing activities		<u>(341,696)</u>	<u>(197,795)</u>
Net cash outflow from financing activities		<u>-</u>	<u>-</u>
Net increase / (decrease) in cash held		282,867	(176,395)
Cash and cash equivalents at the beginning of the financial year		40,853	217,248
		<u>40,853</u>	<u>217,248</u>
Cash and cash equivalents at the end of the financial year	10	<u>323,720</u>	<u>40,853</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) 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.

g) 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.

h) 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.

i) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the company becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Adoption of AASB 9: Financial Instruments

The company has elected to early adopt Accounting Standard AASB 9 Financial Instruments from 1 July 2017. This standard has been adopted because it includes the requirements for the classification and measurement of financial assets which improve and simplify the approach compared with the requirements of the previous Accounting Standard AASB 139 Financial Investments: Recognition and Measurement. AASB 9, allows, and the Company has made, an

irrevocable election on the initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. The company considers this to result in a presentation that better presents performance and operations of the organisation.

All gains and losses on equity investments are presented in other comprehensive income as part of the Statement of Comprehensive Income. Under AASB 9, there is no recycling of the realised gains and losses to the net profit for the period as previously required under AASB 139. Dividends and distributions on such investments are recognised in the profit or loss unless the payment clearly represents a recovery of part of the cost of the investment.

There is also no requirement to test the company's equity investments for impairment with the result that there is no transfer of unrealised impairment losses from the financial asset reserve to the net profit for the period.

Classification of financial instruments

The company classifies its financial assets as measured at fair value (either through other comprehensive income, or through profit or loss).

The company currently holds equity investments measured at fair value through other comprehensive income. It holds no other financial instruments.

j) Reliance on Fonterra

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

2. NEW ACCOUNTING STANDARDS AND UIG INTERPRETATIONS

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

3. FINANCIAL RISK MANAGEMENT

(a) Market Risk

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

(b) Credit Risk

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

(c) Liquidity Risk

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

(d) Fair value estimation

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

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

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

5. OTHER REVENUE

	2019	2018
	\$	\$
Agency fee income	636,000	635,800
Interest income on cash at bank	419	762
Other	-	-
Total other revenue	636,419	636,562

6. OTHER FINANCIAL ASSETS

	2019	2018
	\$	\$
Non-current assets		
Equity Investments – Fair value		
Listed securities	2,755,211	2,653,306
	2,755,211	2,653,306

7. AUDITOR'S REMUNERATION

	2019	2018
	\$	\$
During the year the following services were paid or payable to the auditor of the Company: rdl.accountants		
Audit Services		
Audit and review of financial reports and other work under the Corporations Act	7,319	7,100
Taxation Services		
Tax compliance services including review of income tax return	1,050	1,050
Total remuneration paid	8,369	8,150

8. CONTRIBUTED EQUITY AND DIVIDENDS

Paid capital	2019 Shares	2018 Shares	2019 \$	2018 \$
Z class share (<i>\$1 paid up capital</i>)	1	1	1	1

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

9. DIRECTOR & KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel remuneration

Details of remuneration of directors of BSC are set out in the following table.

	2019 \$	2018 \$
Short-term employee benefits	323,699	306,135
Post employment benefits	30,402	29,289
	<u>354,101</u>	<u>335,424</u>

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

Other Transactions with Directors

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%.

10. CASH FLOW INFORMATION

	2019 \$	2018 \$
Reconciliation of cash		
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>323,720</u>	<u>40,853</u>
Profit from ordinary activities after tax	142,001	72,299
Changes in assets and liabilities:		
Dividend income & interest paid	(104,120)	(82,051)
Net (Gain) / Loss on sale of financial assets	(71,888)	5,157
(Decrease) / Increase in income taxes payable	(3,412)	(19,193)
Decrease / (Increase) in receivables	-	-
Increase / (Decrease) in payables	(21,411)	45,188
Net cash inflow from operating activities	<u>(58,830)</u>	<u>21,400</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 Level 2, 40 River Boulevard, Richmond VIC 3121.

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 14:
 - (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 2019 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.



John G Dalton
Director

Melbourne
15 October 2019

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 2019, 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 2019 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

17th October 2019
Blackburn, Victoria