

Fonterra Australia Suppliers' Council Pty Ltd
(formerly known as Bonlac Supply Company Pty Limited)

Financial Report

30 June 2020

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 Fonterra Australia Suppliers' Council Pty Ltd ("Company" or "FASC") formerly known as Bonlac Supply Company Pty Limited, submit their Report and Financial Report for the company for the year ended 30 June 2020.

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 (resigned 31 December 2019)

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 \$145,677 (2019: \$123,089).

The Company's profit has increased primarily as a result of reduced operating costs, partially offset by reduced 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.

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.
Brue 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. ** Resigned 31 December 2019

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 2020 and the number of meetings attended by each director was:

Director	Meetings attended whilst a Director	Meetings held whilst a Director
John G Dalton	11	11
Stuart J Griffin	11	11
Alan J Davenport	11	11
Paul Weller	11	11
Bruce G Knowles	10	11
Gregory J Bourke	10	11
Leo M Delahunty ¹	3	5

¹ Leo M Delahunty resigned from the Board effective on 31 December 2019

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 FASC - 2020	Short-term employee benefits		Post-employment	
	Directors' Base Fee \$	Other Benefits ** \$	Super-annuation \$	Total \$
Non Executive				
John G Dalton	77,500	2,247	7,362	87,110
Stuart J Griffin	50,250	-	4,774	55,024
Alan J Davenport	35,250	176	3,349	38,775
Paul Weller	35,250	-	3,349	38,599
Bruce G Knowles	35,250	1,672	3,349	40,271
Gregory J Bourke	35,250	-	3,701	38,951
Leo M Delahunty ¹	18,202	136	1,851	20,188
Total	286,952	4,231	27,734	318,918

¹ Leo M Delahunty resigned from the Board effective on 31 December 2019

** Other Benefits include km allowances paid to directors.

Service Agreements

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

Indemnification and Insurance of Directors and Officers

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

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

Auditor's independence declaration

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

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



.....
John G Dalton
Chairman

Dated at Melbourne the 30 September 2020

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF FONTERRA AUSTRALIA SUPPLIERS' COUNCIL PTY LTD (PREVIOUSLY KNOWN AS BONLAC SUPPLY COMPANY LIMITED)

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 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

24th September 2020
Blackburn, Victoria

Fonterra Australia Suppliers' Council Pty Ltd
formerly known as Bonlac Supply Company Pty Limited
Statement of Comprehensive Income
For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Other revenue	5	553,318	636,419
Directors and staff costs	9	(320,013)	(354,101)
Corporate support expenses		(200,831)	(302,695)
Operating Profit		32,474	(20,377)
Dividend income		113,203	143,466
Profit before income tax		145,677	123,089
less Income tax expense on operating profit		40,061	33,850
Operating Profit for the year		105,616	89,239
Other Comprehensive Income			
Realised capital gains on asset sales		32,000	72,774
Unrealised gains on revaluation of investments		(172,917)	267,431
Net fair value movements on equity investments		(140,917)	340,205
less Income tax expense on realised capital gains		8,800	20,012
Total comprehensive income for the year		(44,101)	409,432
Profit attributable to owners of FASC		96,816	69,227
Total comprehensive income for the year attributable to owners of FASC		(44,101)	409,432

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

Fonterra Australia Suppliers' Council Pty Ltd
formerly known as Bonlac Supply Company Pty Limited
Statement of Financial Position
As at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	10	360,350	323,720
Current tax assets		-	-
Receivables		1,454	7,000
Total current assets		<u>361,804</u>	<u>330,720</u>
Non-current assets			
Other financial assets	6	2,712,357	2,755,211
Total non-current assets		<u>2,712,357</u>	<u>2,755,211</u>
Total assets		<u>3,074,161</u>	<u>3,085,931</u>
LIABILITIES			
Current liabilities			
Trade payables and accruals		31,621	8,517
Current tax liabilities		18,813	9,586
Total current liabilities		<u>50,434</u>	<u>18,103</u>
Total liabilities		<u>50,434</u>	<u>18,103</u>
Net assets		<u>3,023,727</u>	<u>3,067,828</u>
EQUITY			
Contributed equity	8	1	1
Share buy back reserve		-	79,845,483
Asset revaluation reserve		463,554	636,471
Accumulated profit / (losses)		2,560,172	(77,414,127)
Total equity		<u>3,023,727</u>	<u>3,067,828</u>

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

Fonterra Australia Suppliers' Council Pty Ltd
formerly known as Bonlac Supply Company Pty Limited
Statement of Changes in Equity
For the year ended 30 June 2020

	Contributed equity	Share buy- back reserve	Asset reval- uation reserve	Accum- ulated losses	Total
	\$	\$	\$	\$	\$
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 1 July 2019	1	79,845,483	636,471	(77,414,127)	3,067,828
Profit after income tax expense for the year				96,816	96,816
Transfer in / (out)	-	(79,845,483)	-	79,845,483	-
Other comprehensive income for the year	-	-	(172,917)	32,000	(140,917)
Total comprehensive income for the year	-	(79,845,483)	(172,917)	79,974,299	(44,101)
Balance at 30 June 2020	1	-	463,554	2,560,172	3,023,727

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

Fonterra Australia Suppliers' Council Pty Ltd
formerly known as Bonlac Supply Company Pty Limited
Cash Flow Statement
For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from debtors (inclusive of GST)		603,627	699,600
Payments to suppliers & employees (inclusive of GST)		(542,172)	(740,920)
		<hr/> 61,455	<hr/> (41,320)
Interest received		319	419
Income tax refunded / (paid)		(11,942)	(17,929)
		<hr/> 49,832	<hr/> (58,830)
Net cash inflow from operating activities	10	<hr/> 49,832	<hr/> (58,830)
Cash flows from investing activities			
Proceeds from the sale of financial assets		245,083	244,637
Payment for financial assets		(347,865)	(7,225)
Dividends received		89,580	104,285
		<hr/> (13,202)	<hr/> (341,696)
Net cash inflow from investing activities		<hr/> (13,202)	<hr/> (341,696)
Net increase / (decrease) in cash held		36,630	282,867
Cash and cash equivalents at the beginning of the financial year		323,720	40,853
		<hr/> 360,350	<hr/> 323,720
Cash and cash equivalents at the end of the financial year	10	<hr/> 360,350	<hr/> 323,720

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers Fonterra Australia Suppliers' Council Pty Ltd as an individual entity. Fonterra Australia Suppliers' Council Pty Ltd is a company limited by shares, registered and domiciled in Australia.

A description of the nature of the entity's operations and its principal activities is included in the Directors' Report.

The functional and presentation currency of Fonterra Australia Suppliers' Council Pty Ltd is Australian dollars.

Comparatives are consistent with prior years, unless otherwise stated.

a) Basis of preparation

In the Directors' opinion the Company is not a reporting entity since there are unlikely to exist users of the financial statements who are not able to command the preparation of reports tailored so as to satisfy specifically all of their information needs. These special purpose financial statements have been prepared to meet the reporting requirements of the *Corporations Act 2001*.

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Corporations Act 2001* and the significant accounting policies described below, which the Directors have determined are appropriate to meet the needs of members.

The material accounting policies adopted in the special purpose financial statements are set out below indicate how the recognition and measurement requirements in the Australian Accounting Standards have not been complied with.

b) Revenue recognition

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Service funding income

FASC and Fonterra have entered into a Supplier Representation Agreement following the termination of the Milk Supply Agency Agreement. Under the new agreement, Fonterra continues to fund FASC's operations which is in accordance with the annual budget agreed by both parties, but may vary as required. The agreed annual budget amount is recognised on a straight line basis over the financial year during which the stage of completion of services rendered is determined.

Generally the timing of the payment for services rendered corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable.

Dividend income

Dividend income is recognised on an accruals basis when the company is entitled to it.

Compliance with Australian Accounting Standards

The Company considers that the service funding income has an enforceable performance obligation to transfer a good or service to a third party which is sufficiently specific to know when the performance obligation has been satisfied. This complies with *AASB 15 Revenue from Contracts with Customers*.

The accounting policy associated with dividend income is consistent with AASB 9 Financial Instruments.

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.

Compliance with Australian Accounting Standards

This is consistent with *AASB 112 Income Taxes*.

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 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) 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.

Compliance with Australian Accounting Standards

This is consistent with *UIG Interpretation 1034 Accounting for the Goods and Services Tax (GST)*.

h) 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

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.

Compliance with Australian Accounting Standards

This policy complies with AASB 9 *Financial Instruments* and the Company has made an irrevocable election to classify managed fund investments as equity investments as fair value through other comprehensive income which is in line with AASB 9 *Financial Instruments*.

i) Reliance on Fonterra

The majority of the company's annual operating cash flows are earned via funding from Fonterra. The net asset position of the company removes any going concern issues should this funding cease.

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 Shaw and Partners, 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 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

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

(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

	2020	2019
	\$	\$
Service funding income	553,000	636,000
Interest income on cash at bank	318	419
Total other revenue	553,318	636,419

6. OTHER FINANCIAL ASSETS

	2020	2019
	\$	\$
Non-current assets		
Equity Investments – Fair value		
Listed securities	2,712,357	2,755,211
	2,712,357	2,755,211

7. AUDITOR'S REMUNERATION

	2020	2019
	\$	\$
During the year the following services were paid or payable to rdl.accountants, the auditor of the Company:		
Audit Services		
Audit and review of financial reports and other work under the Corporations Act	7,300	7,319
Taxation Services		
Tax compliance services including review of income tax return	1,100	1,050
Total remuneration paid	8,400	8,369

8. CONTRIBUTED EQUITY AND DIVIDENDS

Paid capital	2020 Shares	2019 Shares	2020 \$	2019 \$
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 DISCLOSURES

Director remuneration

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

	2020 \$	2019 \$
Short-term director benefits	292,279	323,699
Post employment benefits	27,734	30,402
	320,013	354,101

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

	2020	2019
	\$	\$
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	360,350	323,720
Profit from ordinary activities after tax	128,816	142,001
Non-cash flow items:		
Dividend Income not yet received	1,454	-
Net (Gain) / Loss on sale of financial assets	(32,000)	(71,888)
Changes in assets and liabilities:		
Dividend income & interest paid	(83,406)	(104,120)
(Decrease) / Increase in income taxes payable	9,226	(3,412)
Decrease / (Increase) in receivables	5,546	-
Increase / (Decrease) in payables	23,104	(21,411)
Net cash inflow from operating activities	49,832	(58,830)

11. EVENTS OCCURRING AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

12. COVID-19

There has been no material impacts from COVID-19 on the company's operations.

13. COMPANY DETAILS

Fonterra Australia Suppliers' Council Pty Limited (formerly known as Bonlac Supply Company Pty Limited) was incorporated on 11 December 2000. The company changed its name to Fonterra Australia Suppliers' Council Pty Limited on the 26 November 2019.

The registered office and principal place of business of the company 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 accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Corporations Act 2001* and the significant accounting policies described, which the Directors have determined are appropriate to meet the needs of members; and
- (ii) give a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

(c) 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
30 September 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FONTERRA AUSTRALIA SUPPLIERS' COUNCIL PTY LTD (PREVIOUSLY KNOWN AS BONLAC SUPPLY COMPANY LIMITED)**Report on the Financial Report***Opinion*

We have audited the accompanying financial report, being a special purpose financial report, of Fonterra Australia Suppliers' Council Pty Ltd (Previously known as Bonlac Supply Company Limited) (the company), which comprises the statement of financial position as at 30 June 2020, 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 Fonterra Australia Suppliers' Council Pty Ltd (Previously known as Bonlac Supply Company Limited) 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 2020 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.

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

1 October 2020
Blackburn, Victoria