Australian Renewable Fuels Limited

ABN 66 096 782 188

2016 Annual Report

Australian Renewable Fuels Limited

ABN 66 096 782 188

Corporate information

Company secretary
Craig Smith
Level 39, 55 Collins Street
Melbourne VIC 3000

Principal registered office and postal address
Level 39, 55 Collins Street
Melbourne VIC 3000

ASX code
ARW (shares suspended as at the date of this report)

Share registry
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Solicitors
Arnold Bloch Leibler
Level 21, 333 Collins Street
Melbourne VIC 3000

Bankers
Australia and New Zealand Banking Group Limited
55 Collins Street
Melbourne VIC 3000

Auditors
Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

www.ARFL.com.au

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Directors' report

The Directors of Australian Renewable Fuels Limited (ARW) present their annual financial report of the Company for the year ended 30 June 2016.

The Directors in office during the financial year and at the date of this report (unless otherwise stated) were as follows:

Current Directors	**Appointed**	**Position**
Alan Fisher[1]	29 August 2014	Chairman
Martin Casey	22 June 2016	Non-executive director
Craig Smith	22 June 2016	Non-executive director
Former Directors	**Resigned/Retired**	
Andrew White[1]	22 June 2016	Non-executive director
Michael Costello[1]	22 June 2016	Non-executive director
Deborah Page[2]	23 October 2015	Non-executive director

[1] Director in office at the date the Company entered Voluntary Administration, 20 January 2016.
[2] Director retired from office at the conclusion of the 2015 Annual General Meeting.

Information on current directors

Alan Fisher BCom, FCA, MAICD, Non-executive Chairman

Mr Alan Fisher was appointed Chairman of the Company on 29 August 2014.

Alan has extensive business and corporate experience and in particular has expertise in financial operations restructuring.

Alan is currently the chairman of Centrepoint Alliance Limited and is a current director of IDT Australia Limited and Bionomics Limited. He has previously held positions as Chief Executive Officer of Pental Limited and as Managing Director of HRL Limited.

Alan holds a Bachelor of Commerce from Melbourne University, is a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors.

Martin J Casey BEc, LLB (Monash), Non-executive Director

Mr Martin J Casey was appointed a director of the Company on 22 June 2016.

Mr Casey is a corporate adviser, with experience as an investment banker and qualified lawyer and he advises a number of clients including Thorney Investment Group.

Martin is a current director of ADG Global Supply Limited and also a partner in VC technology fund Rampersand.

Martin was previously a Director of Corporate Advisory at investment bank Credit Suisse and before that, a partner in an international law firm, (now Norton Rose Fulbright).

Information on current directors (continued)

Craig Smith B.Bus (Acct), GIA(Cert), Non-executive Director

Mr Smith was appointed a director of the Company on 22 June 2016.

Mr Smith has been the Chief Financial Officer of the private Thorney Investment Group since 2008 and has been appointed to the Board to assist with the transformation of the Company to a Listed Investment Company. He was previously a director of Tolhurst Noall Limited.

Mr Smith plans to retire at the conclusion of the 2016 Annual General Meeting.

Shareholding

The following table sets out key management personnel's relevant interests in shares and options of the Company as at the date of this report.

Each option when exercised entitles the holder to one ordinary share.

Directors and other key management personnel	Number of fully paid ordinary shares(i)(ii)	Number of Options(ii)
Current Directors		
Alan Fisher	100,000	-
Martin Casey	-	-
Craig Smith	-	-

(i) Includes all direct, indirect or associated party ownership
(ii) During the year ended 30 June 2016 all outstanding share options have lapsed and no new share options have been granted.

Directors' meetings

The number of Directors' meetings (including meetings of Board Committees) and the number of meetings attended by each of the Directors of the Company held during the financial year are detailed in the following table:

Name	Directors' Meetings		Audit & Risk Committee		Remuneration Committee(ii)	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Alan Fisher	6	6	2	2	n/a	n/a
Michael Costello	6	6	2	2	n/a	n/a
Deborah Page	3	3	2	2	n/a	n/a
Andrew White	6	6	-	2(i)	n/a	n/a
Martin Casey	-	-	-	-	n/a	n/a
Craig Smith	-	-	-	-	n/a	n/a

(i) In attendance ex-officio.
(ii) There were no separate Remuneration Committee meetings held during the period

Company secretary

Craig Smith CPA, ACIS was appointed secretary of the Company on 22 June 2016.

Mr Smith was appointed Company Secretary of the private Thorney Investment Group in 2009 and the ASX Listed Investment Company, Thorney Opportunities Ltd, in 2013. He was formerly CFO / Company Secretary of Baxter Group Limited and Tolhurst Noall Limited.

Mark Licciardo (resigned 22 June 2016) and Anthony Liston (resigned 22 June 2016) also held the position of Company Secretary during the year.

Principal activities

The principal activities of the Company up until 20 January 2016 were the production and sale of Biodiesel.

On 20 January 2016 Directors determined that the business could not continue to fund its operations and immediately placed the Company into administration. On 21 January 2016 the directors placed the Company's operating subsidiaries into Administration.

Between 20 January 2016 and 22 September 2016 the Company was in Administration and controlled by the Administrators, PPB Advisory.

Overview

The decision to place the Company into Administration was taken due to the culmination of a number of factors including declining world oil prices, feedstock supply pricing, continued financial stress brought on by destabilising uncertainty over the Federal Government's policies in regard to biodiesel grants and excise duty rates and increased reliance on the Company's debt providers.

Following the collapse of the operating businesses, control of all group assets and liabilities were transferred to the Administrators and Receivers and Australian Renewable Fuels Limited will receive no monetary payments in respect of the loss of control of its assets and operating subsidiaries.

On 25 May 2016 a formal Deed of Company Arrangement (DOCA) proposal put forward by the Thorney Investment Group (Thorney) was fully supported by creditors and executed.

Pursuant to the DOCA, the Administrators applied the funds received from Thorney to the ARW Deed Fund and took steps to remove and appoint Directors.

The Administrators retired on 22 September 2016 and control reverted to the Directors.

At the 2016 Annual General Meeting a number of recommended proposals will be put before shareholders' for their consideration.

Business strategies and prospects

It is proposed that the Company be recapitalised and transformed into a managed Listed Investment Company focusing on technology investments across all phases of the investment lifecycle.

Changes in state of affairs

In January 2016 the Directors placed the Company, including its investment in operating subsidiaries, into administration. Control of all the assets and liabilities of the group were transferred to the independent Administrators and Receivers and Australian Renewable Fuels Limited will receive no monetary payments in respect of the loss of control of its assets and operating subsidiaries.

On 4 May 2016 ARW creditors voted to approve a DOCA proposed by Thorney Investment Group and a deed was duly executed.

Thorney Investment Group continues to fund the day-to-day operations of the Company including costs of the 2016 Annual General Meeting preparations.

Subsequent events

On 22 September 2016 the Administrators retired and control of the Company reverted to the Directors.

In September 2016 the Directors received a proposal from Thorney Investment Group to transform and recapitalise the Company into a managed Listed Investment Company. Directors have formed the view that these proposals should be put before shareholders at the 2016 Annual General Meeting. Full details of the proposals will be contained in the notice of meeting to be sent to all shareholders.

Whilst the Company considers its future, Thorney Investment Group has agreed to provide financial support to fund the ongoing operating expenses of the Company and any costs necessarily incurred in preparing for the 2016 Annual General Meeting.

On 12 October 2016 the Administrators of the subsidiary, Australian Renewable Fuels Picton Pty Ltd, retired and control of the Company reverted to its Director. Agreement on a number of matters has been reached between the Company and third parties including the transfer of ownership for a consideration of $40,000.

There are no other significant events to report.

Environmental regulations

The Group's operations are no longer subject to environmental regulation under Commonwealth and State legislation in relation to its manufacture of biodiesel following its main operating subsidiaries being placed into Receivership on 20 January 2016 and into Administration on 21 January 2016.

Dividends

No dividends have been paid or declared since the start of the financial year.

Indemnification of officers and auditors

The Company has entered into agreements to indemnify all the Directors and Officers named in this report against all liabilities to persons (other than the Company), which arise out of the Directors and Officers conduct unless the liability relates to conduct involving a lack of good faith or is otherwise prohibited by law. The Company has agreed to indemnify the Directors and Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

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.

The Company has not during or since the end of the year indemnified or agreed to indemnify an auditor of the Company against a liability incurred as auditor.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 10 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

There were no non-audit services provided in the year.

Auditor's independence declaration

The auditor's independence declaration is included on page 17 of this report.

Rounding

The Company is an entity of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investments Commission (ASIC), relating to the 'rounding off' of amounts in the Directors' report. Accordingly, amounts in the Directors' report have been rounded off to the dollar in accordance with that Class Order, unless stated otherwise.

2016 Remuneration report (audited)

This remuneration report, which forms part of the Directors' report, sets out information regarding the remuneration of ARW's key management personnel for the financial year ended 30 June 2016.

The term 'key management personnel' is used in this remuneration report to refer to those persons having authority and responsibility for planning, directing and controlling the activities of ARW.

Please note that the remuneration tables for the year ended 30 June 2016 include remuneration up until the date of the appointment of Administrators being 20 January 2016.

Key management personnel details

The key management personnel of the Company during or since the end of the financial year were:

Non-Executive Directors
- Alan Fisher (Chairman, Non-Executive Director, appointed 29 August 2014)
- Martin Casey (Non-Executive Director, appointed 22 June 2016)
- Craig Smith (Non-Executive Director, appointed 22 June 2016)
- Michael Costello (Non-Executive Director, resigned 22 June 2016)
- Deborah Page (Non-Executive Director, retired 23 October 2015)

Executive Officers
- Andrew White (Managing Director, Chief Executive Officer, resigned 22 June 2016)
- Anthony Liston (Chief Financial Officer, appointed 13 October 2014, resigned 22 June 2016)

Administrators and Receivers
- PPB Advisory (Administrators appointed 20 January 2016 to the Company and 21 January 2016 to the operating subsidiaries)
- Korda Mentha (Receivers appointed 20 January 2016 to two operating subsidiaries)

Principles of remuneration

Up until 20 January 2016, the Board assessed the appropriateness of the nature and amount of remuneration of Directors and Senior Executives on a periodic basis by reference to relevant employment market conditions with an overall objective of the retention of a high quality Board and Executive team.

Non-Executive Director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the appropriate calibre. Shareholders have approved a maximum aggregate annual remuneration of Non-Executive Directors of $400,000.

There were no options issued to or exercised by the Non-Executive Directors during the financial year. There are no outstanding share options on issue.

2016 Remuneration Report (audited) (continued)

Principles of remuneration (continued)

Executive pay

The Executive pay and reward framework has three components: base pay and benefits, including superannuation (which comprise the fixed remuneration); short-term at risk variable performance incentives; and long-term incentives through participation in the Company's Employee Share Option Plan. The combination of these comprises an Executive's total remuneration cost.

Fixed remuneration

Fixed remuneration is reviewed annually by the Board. The process included review of relevant comparative remuneration in the market and internally, consideration of the CEO's recommendations and where appropriate, external advice on policies and practices. The Board has access to external, independent advice where necessary.

Service arrangements

The following service arrangements have been agreed between the Company and the Non-executive Directors with respect to remuneration and other terms of employment.

Mr Alan Fisher

- Commenced 29 August 2014
- No term has been set unless the Director is not re-elected by shareholders of the Company
- Base annual fee of $50,000 plus superannuation

Mr Martin Casey

- Commenced 22 June 2016
- No term has been set unless the Director is not re-elected by shareholders of the Company
- Base annual fee of $50,000 plus superannuation

Mr Craig Smith

- Commenced 22 June 2016
- The Director plans to retire at the conclusion of the 2016 Annual General Meeting
- Has an employment contract with Tiga Trading Pty Ltd, not the Company
- No base salary or other compensation was received or is receivable by the Director in relation to services rendered to the Company

Partners of PPB Advisory (Administrators) and partners of Korda Mentha (Receivers)

- PPB Advisory were appointed by the board on 20 January 2016
- Korda Mentha were appointed by secured creditors on 20 January 2016
- The remuneration of the Administrators and Receivers was calculated on a time basis at hourly rates. These rates were voted on and approved by creditors.

2016 Remuneration Report (audited) (continued)

Remuneration of key management personnel (up to 20 January 2016)

		Short-term benefits				Post Employment	Equity (long-term)		
		Salary and Fees	Short-term incentives	Allowances	Termination Payments	Superannuation	Options expensed in year[i]	Options as proportion of total remuneration	Total
Executive director		$	$	$	$	$	$	%	$
Andrew White[ix]	2016	262,109	-	19,582	-	20,000	-	-	**301,691**
Andrew White	2015	367,000	367,000	29,430	-	30,000	197	0.0	**793,627**
Non-executive directors									
Alan Fisher	2016	42,618	-	-	-	4,049	-	-	**46,667**
Alan Fisher	2015	61,483	-	-	-	5,841	-	-	**67,324**
Martin Casey[x]	2016	-	-	-	-	-	-	-	**-**
Craig Smith[x]	2016	-	-	-	-	-	-	-	**-**
Philip Garling[iii]	2015	14,459	-	-	-	1,374	(17,740)	930.3	**(1,907)**
Michael Costello[ix]	2016	28,919	-	-	-	2,747	-	-	**31,666**
Michael Costello	2015	46,423	-	-	-	4,410	4,576	8.3	**55,409**
Michael Iwaniw[iv]	2015	9,167				-	-	**-**	**9,167**
Deborah Page[xi]	2016	17,086	-	-	-	1,623	-	-	**18,709**
Deborah Page	2015	55,936	-	-	-	5,314	15,910	20.6	**77,160**
Julien Playoust[ii][v]	2015	18,000	-	-	-	-	3,051	14.5	**21,051**
Other key management personnel									
Christopher Attwood[vii]	2015	218,064	-	-	-	16,339	132	0.1	**234,535**
Michael Burgess[vi]	2015	130,775	-	-	95,970	7,826	100	0.0	**234,671**
Anthony Liston[ix]	2016	100,632	-	-	-	9,560	-	-	**110,192**
Anthony Liston[vii]	2015	114,995	21,000	-	-	10,925	-	-	**146,920**
	2016	**451,364**	**-**	**19,582**	**-**	**37,979**	**-**		**508,925**
	2015	**1,036,302**	**388,000**	**29,430**	**95,970**	**82,029**	**6,226**		**1,637,957**

(i) There were no options issued to key management personnel during the 2016 financial year (2015: nil).
(ii) Paid via a company.
(iii) Philip Garling resigned 29 August 2014
(iv) Michael Iwaniw resigned 29 August 2014
(v) Julien Playoust retired 28 October 2014
(vi) Michael Burgess resigned 13 October 2014
(vii) Anthony Liston appointed 13 October 2015
(viii) Chris Attwood resigned 1 May 2015
(ix) Resigned 22 June 2016
(x) Appointed 22 June 2016
(xi) Retired 23 October 2015

2016 Remuneration Report (audited) (continued)

Remuneration of key management personnel (from 20 January 2016)

Appointment of Administrators and Receivers

For the period from 20 January 2016 to 30 June 2016 the Company has been subject to the management of the Administrators and Receivers. The remuneration paid to Administrators and Receivers in the period to 30 June 2016, including costs, were as follows:

	2016 $
PPB Advisory	468,327
Korda Mentha	1,039,640
Total	**1,507,967**

Equity instruments - options

During the financial year there were no options issued to key management personnel.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options granted as compensation to key management personnel) have been altered or modified by the issuing entity during the reporting period or prior period.

Analysis of options over equity instruments granted as compensation

Details of vesting profiles of the options granted as remuneration to key management personnel of the Company are summarised in the table below.

	During the financial year				
Name	**Number granted**	**Number lapsed**	**Expensed in year $**	**Value of options granted at grant date[(i)] $**	**Value of options lapsed at the date of lapse[(ii)] $**
Directors					
Alan Fisher	-	-	-	-	-
Martin Casey	-	-	-	-	-
Craig Smith	-	-	-	-	-
Andrew White	-	450,000	-	-	182,649
Michael Costello	-	-	-	-	-
Deborah Page	-	150,000	-	-	40,668
Other key management personnel					
Anthony Liston	-	-	-	-	-

[(i)] The value of options granted is recognised in compensation on a straight line basis over the vesting period of the grant, in accordance with Australian accounting standards. The fair value of the options at grant date was determined through the use of a Black-Scholes pricing model.

[(ii)] Value of options lapsing during the period due to the failure to exercise the options before the expiry date.

2016 Remuneration Report (audited) (continued)

Key management personnel equity holdings

The fully paid ordinary shares of Australian Renewable Fuels Limited, held by key management personnel, are detailed below.

2016 Name	Balance at 1 July 2015 Number	Other Number	Acquired/ (disposed) through open trading Number	Balance at 20 January 2016 Number
Directors				
Alan Fisher	-	-	100,000	100,000
Martin Casey	-	-	-	-
Craig Smith	-	-	-	-
Andrew White	125,805	-	-	125,805
Michael Costello	115,557	-	-	115,557
Deborah Page	20,000	-	-	20,000
Other key management personnel				
Anthony Liston	-	-	-	-

2015 Name	Balance at 1 July 2014 Number	Other Number	Acquired/ (disposed) through open trading Number	Balance at 30 June 2015 Number
Directors				
Alan Fisher	-	-	-	-
Philip Garling	54,458	(54,458)	-	-
Andrew White	125,805	-	-	125,805
Michael Costello	115,557	-	-	115,557
Michael Iwaniw	55,000	(55,000)	-	-
Deborah Page	20,000	-	-	20,000
Julien Playoust	715,000	(715,000)	-	-
Other key management personnel				
Anthony Liston	-	-	-	-
Michael Burgess	7,300	(7,300)	-	-

2016 Remuneration Report (audited) (continued)

Key management personnel option holdings

The options in Australian Renewable Fuels Limited, held by key management personnel, are detailed below:

2016 Name	Balance at 1 July 2015 Number	Cancelled/Lapsed during the year Number	Balance at 30 June 2016 Number	Balance vested at 30 June 2016 Number	Vested and exercisable Number
Directors					
Alan Fisher	-	-	-	-	-
Martin Casey	-	-	-	-	-
Craig Smith	-	-	-	-	-
Andrew White	450,000	(450,000)	-	-	-
Michael Costello	-	-	-	-	-
Deborah Page	150,000	(150,000)	-	-	-
Other key management personnel					
Anthony Liston	-	-	-	-	-

2015 Name	Balance at 1 July 2014 Number	Cancelled/Lapsed during the year Number	Balance at 30 June 2015 Number	Balance vested at 30 June 2015 Number	Vested and exercisable Number
Directors					
Alan Fisher	-	-	-	-	-
Philip Garling	150,000	(150,000)	-	-	-
Andrew White	450,000	-	450,000	450,000	450,000
Michael Costello	150,000	(150,000)	-	-	-
Deborah Page	150,000	-	150,000	100,000	100,000
Julien Playoust	150,000	(150,000)	-	-	-
Other key management personnel					
Christopher Attwood	200,000	(200,000)	-	-	-
Michael Burgess	150,000	(150,000)	-	-	-

The following table summarises the number of options that lapsed during the financial year, in relation to options granted to key management personnel as part of their remuneration:

Option series grant date	Number of options
November 2009	50,000
March 2012	400,000
December 2012	150,000

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors,

Alan Fisher
Chairman
Melbourne, 11 November 2016

Corporate governance statement

ARW entered Voluntary Administration on 20 January 2016 in accordance with the operation of the *Corporations Act 2001* and control of the Company passed to the appointed Administrators.

The current Board is in the process of transforming and recapitalising the Company, as described in the Directors Report, and the Corporate Governance policies are the subject of further review by the current Board.

For a copy of the previous Corporate Governance Statement that operated prior to the Company being placed in Voluntary Administration please refer to the 30 June 2015 Annual Report.

Building a better working world

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Auditor's Independence Declaration to the Directors of Australian Renewable Fuels Limited and its Controlled Entities

As lead auditor for the audit of Australian Renewable Fuels Limited for the financial year ended 30 June 2016, I declare 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.

This declaration is in respect of Australian Renewable Fuels Limited and the entities it controlled during the financial year.

Ernst & Young

Kester Brown
Partner

Melbourne
11 November 2016

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2016

	Note	2016 $	2015 $
Continuing operations			
Corporate and administration expenses		**(2,692)**	(581)
Profit/(loss) before tax		**(2,692)**	(581)
Income tax expense	4	**-**	-
Profit/(loss) for the year from continuing operations		**(2,692)**	**(581)**
Discontinued operations			
Profit/(loss) after tax from discontinued operations	2	**(20,456,877)**	467,784
Profit/(loss) for the year		**(20,459,569)**	**467,203**
Other comprehensive income/(loss) for the year net of income tax		**-**	-
Total comprehensive income/(loss)for the year		**(20,459,569)**	**467,203**
Profit/(loss) for the year attributable to:			
Owners of the parent		**(20,459,430)**	467,494
Non-controlling interests	8	**(139)**	(291)
		(20,459,569)	**467,203**
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**(20,459,430)**	467,494
Non-controlling interests	8	**(139)**	(291)
		(20,459,569)	**467,203**
Earnings per share			
Basic, profit/(loss) for the year attributable to ordinary shareholders of the parent (dollars per share)	13	**(0.49)**	0.01
Diluted, profit/(loss) for the year attributable to ordinary shareholders of the parent (dollars per share)	13	**(0.49)**	0.01
Earnings per share from continuing operations:			
Basic, profit/(loss) from continuing operations attributable to ordinary shareholders of the parent (dollars per share)	13	**(0.00)**	(0.00)
Diluted, profit/(loss) from continuing operations attributable to ordinary shareholders of the parent (dollars per share)	13	**(0.00)**	(0.00)

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

Consolidated statement of financial position at 30 June 2016

		2016 $	2015 $
Current assets			
Cash and cash equivalents		**259**	1,736,289
Trade and other receivables		**-**	2,649,140
Inventories		**-**	5,800,827
Other		**-**	1,033,237
Total current assets		**259**	**11,219,493**
Non-current assets			
Property, plant and equipment		**-**	28,744,636
Other		**-**	553,156
Total non-current assets		**-**	**29,297,792**
Total assets		**259**	**40,517,285**
Current liabilities			
Trade and other payables		**-**	6,215,135
Borrowings	12	**590,000**	-
Provisions		**-**	467,992
Total current liabilities		**590,000**	**6,683,127**
Non-current liabilities			
Provisions		**-**	48,073
Convertible notes		**-**	13,916,257
Total non-current liabilities		**-**	**13,964,330**
Total liabilities		**590,000**	**20,647,457**
Net assets/(Net liabilities)		**(589,741)**	**19,869,828**
Equity			
Issued capital	5	**19,869,826**	19,869,826
Reserves		**-**	223,276
Retained Profits/ (Accumulated losses)		**(20,151,650)**	84,504
Equity attributable to owners of the company		**(281,824)**	20,177,606
Non-controlling interests	8	**(307,917)**	(307,778)
Total equity/(deficiency)		**(589,741)**	**19,869,828**

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

Consolidated statement of changes in equity for the year ended 30 June 2016

	Issued capital and contributed equity $	Employee share option reserve(i) $	Other Reserve $	Accumulated profits/(losses) $	Attributable to owners of the parent $	Non-controlling interests $	Total $
Balance at 1 July 2015	**19,869,826**	**223,276**	**-**	**84,504**	**20,177,606**	**(307,778)**	**19,869,828**
Profit/(loss) for the period	**-**	**-**	**-**	**(20,459,430)**	**(20,459,430)**	**(139)**	**(20,459,569)**
Total comprehensive income for the period	**-**	**-**	**-**	**(20,459,430)**	**(20,459,430)**	**(139)**	**(20,459,569)**
Options expired transferred to accumulated losses	**-**	**(223,276)**	**-**	**223,276**	**-**	**-**	**-**
Balance at 30 June 2016	**19,869,826**	**-**	**-**	**(20,151,650)**	**(281,824)**	**(307,917)**	**(589,741)**
Balance at 1 July 2014	135,944,302	1,334,505	1,105,706	(118,680,726)	19,703,787	(307,487)	19,396,300
Profit/(loss) for the period	-	-	-	467,494	467,494	(291)	467,203
Total comprehensive income for the period	-	-	-	467,494	467,494	(291)	467,203
Options expired transferred to accumulated losses	-	(1,117,554)	(1,105,706)	2,223,260	-	-	-
Recognition of share-based payments	-	6,325	-	-	6,325	-	6,325
S258F capital reduction (ii)	(116,074,476)	-	-	116,074,476	-	-	-
Balance at 30 June 2015	**19,869,826**	**223,276**	**-**	**84,504**	**20,177,606**	**(307,778)**	**19,869,828**

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

(i) The employee share options reserve arises on the grant of options to directors and employees under the share plan. Amounts are recognised in accordance with note 1(j).
(ii) The Company reduced its accumulated losses and contributed equity by an equal amount via a S258F *Corporations Act 2001* reduction.

Consolidated statement of cash flows for the year ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		**30,681,784**	56,281,185
Payments to suppliers and employees		**(30,553,305)**	(52,863,899)
Interest received		**4**	1,026
Interest paid		**(941,165)**	(1,600,665)
Net cash provided by/(used in) operating activities	9	**(812,682)**	1,817,647
Cash flows from investing activities			
Payments for plant and equipment		**(270,031)**	(1,037,101)
Loss of cash on Administration		**(1,243,317)**	-
Net cash provided by/(used in) investing activities		**(1,513,348)**	(1,037,101)
Cash flows from financing activities			
Proceeds from borrowings		**590,000**	-
Net cash provided by financing activities		**590,000**	-
Net increase/(decrease) in cash and cash equivalents		**(1,736,030)**	780,546
Cash and cash equivalents at the beginning of the period		**1,736,289**	953,013
Effect of movement in exchange rates on cash balances		**-**	2,730
Cash and cash equivalents at the end of the period		**259**	**1,736,289**

The consolidated statement of cash flows should be read in conjunction with the accompanying notes and includes cash flows relating to discontinued operations. See note 2 for details of these cash flows.

Notes to the consolidated financial statements

1. Significant accounting policies

General information

Australian Renewable Fuels Limited is a listed public company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries are described in the Directors' report.

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the financial statements, the Company is a for-profit entity.

The financial statements have been prepared in accordance with the Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements were authorised for issue by the Directors on 11 November 2016.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The principal accounting policies are set out below.

Going concern

As at 30 June 2016 the Company has a net deficiency of $589,741 (2015: net equity of $19,869,828). The Company was placed in Administration in January 2016 and will receive no monetary payments in respect of the loss of control of its assets and operating subsidiaries. In May 2016 the Company entered a Deed of Company Arrangements with its creditors and these arrangements included a loan of $590,000 from Tiga Trading Pty Ltd, a company controlled by Thorney Investment Group.

The Directors have received a letter dated 22 September 2016 from Tiga Trading Pty Ltd which states financial support will be provided to the Company to meet liabilities as and when they fall due. This financial support lasts at least until the earlier of 15 November 2017 and the completion of a capital raising by Australian Renewable Fuels Limited as proposed by Thorney Investment Group.

1. Significant accounting policies (continued)

Going concern (continued)

At the date of this report and having considered the above factors, the Directors believe that the Group will be able to continue as a going concern.

Critical accounting estimates and judgements

The key critical accounting estimates and judgments are:

Fair value less costs to sell discontinued operations

The Company was placed into administration on 20 January 2016 and its operating subsidiaries were placed into administration on 21 January 2016. The effect of the appointment of Administrators was that from this date these subsidiaries were no longer under the control of the parent entity and that all exposures, rights and involvements had been transferred to the Administrators. The Directors no longer had the ability to exercise powers to affect investor returns over these companies and hence ceased to consolidate the subsidiaries from this date. The Directors are anticipating zero consideration as any net proceeds from the wind up of these Companies will belong to the note holders and employees.

New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period as listed below.

- AASB 2013-3 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
- AASB 2013-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2012 Cycle
- AASB 2013-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039
- AASB CF 2014-1 Amendments to the Australian Conceptual Framework and AASB 2014-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part A Conceptual Framework)

The adoption of the above Accounting Standards and Interpretations has not had any material impact on the amounts reported in this financial report but may affect the accounting for future transactions or arrangements. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Refer below.

1. Significant accounting policies (continued)

Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The impact of the below Standards and Interpretations has not yet been determined.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 15 'Revenue from Contracts with Customers' and AASB 2015-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 2015-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2013-2015 Cycle'	1 January 2016	30 June 2017
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2016-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 16 'Leases'	1 January 2019	30 June 2020

The current intention is to adopt AASB 9 'Financial Instruments', and the relevant amending standards for the financial year ending 30 June 2017.

1. Summary of significant accounting policies (continued)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) Cash and cash equivalents

Cash comprises cash on hand, cash at call, short-term deposits and cash in secured fixed term deposits held as security for the provision of bank guarantees. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1. Significant accounting policies (continued)

(c) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- Future increases in wages and salaries;
- Future on cost rates; and
- Experience of employee departures and period of service.

Management judgement is applied in determining the following key assumptions used in the calculation of annual leave at balance date:

- Future increases in wages and salaries;
- Future on cost rates;
- Experience of employee departures; and
- Experience of employee annual leave taken in relevant period.

(d) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements.

Other financial assets are classified in the following categories: financial assets ‘at fair value through profit or loss’, ‘held-to-maturity investments’, ‘available-for-sale’ financial assets, and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1. Significant accounting policies (continued)

(d) Financial assets (continued)

At fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial Instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's investment strategy. Upon initial recognition, the attributable transaction costs are recognised in profit or loss when incurred. Financial instruments that are at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Available-for-sale financial assets

Listed investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(e) Foreign currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars ('$'), which is the functional currency of Australian Renewable Fuels Limited, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

1. Significant accounting policies (continued)

(f) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Detailed accounting policy is listed at Note 4.

(g) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(h) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Sale of goods
Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount at initial recognition.

Government grants
Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government assistance which does not have conditions attached specifically relating to the operating activities of the entity is recognised in accordance with the accounting policies above.

1. Significant accounting policies (continued)

(i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except:

i. where the amount of GST incurred is not recoverable from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Authority is classified as operating cash flows.

(j) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

(k) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

1. Significant accounting policies (continued)

(l) Lease payments

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2. Discontinued operations

On 22 January 2016, the Directors announced to the ASX that they had placed the Company and its operating subsidiaries into voluntary administration.

The effect of the appointment of administrators for Australian Renewable Fuels Adelaide Pty Ltd, Australian Renewable Fuels Picton Pty Ltd, Biodiesel Producers Pty Ltd and Besok Fuels Pty Ltd was that from this date these subsidiaries were no longer under the control of the parent entity and that all exposures, rights and involvements had been transferred to the Administrators. The Directors no longer had the ability to exercise powers to affect investor returns over these companies and hence ceased to consolidate the subsidiaries from this date.

This table shows the major classes of assets and liabilities as at 20 January 2016. On this date control was transferred to the Administrators and Receivers and the Company will receive no monetary payments in respect of the loss of control of its assets and operating subsidiaries:

	20 January 2016 $
Current assets	
Cash and cash equivalents	923,983
Trade and other receivables	1,941,698
Inventories	5,595,981
Other	455,205
Total current assets	**8,916,867**
Non-current assets	
Property, plant and equipment	28,319,763
Other	571,645
Total non-current assets	**28,891,408**
Total assets	**37,808,275**
Current liabilities	
Trade and other payables	4,763,935
Provisions	361,894
Total current liabilities	**5,125,829**
Non-current liabilities	
Provisions	48,073
Convertible notes	13,916,257
Total non-current liabilities	**13,964,330**
Total liabilities	**19,090,159**
Net assets	**18,718,116**

2. Discontinued operations (continued)

The profit and loss results for the periods 1 July 2015 to 20 January 2016 and 1 July 2014 to 30 June 2015 are as follows:

	2016 $	2015 $
Revenue from discontinued operations	29,479,933	51,382,683
Cost of goods sold	(27,849,002)	(36,935,644)
Gross profit	1,630,931	14,447,039
Other indirect costs	(3,369,692)	(13,979,255)
Total result up until 21 January 2016	**(1,738,761)**	**467,784**
Impairment loss recognised on the remeasurement to fair value less costs to distribute	(18,718,116)	-
Loss before tax on discontinued operations	**(20,456,877)**	**467,784**
Tax on discontinued operations	-	-
Loss after tax from discontinued operations	**(20,456,877)**	**467,784**

The cash flows for the periods 1 July 2015 to 20 January 2016 and 1 July 2014 to 30 June 2015 are as follows:

	2016 $	2015 $
Cash flows from operating activities	(222,402)	1,818,228
Cash flows from investing activities	(1,513,348)	(1,037,101)
Cash flows from financing activities	-	-
Net cash flows from discontinued operations	**(1,735,750)**	**781,127**

3. Segment information

Until 20 January 2016 the Company maintained three key reportable segments. These were Biodiesel Plants located in Western Australia, South Australia and Victoria which have now ceased all operations and any remaining value has been transferred to the Administrators and Receivers for the benefit of the secured note holders.

At 30 June 2016 the Chief Operating Decision Makers of the Company were the Administrators, PPB Advisory and the Receivers, Korda Mentha. The Administrators and Receivers viewed the Company as one segment for their purposes.

Directors are now looking to transform the business into a managed Listed Investment Company with special focus on technology investments. The Directors are recommending that Restructuring Proposals put forward by the Thorney Investment Group be approved by shareholders.
The Company's assets are located entirely in Australia or are listed on the Australian Securities Exchange.

4. Income taxes

The income tax expense/(benefit) attributable to the year differs from the prima facie amount payable on the profit/(loss) before tax. The difference is reconciled as follows:

	2016 $	2015 $
Profit/(loss) before income tax	**(20,459,569)**	467,203
Prima facie tax expense / (benefit) at Australia's statutory rate of income tax of 30% (2015: 30%)	**(6,137,871)**	140,161
Deferred income tax expense / (benefit)		
- Effect of expenses that are not deductible in determining taxable income	**-**	508
- Effect of temporary differences not recognised	**(771,646)**	(435,866)
- Effect of tax losses not recognised	**6,909,517**	293,300
- Share based payments and impairment charges	**-**	1,897
Income tax credit recognised in profit or loss	**-**	**-**
Unrecognised deferred tax balances		
The following deferred tax assets have not been recognised:		
- Deductible temporary differences	**7,915,832**	8,039,297
- Tax losses	**32,891,050**	26,170,182
	40,806,882	**34,209,479**
Recognised deferred assets and tax liabilities		
The following deferred tax balances have been recognised:		
Deferred tax assets		
- Fixed assets	**-**	800
Deferred tax liabilities		
- Prepayments	**-**	(800)
	-	**-**

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. Income taxes (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Unrecognised carry forward tax losses can be utilised subject to continuing to meet the continuity of ownership test.

Tax consolidation

Australian Renewable Fuels Limited and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for at a tax consolidation level.

The entities in the tax consolidated group entered into a tax sharing agreement on adoption of the tax consolidation legislation which, in the opinion of the Directors, limits the joint and several liabilities of the controlled entities in the case of a default by the head entity, Australian Renewable Fuels Limited.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company Australian Renewable Fuels Limited. The difference between the current tax amount that is allocated under the tax funding agreement and the amount that is allocated under an acceptable method is recognised as a contribution/distribution of the subsidiaries' equity accounts. The Group has applied the Group allocation approach in determining the appropriate distribution of current taxes to allocate to members of the tax consolidation group.

5. Issued capital and contributed equity

	2016 $	2015 $
Fully paid ordinary shares	**19,869,826**	19,869,826

5.1 Ordinary shares

	2016		2015	
Ordinary shares	**No.**	**$**	**No.**	**$**
Opening balance	**41,956,145**	**19,869,826**	41,956,145	135,944,302
S258F capital reduction[1]	**-**	**-**	-	(116,074,476)
Closing balance	**41,956,145**	**19,869,826**	**41,956,145**	**19,869,826**

[1]The balance of accumulated losses at 30 June 2014 included paid up issued capital that had been lost or was not represented by available assets. In accordance with Section 258F of the Corporations Act 2001, the Company reduced its paid up issued capital by $116,074,476 with an equal reduction of the accumulated losses balance.

There is no impact on shareholders from the capital reduction as no shares have been cancelled or rights varied. Similarly, creditors are not affected as there has been no change in available assets. There is also no impact on the availability of the Company's tax losses from this capital reduction.

5.2 Options

	2016		2015	
Options	**No.**	**$**	**No.**	**$**
Opening balance	**600,000**	**223,276**	1,605,000	2,440,211
Share based payments	**-**	**-**	-	28,644
Options expired/forfeited	**(600,000)**	**(223,276)**	(1,005,000)	(2,245,579)
Closing balance	**-**	**-**	**600,000**	**223,276**

6. Commitments

The Group had entered into the following operating lease arrangements:

i. A 20 year lease of the land on which the Largs Bay facility is located, which terminates on 31 October 2031, is being managed by the relevant subsidiary company in receivership and is no longer a commitment of the Company.

ii. Various leases of office equipment for terms not exceeding 5 years all of which have now been disclaimed by the Administrators.

The following obligations relating to the leases are not provided for in the financial report, and are payable:

	2016 $	2015 $
Not longer than 1 year	**-**	130,107
Longer than 1 year and not longer than 5 years	**-**	509,902
Longer than 5 years	**-**	1,442,733
Total	**-**	**2,082,742**

7. Contingent assets and liabilities

The Company has no contingent liabilities as at 30 June 2016.

8. Subsidiaries

The parent entity of the Group is Australian Renewable Fuels Limited, which has the subsidiaries detailed in the following table.

Name of entity	Controller (as at signing date)	Country of incorporation	Ownership 2016 %	Ownership 2015 %
Parent entity				
Australian Renewable Fuels Limited	Directors	Australia		
Subsidiaries				
Biodiesel Producers Pty Ltd	Receivers	Australia	100	100
Australian Renewable Fuels Picton Pty Ltd	Directors	Australia	100	100
Australian Renewable Fuels Adelaide Pty Ltd	Receivers	Australia	100	100
Besok Fuels Pty Ltd	Administrators	Australia	100	100
AR Fuels US LLC	Directors	United States	100	100
ASG Analytik Pty Ltd	Directors	Australia	50	50

All 100% owned Australian entities are part of the tax consolidated group. Subsidiaries that are 100% owned but under control of Administrators or Receivers are, for tax purposes, still included in the tax consolidated group. Entities under control of the Directors are continuing operations.

The Group has no significant restrictions on its ability to access or use the assets and settle the liabilities of the group.

During the financial year ended 30 June 2016, the Group did not enter into any contractual arrangements that could require the parent or its subsidiaries to provide financial support to one of the consolidated entities (2015: $Nil).

Furthermore, neither the parent nor its subsidiaries have provided non-contractual financial or other support to one of the consolidated entities during the financial year (2015: $Nil).

8.1 Disclosures required for non controlling interests of ASG Analytik Pty Ltd

		2016 $
Name: ASG Analytik Pty Ltd	Current assets	**259**
Principal place of business: 166 Elder Road Largs Bay South Australia.	Non-current assets	**-**
Partner: Analytik Service Gesellschafgt m.b.h	Current liabilities	**-**
Ownership: 50% of the company.	Non-current liabilities	**-**
	Revenue	**-**
	Profit	**(280)**
	Total comprehensive income	**(280)**

9. Cash flows from operations reconciliation

	2016 $	2015 $
Profit/(loss) for the year:	**(20,459,569)**	**467,203**
Non cash items:		
Depreciation and amortisation of property, plant and equipment	**694,904**	1,183,364
Grant income	**-**	(200,000)
Share-based payments expense	**-**	6,325
Loss of control of discontinued operations	**18,718,116**	-
Net foreign exchange gain	**-**	(2,730)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	**1,026,775**	(160,689)
Inventories	**204,846**	406,343
Other assets	**559,544**	61,450
Increase/(decrease) in liabilities:		
Trade and other payables	**(1,451,200)**	83,033
Provisions	**(106,098)**	(26,652)
Net cash from / (used by) operating activities	**(812,682)**	**1,817,647**

10. Remuneration of auditors

	2016 $	2015 $
Auditor of the parent entity:		
Audit and review of the financial report	**75,000**	89,000[1]
Non-audit services:		
- Taxation advice	**-**	19,875[1]
Total remuneration of auditors	**75,000**	**108,875**[1]

[1]The 2015 auditor was Deloitte Touche Tohmatsu who resigned in October 2016.

11. Key management personnel compensation

Key management is defined as Directors, other key management personnel and the Administrators and Receivers as referred to in the remuneration report. The aggregate compensation made to key management personnel of the Group is set out below:

	2016 $	2015 $
Short-term employee benefits	**470,946**	1,453,732
Post-employment benefits - superannuation	**37,979**	82,029
Termination Benefits	**-**	95,970
Share-based payments	**-**	6,226
[1]Administrators fees and costs	**468,327**	-
[2]Receivers fees and costs	**1,039,640**	-
Total key management personnel compensation	**2,016,892**	**1,637,957**

[1]The remuneration of the Administrators was calculated on a time basis at hourly rates. These rates were voted on and approved by creditors.

[2]The remuneration of the Receivers was calculated on a time basis at hourly rates. These rates are the standard scheduled rates agreed between the Receivers and their appointor under the terms of their registered security.

12. Related party transactions

In May 2016, the Administrator signed Deeds of Company Arrangement (DOCA) with Tiga Trading Pty Ltd, a company controlled by the Thorney Investment Group.

Under the terms of the DOCAs, Tiga Trading Pty Ltd advanced a total of $590,000 to the Administrators Trust for the benefit of creditors of the Company. Since year end Tiga Trading Pty Ltd has continued to fund the Company's operating expenses and the costs of the 2016 Annual General Meeting and this has commensurately increased the size of the loan.

The loan is repayable upon the issuance of new shares or written demand by Tiga Trading with 90 days' notice or in any event within 5 years. The loan accrues interest at a 500 bps margin over the Reserve Bank cash rate. Tiga Trading Pty Ltd has rights to a general security interest over all present and after-acquired property. As at the date of this report the loan balance including interest is $750,000.

Tiga Trading Pty Ltd has provided a letter of financial support to the Company which lasts until at least the earlier of a completion of a capital raising by the Company and 15 November 2017.

TIGA Trading Pty Ltd, Thorney Holdings Pty Ltd and Thorney Investment Group Australia Pty Ltd are related bodies corporate controlled by Alex Waislitz by virtue of 608(1) of the *Corporations Act 2001*.

TIGA Trading Pty Ltd employs personnel to provide company secretarial and financial accounts preparation services to Australian Renewable Fuels Limited. These services are provided on commercial terms and total $nil for the 2016 financial year (2015: $nil).

Thorney Investment Group has presented Directors with proposals to transform and recapitalise the Company into a managed Listed Investment Company. In September 2016 Mr Waislitz wrote to all registered ARW shareholders to update them of Thorney's plans.

Mr Martin Casey is a corporate advisor to Thorney Investment Group and Mr Craig Smith has been Chief Financial Officer of the Thorney Investment Group since 2008.

13. Earnings per share

	2016 $	2015 $
Earnings per share from all operations		
Basic earnings profit/(loss) per share	**(0.49)**	0.01
Diluted earnings profit/(loss) per share	**(0.49)**	0.01
Earnings per share from continuing operations[1]		
Basic earnings profit/(loss) per share	**(0.00)**	(0.00)
Diluted earnings profit/(loss) per share	**(0.00)**	(0.00)

[1] These earnings per share disclosures are approximately zero.

(i) Basic earnings per share

	2016 $	2015 $
Profit/(loss) from all operations attributable to owners of the parent	**(20,459,430)**	467,494
Profit/(loss) from continuing operations attributable to owners of the parent	**(2,692)**	(581)

	2016 Number	2015 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share(i)	**41,956,145**	41,956,145

(ii) Diluted earnings/(loss) per share

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2016 Number	2015 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**41,956,145**	41,956,145
Employee share options(i)	**-**	600,000
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**41,956,145**	42,556,145

(i) All remaining Employee Share Options lapsed in the financial year ended 30 June 2016. During the year ended 30 June 2015, the options were considered anti-dilutive given the company was in a loss-making position.

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

	2016 Number	2015 Number
Convertible Note Options	**-**	56,360,503

All convertible note holder entitlements to options and potential ordinary shares have been extinguished pursuant to the Administration.

14. Subsequent events

On 22 September 2016 the Administrators retired and control of the Company reverted to the Directors.

In September 2016 the Directors received a proposal from Thorney Investment Group to transform and recapitalise the Company into a managed Listed Investment Company. Directors have formed the view that these proposals should be put before shareholders at the 2016 Annual General Meeting. Full details of the proposals will be contained in the notice of meeting to be sent to all shareholders.

Whilst the Company considers its future, Thorney Investment Group has agreed to provide financial support to fund the ongoing operating expenses of the Company and any costs necessarily incurred in preparing for the 2016 Annual General Meeting.

On 12 October 2016 the Administrators of the subsidiary, Australian Renewable Fuels Picton Pty Ltd, retired and control of the Company reverted to its Director. Agreement on a number of matters has been reached between the Company and third parties including the transfer of ownership for a consideration of $40,000.

There are no other significant events to report.

15. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Group.

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries. Refer to note 16 for detailed disclosure.

Financial position	2016 $	2015 $
Assets		
Current assets	-	772,385
Non-current assets	-	21,425,299
Total assets	**-**	**22,197,684**
Liabilities		
Current liabilities	**540,000**	1,446,202
Non-current liabilities	-	14,056,509
Total liabilities	**540,000**	**15,502,711**
Equity		
Issued capital	**19,869,826**	19,869,826
Accumulated losses	**(20,409,826)**	(13,398,129)
Reserves	-	223,276
Total equity	**(540,000)**	**6,694,973**

Financial performance	2016 $	2015 $
Profit/(loss) for the year	**(7,234,973)**	(484,262)
Other comprehensive income	-	-
Total comprehensive income	**(7,234,973)**	**(484,262)**

Directors' declaration

In accordance with a resolution of the directors of Australian Renewable Fuels Limited, I state that:

1. In the opinion of the directors:
    a. the financial statements and notes of Australian Renewable Fuels Limited for the financial year ended 30 June 2016 are in accordance with the *Corporations Act 2001*, including:
        i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
        ii. complying with Accounting Standards and the *Corporations Regulations 2001*;
    b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; 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 has been made after receiving the declarations required to be made to the directors by the executives in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.

On behalf of the board,

Alan Fisher
Chairman
Melbourne, 11 November 2016

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To the members of Australian Renewable Fuels Limited

Report on the financial report

We have audited the accompanying financial report of Australian Renewable Fuels Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the Directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Opinion

In our opinion,

a. the financial report of Australian Renewable Fuels Limited is 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 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.1.

Report on the remuneration report

We have audited the Remuneration Report included in the pages of the Directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Australian Renewable Fuels Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Kester Brown
Partner

Melbourne
11 November 2016

Additional shareholder information

As at 11 November 2016

Voting rights
All ordinary shares carry one vote per share without restriction.

Distribution of shareholders

Category	Ordinary shareholders
1 – 1,000 shares	**683**
1001 – 5,000 shares	**487**
5001 – 10,000 shares	**126**
10,001 – 100,000 shares	**193**
100,001 – 999,999 shares	**42**
999,999 or more shares	**-**
Total number of holders	**1,531**
Number of shareholders holding less than a marketable parcel	**1,064**

20 largest shareholders of ordinary shares

Name	Number of shares	% of issued capital
NATIONAL NOMINEES LIMITED	8,998,941	21.4%
THORNEY HOLDINGS PROPRIETARY LIMITED	4,706,812	11.2%
HSBC CUSTODY NOMINEES AUSTRALIA LIMITED	3,897,495	9.3%
UBS NOMINEES PTY LTD	3,483,226	8.3%
AUSTRALIAN ENTERPRISE HOLDINGS PTY LTD	2,000,000	4.8%
SWEET WATER PTY LTD	1,050,000	2.5%
PICTON COVE PTY LTD	898,779	2.1%
MAMONTOV LIMITED	826,145	2.0%
THIRTY-FIFTH CELEBRATION PTY LTD	679,878	1.6%
J & M PLAYOUST SUPERANNUATION PTY LTD	550,000	1.3%
KNIGHTLY PTY LTD	530,750	1.3%
MR JASON GILBERT RIGGS	500,000	1.2%
SEASPIN PTY LTD	374,928	0.9%
HOTLAKE PTY LTD	362,858	0.9%
DIXSON TRUST PTY LTD	345,305	0.8%
MR VALLIPURAM SANTHIRASEGARAM	339,332	0.8%
MINIATA TECHNOLOGIES PTY LTD	291,736	0.7%
L & A PLAYOUST SUPERANNUATION PTY LTD	267,143	0.6%
DATAMON PTY LTD	250,000	0.6%
MR IAN JOHN JAMES	230,962	0.6%

Substantial shareholders

Name	Number of shares	Voting Power
NEFCO NOMINEES PTY LTD	**8,998,941**	21.4%
TIGA TRADING PTY LTD	**11,276,471**	26.8%

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