

Appendix 4E & Annual Financial Report

For the year ended 30 June 2014



Corporate information

Company secretary

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Melbourne VIC 3000

Principal registered office

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Postal address

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Melbourne VIC 3004

ASX code

ARW

Share registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
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Solicitors

Gadens Lawyers
Level 25, Bourke Place
600 Bourke Street
Melbourne VIC 3000

Bankers

HSBC Bank Australia Limited
Level 10, 333 Collins Street
Melbourne VIC 3000

Auditors

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000

www.arfuels.com.au

Appendix 4E

For the year ended 30 June 2014

Previous corresponding period: year ended 30 June 2013

Results for announcement to the market

	2014	2013		
	\$A'000	\$A'000	Up/ Down	% Movement
Revenue from ordinary activities	71,235	58,592	Up	22%
Profit/(loss) from ordinary activities after tax attributable to members	(5,532)	2,303	Down	340%
Net profit/(loss) for the period attributable to members	(5,532)	2,303	Down	340%

No dividends have been declared for the year ended 30 June 2014.

Additional information

	2014	2013
Net tangible assets per ordinary security ⁽ⁱ⁾	46 cents per share	60 cents per share

(i) Note that during the year ended 30 June 2014 ARfuels completed a Share Consolidation on a 100:1 basis. The 30 June 2013 comparative has been restated accordingly.

Foreign entities

AR Fuels US LLC – This non operating entity was incorporated on 15 July 2013 and has been consolidated into the Group accounts in accordance with A-IFRS.

Additional Appendix 4E disclosure requirements to comply with Listing Rule 4.3A are contained in the 30 June 2014 annual financial report.

This report is based on the consolidated 30 June 2014 financial statements which have been reviewed by Deloitte with the independent auditor's report included in the 30 June 2014 annual financial report.

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Directors' report

The Directors of Australian Renewable Fuels Limited (ARfuels) present their annual financial report of the Company for the year ended 30 June 2014.

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Philip Garling

Independent Chair

Philip has over 35 years' experience in Infrastructure Construction, Development, Operations and Investment Management, most recently as Global Head of Infrastructure at AMP Capital Investors. He has also been Chief Executive Officer of Tenix Infrastructure and prior to that he was a long-term Senior Executive at Lend Lease Corporation culminating in his role as Chief Executive of Lend Lease Capital Services (the Development Capital, Infrastructure Development and Project Finance arm of Lend Lease).

Philip is a former member of the Federal Government Environment Industry Action Agenda, and a former Councillor of Environment Business Australia. He was the foundation Chair of the ASX listed DUET Group and is currently a Director of Downer EDI, Charter Hall Group Limited, Networks NSW, President of Water Polo Australia and Chair of Tellus Holdings Limited.

Philip has a Bachelor of Building from the University of NSW. He also completed an Advanced Management Program at the Australian Institute of Management and an Advanced Diploma from the Australian Institute of Company Directors and is a Fellow of the Australian Institute of Company Directors, Australian Institute of Building and Institution of Engineers.

Andrew White

Managing Director

Andrew has been the Managing Director and Chief Executive Officer of ARfuels since 1 July 2011. Prior to that Andrew was a Director and Chief Operating Officer of Infrastructure Capital Group Limited, an investment management business with over \$1 billion of equity funds under management and invested in infrastructure across Australia. Andrew led Biodiesel Producers Limited, an unlisted public Company that manufactures biodiesel from tallow and waste cooking oil as the Managing Director/Chief Executive Officer.

Andrew has sat on the Board and Management Committees for various large energy projects including Neerabup Power Station (330mW), Kwinana Power Station (320mW) and the Esperance Energy Project (336km Kambalda to Esperance Gas Pipeline and energy station).

Andrew also worked for 8 years with Arthur Andersen and 9 years in senior executive roles including Finance Director and Strategic Planning Director with Mars Inc. in Australia and New Zealand.

Andrew is a Director and Treasurer of the Biofuels Association of Australia - Australia's peak industry body for the biofuels industry. Andrew holds a Bachelor of Economics from Sydney University and is a Chartered Accountant.

Michael Costello AO

Independent Non-Executive Director

Michael was appointed as Non-Executive Director on 5 May 2011. Before his appointment to ActewAGL in 2008, Michael was Managing Director of ACTEW Corporation, a member of ACTEW Board and a member of the ActewAGL Joint Venture Partnerships Board from 2003. Michael is a member of the Advisory Council of the Australian National University's Crawford School of Economics and Government and is also a Director of Greater Western Sydney Giants Football Club.

Michael was previously Deputy-Managing Director of the Australian Stock Exchange. He was Chief of Staff to the Hon Kim Beazley AC, the former Labor Opposition Leader and to the Hon Bill Hayden AC when he was the Minister for Foreign Affairs. Michael has been the Secretary of the Department of Foreign Affairs and Trade and the Department of Industrial Relations. He has held a number of diplomatic posts including Ambassador to the United Nations.

Michael holds degrees in arts and law. He is a Fellow of the Australian Institute of Company Directors. He received an Order of Australia (AO) in 1996 for international relations.

Michael Iwaniw

Independent Non-Executive Director

Michael was appointed as Non-Executive Director on 8 November 2013. He has a career spanning 40 years in the Australian grain industry, beginning his career as a chemist with the Australian Barley Board (ABB), and becoming the Managing Director in 1989, retiring from his role some 20 years later. During these years he accumulated extensive experience in all facets of the company's operations, including leading the transition from a statutory authority and growing the business from a small base to an ASX listed company. He played a significant role in orchestrating the merger of ABB Grain, Ausbulk Limited and United Grower Holdings Limited to form one of Australia's largest agribusinesses. His contribution to the Australian Grain industry was acknowledged in 2008 when he was awarded the NAB/Monash Agribusiness Awards for Excellence "Agribusiness Leader of the Year".

Michael has acted as a Non-Executive Director of a number of companies including Toepfer International, New World Grain (Ukraine), Australian Bulk Alliance and Five Star Flour Mill (Egypt). He is a Non-Executive Director of Australian Growers Cooperative. He has also been the Chairman of Select Harvests Limited for the past two years and overseen significant structural and operational changes.

Michael has a Bachelor of Science, a Graduate Diploma in Business Administration and is a member of the Australian Institute of Company Directors.

Deborah Page AM

Independent Non-Executive Director

Deborah has extensive financial experience from a diverse range of Finance and Operational Executive roles, as well as external audit and corporate advisory roles.

Deborah was a partner at Touche Ross/KPMG Peat Marwick until 1992 and subsequently held Senior Executive positions with the Lend Lease Group, Allen Allen and Hemsley and the Commonwealth Bank. Deborah has considerable corporate governance experience and is currently on the Boards of several listed and unlisted companies including Investa Listed Funds Management Limited (responsible entity of Investa Office Fund), Service Stream Limited, The Colonial Mutual Life Assurance Society Limited, Commonwealth Insurance Limited, Brickworks Limited and BT Investment Management Limited.

Deborah is Chair of the Board Audit Committee.

Deborah holds a Bachelor of Economics from Sydney University, is a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors. Deborah received an Order of Australia in 2006 for services to public health, business and the accounting profession.

Julien Playoust

Independent Non-Executive Director

Julien is Managing Director of AEH Group. He has worked across numerous sectors in capital structuring, mergers and acquisitions, strategy, change management, technology and supply-chain programs. His professional career includes Andersen Consulting and Accenture.

Julien is Chair of the Board Remuneration Committee.

Julien is a Non-Executive Director of Tatts Group Limited, Director of private equity company MGB Equity Growth Pty Limited, Trustee of the Art Gallery NSW Foundation, Director of the National Gallery of Australia Foundation and is on the Advisory Board of The Nature Conservancy.

Julien holds an MBA from UNSW, Bachelor of Architecture and Bachelor of Science from Sydney University and a Company Director Course Diploma from the AICD. He is a Fellow of the AICD and a member of the Australian Institute of Management, and the Royal Australian Institute of Architects.

Directorships of other listed companies

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Office ⁽ⁱ⁾
Philip Garling	The DUET Group (resigned 4 December 2012)	Non-Executive Director
	Downer EDI Limited	Non-Executive Director
	Charter Hall Group Limited	Non-Executive Director
Andrew White	nil	
Michael Costello	nil	
Michael Iwaniw	Select Harvest Limited	Chairman
Deborah Page	Service Stream Limited	Non-Executive Director
	Investa Listed Funds Management Limited (responsible entity of Investa Office Fund)	Non-Executive Chairman
	BT Investment Management Limited (appointed 7 April 2014)	Non-Executive Director
	Brickworks Limited (appointed 1 July 2014)	Non-Executive Director
Julien Playoust	Tatts Group Limited	Non-Executive Director

(i) Current directorship unless otherwise noted.

Shareholdings

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⁾
Directors		
Philip Garling	54,458	150,000
Andrew White	125,805	450,000
Michael Costello	115,557	150,000
Michael Iwaniw	55,000	-
Deborah Page	20,000	150,000
Julien Playoust	715,000	150,000
Other key management personnel		
Christopher Attwood	-	200,000
Michael Burgess	7,300	150,000

(i) Includes all direct, indirect or associated party ownership

(ii) During the year ended 30 June 2014, the Group completed a share consolidation on a 100:1 basis. The consolidation involved the conversion of every hundred fully paid ordinary shares into one fully paid ordinary share.

During and since the end of the financial year there were no share options (2013: 150,000) granted to officers of the Company as part of their remuneration.

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 ⁽ⁱⁱⁱ⁾		Nomination Committee		Remuneration Committee ⁽ⁱⁱⁱ⁾	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Philip Garling	16	16	5	5	1	1	3	3
Andrew White	16	16	5	5 ⁽ⁱ⁾	1	1 ⁽ⁱ⁾	3	3 ⁽ⁱ⁾
Michael Costello	16	16	5	4	1	1	1	1
Michael Iwaniw	11	11	0	0	0	0	2	2
Deborah Page	16	16	5	5	1	1	1	2 ⁽ⁱⁱ⁾
Julien Playoust	16	16	2	3 ⁽ⁱⁱⁱ⁾	1	1	3	3

(i) In attendance ex-officio.

(ii) One meeting following committee composition change, in attendance as a guest.

(iii) Composition of committees changed on 13 February 2014.

Company secretary

Mr Mark Licciardo held position of company secretary of Australian Renewable Fuels Limited at the end of the financial year. He was appointed as Company Secretary on 20 November 2012 and previously held the company secretary position of an international roads network company. Mr Licciardo is a Fellow of the Governance Institute of Australia and a graduate member of the Australian Institute of Company Directors.

Principal activities

The principal activities continued to be the production and sale of Biodiesel.

Overview

ARfuels progress was hampered by several setbacks during the year ended 30 June 2014. This resulted in a trading loss of \$1,931,590 and impairment charges of \$3,650,000 to the Largs Bay and Picton plants, culminating in a disappointing net loss after tax of \$5,581,590. Notwithstanding those setbacks and the ongoing uncertainty of Government policy, the company still produced the following positive results for the year:

- The overall business produced a second half trading profit of \$357,863. The trading loss for the year was incurred in the first six months of the financial year and the business has traded profitably since 1 January 2014;
- The Barnawartha plant generated a trading profit of \$8,124,919 for the year;
- Total net cash generation of \$3,081,116 for the year; and
- A cash balance at year-end of \$953,013 with undrawn credit lines of \$5.5 million.

The setbacks and the resulting financial costs during the year included:

- The loss of our export business to the USA due to a change in US Government Policy fundamentally altering the economics of that market;
- The lack of domestic sales from Largs Bay and Picton in the face of heavily subsidised imported biodiesel flooding the Australian market; and
- The Australian Federal Budget in May 2014 created significant uncertainty with announcements to impose excise on biodiesel from 2016, some five years earlier than would otherwise have been contemplated and at a higher rate than any other biofuels.

The impacts of the above developments were as follows:

- We had made a substantial investment in capital and human resources to restart the Largs Bay and Picton plants. In Largs Bay this included a rebuild of the site after the fire in December 2011, followed by recruitment, training and development of a full team of operators and plant management (for both plants) to fulfil the export program and anticipated domestic sales market. The loss of those markets meant that those costs were effectively sunk and could not be recouped against continuing sales;
- The second of two shipments to the USA was later than scheduled due to poor production performance and a rescheduled shipping date – this meant that the contract had to be renegotiated. At that time, post the US policy announcements, biodiesel prices had dropped substantially in the USA, and we incurred a material loss on that shipment;

- The budget announcements, if implemented, will significantly alter the medium-term and long-term outlook for the business. We continue to make representation to the Government on the reversal of a legislated position which had bipartisan support, was in place for less than three years and encouraged the investment of many millions of dollars of everyday Australian's savings into the biodiesel industry; and
- Given the sales and market difficulties from subsidised imports and the Governments announcements on excise, the future prospects for the Largs Bay and Picton facilities required review. That review, with the assistance of expert independent advice, concluded that the carrying value of those plants should be reduced and an impairment charge was recorded to write down the value of those plants.

The Net Loss After Tax of \$5,581,590 for the 30 June 2014 financial year includes:

- Barnawartha plant trading profit of \$8,124,919;
- Picton plant trading loss of \$2,483,910;
- Largs Bay plant trading loss of \$2,867,282;
- Corporate and finance costs of \$4,705,317; and
- Impairment charge of \$3,650,000 against the Largs Bay plant and Picton plant.

The net trading profit recorded for the second six months of the financial year is pleasing considering the challenging market. The cost cutting measures taken at Largs Bay and Picton during the six months ended 31 December 2013 contributed significantly to the improved result. Importantly, most of the costs and losses mentioned above will not recur and the ongoing cost structure of the business has been substantially reduced.

Our focus will remain on maximising profit at the Barnawartha plant. We have continued to scale back the resources at the Picton plant to meet sales demand on an as needed basis. Production has ceased at the Largs Bay plant with a number of options being assessed for the site. Reductions in Corporate costs have been made with further cost savings to be achieved once the move of Corporate Head Office to the Barnawartha plant is completed. These actions have been taken to return the business to profit in a challenging and uncertain market.

Financial performance

The following table provides an overview of the Group's performance for the past two financial years with a reconciliation between Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and Net Profit After Tax (NPAT):

	Year ended 30 June 2014	Year ended 30 June 2013
	\$	\$
Revenue	71,234,965	58,592,368
EBITDA	1,561,153	5,862,638
Depreciation, amortisation and impairment	(5,422,707)	(1,722,897)
Net finance income/(costs)	(1,720,036)	(1,893,120)
Net Profit/(loss) after tax	(5,581,590)	2,246,621

EBITDA remained positive for two consecutive financial years - a first in the company's history. It is noted that the EBITDA for the prior financial year included a \$1,100,000 Unrealised Gain on Embedded Derivative and the business interruption insurance claim net receipts of \$4,700,000.

The Barnawartha plant continues to generate profit and work continues to drive more sales from that plant at improved margins. The losses incurred at Largs Bay and Picton were material for the financial year and as mentioned above, were driven by the loss on the second export shipment and lack of domestic sales.

Total Revenue for the year included export biodiesel sales of \$11,444,038 and Net Sales of By-Products of \$1,421,065. Export sales volumes were at material levels although at a poor overall margin with the reduction in pricing of the second export shipment. Sales of glycerine were the major component of the by-product sales. The balance of \$58,369,862 was biodiesel sold in the domestic market, an increase of \$6,377,120 over the prior year. The growth of domestic sales was affected by the level of imported biodiesel sales in the Australian market. As previously noted, Largs Bay and Picton could not achieve any material growth in domestic sales with Barnawartha achieving a modest increase in sales volumes year on year.

The average cost of our feedstock increased during the year. The average range was between \$821 per metric tonne and \$945 per metric tonne with an overall average cost of \$882 per tonne (2013: \$805). This was offset by an equivalent increase in our domestic average net selling price. Work continues on gaining access to and developing reliable logistics for cheaper feedstock sourced from Asia.

Direct Costs include Plant Labour, Utilities, Repairs and Maintenance and other plant related expenditure. As noted earlier, this included substantial capital and human resource investments in the first half of the year at Largs Bay and Picton that have not continued with the restructuring of our operations.

Corporate expenses were reduced by \$1,296,489 year on year with further announced reductions to flow into the next financial year.

Other revenue includes the write back of \$1,864,167 in the Contingent Consideration liability. A Contingent Consideration payment was provided for in the Balance Sheet on acquisition of Biodiesel Producers Limited on 1 November 2011 and was payable to the Note Holders should certain annual levels of production at the Barnawartha plant be achieved. For the first year (ended 31 October 2012) the prescribed production level was not achieved. The second year (ended 31 October 2013) the prescribed production level was reached resulting in a payment of \$135,833 to the Note Holders. During the 2014 financial year an agreement was reached with the Note Holders which allowed for the extinguishment of the balance of Contingent Consideration in full in exchange for an increase in the coupon rate of 0.5% on the convertible notes from 1 May 2014. The balance of the provision of \$1,864,167 was written back as 'Other revenue' for the year.

Other revenue in the prior year included an Unrealised Gain of \$1,100,000 in the value of the Embedded Derivative within the Convertible Notes. There has been no unrealised gain or loss recorded this financial year.

Finance costs fell for the year because our interest exposure was minimised. With the return of our bank balance to an in-funds position, our total finance costs were significantly reduced year on year with the reduction being \$194,771.

Capital and financial structure

The capital and finance structure of ARfuels remains stable. The completion of a 100:1 share consolidation and unmarketable share parcel sale program during the year has simplified the share register and there are currently no short-term financing constraints.

During the year ARfuels re-negotiated the terms of the convertible note deed poll and note purchase deed. The Note Holders agreed to release the Group from all of its obligations under the note purchase deed which relate to the deferred payments. With effect from 1 May 2014, in consideration for the Note Holders releasing the Group from its obligations relating to the deferred payments, the Group will pay a revised coupon rate on the outstanding convertible notes of 10.5% from 1 May 2014. This reflects a coupon rate increase of 0.5%. The maturity date of the convertible notes is 1 November 2016.

At 30 June 2014 ARfuels had a net cash in funds position of \$953,013 with an unused debt facility of \$5,500,000. Net cash inflows for the year were \$3,081,116 with significant items being:

- Receipt of the balance of proceeds for the Business Interruption Insurance Claim of \$3,900,000 (source of funds); and
- Finished Goods inventory stock build at Picton from cancelled third export shipment \$2,000,000 (use of funds).

The improved cash position of the Group has contributed to an improved current asset ratio. Current Assets to Current Liabilities at 30 June 2014 was 1.64 times, up from 1.41 times at 30 June 2013.

Business strategies and prospects

For the 30 June 2015 financial year, ARfuels will be focused on working to:

- A manageable cost structure that will maximise profitability within the proposed excise regime;
- Developing the domestic sales base;
- Continuing the development of alternative feedstock supplies out of Asia;
- Maximise returns from the Barnawartha plant; and
- Continue our representations to the Australian Government to ensure that if any form of excise is introduced it will not prevent ARfuels and the broader Australian industry from operating profitably within the renewable fuels sector.

Fuel tax excise and effect on ARfuels

The outlook and operating structure for the business may change significantly depending on the outcome of the proposed changes to the taxation of the biodiesel as announced in the Federal Governments 2014 budget. These announcements included, in effect that:

1. Biodiesel would commence to be subject to excise from 1 July 2016 at 10% of the full fuel excise rate increasing by 10% per annum and capped at 50% of the fuel excise amount (currently 38.143 cpl);
2. Imported biodiesel would be subject to full fuel excise (currently 38.143 cpl) from 1 July 2015; and
3. Ethanol would commence to be subject to excise from 1 July 2016 at 6.6% of the fuel excise rate, increasing by 6.6% per annum and capped at 33% of the full fuel excise amount.

These announcements were unexpected. In particular, we do not understand or agree with changes to existing legislation which was passed less than three years prior to the announcement with a stated timeframe of ten years; was passed by Parliament with bipartisan support; and which was designed to and did encourage millions of dollars of investment in the biodiesel industry. If the economy and budgetary position of Australia is demanding of such a significant and fundamental about face:

1. Why leave a subsidy in place on imported biodiesel for a further twelve months when this biodiesel is already subsidised in its country of origin and is already the subject of anti-dumping duties elsewhere in the world? For the year ending 30 June 2014, imported biodiesel received approximately \$99 million of subsidies from the Federal Government; and
2. Why would biodiesel be subject to excise at a higher rate than all other biofuels? Ethanol, a similar biofuel, used in similar blend percentages as biodiesel, will be subject to excise of 33% of the full rate.

We submit that the Government should immediately remove the subsidies to imported biodiesel and align the rate of excise on biodiesel to the same rate as ethanol.

Management, alongside other representatives of the Australian biofuels industry, are in direct and detailed discussions with the Government and Members of Parliament regarding the proposed legislation and the negative consequences for the biofuels industry.

Notwithstanding the ongoing discussions with Government and Members of Parliament, the announcement of the proposed introduction of excise has created a degree of uncertainty for ARfuels. This uncertainty has meant that ARfuels will not invest further capital into improving the capabilities of the Largs Bay plant. The uncertainty has also negatively effected the market capitalisation of ARfuels. Without any clarity relating to the exact operation of the excise regime and delays in presenting the legislation to Parliament we are unable to properly quantify the financial effect on the business.

The Directors conducted a review of the business immediately after the Budget Announcement. On 29 July 2014, the Directors released the results of that review to the market. In summary, it was announced that:

- Production at the Largs Bay plant would cease. Options for the Largs Bay site would be explored;
- Production at Picton would continue whilst working to secure sales contracts and distribution facilities;
- Barnawartha to continue production;
- Corporate Head Office would move from Melbourne to the Barnawartha plant; and
- Corporate overhead costs to be reduced.

These decisions were based on providing the business with the best opportunity to operate profitably in a challenging market affected by legislative uncertainty and large inflows of heavily subsidised biodiesel.

Significant Risks

ARfuels monitors key risks and uncertainties on a regular basis. The following items are deemed material risks by the business:

Plant performance and production

- The production of biodiesel may be curtailed, delayed or cancelled as a result of mechanical difficulties, equipment failures, human error, labour disputes or shortages, delays or shortages in the delivery of feedstock, weather conditions and natural disasters. In addition, the occurrence of fire, explosions, blow-outs, pipe failure, and environmental hazards such as accidental spills or leakages could cause ARfuels substantial loss due to the cost of personal injury or loss of life, damage to or destruction of property and the environment, clean-up responsibilities, regulatory investigation, litigation and penalties. All operating Plants are subject to regular preventative maintenance programs so that at all times each Plant can satisfy prevailing sales demand and mitigate the risk of plant breakdowns.
- All Plants are fully insured with appropriate cover in place; including insurance for plant damage, public and products liability and business interruption. Insurance cover is in place to mitigate the risk of unexpected natural and operational catastrophes negatively affecting the output of our key assets.

Work health and safety

- A critical and key focus for ARfuels is the health and safety of all employees of the Group. Health and safety is a major risk monitored by the Directors. All staff members are fully engaged in ARfuels' WHS practices. The health and safety of all visitors is also a high priority. All staff and visitors must undergo appropriate levels of WHS training and induction prior to entering any of our plants.
- The Board and ARfuels management constantly monitor key WHS metrics and WHS performance remains a key focus of the business in general. Both Management and the Board monitor that appropriate training occurs, and ensure that appropriate resources are made available for WHS purposes.

Government legislation policy changes

- Government legislation and policies such as renewable fuel production incentives are subject to review and change from time to time. Such changes are likely to be beyond the control of ARfuels and may affect industry profitability. Management works to mitigate this risk by being proactively engaged with the Government, regulators and industry to seek appropriate policy outcomes. Unfortunately, during May 2014 the Federal Government announced unsignalled changes to excise which if enacted will significantly impact ARfuels (for further information refer to note 10.1).
- The operation of the plants is subject to extensive environmental laws and regulations and ARfuels is required to obtain a licence to operate in a manner designed to promote safety and to prevent the release of hazardous substances from the plants. Violations of these requirements could result in liabilities that affect ARfuels' financial condition. Revenue and expenditure of ARfuels may be affected by change in international, federal, state or local government laws, regulations or policies, or in taxation legislation. This risk is mitigated by ongoing review of the licences and having processes in place to ensure all operating Plants conform to their respective licences.

Financial management and Banking

- ARfuels has ongoing economic reliance on the periodic use of trading debt facilities. ARfuels has an appropriate level of bank working capital debt in place and ensures its continuity by remaining within all required bank covenants and in maintaining constant dialogue with its banking partner.
- ARfuels is exposed to positive and negative movements in commodity prices and the Australian dollar. Policies and processes are in place to mitigate the effects of such movements. ARfuels has the ability, as required, to apply hedging strategies to protect margins or cash flow.
- ARfuels use expert and independent advice when determining when and what type of hedging strategy is required. This enhances our ability to assess the prevailing financial markets and make appropriate financial decisions.

General business activities

- Revenue growth is a key risk facing ARfuels. Management has plans and strategies to mitigate this risk and when executed they should provide ARfuels every chance to protect revenue streams and to also manage sales growth. This remains a key focus of the Board and Management.
- Sustaining Revenue levels is also subject to key client risk. The Barnawartha plant in particular is currently reliant on a major supply contract with a major oil company. ARfuels mitigates this risk by ensuring all contractual obligations are met, remaining in constant and meaningful dialogue with the customer. Mitigation strategies and actions also include growing the client base to spread the current allocation of sales risk.

- Access to sufficient and appropriately priced feedstock is a risk monitored by ARfuels. Work continues to expand the network of credible suppliers and gain access to a greater spread of competitively priced feedstock.
- Attracting, retaining and developing key staff to help manage and continue the growth of the income producing assets of ARfuels is a significant risk and key focus for Management and the Board. Whilst the Board and Management are satisfied that the current infrastructure in place is sufficient to mitigate this risk and reduce the impact of unplanned turnover, work on a new remuneration structure has commenced to make the system more robust and attractive for key staff.

Sale price of biodiesel

- ARfuels cannot control the movement in the sale price of biodiesel. The sale price of biodiesel is directly linked to the market price of mineral diesel and price fluctuations in the Singaporean benchmark price. Terminal gate prices for mineral diesel regularly fluctuate and are driven by several factors including the price of global crude oil. Management have policies and processes in place to use if required to mitigate the effects of negative sale price movements. ARfuels has the ability to apply hedging strategies to protect against sales price movements.

Economic uncertainties

- General economic conditions affect markets in which ARfuels operates, including the consequences of a prolonged downturn in economic conditions and credit and financial markets. Although ARfuels cannot predict future economic activity, should there be a combination of an economic downturn with other negative economic factors in the global economy it may make it difficult for ARfuels to achieve its stated objectives. To mitigate this risk, ARfuels monitors key economic indicators and reviews its forecast and forward plans accordingly. Adjustments to plans can then be made to protect the Group as best as possible from economic downturns.

Insurance

- A significant risk of the Group is not having sufficient business insurance cover in place - including Business Interruption, Industrial Special Risks and Public Liability. ARfuels may, where economically practicable and available, endeavour to mitigate some project and business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by ARfuels outside the scope of the insurance cover. ARfuels engage a reputable Insurance broker to ensure that not only appropriate cover is obtained but that the cover is placed by significant and major insurers with the financial strength to fund any claim.

Technology

- Although ARfuels invested in a defined and proven technology, this does not reduce the risk that an alternate technology (or low cost alternative feed stock) may become commercially available to the market and adversely affect ARfuels ability to continue operating in its current business form. ARfuels continues to monitor Industry trends and remains aware of any new technology developments in the production of biodiesel.

Changes in state of affairs

There have been no significant changes in the state of affairs of the Group at the date of this report other than as already noted.

Subsequent events

It has been announced that Philip Garling will be retiring from the Board. Julien Playoust has also advised the Board of his intention to retire as Director effective from the conclusion of the Company's Annual General Meeting to be held on 28 October 2014. The Directors have announced that an update on the composition of the Board will be made by the end of August 2014.

Other than as already noted in the financial statements, there have been no significant subsequent events in the affairs of the Group at the date of this report.

Environmental regulations

The Group's operations are subject to significant environmental regulation under both Commonwealth and State legislation in relation to its manufacture of biodiesel.

The Group is committed to achieving a high standard of environmental performance. The Board and management are responsible for the regular monitoring of environmental exposures and compliance with environmental regulations.

As part of this process management are responsible for:

- Development and implementation of environmental management systems;
- A risk management approach is applied to identify potential areas of significant environmental impact in order to effectively control environmental risks;
- Continuous process of review and refinement of action plan implementations; and
- Regular monitoring of licence requirements, with performance against licence conditions reported to the various State regulators on a regular basis.

To enable them to meet their responsibilities, management has established a regular internal reporting process. Environmental performance is reported from each site up to the Board on a monthly basis. Compliance with the requirements of environmental regulations and with specific requirements of site environmental licences was substantially achieved across all operations with no instances of non-compliance in relation to licence requirements noted.

Based on the results of enquiries made, the Board is not aware of any significant breaches during the period covered by this report.

Dividends

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

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report:

Issuing entity	Number of shares under option ⁽ⁱ⁾	Class of shares	Exercise price of options ⁽ⁱ⁾	Expiry date of options
Australian Renewable Fuels Limited	105,000	Ordinary	\$1.93	30 September 2014
Australian Renewable Fuels Limited	450,000	Ordinary	\$2.93	15 December 2014
Australian Renewable Fuels Limited	500,000	Ordinary	\$2.93	28 February 2015
Australian Renewable Fuels Limited	400,000	Ordinary	\$3.93	15 March 2015
Australian Renewable Fuels Limited	150,000	Ordinary	\$3.93	30 November 2015

(i) During the year ended 30 June 2014, the Group completed a share consolidation on a 100:1 basis. The consolidation involved the conversion of every hundred fully paid ordinary shares into one fully paid ordinary share.

There were no shares or interests issued during or since the end of the financial year as a result of the exercise of an option.

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 29 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*.

The Directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- (i) all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- (ii) none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 25 of this report.

Directors' report – remuneration report

This remuneration report, which forms part of the Directors' report, sets out information regarding the remuneration of ARfuels' key management personnel for the financial year ended 30 June 2014.

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 ARfuels. Except as noted, the named key management personnel held their current position for the whole of the financial year and at the date of this report.

The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel details;
- Principles of remuneration;
- Relationship between the remuneration policy and Company performance;
- Remuneration of key management personnel; and
- Key terms of service agreements.

Key management personnel details

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

Non-Executive Directors

- Philip Garling (Chairman, Non-Executive Director)
- Michael Costello (Non-Executive Director)
- Michael Iwaniew (Non-Executive Director, appointed 8 November 2013)
- Deborah Page (Non-Executive Director)
- Julien Playoust (Non-Executive Director)

Executive Officers

- Andrew White (Managing Director, Chief Executive Officer)
- Christopher Attwood (Chief Operating Officer)
- Michael Burgess (Chief Financial Officer)

It has been announced that Philip Garling will be retiring from the Board. Julien Playoust has also advised the Board of his intention to retire as Director effective from the conclusion of the Company's Annual General Meeting to be held on 28 October 2014. The Directors have announced that a further update on the composition of the Board will be made by the end of August 2014.

Principles of remuneration

The Board policy for determining the nature and amount of key management personnel remuneration is agreed by the Board of Directors after review, approval and recommendation by the Remuneration Committee. The Managing Director's contract and remuneration is dealt with by the Board.

Compensation levels and structures for key management of the Company are competitively set to attract and retain appropriately qualified and experienced people and to reward the achievement of strategic objectives, and achieve the broader outcome of protecting and enhancing shareholder value. The compensation structures take into account the capability and experience of key management and the ability of key management to control areas of their respective responsibilities.

The Remuneration Committee has access to independent advice and uses market data to assess the appropriateness of compensation packages in the Company given trends in comparative companies, and the objectives of the Company's compensation strategy.

The principles used to determine the nature and amount of remuneration are as follows:

Alignment to shareholder interests:

- i. level of achieved net profit is a key criteria;
- ii. controllable financial drivers of the businesses including revenues, cash, margin, earnings per share, and capital management improvement are important criteria;
- iii. business and operational drivers of the business including sales, production capacity, OH&S; and
- iv. remuneration is set at a level to attract and retain high calibre executives.

Alignment to the key management interests:

- i. rewards capability and experience;
- ii. provides a clear structure for earning rewards; and
- iii. provides recognition for contribution.

The framework provides a mix of fixed pay and variable at risk incentives, and a blend of short and long-term incentives. In relation to long-term incentives, as executives contribution and term with ARfuels increase they can be rewarded by gaining exposure to growth in the value of the Company through access to the Employee Share Option Plan.

Remuneration committee

The Board has established a Remuneration Committee which provides recommendations to the Board on remuneration and incentive policies and practices. The Committee provides specific recommendations on remuneration packages and other terms of employment for Executive Directors, other Senior Executives and Non-Executive Directors. The Remuneration Committee assesses 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.

The ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a General Meeting. As previously approved by shareholders, the approved maximum aggregate annual remuneration of Non-Executive Directors is currently \$400,000.

The amount of aggregate remuneration and the manner in which it is apportioned amongst Directors is reviewed annually. The Board can access independent advice and industry benchmarks on fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process. During the year no independent advice was obtained, however reference was made to public information.

Each Non-Executive Director receives a fee for being a Director of the Company. In the 2014 financial year the Chairman received a fee of \$110,000, and all other Non-Executive Directors received a fee of \$60,000. The Chair of the Audit and Risk Committee received an additional \$15,000 whilst the Chair of the Remuneration Committee received an extra \$10,000. All fees are inclusive of superannuation. There are no additional fees for being a member of any committee.

In light of the Company's current operating environment, the Board completed a review of the requirements of the Board, in particular the number of Directors and remuneration thereof. That review concluded that the Board should consist of three Non-Executive Directors and the Managing Director. Director fees effective 1 August 2014, are: Chairman to receive \$80,000 per annum, Non-Executive Directors to receive \$50,000 per annum, Chair of the Audit and Risk Committee to receive an additional \$10,000 per annum.

There were no options issued to or exercised by the Non-Executive Directors during the financial year. Option issues are detailed later in this report. Any future issue of new options will be subject to shareholder approval.

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.

Executive remuneration is set to reflect the market for a comparable role and is reviewed annually to ensure the Executive's pay is competitive with the market. An Executive's package is also reviewed on promotion.

Fixed remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee. The process includes 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 Committee has access to external, independent advice where necessary.

Variable remuneration

The Company's variable remuneration comprises short-term and long-term incentives. The objective of the short-term incentive program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with the responsibility of meeting those targets.

The short-term incentives, comprised of annual cash bonuses, are paid if certain Key Performance Indicators (KPI's) are attained in the relevant period as approved by the Remuneration Committee and the Board. Long-term incentives comprise equity instruments where the incentive involves the time-based vesting of options on the basis that the employee continues to be employed by the Company and is eligible under the Company's Employee Share Option Plan. Actual payments granted to each senior manager depend on the extent to which specific operating targets or KPI's set at the beginning of the financial year are met and can also be awarded at the discretion of the Board of Directors. The aggregate of annual payments available for executives across the Company is subject to the approval of the Remuneration Committee and the Board. Payments made are delivered as a cash bonus in the following reporting period or in the case of an equity component, it is pursuant to the employment contract terms and as approved by shareholders.

The issue of options is not linked to performance conditions because by setting the option price at a level above the current share price at the time the options are granted, it provides the incentive for management to improve the Company's performance.

Performance criteria

Performance criteria are linked to the incentive program through the setting of key performance indicators relevant to each management position. The performance criteria are set by the Board and may include, but are not limited to:

- i. Financial and operational targets linked to achievement of the Company's annual profit budgets and the level of achieved net profit after tax (NPAT) as determined by the Board from time to time including sales, production capacity, OH&S and controllable financial drivers including revenues, cash, margin, earnings per share, and capital management improvement are important criteria;
- ii. Strategic initiatives that provide for specific opportunities to be presented to the Board by management from time to time such as mergers and acquisitions that are value-accretive, and the successful implementation of those initiatives;
- iii. Corporate development matters including employment, retention and remuneration of core personnel, leadership and succession, cultural development and communication activities; and
- iv. Risk management, including management and monitoring of material business risks. This includes maintaining a sound framework and controls in regards to WHS and environmental issues.

Relationship between the remuneration policy and Company performance

The achievement of Company strategic and financial objectives is the key focus of the efforts of the Company. As indicated above, over the course of each financial year, the Board, through the Remuneration Committee reviews the Company's Executive remuneration policy to ensure the remuneration framework remains focused on driving and rewarding Executive performance, while being closely aligned to the achievement of Company strategic objectives and the creation of shareholder value.

Total shareholder return is normally measured by the movement in share price from the start to the end of each financial year and dividends paid. No dividends have been declared in the past four financial years or for the current financial year. As the Company remains in the growth phase of its life cycle and works within the uncertainty caused by proposed changes to legislation affecting the industry, shareholder returns do not correlate with profits and/or losses reported in any of the recent financial years. Shareholder returns are more dependent on the future expectation of Company performance rather than Company earnings. Future expectations are now also subject to industry uncertainty and the business prospects and significant risks as noted above.

The table below sets out summary information regarding the Group earnings and movement in shareholder wealth for the five years to 30 June 2014.

	30 June 14	30 June 13	30 June 12	30 June 11	30 June 10
Revenue	71,234,965	58,592,368	39,173,694	6,426,355	2,867,263
Net profit/(loss) before tax	(5,581,590)	2,246,621	(7,235,793)	(8,128,336)	(3,356,922)
Net profit/(loss) after tax	(5,581,590)	2,246,621	(7,235,793)	(8,128,336)	(3,356,922)
Share price at start of year (dollars) ⁽ⁱ⁾	0.80	1.10	2.20	1.10	1.20
Share price at end of year (dollars) ⁽ⁱ⁾	0.20	0.80	1.10	2.20	1.10
Dividends paid (dollars) ⁽ⁱ⁾	-	-	-	-	-
Gain/(loss) per share from continuing operations (dollars)					
Basic ⁽ⁱ⁾	(0.13)	0.08	(0.34)	(0.71)	(0.53)
Diluted ⁽ⁱ⁾	(0.13)	0.08	(0.34)	(0.71)	(0.53)

(i) During the year ended 30 June 2014, the Group completed a share consolidation on a 100:1 basis. The consolidation involved the conversion of every hundred fully paid ordinary shares into one fully paid ordinary share.

Remuneration of key management personnel

		Short-term benefits			Post Employment	Equity (long-term)			Total
		Salary and Fees	Short-term incentives	Allowances	Termination Payments	Superannuation	Options expensed in year ⁽ⁱ⁾	Options as proportion of total remuneration	
Executive director		\$	\$	\$	\$	\$	\$	%	\$
Andrew White	2014	380,000	76,000	12,000	-	35,150	71,762	12.5	574,912
Andrew White	2013	330,000	290,000	12,000	-	29,700	70,764	9.7	732,464
Non-executive directors									
Philip Garling	2014	103,015	-	-	-	6,985	26,942	19.7	136,942
Philip Garling	2013	110,000	-	-	-	-	26,687	19.5	136,687
Michael Costello	2014	54,920	-	-	-	5,080	26,942	31.0	86,942
Michael Costello	2013	55,046	-	-	-	4,954	26,687	30.8	86,687
Michael Iwaniw ⁽ⁱⁱⁱ⁾	2014	38,666	-	-	-	-	-	-	38,666
Deborah Page	2014	68,650	-	-	-	6,350	15,910	17.5	90,910
Deborah Page	2013	68,807	-	-	-	6,193	8,710	10.4	83,710
Julien Playoust ⁽ⁱⁱ⁾	2014	70,000	-	-	-	-	17,988	20.4	87,988
Julien Playoust ⁽ⁱⁱ⁾	2013	70,000	-	-	-	-	17,791	20.3	87,791
Other key management personnel									
Christopher Attwood	2014	235,000	15,000	-	-	17,775	48,317	15.3	316,092
Christopher Attwood	2013	205,000	75,000	-	-	16,354	47,785	13.9	344,139
Michael Burgess	2014	230,000	-	-	-	17,775	36,237	12.8	284,012
Michael Burgess	2013	200,000	75,000	-	-	16,354	35,839	11.0	327,193
	2014	1,180,251	91,000	12,000	-	89,115	244,098		1,616,464
	2013	1,038,853	440,000	12,000	-	73,555	234,263		1,798,671

(i) There were no options issued to key management personnel during the 2014 financial year (2013: 15,000,000).

(ii) Paid via a company.

(iii) Michael Iwaniw was appointed as a Non-Executive Director on 8 November 2013.

Equity instruments - options (note 31)

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 vested	Expensed in year \$	Value of options granted at grant date ⁽ⁱ⁾ \$	Value of options lapsed at the date of lapse ⁽ⁱⁱ⁾ \$
Directors					
Philip Garling	-	50,000	26,942	66,949	-
Andrew White	-	150,000	71,762	182,649	-
Michael Costello	-	50,000	26,942	66,949	-
Michael Iwaniw	-	-	-	-	-
Deborah Page	-	50,000	15,910	40,668	-
Julien Playoust	-	33,333	17,988	118,175	-
Other key management personnel					
Christopher Attwood	-	67,000	48,317	112,783	-
Michael Burgess	-	50,000	36,237	84,587	-

(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.

In general, upon vesting, the holder will be entitled to exercise their options and acquire one fully paid ordinary share in the Company for each option. \$3.93 is payable upon exercise of each option by Non-Executive Directors and \$2.93 is payable upon exercise of each option by other key management personnel. During the year no key management personnel exercised any options that were granted to them as part of their compensation. A total of 76,900 share options expired or were forfeited during the year in accordance with the respective employee service agreements and share option plans.

The details of all share-based payment arrangements in existence for key management during the current and comparative reporting periods are summarised below:

Option series grant date	Number of options	Expiry date	Exercise price	Fair value at grant date
November 2009	50,000	September 2014	\$1.93	\$1.00
December 2011	450,000	December 2014	\$2.93	\$1.00
March 2012	350,000	February 2015	\$2.93	\$1.00
March 2012	400,000	March 2015	\$3.93	\$1.00
December 2012	150,000	November 2015	\$3.93	\$1.00

Key management personnel equity holdings

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

2014					
Name⁽ⁱ⁾	Balance at 1 July 2013 Number	Share consolidation Number⁽ⁱⁱ⁾	Other Number⁽ⁱⁱⁱ⁾	Acquired/ (disposed) through open trading Number	Balance at 30 June 2014 Number
Directors					
Philip Garling	5,445,792	(5,391,334)	-	-	54,458
Andrew White	12,580,471	(12,454,666)	-	-	125,805
Michael Costello	4,255,625	(4,213,068)	-	73,000	115,557
Michael Iwaniw	-	-	-	55,000	55,000
Deborah Page	2,000,000	(1,980,000)	-	-	20,000
Julien Playoust	341,500,000	(338,085,000)	(2,700,000)	-	715,000
Other key management personnel					
Christopher Attwood	-	-	-	-	-
Michael Burgess	-	-	-	7,300	7,300

(i) Includes all direct, indirect or associated party ownership.

(ii) During the year ended 30 June 2014, the Group completed a share consolidation on a 100:1 basis. The consolidation involved the conversion of every hundred fully paid ordinary shares into one fully paid ordinary share.

(iii) This holding is no longer deemed to be an associated party ownership. There has been no change in Julien Playoust's other direct or indirect share holdings during the year.

2013					
Name⁽ⁱ⁾	Balance at 1 July 2012 Number	Share consolidation Number	Acquired through entitlement offer Number	Acquired/ (disposed) through open trading Number	Balance at 30 June 2013 Number
Directors					
Philip Garling	1,363,000	-	511,364	3,571,428	5,445,792
Andrew White	9,150,000	-	3,430,471	-	12,580,471
Michael Costello	3,095,000	-	1,160,625	-	4,255,625
Deborah Page	-	-	-	2,000,000	2,000,000
Julien Playoust	322,000,000	-	19,500,000	-	341,500,000
Other key management personnel					
Christopher Attwood	-	-	-	-	-
Michael Burgess	-	-	-	-	-

(i) Includes all direct, indirect or associated party ownership.

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

2014							
	Balance at 1 July 2013	Share consolidation	Granted as compensation	Balance at 30 June 2014	Balance vested at 30 June 2014	Vested and exercisable	Rights vested during year
Name	Number	Number ⁽ⁱ⁾	Number	Number	Number	Number	Number
Directors							
Philip Garling	15,000,000	(14,850,000)	-	150,000	100,000	100,000	50,000
Andrew White	45,000,000	(44,550,000)	-	450,000	300,000	300,000	150,000
Michael Costello	15,000,000	(14,850,000)	-	150,000	100,000	100,000	50,000
Michael Iwaniw	-	-	-	-	-	-	-
Deborah Page	15,000,000	(14,850,000)	-	150,000	50,000	50,000	50,000
Julien Playoust	15,000,000	(14,850,000)	-	150,000	116,666	116,666	33,333
Other key management personnel							
Christopher Attwood	20,000,000	(19,800,000)	-	200,000	134,000	134,000	67,000
Michael Burgess	15,000,000	(14,850,000)	-	150,000	100,000	100,000	50,000

(i) During the ended 30 June 2014, the Group completed a share consolidation on a 100:1 basis. The consolidation involved the conversion of every hundred fully paid ordinary shares into one fully paid ordinary share.

2013							
	Balance at 1 July 2012	Share consolidation	Granted as compensation	Balance at 30 June 2013	Balance vested at 30 June 2013	Vested and exercisable	Rights vested during year
Name	Number	Number	Number	Number	Number	Number	Number
Directors							
Philip Garling	15,000,000	-	-	15,000,000	5,000,000	5,000,000	5,000,000
Andrew White	45,000,000	-	-	45,000,000	15,000,000	15,000,000	15,000,000
Michael Costello	15,000,000	-	-	15,000,000	5,000,000	5,000,000	5,000,000
Deborah Page	-	-	15,000,000	15,000,000	-	-	-
Julien Playoust	15,000,000	-	-	15,000,000	8,333,333	8,333,333	3,333,333
Other key management personnel							
Christopher Attwood	20,000,000	-	-	20,000,000	6,700,000	6,700,000	6,700,000
Michael Burgess	15,000,000	-	-	15,000,000	5,000,000	5,000,000	5,000,000

Key terms of service agreements

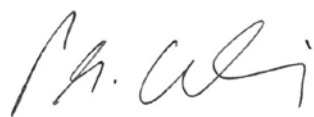
The remuneration and other terms of employment for the Managing Director and key management are formalised in service agreements. Each of these agreements makes provision for a fixed remuneration component, employment entitlements such as superannuation and at-risk variable performance incentives. The material terms of the service agreements are set out below.

Term	Position	Conditions
Duration of contract	Managing Director and key management	No fixed term
Voluntary termination by Executive	Managing Director and key management	6 months' notice
Termination by Company without cause	Managing Director and key management	12 months' notice 6 months' notice
Termination by Company for cause	Managing Director and key management	Employment may be terminated immediately without notice if the Executive commits any act or omission justifying summary dismissal at common law

During the year the Company has renewed its employment arrangements with the Managing Director, Andrew White. The new contract does not differ materially to the terms announced to the market on 20 December 2011 and in prior Annual Reports with the exception that the contract has no fixed term.

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



Philip Garling
Chairman
Melbourne, 29 August 2014

Corporate governance statement

The Board of Directors of Australian Renewable Fuels Limited ('ARfuels' or 'the Company') is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement ("CGS") in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on a Company's website.

Accordingly, a copy of the Company's CGS is available on the ARfuels website at www.arfuels.com.au under the Investor Relations/Corporate Governance section.



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The Board of Directors
Australian Renewable Fuels Limited
Level 5, 409 St Kilda Road
MELBOURNE VIC 3004

29 August 2014

Dear Board Members

Australian Renewable Fuels Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Australian Renewable Fuels Limited.

As lead audit partner for the audit of the financial statements of Australian Renewable Fuels Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

A stylized, handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A stylized, handwritten signature in black ink that reads "Ian Sanders".

Ian Sanders
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue from operations	3	71,234,965	58,592,368
Cost of goods sold		(57,176,215)	(40,522,421)
Gross profit		14,058,750	18,069,947
Direct costs		(9,610,145)	(7,119,989)
Corporate and administration expenses		(1,954,947)	(3,251,436)
Staff costs		(3,067,448)	(3,005,244)
Other revenue	3	2,134,943	1,169,360
Finance income	3	706	22,393
Depreciation and amortisation expenses	4	(1,772,707)	(1,722,897)
Finance costs	5	(1,720,742)	(1,915,513)
Impairment of assets	10	(3,650,000)	-
Profit/(loss) before tax		(5,581,590)	2,246,621
Income tax expense	6	-	-
Profit/(loss) for the year		(5,581,590)	2,246,621
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Reclassification adjustments relating to foreign operations disposed of in the year		-	469,371
		-	469,371
Other comprehensive income for the year net of income tax		-	469,371
Total comprehensive income for the year		(5,581,590)	2,715,992
Profit/(loss) for the year attributable to:			
Owners of the parent		(5,531,949)	2,302,590
Non-controlling interests	20	(49,641)	(55,969)
		(5,581,590)	2,246,621
Total comprehensive income attributable to:			
Owners of the parent		(5,531,949)	2,771,961
Non-controlling interests	20	(49,641)	(55,969)
		(5,581,590)	2,715,992
Earnings per share			
From continuing operations:			
Basic (dollars per share)	30	(0.13)	0.08
Diluted (dollars per share)	30	(0.13)	0.08

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 2014**

	Note	2014 \$	2013 (Restated) \$
Current assets			
Cash and cash equivalents	24	953,013	2,057,755
Trade and other receivables	7	2,488,451	4,135,122
Inventories	8	6,207,170	10,795,407
Other	9	1,094,687	5,455,297
Total current assets		10,743,321	22,443,581
Non-current assets			
Property, plant and equipment	10	28,764,216	32,957,931
Other	11	595,070	636,986
Total non-current assets		29,359,286	33,594,917
Total assets		40,102,607	56,038,498
Current liabilities			
Bank working capital facilities	15, 24	-	4,211,911
Trade and other payables	12	6,247,334	10,723,480
Provisions	13	288,575	329,238
Amounts payable on acquisition	16	-	699,000
Total current liabilities		6,535,909	15,963,629
Non-current liabilities			
Amounts payable on acquisition	16	-	1,301,000
Provisions	13	254,141	168,715
Convertible notes	14	13,916,257	13,916,257
Total non-current liabilities		14,170,398	15,385,972
Total liabilities		20,706,307	31,349,601
Net assets		19,396,300	24,688,897
Equity			
Issued capital	17	135,944,302	135,944,302
Reserves	18	2,440,211	2,151,218
Accumulated losses	19	(118,680,726)	(113,148,777)
Equity attributable to owners of the company		19,703,787	24,946,743
Non-controlling interests	20	(307,487)	(257,846)
Total equity		19,396,300	24,688,897

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 2014**

	Issued capital and contributed equity	Employee share option reserve	Foreign currency translation reserve	General options reserve	Other reserve	Accumulated profits/(losses)	Attributable to owners of the parent	Non-controlling interests	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 30 June 2012	124,176,890	878,801	(469,371)	1,105,706	-	(116,101,098)	9,590,928	(201,877)	9,389,051
Restatement (refer to note 10)	-	-	-	-	-	649,731	649,731	-	649,731
Balance at 1 July 2012	124,176,890	878,801	(469,371)	1,105,706	-	(115,451,367)	10,240,659	(201,877)	10,038,782
Profit/(loss) for the period	-	-	-	-	-	2,302,590	2,302,590	(55,969)	2,246,621
Total comprehensive income for the period	-	-	-	-	-	2,302,590	2,302,590	(55,969)	2,246,621
Shares issued during the period	12,279,663	-	-	-	-	-	12,279,663	-	12,279,663
Recognition of share-based payments	-	166,711	-	-	-	-	166,711	-	166,711
Share issue costs	(512,251)	-	-	-	-	-	(512,251)	-	(512,251)
Reallocation of general options reserve	-	-	-	(1,105,706)	1,105,706	-	-	-	-
Movement in foreign currency translation reserve on dissolution of foreign entity	-	-	469,371	-	-	-	469,371	-	469,371
Balance at 30 June 2013	135,944,302	1,045,512	-	-	1,105,706	(113,148,777)	24,946,743	(257,846)	24,688,897
Balance at 1 July 2013	135,944,302	1,045,512	-	-	1,105,706	(113,148,777)	24,946,743	(257,846)	24,688,897
Profit/(loss) for the period	-	-	-	-	-	(5,531,949)	(5,531,949)	(49,641)	(5,581,590)
Total comprehensive income for the period	-	-	-	-	-	(5,531,949)	(5,531,949)	(49,641)	(5,581,590)
Recognition of share-based payments	-	288,993	-	-	-	-	288,993	-	288,993
Balance at 30 June 2014	135,944,302	1,334,505	-	-	1,105,706	(118,680,726)	19,703,787	(307,487)	19,396,300

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

**Consolidated statement of cash flows
for the year ended 30 June 2014**

	Note	2014	2013
		\$	\$
Cash flows from operating activities			
Receipts from customers		82,472,239	60,198,982
Payments to suppliers and employees		(76,877,235)	(65,207,134)
Interest received		706	22,393
Interest paid		(1,708,194)	(1,204,571)
Net cash provided by/(used in) operating activities	24	3,887,516	(6,190,330)
Cash flows from investing activities			
Payments for plant and equipment		(670,567)	(417,879)
Deferred consideration on acquisition		-	(3,443,875)
Contingent consideration on acquisition		(135,833)	-
Net cash provided by/(used in) investing activities		(806,400)	(3,861,754)
Cash flows from financing activities			
Proceeds from issue of shares		-	12,279,663
Payments for share issue costs		-	(512,251)
Net cash provided by financing activities		-	11,767,412
Net increase/(decrease) in cash and cash equivalents		3,081,116	1,715,328
Cash and cash equivalents at the beginning of the period		(2,154,156)	(3,881,384)
Effect of movement in exchange rates on cash balances		26,053	11,900
Cash and cash equivalents at the end of the period	24	953,013	(2,154,156)

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

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.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 29 August 2014.

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.

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.

The principal accounting policies are set out below.

Going concern

For the financial year ended 30 June 2014, the consolidated entity (Group) produced a Net Loss After Tax of \$5,581,590, inclusive of \$3,650,000 in impairment charges. The net trading loss was \$1,931,590 and was below budget expectations. Despite the trading loss the Group was able to improve its cash position and its exposure to debt by achieving the following during the financial year:

- Received the final balance of \$3,900,000 in Business Interruption Insurance claim proceeds;
- Produced positive net cash inflows of \$3,081,116 and net operating cash inflows of \$3,887,516;
- Management completed significant cost reductions in December 2013. These reductions contributed to a Net Trading Profit (before impairment) of \$357,863 being recorded for the six months ended 30 June 2014. In addition ARfuels has affected further cost reduction measures, including the impending relocation of the Corporate Head Office to the Barnawartha plant;
- At 30 June 2014 our Net Cash position was \$953,013 in funds, and currently remains at a similar net cash position. The in-funds balance means our Debt facility of \$5,500,000 is currently not utilised and there is no breach of bank covenants;
- At 30 June 2014 Current Assets exceeded Current Liabilities by \$4,207,412; and
- Barnawartha continues to generate material levels of profit.

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

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key critical accounting estimates and judgments are:

Valuation of financial instruments

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 26 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

Convertible notes

At each reporting date, the Group reviews the valuation or fair value of the debt and embedded derivative components of the convertible note. The valuation at reporting date of the embedded derivative component is compared to the valuation at inception date. Any negative or positive movement against the valuation at inception date is noted as an unrealised gain or unrealised loss on valuation at reporting date and is recognised in profit or loss. The fair value assessment includes the Group's estimation of the probability of the notes being converted to equity and of the repayment of the notes on or before maturity.

Impairment of tangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The determination of fair value and value in use requires management to make estimates and assumptions about items such as expected production and sales volumes, prices, gross margin levels, capacity, operating costs and discount rates. These estimates are subject to uncertainty and changes to these factors would impact the recoverable amount of the assets.

Useful lives of tangible assets

The Group reviews the useful lives, depreciation method and estimated residual value of all tangible assets at the end of the reporting period.

Share-based payments

The Group measures the cost of equity settled share-based payments at fair value at the grant date using an appropriate valuation model taking into account the terms and conditions upon which the instruments were granted and expected vesting period.

Employee entitlements

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.

Inventories

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell which approximates fair value less costs to sell. The key assumptions require the use of management judgement and are reviewed on a monthly basis. These key assumptions are the variables affecting the estimated costs to sell and the expected selling price. Any reassessment of costs to sell or selling price in a particular year will affect the costs of goods sold.

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

In the current year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'

This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result, the Group only discloses the key management personnel compensation in total for each of the categories required in AASB 124. In the current year the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.

AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'

The Group has applied the amendments to AASB 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the consolidated financial statements.

AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'

The Annual Improvements to AASBs 2009 – 2011 have made a number of amendments to AASBs. The amendments that are relevant to the Group are the amendments to AASB 101 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its

financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position. There are no material adjustments requiring the use of a third period statement of financial position.

AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'

This standard makes amendment to AASB 1048 'Interpretation of Standards' following the withdrawal of Australian Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

AASB CF 2013-1 'Amendments to the Australian Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework)

This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for-profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors. As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In August 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 (as revised in 2011) 'Separate Financial Statements' and AASB 128 (as revised in 2011) 'Investments in Associates and Joint Ventures'. Subsequent to the issue of these standards, amendments to AASB 10, AASB 11 and AASB 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group applied for the first time AASB 10, AASB 12 and AASB 128 (as revised in 2011) together with the amendments to AASB 10 and AASB 12 regarding the transitional guidance. AASB 11 is not applicable to the Group as there are no joint arrangements. AASB 127 is not applicable to the Group as it deals with separate financial statements. The adoption of AASB 10 and AASB 12 does not have a material impact on the consolidated financial statements as documented below.

AASB 10 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidated – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. Some guidance included in AASB 10 that deals with whether or not an investor that owns less than 50 per cent of the voting rights in an investee has control over the investee is relevant to the Group.

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply both to financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period. Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.

AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

This standard amends AASB 10 and various Australian Accounting Standards to revise the transition guidance on the initial application of those Standards. This standard also clarifies the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119' (2011)

In the current year, the Group has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time.

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans, termination benefits and amended the definitions of short-term and other long-term employee benefits, which impact the measurement and classification of annual leave liabilities. The changes relevant to the Group are the amended definitions of short-term and other long-term employee benefits and their impacts on the measurement and classification of annual leave liabilities.

AASB 119 (as revised in 2011) defines short-term benefits as those expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. The change in definition shifts the focus to the benefit as a whole, and to when the entity expects the benefit to be settled, as opposed to when settlement is due. The potential impact is that previously classified short-term liabilities will be treated as other long-term employee benefits, which will require measurement on a discounted basis. In addition, it will change the presentation of employee benefit amounts for key management personnel under AASB 124 'Related Party Disclosures', and in Remuneration Reports in accordance with the Corporations Act 2001. The change in classification affects the measurement of the liability, but may not affect the presentation of the liability as a current liability (e.g. annual leave) on the statement of financial position.

The adoption of this amending standard does not have any material impact on the consolidated financial statements. As the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, the obligation for employees will continue to be presented as a current liability under AASB 101 'Presentation of Financial Statements'.

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.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' - Part A: 'Annual Improvements 2010 - 2012 and 2011 - 2013 Cycles' - Part C: 'Materiality'	1 July 2014	30 June 2015

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014	30 June 2015
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014	30 June 2015
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	30 June 2017
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018

A number of Australian Accounting Standards and Interpretations (and IFRSs and IFRIC Interpretations) are in issue but are not effective for the current year end. The potential effect of the revised Standards/Interpretations on the Group's financial statements has not yet been determined. The Group does not intend to adopt any of these pronouncements before their effective dates.

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.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power; including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or a loss is recognised in profit and loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(b) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(c) 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.

(d) 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.

(e) Financial assets

Investments are recognised and derecognised on trade date where the purchase order 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

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.

(f) Financial liabilities and equity instruments issued by the Company*Interest and dividends*

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments. Borrowings are classified as Financial Liabilities measured at amortised cost.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

(g) 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.

Exchange differences are recognised in the foreign exchange reserve in the period in which they arise.

(h) Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is

recognised in the profit or loss immediately unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation increase.

(i) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

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 is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. 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 is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 in each individual entity as if each entity continued to act as a taxpayer in its own right.

(j) Inventories

Inventories of consumable supplies and spare parts are valued at lower of cost and net realisable value. Finished goods include an appropriate portion of fixed and variable overhead expenses and are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(k) Buildings and property, plant and equipment***Buildings and property, plant and equipment***

Buildings and property, plant and equipment are stated in the consolidated statement of financial position at their cost less any subsequent accumulated depreciation and subsequent accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Freehold land is not depreciated.

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The depreciation rates used for each class of depreciable assets are:

Freehold land & buildings:

Land Improvements	15 years
Buildings	40 years

Other plant, equipment & motor vehicles:

Vehicles	8 years
Furniture, fittings and office equipment	8 - 20 years
Computer hardware and manufacturing equipment	4 years
Computer software	2.5 years
Manufacturing plant	5 – 30 years
Laboratory equipment	5 – 15 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit in loss.

(l) Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses (where applicable). Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

(m) 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.

(n) 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 all the following conditions are satisfied:

- i. the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ii. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- iii. the amount of revenue can be measured reliably;
- iv. it is probable that the economic benefits associated with the transaction will flow to the Group; and
- v. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates unless there are specific performance conditions which must be met before the loan will convert into a grant, in which case the unconverted portion of the loan will be treated as a loan.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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.

(o) 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.

(p) 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. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 31.

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.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods and services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(q) 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.

(r) 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.

2. Segment information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on three key reportable segments. Specifically, the Group's reportable segments under AASB 8 are as follows:

- i. Western Australia – Biodiesel Plant located at Picton
- ii. South Australia – Biodiesel Plant located at Largs Bay
- iii. Victoria – Biodiesel Plant located at Barnawartha

The accounting policies of the reportable segments are the same as the Group's accounting policies.

(i) Revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment revenue		Segment result	
	2014	2013	2014	2013
	\$	\$	\$	\$
Continuing operations				
Western Australia	3,408,441	541,499	(3,783,910)	(1,430,839)
South Australia	5,760,618	4,866,576	(5,217,282)	2,600,831
Victoria	62,065,906	53,184,293	8,124,919	7,816,228
Total of all segments	71,234,965	58,592,368	(876,273)	8,986,220
Corporate			(2,985,281)	(4,846,479)
Interest revenue			706	22,393
Finance costs			(1,720,742)	(1,915,513)
Profit/(loss) before tax			(5,581,590)	2,246,621

The revenue reported above represents the revenue generated from external customers. Segment result represents the profit or loss incurred by each segment, including any impairment charges, without the allocation of corporate costs, interest revenue, finance costs, income tax expense and inter-segment transactions. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(ii) Segment assets and liabilities

	Segment assets		Segment liabilities	
	2014	2013	2014	2013
	\$	\$	\$	\$
Continuing operations				
Western Australia	4,317,104	6,359,181	244,927	2,369,475
South Australia	2,351,923	12,611,461	253,365	1,962,662
Victoria	32,243,083	35,563,617	4,415,218	8,775,658
Segment total	38,912,110	54,534,259	4,913,510	13,107,795
Unallocated	1,190,497	1,504,239	15,792,797	18,241,806
Consolidated total	40,102,607	56,038,498	20,706,307	31,349,601

(iii) Other segment information

	Depreciation & amortisation		Additions to non-current assets	
	2014	2013	2014	2013
	\$	\$	\$	\$
Western Australia	368,812	357,047	91,706	90,933
South Australia	220,513	217,999	695,401	76,640
Victoria	1,079,702	1,044,692	397,135	245,183
Unallocated	103,680	103,159	9,824	47,035
Consolidated total	1,772,707	1,722,897	1,194,066	459,791

In addition to the depreciation reported above, impairment losses of \$3.65 million (2013: nil) were recognised in respect of property, plant and equipment. The impairment losses were attributable to the following reportable segments.

Impairment losses recognised for the year in respect of property, plant and equipment

	2014
	\$
Western Australia	1,300,000
South Australia	2,350,000
Consolidated total	3,650,000

3. Revenue

The following is an analysis of the Group's revenue for the year from continuing operations.

	2014	2013
	\$	\$
(a) Revenue from continuing operations	71,234,965	58,592,368
(b) Finance income		
Interest received	706	22,393
(c) Other revenue		
Grant income	-	50,000
Unrealised gain on valuation of derivative	-	1,100,000
Contingent consideration reduction	1,864,167	-
Foreign exchange gains/(losses)	(18,032)	588
Other	288,808	18,772
Total other revenue	2,134,943	1,169,360

4. Depreciation and amortisation

	2014	2013
	\$	\$
Property, plant and equipment	1,730,792	1,680,982
Other assets	41,915	41,915
Total depreciation and amortisation	1,772,707	1,722,897

5. Finance costs

	2014	2013
	\$	\$
Other	18,923	27,286
Interest on working capital facility	187,647	404,040
Interest on convertible notes	1,514,172	1,484,187
Total finance costs	1,720,742	1,915,513

The weighted average interest rate on borrowed funds is 10.09% (2013: 8.9%).

6. Income taxes

	2014	2013
	\$	\$
Deferred tax benefit/(expense) relating to the origination and reversal of temporary timing differences and tax losses	-	-
Total tax benefit/(expense)	-	-

The prima facie income tax expense on pre-tax accounting profit/(loss) from operations reconciles to the income tax expense in the financial statements as follows:

Accounting profit/(loss) before income tax	(5,581,590)	2,246,621
Income tax expense/(benefit) calculated at 30%	(1,674,477)	673,986
Effect of expenses that are not deductible in determining taxable income	(557,022)	175,918
Effect of temporary differences not recognised	1,570,244	(1,338,084)
Effect of tax losses not recognised	574,557	438,167
Share based payments and impairment charges	86,698	50,013
Income tax credit recognised in profit or loss	-	-

Unrecognised deferred tax balances

The following deferred tax assets have not been recognised:

- Deductible temporary differences	7,294,395	7,165,971
- Tax losses	25,490,857	24,993,306
	32,785,252	32,159,277

Recognised deferred assets and tax liabilities

The following deferred tax balances have been recognised:

Deferred tax assets

- Provisions	-	342,142
- Fixed assets	8,748	1,162,631

Deferred tax liabilities

- Foreign exchange	(7,816)	(3,570)
- Derivatives	-	(330,000)
- Accrued income	-	(1,170,000)
- Prepayments	(932)	(1,203)
	-	-

Tax consolidation

Australian Renewable Fuels Limited and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. The accounting policy for the implementation of the tax consolidation legislation is set out in note 1(i). Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

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.

7. Trade and other receivables

	2014 \$	2013 \$
Trade receivables	2,492,830	3,898,209
Provision for impairment of doubtful debts	(4,379)	(195,851)
GST receivables	-	432,764
Total trade and other receivables	2,488,451	4,135,122

Age of receivables that are past due but not impaired

30-60 days	74,788	105,035
60-90 days	45,451	39,648
90+ days	15,087	129,943
Total age of receivables that are past due but not impaired	135,326	274,626

Trade receivables are non-interest bearing and are generally on 7 to 30 day terms. An allowance is made when there is objective evidence that a trade receivable is impaired.

8. Inventories

	2014 \$	2013 \$
Raw materials - at cost	2,139,593	1,767,969
Consumables - at cost	919,120	903,658
Finished goods - at cost	2,718,370	4,792,615
Finished goods - at net realisable value	-	2,871,695
By products - at cost	15,829	39,963
Spare parts - at cost	414,258	419,507
Total inventories	6,207,170	10,795,407

9. Other current assets

	2014 \$	2013 \$
Prepaid rent	80,102	62,758
Prepaid insurance	869,498	906,972
Prepayment for raw materials	-	52,840
Prepaid lease reclassified as current (note 11)	41,915	41,914
Insurance proceeds receivable	-	4,359,933
Other	103,172	30,880
Total other current assets	1,094,687	5,455,297

10. Property, plant and equipment

	Freehold land and buildings \$	Other plant, equipment and motor vehicles \$	Total \$
Gross carrying amount			
Balance at 1 July 2012	3,899,535	35,943,844	39,843,379
Additions	-	459,791	459,791
Balance at 1 July 2013	3,899,535	36,403,635	40,303,170
Additions	-	1,194,066	1,194,066
Disposals	-	(6,989)	(6,989)
Balance at 30 June 2014	3,899,535	37,590,712	41,490,247
Accumulated depreciation and impairment			
Balance at 1 July 2012 (restated)⁽ⁱ⁾	-	(5,664,257)	(5,664,257)
Depreciation expense (note 4)	-	(1,680,982)	(1,680,982)
Balance at 1 July 2013 (restated)⁽ⁱ⁾	-	(7,345,239)	(7,345,239)
Depreciation expense (note 4)	-	(1,730,792)	(1,730,792)
Impairment losses recognised in profit or loss	-	(3,650,000)	(3,650,000)
Balance at 30 June 2014	-	(12,726,031)	(12,726,031)
Net book value			
As at 30 June 2013 ⁽ⁱ⁾	3,899,535	29,058,396	32,957,931
Balance at 30 June 2014	3,899,535	24,864,681	28,764,216

(i) Management identified a prior period depreciation error in relation to the impairment of the Barnawartha plant. An inconsistency in the calculation of depreciation resulted in an overstatement of depreciation expense for the consolidated Group for the year ending 30 June 2012 of \$649,731. The restatement resulted in an increase in net assets of the Consolidated Group as at 30 June 2013 of \$649,731 (Company: nil impact) and a reduction in the accumulated losses for the 12 months ending 30 June 2013 (Company: nil impact) of \$649,731.

10.1 Impairment losses recognised in the year

In accordance with the Group's policy, the Group has performed an annual assessment of impairment indicators. Following the review of external and internal sources of information, it was determined that indicators of impairment exist at 30 June 2014 for the three Cash Generating Units (CGU's). The three CGU's have been determined to be the Western Australia, South Australia and Victorian segments. Each CGU comprises a manufacturing plant and assets with clearly attributable cash flows.

The following impairment indicators were identified:

1. The market capitalisation of ARfuels is lower than the carrying amount of net assets of the Group as at 30 June 2014;
2. Difficult trading conditions exist due to subsidised overseas biodiesel being imported into the Australian market at increasing volumes. This biodiesel receives subsidies in the place of manufacture and in Australia, resulting in a material price disparity. This caused lower than expected demand for locally produced biodiesel and this has resulted in the inability of the South Australian and Western Australian segments to secure any material sales contracts;
3. A change in the United States of America (US) EPA mandates and subsidies supporting the biodiesel industry in late calendar year 2013 resulted in previously planned exports becoming non-viable; and
4. The Australian Federal Government has proposed changes to the taxation of biodiesel. Those changes are described in detail within the Directors' Report. Should the proposed legislation be enacted it is expected to severely impact the profitability of all Australian biodiesel producers.

Following the identification of the above impairment indicators, the Group engaged the services of professional valuation experts to assist the Group in assessing whether the recoverable amount of each CGU exceeds its carrying amount. The recoverable amounts have been determined based on an assessment of the higher of Value in Use or Fair Value Less Costs to Sell. The valuation experts employed accepted valuation techniques as described for each CGU in detail below. Where forecast cash flows were used in the valuation these cash flows have been adjusted for the known impact of the identified impairment indicators as well as the decisions made by the Board.

The impact of the proposed change in Australian legislation was not included in the impairment calculations due to the fact that the legislation changes have not been enacted and the application of the changes is unclear. The result of the impairment testing at 30 June 2014 has led to the recognition of an impairment loss totalling \$3.65m. This comprises an impairment of the plant and equipment of \$2.35m for South Australia (Largs Bay) and \$1.3m for Western Australia (Picton). The Victorian (Barnawartha) asset's recoverable amount exceeds its carrying amount at 30 June 2014. This position will be reviewed should the proposed Australian legislation changes be enacted.

The impairment considerations for each CGU are detailed as follows:

South Australia - Largs Bay

The South Australia CGU incurred a trading loss for the past financial year and the result was below budget expectations. The CGU has been heavily impacted by the import price disparity as well as changes in the US export market. In addition, considerable further investment is required to improve the production, sales and distribution capabilities of the plant. Without any reversal of these uncontrollable market conditions it is uncertain whether the CGU can provide a sufficient return on the required capital investment over its useful life. This result has been calculated before the uncertainty created by the proposed changes in Australian legislation on biodiesel. As a result the directors decided to cease production at Largs Bay.

The Group and the independent valuation experts have valued the assets based on an Orderly Liquidated Value (OLV) of the plant and equipment at Largs Bay as \$1.687m. This has resulted in an impairment of \$2.35m. The OLV has been determined by assessing the realisable value of all assets less the cost of all decommissioning, dismantling and sale fees via a piecemeal sale of the asset components over a year. The realisable value of the assets has been calculated by researching current market prices and observing recent sales of similar assets on both an OLV and auction basis.

Western Australia - Picton

The Western Australia CGU incurred a trading loss for the past financial year and the result was below budget expectations. The CGU has been heavily impacted by the import price disparity as well as the changes in the US export market. In addition the plant has a lack of access to key distribution and blending facilities. The Group continues to actively source and gain access to blending and distribution infrastructure. Securing this infrastructure will result in a significantly improved sales outlook for this CGU. The current market uncertainty created by the proposed changed in Australian excise legislation adds to the challenges for this CGU.

Based on current business conditions, forecast cash flows and the number of uncertainties surrounding the cash flows for Picton, the Directors have written the assets down to an OLV of \$0.822m resulting in an impairment charge of \$1.3m as at 30 June 2014.

An increase in earnings may be generated by securing sustainable domestic sales contracts and this remains the clear focus and target by the Group for Picton.

Victoria - Barnawartha

The Victoria CGU (Barnawartha) continues to generate material earnings for the Group. Barnawartha has performed within prior budget expectations. On current forecasts and under the current legislation, it will continue to be profitable. Barnawartha has key and material sales contracts that on current expectations will continue on similar terms. The recent material earnings performance and existence of sales contracts provide a strong basis to form the view that earnings will remain consistent in future periods.

Whilst Barnawartha continues to generate material levels of profit, impairment indicators do exist. The impairment indicator prevalent for this CGU is that the Group's market capitalisation is less than the carrying values of the Group's net operating assets. As a result of the impairment indicator existing, a discounted cash flow (DCF) calculation was completed to determine if the recoverable amount (being the higher of the Value in Use or the Fair Value Less Costs to Sell) of the CGU exceeds the carrying amount of the assets at Barnawartha.

The proposed excise legislation has not been enacted and therefore the impacts of these changes have not been included in the DCF. Key assumptions used for the DCF modelling were: a pre-tax Weighted Average Cost of Capital (WACC) of 17.5%; a 2% terminal growth rate applied against 5 and 7 year cash flows; and a 2.5% inflation rate applied to corporate operating expenses allocated to the Victorian CGU. The result of the DCF calculation on a Value in Use basis is that the recoverable amount materially exceeds the carrying amount for the Victorian CGU. Should the proposals contained in the 2014 Federal Budget be enacted as announced, this would result in a material impairment of the Victorian CGU. That impairment amount could be between \$14 million and \$20 million, depending on sales and margin assumptions.

11. Other non-current assets

	2014	2013
	\$	\$
Prepaid lease on Picton land ⁽ⁱ⁾	595,070	636,986
Total other non-current assets	595,070	636,986

(i) In the 2010 financial year, the Group entered into an agreement for the sale of its Picton land to Kingslane Pty Limited for a total consideration of \$3,000,000 and agreed to lease back a portion of the land (approximately 25% of the total property) for a fixed fee of \$838,290 (included stamp duty of \$58,290) paid up front.

12. Trade and other payables

	2014	2013
	\$	\$
Trade payables ⁽ⁱ⁾	2,907,765	7,205,676
WA Government grant ⁽ⁱⁱ⁾	250,000	250,000
Insurance premium funding	678,979	813,001
Accrued costs	2,321,122	2,245,712
Other payables	89,468	209,091
Total trade and other payables	6,247,334	10,723,480

(i) Trade payables are non-interest bearing and are normally settled on 0-60 day terms.

(ii) The WA Government advance is convertible to a grant when certain performance conditions are met. The Government advance was awarded in 2005 with a convertible period of 5 years. The advance is non-interest-bearing and any unconverted and outstanding amounts as at June 2012 were repayable at that time. The Group is still in discussions with the WA Government on conditions to be satisfied to convert the balance of the advance. In the 2013 financial year \$50,000 was converted to a grant based on achievement of prior conditions. The Group has a requirement to repay the grant in October 2014 if the conditions are not met.

13. Provisions

	2014	2013
	\$	\$
Employee leave		
Current	288,575	329,238
Non-current	254,141	168,715
Total provisions	542,716	497,953

14. Convertible notes

The convertible notes were issued as part of the consideration for the acquisition of BPL. The convertible notes include a derivative component due to the conversion features of the note. The conversion option allows for conversion at \$6⁽ⁱ⁾, but if converted on maturity date, the conversion price is the VWAP for 3 months prior to maturity date less 10%. Conversion is for one share at \$6⁽ⁱ⁾ and one option at \$3⁽ⁱⁱ⁾ for every three shares issued. The convertible notes, including the variable share price conversion component and the share options component, are required to be valued at inception, and then at each balance date with any changes to the fair value recorded through profit or loss. Additional information on the inputs to the valuation of the derivative is provided at note 26.10. \$1.1million of the liability has been reduced by an unrealised gain on the embedded derivative during the 2013 financial year.

	2014 \$	2013 \$
Derivative component⁽ⁱ⁾		
Opening balance	1,470,138	2,570,138
Unrealised loss/(gain) on derivative	-	(1,100,000)
Closing balance	1,470,138	1,470,138
Debt component		
Opening balance	12,446,119	11,079,862
Capitalised interest ⁽ⁱⁱ⁾	-	1,366,257
Closing balance	12,446,119	12,446,119
Disclosed in the financial statements as:		
Other non-current liabilities	13,916,257	13,916,257
	13,916,257	13,916,257

(i) The conversion price of the shares and options has been adjusted for the share consolidation of 100:1 completed during the year ended 30 June 2014. The derivative component of the convertible notes has been recalculated by Management at 30 June 2014 in accordance with AASB 139.

(ii) The Group elected to capitalise interest accrued for the year ended 31 October 2012.

15. Borrowings

At the reporting date, the Group had the following financing facilities in place with HSBC Bank Australia Limited:

	2014 \$	2013 \$
Total facilities:		
Working capital facility	5,500,000	5,500,000
Guarantee facility	600,000	600,000
	6,100,000	6,100,000
Facilities used at reporting date:		
Working capital facility	-	4,211,911
Guarantee facility	544,000	510,000
	544,000	4,721,911
Facilities unused at reporting date:		
Working capital facility	5,500,000	1,288,089
Guarantee facility	56,000	90,000
	5,556,000	1,378,089

16. Amounts payable on acquisition

On 1 November 2011, the Group acquired Biodiesel Producers Limited (BPL), a biodiesel producer with a nameplate capacity of 60 million litres per annum. Details of the amounts payable on acquisition are as follows:

	2014	2013
	\$	\$
Current:		
Contingent consideration ⁽ⁱ⁾	-	699,000
	-	699,000
Non-current:		
Contingent consideration ⁽ⁱ⁾	-	1,301,000
Total amounts payable on acquisition	-	2,000,000

(i) The contingent consideration liability was a potential further payment to Note Holders that would have been triggered subject to certain criteria being achieved. In May 2014, management re-negotiated the contingent consideration arrangement which resulted in a new agreement between the Group and the Note Holders. Interest payable to the Note Holders was increased by 0.5% per annum and the contingent consideration liability was extinguished and recorded as other revenue for the financial year (refer to note 3).

17. Issued capital and contributed equity

	2014	2013
	\$	\$
Fully paid ordinary shares		
30 June 2014: 41,956,145 (30 June 2013: 4,195,537,997)	135,944,302	135,944,302

17.1 Ordinary shares

		2014		2013
Ordinary shares	No.	\$	No.	\$
Opening balance	4,195,537,997	135,944,302	2,441,300,361	124,176,890
Issue of shares from entitlement offer	-	-	1,144,237,636	8,009,663
Issue of shares from private placements	-	-	610,000,000	4,270,000
Share consolidation	(4,153,581,852)	-	-	-
Share issue costs	-	-	-	(512,251)
Closing balance	41,956,145	135,944,302	4,195,537,997	135,944,302

17.2 Options

		2014		2013
Options	No.	\$	No.	\$
Opening balance	168,190,000	2,151,218	357,340,000	1,984,507
Share based payments	-	288,993	15,000,000	166,711
Share consolidation	(166,508,100)	-	-	-
Options expired/forfeited	(76,900)	-	(204,150,000)	-
Closing balance	1,605,000	2,440,211	168,190,000	2,151,218

18. Reserves

	2014	2013
	\$	\$
Employee share options reserve	1,334,505	1,045,512
Other reserve	1,105,706	1,105,706
Total reserves	2,440,211	2,151,218

18.1 Foreign currency translation reserve

	2014	2013
	\$	\$
Balance at beginning of year	-	(469,371)
Exchange reserve reclassified to profit and loss on dissolution of foreign entity	-	469,371
Balance at end of year	-	-

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

18.2 Employee share options reserve

	2014	2013
	\$	\$
Balance at beginning of year	1,045,512	878,801
Share based payments	288,993	166,711
Balance at end of year	1,334,505	1,045,512

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(p). Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payment to employees is made in note 31 to the financial statements.

18.3 General options reserve

	2014	2013
	\$	\$
Balance at beginning of year	-	1,105,706
Reallocation of general options reserve	-	(1,105,706)
Balance at end of year	-	-

The general options reserve arose on the grant of options to Global Biofuels Trading Inc (GBTI) on 24 March 2012 under which one option was granted for nil consideration for every share subscribed under the GBTI investment in the Group once the contribution of \$2 million to equity was satisfied. The options were valued at 0.5 cents using the Black-Scholes model. The options expired during the 2013 financial year.

18.4 Other reserve

	2014	2013
	\$	\$
Balance at beginning of year	1,105,706	-
Reallocation of general options reserve	-	1,105,706
Balance at end of year	1,105,706	1,105,706

During the 2013 financial year the Group transferred the balance of the general options reserve to the other reserve. As detailed in 18.3 above, the allocation from the general options reserve represents options which were not exercised, and subsequently expired.

19. Accumulated losses

	2014	2013
	\$	(Restated)⁽ⁱ⁾
	\$	\$
Balance at beginning of year	(113,148,777)	(115,451,367)
Net profit/(loss) attributable to members of the parent entity	(5,531,949)	2,302,590
Balance at end of year	(118,680,726)	(113,148,777)

(i) Management identified a prior period depreciation error in relation to the impairment of the Barnawartha plant. An inconsistency in the calculation of depreciation resulted in an overstatement of depreciation expense for the consolidated Group for the year ending 30 June 2012 of \$649,731. The restatement resulted in an increase in net assets of the Consolidated Group as at 30 June 2013 of \$649,731 (Company: nil impact) and a reduction in the accumulated losses for the 12 months ending 30 June 2013 (Company: nil impact) of \$649,731.

20. Non-controlling interests

	2014	2013
	\$	\$
Balance at beginning of year	(257,846)	(201,877)
Share of loss for the year	(49,641)	(55,969)
Balance at end of year	(307,487)	(257,846)

21. Commitments

The Group has entered into the following lease arrangements:

- i. A 20 year lease of the land on which the Largs Bay facility is located, which terminates on 31 October 2031;
- ii. A 5 year lease on the Group's corporate headquarters on St Kilda Road, Melbourne, which terminates on 31 October 2016; and
- iii. Various leases of office equipment for terms not exceeding 5 years.

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

	2014	2013
	\$	\$
Not longer than 1 year	232,712	228,766
Longer than 1 year and not longer than 5 years	655,450	760,862
Longer than 5 years	1,570,033	1,697,333
Total	2,458,195	2,686,961

22. Contingent assets and liabilities

- i. Contingent asset – Picton land sale contingent consideration

In September 2009, the Group sold its land at the Picton site as part of a wider agreement for the development of an industrial development in the area with additional deferred consideration being contingent on the successful sub-division of the land by the purchaser. If formal sub-division of the land is completed, the Group will become the beneficiary of an asset in the form of one of the sub-divided lots or additional proceeds from the sale of the lot. The nature of the deferred consideration is at the option of the purchaser once sub-division has occurred.

23. Subsidiaries

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

Name of entity	Country of incorporation	Ownership interest	
		2014 %	2013 %
Parent entity			
Australian Renewable Fuels Limited	Australia		
Subsidiaries			
Biodiesel Producers Pty Ltd	Australia	100	100
Australian Renewable Fuels Picton Pty Ltd	Australia	100	100
Australian Renewable Fuels Adelaide Pty Ltd	Australia	100	100
Besok Fuels Pty Ltd	Australia	100	100
AR Fuels US LLC (incorporated 1 July 2013)	United States	100	-
ASG Analytik Pty Ltd	Australia	50	50

All 100% owned Australian entities are part of the tax consolidated group.

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 2014, 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 (2013: 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 (2013: Nil). There is currently no intention to provide contractual or non-contractual financial or other support to one of the consolidated entities going forward.

24. Cash flows from operations reconciliation

24.1 Cash and cash equivalents

	2014 \$	2013 \$
Cash and bank balances	953,013	2,057,755
Bank working capital facilities	-	(4,211,911)
Total	953,013	(2,154,156)

24.2 Cash flows from operations reconciliation

	2014	2013
	\$	\$
Profit/(loss) for the year:	(5,581,590)	2,246,621
Non cash items:		
Unrealised (gain)/loss on derivative liability	-	(1,100,000)
Contingent consideration not paid	(1,864,167)	-
Depreciation and amortisation of property, plant and equipment	1,772,707	1,722,897
Borrowings reclassified as a grant	-	(50,000)
Share-based payments expense	288,993	166,711
Impairment of non-current assets	3,650,000	-
Net foreign exchange loss/(gain)	(26,053)	469,371
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	1,141,613	178,381
Inventories	4,436,784	(7,540,142)
Other assets	4,073,008	(2,884,965)
Increase/(decrease) in liabilities:		
Trade and other payables	(4,043,382)	529,092
Provisions	39,603	71,704
Net cash from operating activities	3,887,516	(6,190,330)

25. Non-cash transactions

There were no non-cash transactions during the year ended 30 June 2014 (2013: nil).

26. Financial instruments**26.1 Capital risk management**

The Group manages its capital to ensure that all entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the 2013 financial year. The capital structure of the Group can, at various times, consist of debt, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and accumulated losses. None of the Group's entities are subject to externally imposed capital requirements. Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures including tax and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular and ongoing basis after consideration of the cost of capital and the risks associated with each class of capital.

The gearing ratio at year end was as follows:

	2014	2013
		(Restated) ⁽ⁱⁱⁱ⁾
	\$	\$
Debt ⁽ⁱ⁾	13,916,257	13,916,257
Net (Cash and cash equivalents)/ Overdraft	(953,013)	2,154,156
	12,963,244	16,070,413
Equity ⁽ⁱⁱ⁾	19,396,300	24,688,897
Net debt to equity ratio	0.67:1	0.65:1

(i) Debt is defined as current and non-current borrowings as disclosed in note 14 which represents the convertible notes and derivative issued as a component of the acquisition of Biodiesel Producers Pty Limited. The convertible notes are subordinated debt.

(ii) Equity includes all capital, reserves and accumulated losses.

(iii) Management identified a prior period depreciation error in relation to the impairment of the Barnawartha plant. An inconsistency in the calculation of depreciation resulted in an overstatement of depreciation expense for the consolidated Group for the year ending 30 June 2012 of \$649,731. The restatement resulted in an increase in net assets of the Consolidated Group as at 30 June 2013 of \$649,731 (Company: nil impact) and a reduction in the accumulated losses for the 12 months ending 30 June 2013 (Company: nil impact) of \$649,731.

26.2 Significant accounting policies relating to financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

26.3 Categories of financial instruments

	2014	2013
	\$	\$
Financial assets		
Cash and cash equivalents	953,013	2,057,755
Trade and other receivables	2,488,451	4,135,122
	3,441,464	6,192,877
Financial liabilities		
Bank working capital facilities	-	4,211,911
Trade and other payables	6,247,334	10,723,480
Amounts payable on acquisition of BPL	-	2,000,000
Convertible notes	12,446,119	12,446,119
Derivative component of convertible note	1,470,138	1,470,138
	20,163,591	30,851,648

The carrying amount reflected above represents the Group's maximum exposure to credit risk on the principle amounts for such credit.

26.4 Financial risk management objectives

The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

26.5 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and interest rates. The Group manages its exposure to foreign currency on an individual transaction basis and may include entering into contracts in foreign currency when exchange rates are more favourable to the Company.

There has been no change to the nature of the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

26.6 Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. At the end of the year the Group was exposed to US Dollar (USD) currency fluctuations. Exchange rate exposures are managed within approved internal policy parameters.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the reporting date were:

	Liabilities		Assets	
	2014	2013	2014	2013
	\$	\$	\$	\$
US dollars (Australian dollars equivalent)	-	279,349	411,453	443,488

Foreign currency sensitivity analysis

Based on the financial instruments held at 30 June 2014 the Group's post tax profit and equity would have been \$41,145 higher/lower (2013: \$16,414 higher/lower) with a 10% increase/decrease in the Australian dollar against the US dollar.

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates in the short-term.

The Group's risk exposure to foreign exchange is therefore considered to be immaterial. Notwithstanding this, the Group seeks to mitigate the effect of its foreign currency exposure by applying appropriate foreign currency exchange hedges as required.

26.7 Interest rate risk management

The Group may, from time to time, be exposed to interest rate risk as entities in the Group borrow funds or enter into structured debt facilities at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. At June 2014, all borrowings were on a fixed rate basis and the Group's working capital facilities were on a floating basis. The Group's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates in the short-term.

At reporting date there were no borrowings in relation to bank facilities therefore there is no risk associated with an increase/decrease in interest rates on the Group's net profit (2013: \$17,486). Being on a fixed rate basis, there would be no impact on the other borrowings. Other equity reserves increase/decrease would be nil (2013: nil).

The Group's sensitivity to interest rates has decreased during the year mainly due to the reduction in variable debt instruments.

26.8 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved on an ongoing basis.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. All non-bank credit is subordinate to bank credit.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

26.9 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's contractual maturity for its non-derivative financial assets and liabilities.

The table has been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 month \$	1 – 3 months \$	3 months to 1 year \$	1-4 years \$	5+ years \$
2014						
Financial assets						
Trade and other receivables	-	2,488,451	-	-	-	-
Cash and cash equivalents	1.8%	953,013	-	-	-	-
		3,441,464	-	-	-	-
Financial liabilities						
Working capital facilities	-	-	-	-	-	-
Trade and other payables	-	5,568,355	-	-	-	-
Insurance premium financing	(2.6%)	113,164	226,326	339,489	-	-
Contingent consideration on acquisition of BPL (note 16)	-	-	-	-	-	-
Convertible notes	(10.5%)	-	-	-	13,650,000	-
- Interest	-	-	-	1,576,707	2,112,355	-
- Capitalised interest	(10.0%)	-	-	-	1,366,257	-
		5,681,519	226,326	1,916,196	17,128,612	-
2013						
Financial assets						
Trade and other receivables	-	4,135,122	-	-	-	-
Cash and cash equivalents	0.4%	2,057,755	-	-	-	-
		6,192,877	-	-	-	-
Financial liabilities						
Working capital facilities	(6.7%)	4,211,911	-	-	-	-
Trade and other payables	-	9,910,479	-	-	-	-
Insurance premium financing	(2.3%)	135,500	271,000	406,501	-	-
Contingent consideration on acquisition of BPL (note 16)	-	-	-	699,000	1,301,000	-
Convertible notes	(10.0%)	-	-	-	13,650,000	-
- Interest	-	-	-	1,501,626	3,760,236	-
- Capitalised interest	(10.0%)	-	-	-	1,366,257	-
		14,257,890	271,000	2,607,127	20,077,493	-

26.10 Financial liabilities at fair value through profit and loss

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

26.10.1 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined, in particular, the valuation techniques and inputs used.

26.10.2 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs to fair value	Relationship of unobservable inputs to fair value
	30/06/2014	30/06/2013				
1) Contingent consideration in a business combination	Liabilities - Nil	Liabilities - \$2,000,000	Level 3	Discounted cash flow.	Probability - varied production volumes.	The higher the production volumes the higher the fair value.
2) Derivative component of convertible notes	Liabilities - \$1,470,138	Liabilities - \$1,470,138	Level 3	Option pricing models including quoted share prices in an active market.	Probability - likelihood of early repayment. Probability - likelihood of conversion.	The higher the likelihood of early repayment the lower the fair value. The higher the likelihood of conversion the lower the fair value.

If the above unobservable inputs to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amounts of the liabilities would have been \$243,805 higher/lower.

26.10.3 Reconciliation of Level 3 fair value measurements

30 June 2014	Derivative component of convertible notes \$	Contingent consideration on acquisition \$	Total \$
Opening balance	1,470,138	2,000,000	3,470,138
Disposals/settlements	-	(135,833)	(135,833)
Total gains or losses:			
- in profit or loss	-	(1,864,167)	(1,864,167)
Closing balance	1,470,138	-	1,470,138

30 June 2013	Derivative component of convertible notes \$	Contingent consideration on acquisition \$	Total \$
Opening balance	2,570,138	2,000,000	4,570,138
Total gains or losses:			
- in profit or loss	(1,100,000)	-	(1,100,000)
Closing balance	1,470,138	2,000,000	3,470,138

27. Key management personnel compensation

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

	2014 \$	2013 \$
Short-term employee benefits	1,283,251	1,490,853
Post-employment benefits - superannuation	89,115	73,555
Share-based payments	244,098	234,263
Total key management personnel compensation	1,616,464	1,798,671

28. Related party transactions**28.1 Equity interests in related parties***(i) Equity interests in subsidiaries*

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 23 to the financial statements.

28.2 Transactions with key management personnel*(i) Key management personnel compensation*

Details of key management personnel compensation is disclosed in the Remuneration Report to the financial statements.

(ii) Loans to key management personnel

There were no loans to key management personnel during the financial year.

(iii) Other transactions with key management personnel of the Group

There were no other transactions with key management personnel of the Group during the financial year or in the prior year.

28.3 Transactions between Australian Renewable Fuels Limited and its related parties**(i) Related parties**

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. There were no loans to or from related parties outside of the Group.

(ii) Trading transactions

During the financial year, the Group did not enter into any transactions with related parties that are not members of the Group.

29. Remuneration of auditors

	2014 \$	2013 \$
Auditor of the parent entity (Deloitte Touche Tohmatsu):		
Audit and review of the financial report	130,100	140,000
Non-audit services:		
- Final audit of Biodiesel Producers Pty Ltd	-	26,250
- Taxation advice	13,950	56,435
- Capital raise	-	71,086
- Failed Wentworth bid	-	201,334
- Corporate Advice	8,230	-
Total remuneration of auditors	152,280	495,105

30. Earnings per share

	2014 \$	2013 \$
Basic earnings profit/(loss) per share ⁽ⁱ⁾	(0.13)	0.08
Diluted earnings profit/(loss) per share ⁽ⁱⁱ⁾	(0.13)	0.08

(i) Basic earnings per share

Net profit/(loss) from continued and continuing operations	(5,531,949)	2,302,590
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	2014 Number	2013 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share ⁽ⁱⁱⁱ⁾	41,956,145	30,103,874

(ii) Diluted earnings/(loss) per share

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. Accordingly, the number used to calculate the diluted earnings/(loss) per share is the same as the number used to calculate the basic earnings/(loss) per share.

	2014 Number	2013 Number
Employee share options ⁽ⁱⁱⁱ⁾	1,605,000	1,681,900

⁽ⁱⁱⁱ⁾ During the year ended 30 June 2014, the Group completed a share consolidation on a 100:1 basis. The consolidation involved the conversion of every hundred fully paid ordinary shares into one fully paid ordinary share. The information above has been adjusted to reflect the share consolidation.

31. Share-based payments

31.1 Employee share option plan

Share options are granted to executives and staff as part of their remuneration package under the Employee Share Option Plan. There are no cash settlement alternatives. The Employee Share Option Plan is designed to provide long-term incentives for senior managers and above (including Directors) to deliver long-term shareholder returns. Participation in the plan is at the Board's discretion and there is no individual contractual right to participate in the plan or to receive any guaranteed benefits.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Option series grant date	Number of options ⁽ⁱ⁾	Expiry date	Exercise price ⁽ⁱ⁾ \$	Fair value at grant date ⁽ⁱ⁾ \$
March 2008	1,500	March 2013	n/a	3.00
September 2008	1,900	September 2013	n/a	3.00
August 2009	17,500	September 2014	1.93	1.00
November 2009	312,500	September 2014	1.93	1.00
December 2011	450,000	December 2014	2.93	1.00
January 2012	40,000	December 2012	1.93	1.00
March 2012	575,000	February 2015	2.93	1.00
March 2012	400,000	March 2015	3.93	1.00
December 2012	150,000	November 2015	3.93	1.00

(i) During the year ended 30 June 2014, the Group completed a share consolidation on a 100:1 basis. The consolidation involved the conversion of every hundred fully paid ordinary shares into one fully paid ordinary share. The information above has been adjusted to reflect the share consolidation.

31.2 Fair value of share options granted in the year

There were no options granted during the financial year (2013: \$3.93). In the prior year the options granted were priced using a Black-Scholes valuation model. The inputs into this model were:

Option series grant date	Inputs into the model				
	Grant date share price \$	Exercise price ⁽ⁱ⁾ \$	Expected volatility	Risk-free interest rate	Option life
March 2008	3.20	n/a	180%	6.40%	60 months
September 2008	2.90	n/a	217%	5.70%	60 months
August 2009	1.40	1.93	220%	4.90%	61 months
November 2009	2.00	1.93	208%	4.60%	58 months
December 2011	1.40	2.93	92%	3.02%	36 months
January 2012	1.40	1.93	94%	3.14%	12 months
March 2012	1.60	2.93	93%	3.70%	36 months
March 2012	1.50	3.93	93%	3.55%	36 months
December 2012	1.10	3.93	94%	2.64%	36 months

(i) During the year ended 30 June 2014, the Group completed a share consolidation on a 100:1 basis. The consolidation involved the conversion of every hundred fully paid ordinary shares into one fully paid ordinary share. The information above has been adjusted to reflect the share consolidation. The 30 June 2013 comparatives have been adjusted accordingly.

31.3 Movements in employee share options during the year

The following table reconciles the outstanding options granted under the employee share option plan at the beginning and end of the financial year:

	2014		2013	
	Number of rights ⁽ⁱⁱⁱ⁾	Weighted average exercise price \$	Number of rights ⁽ⁱⁱⁱ⁾	Weighted average exercise price \$
Balance at beginning of the financial year	1,681,900	3.20	1,573,400	3.10
Granted during the financial year	-	-	150,000	3.93
Exercised during the financial year ⁽ⁱ⁾	-	-	-	-
Forfeited during the financial year	(75,000)	2.93	-	-
Expired during the financial year	(1,900)	10.00	(41,500)	2.29
Balance at end of the financial year ⁽ⁱⁱ⁾	1,605,000	3.21	1,681,900	3.20
Exercisable at end of the financial year	1,005,667	3.09	622,233	2.94

(i) There were no options granted under the employee share option plan that were exercised during the financial year.

(ii) The share options outstanding at the end of the financial year had a weighted average exercise price of \$3.21 (2013: \$3.20), and a weighted average remaining contractual life of 0.4 years (2013: 1.2 years).

(iii) Note that during the year ended 30 June 2014 ARfuels completed a Share Consolidation on a 100:1 basis. The 30 June 2013 comparative has been restated accordingly.

32. Subsequent events

It has been announced that Philip Garling will be retiring from the Board. Julien Playoust has also advised the Board of his intention to retire as Director effective from the conclusion of the Company's Annual General Meeting to be held on 28 October 2014. The Directors have announced that an update on the composition of the Board will be made by the end of August 2014.

Other than as already noted in the financial statements, there have been no significant subsequent events in the affairs of the Group at the date of this report.

33. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Director's reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiary subject to the Deed is Biodiesel Producers Pty Limited.

Australian Renewable Fuels Limited and Biodiesel Producers Pty Limited entered into a Deed of Cross Guarantee on 2 April 2014. A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and the controlled entity which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2014 is set out below.

Closed group consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2014

	2014
	\$
Revenue from operations	62,065,906
Cost of goods sold	(47,948,453)
	<hr/>
Gross profit	14,117,453
Direct costs	(4,739,721)
Corporate and administration expenses	(1,932,076)
Staff costs	(3,067,449)
Other revenue	1,982,935
Finance income	134
Depreciation and amortisation expenses	(1,106,606)
Finance costs	(1,674,451)
	<hr/>
Profit/(loss) before tax	3,580,219
Income tax (expense)	-
	<hr/>
Profit/(loss) for the period	3,580,219
	<hr/>
Other comprehensive income for the year net of income tax	-
	<hr/>
Total comprehensive income for the year	3,580,219

Closed group consolidated statement of financial position as at 30 June 2014

	2014 \$
Current assets	
Cash and cash equivalents	909,322
Trade and other receivables	2,470,636
Inventories	2,752,461
Other	969,779
Total current assets	7,102,198
Non-current assets	
Property, plant and equipment	26,190,545
Amounts receivable from associates	2,822,172
Financial assets	5
Total non-current assets	29,012,722
Total assets	36,114,920
Current liabilities	
Trade and other payables	5,844,610
Provisions	229,896
Total current liabilities	6,074,506
Non-current liabilities	
Provisions	217,253
Convertible notes	13,916,257
Total non-current liabilities	14,133,510
Total liabilities	20,208,016
Net assets	15,906,904
Equity	
Issued capital	135,944,302
Reserves	2,440,211
Accumulated losses	(122,477,609)
Equity attributable to owners of the company	15,906,904
Non-controlling interests	-
Total equity	15,906,904

34. 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 33 for detailed disclosure.

Financial position	2014	2013
	\$	\$
Assets		
Current assets	976,953	1,166,451
Non-current assets	21,988,759	27,892,043
Total assets	22,965,712	29,058,494
Liabilities		
Current liabilities	1,743,506	2,908,863
Non-current liabilities	14,049,292	15,317,087
Total liabilities	15,792,798	18,225,950
Equity		
Issued capital	135,944,302	135,944,302
Retained earnings	(131,211,599)	(127,262,976)
Reserves	2,440,211	2,151,218
Total equity	7,172,914	10,832,544
Financial performance	2014	2013
	\$	\$
Profit/(loss) for the year	(3,948,623)	(8,553,061)
Other comprehensive income	-	-
Total comprehensive income	(3,948,623)	(8,553,061)

Directors' declaration

The Directors declare that:

- i. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- ii. in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards as stated in note 1 to the financial statements;
- iii. in the Directors' opinion, the attached financial statements and notes thereto are in compliance with the *Corporations Act 2001*, including compliance with accounting standards and give a true and fair view of the financial position and performance of the consolidated entity; and
- iv. the Directors have been given the declarations required by *section 295A of the Corporations Act 2001*.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are no reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 33 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to *section 295(5) of the Corporations Act 2001*.

On behalf of the Directors,



Philip Garling
Chairman
Melbourne, 29 August 2014



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Independent Auditor's Report 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 consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 26 to 67.

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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

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 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 judgement, 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 control, relevant to the company'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 company's internal control. 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.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Renewable Fuels Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited



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 consolidated entity's financial position as at 30 June 2014 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 consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 23 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A stylized, handwritten signature in black ink that reads "Ian Sanders".

Ian Sanders
Partner
Chartered Accountants
Melbourne, 29 August 2014

Additional shareholder information

Additional information required by the ASX Listing Rules not disclosed elsewhere in the full year report is set out below. The shareholder information set out below was applicable as at 20 August 2014.

1. Distribution of Shareholders

Distribution of ordinary shareholders and shareholdings is set out in the table below:

Range	Total holders	Units	% of Issued Capital
1 - 1,000	729	388,776	0.93
1,001 - 5,000	546	1,337,703	3.19
5,001 - 10,000	144	1,149,209	2.74
10,001 - 100,000	183	5,321,051	12.68
100,001 - 999,999,999	37	33,759,406	80.46
Total	1,639	41,956,145	100.00

Voting rights as governed by the Constitution of the Company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:

- i. on a show of hands, one vote only; and
- ii. on a poll, one vote for every fully paid ordinary share held.

2. Largest shareholders

The names of the twenty largest holders by account holding of ordinary shares are listed below:

Rank	Name	Shares held	% of issued capital
1.	NEFCO NOMINEES PTY LTD	8,977,523	21.40
2.	UBS NOMINEES PTY LTD	7,755,373	18.48
3.	HSBC CUSTODY NOMINEES	4,059,385	9.68
4.	AUSTRALIAN ENTERPRISE HOLDINGS PTY LTD <PLAYOUST FAMILY TR A/C>	2,000,000	4.77
5.	BNP PARIBAS NOMS PTY LTD <DRP>	1,346,425	3.21
6.	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	940,400	2.24
7.	SWEET WATER PTY LTD <FARMOCEAN SUPER FUND A/C>	800,000	1.91
8.	THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	679,878	1.62
9.	J & M PLAYOUST SUPERANNUATION PTY LTD <J & M PLAYOUST S/F A/C>	550,000	1.31
10.	KNIGHTLY PTY LTD	530,750	1.27
11.	DIXSON TRUST PTY LTD	478,742	1.14
12.	SEASPIN PTY LTD <APHRODITE A/C>	458,116	1.09
13.	HARLEY CLARKE ENTERPRISES PTY LTD	430,000	1.02
14.	PICTON COVE PTY LTD	388,385	0.93
15.	HOTLAKE PTY LTD <HALCYON SUPER FUND A/C>	362,858	0.86
16.	DHARMA KARTA PTY LTD	286,391	0.68
17.	MR LUKE JOHN JOSEPH PLAYOUST + MRS AMABELLE PLAYOUST <L & A PLAYOUST S/F A/C>	267,143	0.64
18.	REEF SECURITIES LIMITED	264,040	0.63
19.	MR JASON GILBERT RIGGS	250,000	0.60
20.	MR GREGORY MAXWELL WALLACE + MRS YVONNE EVELYN WALLACE	250,000	0.60
Top 20 holders of ordinary fully paid shares		31,075,409	74.08

3. Option holders

The Company has no listed options.

4. Register of substantial shareholders

The names of substantial shareholders in the Company and the number of fully paid ordinary shares in which each has an interest, as disclosed in substantial shareholder notices to the Company on the respective dates shown, are as follows:

Rank	Name	Shares held	% of issued capital
1.	NEFCO NOMINEES PTY LTD	8,977,523	21.40
2.	UBS NOMINEES PTY LTD	7,755,373	18.48
3.	HSBC CUSTODY NOMINEES	4,059,385	9.68

5. Restricted Securities

The Company had no securities subject to escrow arrangement.