# AUSTRALIAN NATURAL PROTEINS LIMITED

ACN 095 821 971

# 2014

## ANNUAL REPORT

# FINANCIAL REPORT FOR YEAR ENDED 30 JUNE 2014

## CONTENTS

# CORPORATE DIRECTORY

For the year ended 30 June 2014

## Directors

| | | |
|---|---|---|
| Emily Lee D'Cruz | appointed 07/07/2014 | Non-Executive Chairman |
| Wei Ching Lim | appointed 07/07/2014 | Non-Executive Director |
| Trevor Kelly | appointed 13/06/2014 | Non-Executive Director |
| Paul Duckett | resigned 07/07/2014 | Non-Executive Chairman |
| Harvey Parker | resigned 09/10/2013 | Non-Executive Chairman |
| Ray Taylor | resigned 07/07/2014 | Managing Director |
| Xu Lidi | appointed 03/10/2013 ) resigned 13/06/2014 ) | Non-Executive Director |
| Phil Beale | appointed 31/10/2013 ) resigned 04/03/2014 ) | Non-Executive Director |
| Dr Wu Pun Yan | resigned 29/11/2013 | Non-Executive Director |

## Share registry

Board Room Pty Limited
Level 7
207 Kent Street
Sydney NSW 2000

Investor Enquiries:
1300 737 760

## Secretary

Justyn Stedwell

## Auditor

PKF Lawler Melbourne Pty Ltd
Level 12
440 Collins Street
Melbourne VIC 3000
Telephone: (03) 9679 2270
Facsimile: (03) 9679 2288

## Registered office and principal place of business

Suite 36, Level 18, 101 Collins Street
Melbourne VIC 3000
Telephone: (03) 9653 7338
Facsimile: (03) 9653 9122

## Stock exchange listing

Australian Stock Exchange Ltd
(Home Branch- Melbourne)
ASX Code: AYB

## Website

www.australiannaturalproteins.com.au

## Bankers

Westpac Banking Corporation
203 Boundary Road
Braeside VIC 3195

# DIRECTORS' REPORT

For the year ended 30 June 2014

Your directors present their report, together with the financial statements of Australian Natural Proteins Limited and its controlled entities ("group") for the year ended 30 June 2014.

## DIRECTORS

The directors of the group at any time during or since the financial year are:

| | | | |
|---|---|---|---|
| Emily Lee D'Cruz | Non-Executive Chairman | appointed 07/07/2014 | |
| Wei Ching Lim | Non-Executive Director | appointed 07/07/2014 | |
| Trevor Kelly | Non-Executive Director | appointed 13/06/2014 | |
| Paul Duckett | Non-Executive Chairman | | resigned 07/07/2014 |
| Harvey Parker | Non-Executive Chairman | | resigned 09/10/2013 |
| Ray Taylor | Managing Director | | resigned 07/07/2014 |
| Xu Lidi | Non-Executive Director | appointed 03/10/2013 | resigned 13/06/2014 |
| Phil Beale | Non-Executive Director | appointed 31/10/2013 | resigned 04/03/2014 |
| Dr Wu Pun Yan | Non-Executive Director | | resigned 29/11/2013 |

## PRINCIPAL ACTIVITIES

During the 2014 year, the primary focus was the fattening of lambs along with income from sale of wool and soft commodity crops including rice, wheat and barley.

Since the loss of control of one of its subsidiaries, Agline Pastoral Pty Ltd, the Company has been focusing on a significant reform program to restructure the Company. We are in the process of putting together a portfolio of agricultural business opportunities for acquisition.

## OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

**Financial Results** for the 2014 year have been impacted materially by the following events:

- The placement of one of its subsidiary companies, Agline Pastoral Pty Ltd, into receivership by the ANZ Banking Group; and
- the Company's decision to cease the lamb trading activities of one of its subsidiary companies, Envy Lamb Pty Ltd.

### *Farming operation*

- Lower cropping yields than expected
- Limited capital raised held back the planned breeding and fattening of lambs activities
- On 11 June 2014, the Company lost control of its farming operations as a result of the placement of Agline Pastoral Pty Ltd into receivership by ANZ Banking Group

### *Trading operation*

- A substantial loss was incurred during the first months' trading.
- These trading operations ceased by the end of July 2013.

The Company now has this behind it, the Board believes with additional capital yet to be raised, it will be in a position to see the strategies put in place and working for the benefit of all shareholders.

**OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR (cont'd)**

***Capital Raising***

No capital was raised over the 12 month period to 30 June 2014.

The Company has entered into an agreement with Mercer Capital to raise up to $1,000,000 from the issue of up to 50,000,000 shares at the issue price of $0.02 per share with one free option exercisable at $0.03. Funds raised will be used to fund working capital to ensure that the Company rebuilds in the current climate and to invest in similar projects.

***Going concern***

The financial information has been prepared on the "going concern" basis which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

As at 30 June 2014, the consolidated entity did not have any cash reserves.

Since the end of the financial year, a new Board has been appointed to focus on a significant reform program to restructure the Company. The emphasis is on capital raising activities and to put together a portfolio of agricultural business opportunities for acquisition.

The continuance of business activities for the company will be dependent on successful capital raising.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

In the opinion of the directors there were no significant changes in the state of affairs of the group that occurred during the year under review that are not disclosed elsewhere in this report or in the accompanying financial statements.

**EVENTS SUBSEQUENT TO REPORTING DATE**

Other than the matters noted in the Financial Review above, there are no matters that have arisen since 30 June 2014 that have significantly affected or may significantly affect the operations of the group, the results of those operations or the state of affairs of the group in future years.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

Since the end of 2014 financial year, the Company has appointed new members to the Board to focus on a significant reform program to restructure the Company and to put together a portfolio of agricultural business opportunities for acquisition.

The Company is currently engaged in discussions with a number of businesses and has signed a letter of intent with one of these companies subject to satisfactory due diligence results. Funding for this investment will be provided by further capital raising. Further details will be announced in due course.

**ENVIRONMENTAL ISSUES**

The group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## DIRECTORS' REPORT
For the year ended 30 June 2014

**OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR (cont'd)**

**DIVIDENDS**

No dividends were paid during the year and the directors do not recommend the payment of a dividend.

**INFORMATION ON DIRECTORS**

| **Emily D'Cruz** | **Non- Executive Chairman** |
|---|---|
| Qualifications | Ms D'Cruz is a member of MAICD |
| Interests in Shares and Options | Ms D'Cruz does not hold any relevant interest in Australian Natural Proteins Limited |
| Special Responsibilities | Ms D'Cruz is a member of the Audit Committee, Nomination Committee and Remuneration Committee |
| Directorships held in other entities | Ms D'Cruz is currently the Managing Director of Mercer Capital and the Managing Director of Viculus Limited |
| **Wei Ching Lim** | **Non- Executive Director** |
| Qualifications | Mr Lim holds an Associate Diploma of Technology (Computing) |
| Interests in Shares and Options | Mr Lim does not hold any relevant interest in Australian Natural Proteins Limited |
| Special Responsibilities | Mr Lim is a member of the Audit Committee, Nomination Committee and Remuneration Committee |
| Directorships held | Mr Lim is currently Finance Director of Link Solutions Pty Ltd |
| **Trevor Kelly** | **Non- Executive Director** |
| Qualifications | Mr Kelly holds a Master of Professional Education and Training and tertiary qualifications in Electronic Engineering. |
| Interests in Shares and Options | Mr Kelly has a relevant interest in 10,000 ordinary shares and as Trustee of T&J Kelly Super Fund for 213,719 ordinary shares in Australian Natural Proteins Limited. |
| Special Responsibilities | Mr Kelly is a member of the Audit Committee and Remuneration Committee |
| Directorships held | None others |

**COMPANY SECRETARY**

Mr Justyn Stedwell holds the position of company secretary.

Mr Stedwell is a professional Company Secretary with 7 years' experience acting as a Company Secretary of ASX listed companies. He has completed a Bachelor of Business and Commerce at Monash University, a Graduate Diploma of Accounting at Deakin University and a Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia. He is currently the Company Secretary of several ASX listed companies.

## DIRECTORS' REPORT
For the year ended 30 June 2014

### MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2014, including the number of meetings attended by each director were:

| Directors | Directors Meetings | |
|---|---|---|
| | Number held while a director | Number Attended |
| Trevor Kelly | 0 | 0 |
| Paul Duckett | 10 | 10 |
| Harvey Parker | 2 | 2 |
| Ray Taylor | 10 | 10 |
| Xu Lidi | 9 | 3 |
| Phil Beale | 5 | 5 |
| Dr Wu Pun Yan | 5 | 3 |

The Audit, Nomination and Remuneration Committees did not meet separately during the year.

### SHARES UNDER OPTION

There are no unissued ordinary shares of the company under option at the date of this report (2013 : 12,000,000). No options were exercised during the year.

### INDEMNIFYING OFFICERS

During the financial year, the company paid an insurance premium in respect of an insurance policy insuring the directors, the company secretary and all executive officers of the group against a liability incurred as a consequence of holding that office in the company to the extent permitted by the Corporations Act 2001. The amount of the premium was $26,413 for all directors and officers for the year commencing 20 June 2014.

### PROCEEDINGS ON BEHALF OF COMPANY

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 273 of the Corporations Act 2001.

### NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to statutory audit duties where the auditor's expertise and experience with the Company are important.

During the year, $6,000 was paid to the auditors for ad-hoc accounting advisory services.

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the lead auditor's independence declaration as required under section 307C of the Corporations Act set out in page 9.

# DIRECTORS' REPORT

For the year ended 30 June 2014

**REMUNERATION REPORT (audited)**

This report is intended to detail the nature and amount of remuneration for each director of Australian Natural Proteins Limited and for any executive occupying a key management personnel role.

With the exception of Harvey Parker (Former Non-Executive Chairman) and Ray Taylor (Former Executive Managing Director), no non-executive director received any remuneration from the company, either directly or indirectly, except amounts in reimbursement for necessarily incurred expenditure on behalf of the company. The directors provided their services without cost to demonstrate the alignment of their personal interests, and until the company was in a more favourable position.

The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives providing a fixed remuneration component and, should it be appropriate, specific long- term incentives based on key performance areas affecting the group's financial results. The board of Australian Natural Proteins Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the group, as well as create goal congruence between directors, executives and shareholders.

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration.
B. Details of remuneration
C. Service agreements
D. Share- based compensation

The information provided includes remuneration disclosures that are required by Section 300A (1) of the Corporations Act 2001.

## A Principles used to determine the nature and amount of remuneration

The board 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 the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. In accordance with the best practice corporate governance, the structure of non- executive director and executive remuneration is separate and distinct. For the 2014 financial year the company did not engage remuneration consultants.

### *Non- Executive Directors*

The board seeks to set aggregate remuneration at a level that provides the group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board.

The constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The maximum currently stands at $200,000 per annum, of which $12,000 has been paid to the former non-executive Chairman.

There is no direct link between remuneration paid to any non-executive directors and corporate performance. There are no termination or retirement benefits for non-executive directors other than statutory superannuation.

### *Short- term incentives*

No bonus payments were made for the year ended 30 June 2014.

### *Long- term incentives*

Long term incentives are designed to reward executive directors, officers and senior management for their role in achieving corporate objectives. These incentives are provided as options issued under the terms and conditions determined at the time of issue by the board.

No such incentives are currently payable.

### *Other remuneration*

There is no other performance- linked remuneration.

## DIRECTORS' REPORT
For the year ended 30 June 2014

**REMUNERATION REPORT (audited) (cont'd)**

**B Details of remuneration**

***Directors***

The following persons were directors of Australian Natural Proteins Limited during the financial year:

- Paul Duckett (Non- Executive Chairman)
- Harvey Parker (Non- Executive Chairman)
- Ray Taylor (Managing Director)
- Xu Lidi (Non- Executive Director)
- Dr Benny Wu (Non- Executive Director)
- Phil Beale (Non- Executive Director)
- Trevor Kelly (Non- Executive Director)

***Other key management personnel***

- William (Tim) Clarke (Chief Executive Officer) – resigned April 2014

| 2014 | Short- term benefits | | | Post- employment | Share- based payment | |
|---|---|---|---|---|---|---|
| | Directors' fees | Salary and wages | Consultancy fee | Super contributions | Options | Total |
| | $ | $ | $ | $ | $ | $ |
| **Non- Executive Directors** | | | | | | |
| Paul Duckett | - | | | | | - |
| Harvey Parker | 12,000 | | | | | 12,000 |
| Xu Lidi | - | | | | | - |
| Dr Benny Wu | - | | | | | - |
| Phil Beale | - | | | | | - |
| Trevor Kelly | - | | | | | - |
| **Executive Director** | | | | | | |
| Ray Taylor | | | 40,000 | | | 40,000 |
| **Key management personnel** | | | | | | |
| William Clarke | | 150,000 | 21,000 | 15,000 | | 186,000 |
| **Total** | 12,000 | 150,000 | 61,000 | 15,000 | - | 238,000 |

The remuneration of the directors is fixed. There is not a component linked to performance.

| 2013 | Short- term benefits | | | Post- employment | Share- based payment | |
|---|---|---|---|---|---|---|
| | Directors' fees | Salary and wages | Consultancy fee | Super contributions | Shares | Total |
| | $ | $ | $ | $ | $ | $ |
| **Non- Executive Directors** | | | | | | |
| Harvey Parker | 12,000 | | | | | 12,000 |
| Paul Duckett | 7,500 | | | | | 7,500 |
| Dr Benny Wu | - | | | | | |
| **Executive Director** | | | | | | |
| Ray Taylor | 7,500 | 45,000 | | | | 52,500 |
| **Key management personnel** | | | | | | |
| William Clarke | | | 29,091 | | 360,000 | 389,091 |
| Total | 27,000 | 45,000 | 29,091 | | 360,000 | 461,091 |

## DIRECTORS' REPORT

For the year ended 30 June 2014

**REMUNERATION REPORT (audited) (cont'd)**

**C Service Agreements**

The Managing Director had a service agreement to provide a minimum of 20 hours per week. The agreement ceased when he resigned in July 2014.

Company Secretarial work is currently performed on a month by month basis with no formal agreement in place. It is expected a formal agreement will be signed on completion of any proposed capital raising. There are no other service contracts in place at the date of this report.

**D Share- based compensation**

**Shares**

There was no Share-based compensation paid during the financial year.

**Options**

No Options has been granted by the board as an incentive to key employees during the financial year. Options previously issued lapsed during the current year, due to non-achievement of performance targets.

This Directors Report, incorporating the remuneration report is signed in accordance with a resolution of the directors.

**Emily D'Cruz**
Chair of Directors

Dated 1 October 2014

**Auditor's Independence Declaration to the Directors of Australian Natural Proteins Limited**

In relation to our audit of the financial report of Australian Natural Proteins Limited for the financial year ended 30 June 2014 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

PKF Lawler Melbourne

**PKF Lawler Melbourne Audit & Assurance**

**Steven Bradby**

**Partner**

Melbourne, 30 September 2014



PKF Lawler Melbourne
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# CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2014

The board of directors is responsible for corporate governance of the company. The board considers good corporate governance a matter of high importance and aims for best practice in the area of corporate governance. This section describes the main corporate governance practices of the group.

Commensurate with the spirit of the ASX Corporate Governance Principles and Recommendations ("ASX Principles and Recommendations"), the company has followed each recommendation where the board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the company and the board, resources available and activities of the Company. Where the Company's corporate governance practices depart from the Principles and Recommendations, the board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

## Board responsibilities

The Board is ultimately responsible for all matters relating to the running of the Company. The main task of the Board is to drive the performance of the Company.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board; the Board will oversee the activities of management in carrying out these delegated duties.

The board's responsibilities are:

- Overseeing the operation of the company including establishing, reviewing and changing corporate strategies;
- Ensuring that appropriate internal control, reporting, risk management and compliance frameworks are in place;
- Appointing, removing, reviewing and monitoring the performance of the Chief Executive Officer to whom the board have delegated the day to day management of the group;
- Regular review of the company's performance against the budget and the business plan;
- Approving material contractual agreements including all major investments and strategic commitments;
- Making decisions concerning the company's capital structure, the issue of any new securities and the dividend policy;
- Enhancing and protecting the reputation of the company;
- Establishing and monitoring appropriate committees of the board;
- Reporting to shareholders: and
- Ensuring the company's compliance with all legal requirements including the ASX Listing Rules.

## Structure of the board

The company for the year under review had a minimum of (3) three directors on the board. A director may be appointed by resolution passed at a general meeting or in the case of casual vacancies, by the directors.

Potential additions to the board are carefully considered by the board prior to being nominated to shareholders or appointed as casual vacancies.

The skills, experience, expertise and period of office of each of the directors are set out in the Directors' Report.

The company facilitates and pays for directors and board committee members to obtain professional independent advice if they require it.

## Code of conduct

The Board has adopted a Code of Conduct (Code). The Code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. The Code of Conduct is available on the company's website.

## Share Trading Policy

The company's Share Trading Policy regulates the sale and purchase of shares in the company by its directors, officers and employees.

The purpose of the Share Trading Policy is to reduce the risk of insider trading and ensure that the Company's directors, officers and employees are aware of the legal restrictions on trading shares in the Company whilst in possession of inside information concerning the Company.

In addition the Policy sets out when trading in the Company's shares by directors, officers and employees is not permitted. Restrictions on trading are imposed by the Company to reduce the risk of insider trading and to minimise the chance that misunderstandings or suspicions arise that the Company's directors, officers, or employees are trading while in possession of inside information concerning the company.

Consistent with the insider trading provisions of the Corporations Act, all of the Company's directors, officers and employees are prohibited from trading in the Company's shares while in possession of price sensitive inside information concerning the Company.

Directors, officers and employees should never communicate any Inside Information to any other person, including family members and associates.

The Share Trading Policy can be viewed on the company's website and has been previously released to the ASX.

## CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2014

### Audit and Risk Committee

The board has an audit and risk committee which comprises of the full board of directors.

Given the current size of the board all board members are responsible for ensuring:

- The system of internal control which management has established effectively safeguards the assets of the economic entity;
- Accounting records are properly maintained in accordance with statutory requirements;
- Financial information provided to shareholders is accurate and reliable; and
- The external audit function is effective.

The board is responsible for appointment of the external auditor and ensures that the incumbent firm (and the responsible service team) has suitable qualifications and experience to conduct an effective audit.

The external audit partner will be required to rotate every five years in accordance with Clerp 9 requirements.

The board meets to review the half- year and annual results of the company, and to review the audit process, and those representations made by management in support of monitoring the group's commitment to integrity in financial reporting.

### Disclosure

The company's policy is that shareholders are informed of all major developments that impact on the group. The group treats its continuous disclosure obligations seriously and has a number of internal operating policies and principles (including the Code of Conduct and Disclosure Policy) that are designed to promote responsible decision-making and timely and balanced disclosure.

The board is ultimately responsible for ensuring compliance by senior management and employees of the group with company policies and therefore requires that senior management and employees have an up-to-date understanding of ASX listing requirements.

The company also ensures that the directors and senior management obtain timely and appropriate external advice where necessary.

Additionally, the company ensures that its external auditor is represented at the annual general meeting to answer shareholder questions about the conduct of the audit and the preparation of the Auditor's Report.

### Business risk management

The company endeavours at all times to minimise and effectively manage risk. The board reviews the control systems and policies of the company in relation to risk management on an ongoing basis and maintains a diagrammatic representation of the key operating and control systems of the group.

The board reviews key matters of business risk management and ensures appropriate measures are in place to protect the assets of the company including the security of its software, the security of its premises and the appropriate provisioning of insurance policies.

In addition, the audit and risk committee provides specific advice or recommendations to the board regarding the existence and status of business risks that the group faces.

### Performance and remuneration

The board monitors and reviews the performance of the Chief Executive Officer as well as the performance of management. The board receives regular updates of the performance of the group as a whole. The board also has responsibility for ensuring that the group:

- Has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
- Observes those remuneration policies and practices; and
- Fairly and responsibly rewards executives having regard to the performance of the group, the performance of the executives and the general pay environment.

The board receives external assistance and advice to assist it in determining appropriate levels of remuneration for the directors of the company.

Remuneration details of each of the directors and senior management are set out in the Remuneration Report section of the Director's Report.

The table below summarises those recommendations and Australian Natural Proteins Limited's current practice, including explanations in the rare instance where the company does not comply.

## CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2014

| **Recommendation** | | **Australian Natural Protein Limited's current practice** |
|---|---|---|
| **1.** | | |
| 1.1 | Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions. | Complies.<br><br>The Board is responsible for the overall corporate governance of the company. The Board has adopted a Board Charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to senior executives. |
| 1.2 | Companies should disclose the process for evaluating the performance of senior executives. | Complies<br><br>The Board conducts performance reviews of key management personnel (KMP) when deemed appropriate. The Board assesses the performance of KMP against qualitative and quantitative key performance indicators relevant to each KMP.<br><br>A performance review did not occur during the financial year. |
| 1.3 | Companies should provide the information indicated in the Guide to reporting to Principle 1. | Complies<br>Refer to comments above. |
| **2.** | | |
| 2.1 | A majority of board should be independent directors | Did not comply.<br><br>The company assesses whether a director is independent in accordance with the independence guidelines set out in the ASX Principles and Recommendations.<br><br>Throughout the financial year, the company did not have a majority of independent directors and did not have an independent Chairman. Given the size of the company and the nature and scope of its operations, the presence of at least one independent director on the Board was deemed to be sufficient. In June 2014, the structure of the Board was changed and the Board now consists of a majority of independent directors. |
| 2.2 | The chair should be an independent director | Does not comply<br><br>The presence of at least one independent director on the Board was deemed to be sufficient given the size of the Company and the nature of its operations. |
| 2.3 | The roles of the chair and chief executive officer should not be exercised by the same individual | Complies<br><br>The role of the Chairman and CEO/Managing Director were not exercised by the same individual. |

## CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2014

| Recommendation | | Australian Natural Protein Limited's current practice |
|---|---|---|
| 2.4 | The board should establish a nomination committee. | Complies<br><br>The board has established a nomination committee which comprises the full board. |
| 2.5 | Companies should disclose the process for evaluating the performance of the board, its committees and individual directors. | Board performance is evaluated against the company's key performance indicators at least every 12 months |
| 2.6 | Companies should provide the information in the guide to reporting on Principle 2. | Complies<br><br>Refer to comments above. |
| **3.** | | |
| 3.1 | Companies should establish a code of conduct and disclose the code or a summary of the code as to:<br><br>• The practices necessary to maintain confidence in the company's integrity.<br>• The practice necessary to take in to account their legal obligations and the reasonable expectations of their stakeholders.<br>• The responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | Complies.<br><br>The Company has established a code of conduct. The Code of Conduct is available on the company's website. |
| 3.2 | Companies should establish a policy concerning diversity and disclosure the code or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them. | Does not comply.<br><br>The Company values the differences between its personnel and the valuable contribution that these differences can make to the Company. The Company is an equal opportunity employer and aims to recruit staff from as diverse a pool of qualified candidates as reasonably possible based on their skills, qualifications and experience. |
| 3.3 | Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them. | Does not comply<br>The Company is currently satisfied with the level of diversity among its staff/consultants and executives and therefore has not adopted a formal diversity policy and has not set measurable objectives in relation to diversity. The company is an equal opportunity employer. |
| 3.4 | Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. | Complies<br><br>In regards to current gender diversity within the company, there is one female on the Board (33.33%) and there are 2 females in a senior executive position (100%) and 2 female employees/consultants within the organisation (40%). |
| 3.5 | Companies should provide the information in the guide to reporting on Principle 3. | Complies<br><br>Refer to comments above. |

## CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2014

| | | |
|---|---|---|
| **4.** | | |
| 4.1 | The board should establish an audit committee. | Complies<br><br>The board has established an audit committee that comprises the full board. |
| 4.2 | The audit committee should be structured so that it:<br>• Consists of only non-executive directors.<br>• Consists of a majority of independent directors.<br>• Is chaired by an independent chair, who is not chair of the board.<br>• Has at least three members. | Does not comply<br><br>Refer to comments above on board structure. The same explanation applies to the audit committee structure. |
| 4.3 | The audit committee should have a formal charter. | Complies<br><br>The audit committee charter is available on the company's website. |
| 4.4 | Companies should provide the information indicated in the Guide to reporting on Principle 4. | Complies<br><br>Refer to comments above. |
| **5.** | | |
| 5.1 | Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclosure those policies or a summary of those policies. | Complies<br><br>The company has adopted a Disclosure Policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. This policy is available on the company's website. |
| 5.2 | Companies should provide the information indicated in the Guide to reporting on Principle 5. | Complies<br><br>See comments above. |
| **6.** | | |
| 6.1 | Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. | Complies<br><br>The company's Disclosure Policy promotes effective communication with shareholders and the market, the policy can be viewed at the company's website |
| 6.2 | Companies should provide the information in the guide to reporting on Principle 6. | Complies<br>Refer to comments above. |

## CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2014

| Recommendation | | Australian Natural Protein Limited current practice |
|---|---|---|
| 7. | | |
| 7.1 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | Complies<br><br>Risk oversight and management issues and policies are reviewed by the board as a whole and approved by the board. The company has adopted a risk management statement. Ultimate responsibility for risk oversight and risk management rests with the Board.<br><br>The company's risk management statement is available on the company's website |
| 7.2 | The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks. | Complies<br><br>The Company has identified key risks within the business. In the ordinary course of business, management monitor and manage these risks.<br>Key operational and financial risks are presented to and reviewed by the Board at each Board meeting. |
| 7.3 | The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | Complies<br><br>The board has received a statement from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks. |
| 7.4 | Companies should provide the information indicated in the Guide to reporting on<br>Principle 7 | Complies<br><br>Refer to comments above. |
| **8.** | | |
| 8.1 | The board should establish a remuneration committee. | Complies<br><br>The board has established a remuneration committee which comprises the full board. |
| 8.2 | The remuneration committee should be structured so that:<br><br>• Consists of a majority independent directors<br>• Is chaired by an independent chair<br>• Has at least three members | Does not comply.<br><br>Refer to comments above on board structure. The same explanation applies to the remuneration committee structure. |

## CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2014

| Recommendation | | Australian Natural Protein Limited current practice |
|---|---|---|
| 8.3 | Companies should clearly distinguish the structure of non- executive directors' remuneration from that of executive directors and senior executives. | Complies<br><br>The company complies with the guidelines for executive remuneration packages and non-executive director remuneration<br><br>Executive Directors are paid consulting fees to entities which they control. Directors' fees are paid separately to all directors. The different types of remuneration include fringe benefits, superannuation, consulting fees and directors' fees are all clearly outlined in the Directors Report. |
| 8.4 | Companies should provide the information indicated in the guide to reporting on Principle 8. | Complies<br><br>The board has adopted a remuneration committee charter which is available on the Company's website.<br><br>See comments above and refer to the Remuneration Report included in the Directors' Report in the Annual Report. |

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for Year Ended 30 June 2014

| | Note | CONSOLIDATED 2014 $ | CONSOLIDATED 2013 $ |
|---|---|---|---|
| **REVENUE FROM OPERATING ACTIVITIES** | | | |
| Revenue | 3(a) | **4,803** | **5,991** |
| Financing expenses | | (8,479) | - |
| Employee benefits expense | | (296,764) | (411,485) |
| Consultant & contractor expenses | | (535,552) | (154,345) |
| Depreciation expenses | 3(c) | (41,431) | - |
| Share based payment | 3(c) | (72,792) | (1,658,111) |
| Other expenses | | (182,774) | (36,433) |
| Loss on disposal of plant & equipment | | - | - |
| **Total expenses** | | **(1,137,792)** | **(2,260,374)** |
| **Loss from operating activities** | | **(1,132,989)** | **(2,254,383)** |
| **REVENUE FROM DISCONTINUED OPERATIONS** | | | |
| Revenue | 3(b) | **1,918,764** | **2,399,668** |
| Cost of goods sold | | (2,342,121) | (2,285,199) |
| Financing expenses | 3(d) | (460,768) | (628,340) |
| Employee benefits expense | | (370,956) | (186,393) |
| Consultant & contractor expenses | | - | (134,202) |
| Depreciation expenses | 3(d) | (378,350) | (399,054) |
| Loss on asset disposals | 3(d) | (116,638) | (2,866) |
| Farming expenses | | (135,704) | (323,398) |
| Other expenses | | (357,729) | (630,155) |
| Loss on deconsolidation of controlled entity | 3(d)(e) | (4,596,795) | - |
| Total Expenses | | **(8,759,061)** | **(4,589,607)** |
| **Loss from discontinued operations** | | **(6,840,297)** | **(2,189,939)** |
| **PROFIT (LOSS) BEFORE INCOME TAX** | | **(7,973,286)** | **(4,444,322)** |
| Income tax expense | 4 | - | - |
| **Profit (Loss) for the year** | | **(7,973,286)** | **(4,444,322)** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **(7,973,286)** | **(4,444,322)** |
| **Earnings per share** | | | |
| Basic earnings per share (cents) | 23 | **(5.26)** | (9.17) |
| Diluted earnings per share (cents) | 23 | **(5.26)** | (9.17) |

## Consolidated Statement of Financial Position
## As at 30 June 2014

| | Note | CONSOLIDATED 2014 $ | CONSOLIDATED 2013 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 17 | 16,202 | 1,351,218 |
| Trade and other receivables | 5 | - | 854,245 |
| Inventories and consumables | 6 | - | 245,124 |
| Biological assets | 7 | - | 669,200 |
| Other current assets | 8 | - | 2,053 |
| **Total Current Assets** | | **16,202** | **3,121,840** |
| **Non-current Assets** | | | |
| Loans | 8 | 2,526,311 | - |
| Property, plant and equipment | 9 | 90,900 | 15,310,286 |
| Intangibles | 10 | - | 456,000 |
| **Total Non-current Assets** | | **2,617,211** | **15,766,286** |
| **TOTAL ASSETS** | | **2,633,413** | **18,888,126** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 11 | 162,346 | 992,550 |
| Interest-bearing loans and borrowings | 12 | 89,184 | 7,279,467 |
| Provisions | 13 | 118,611 | 51,485 |
| **Total Current Liabilities** | | **370,141** | **8,323,502** |
| **Non-current Liabilities** | | | |
| Director related loans | 12 | - | 416,536 |
| **Total Non-current Liabilities** | | **-** | **416,536** |
| **TOTAL LIABILITIES** | | **370,141** | **8,740,038** |
| **NET ASSETS** | | **2,263,272** | **10,148,088** |
| **EQUITY** | | | |
| Contributed equity | 14 | **17,901,261** | 17,812,791 |
| Reserves | 14 | - | 2,537,911 |
| Accumulated losses | 14 | **(15,637,989)** | (10,202,614) |
| **TOTAL EQUITY** | | **2,263,272** | **10,148,088** |

## Consolidated Statement of Changes in Equity for the Year Ended 30 June 2014

| | *Issued capital* | *Accumulated losses* | *Reserves* | *Total* |
|---|---|---|---|---|
| ***CONSOLIDATED*** | ***$*** | ***$*** | | ***$*** |
| **At 30 June 2012** | 8,082,114 | (5,758,292) | 2,537,911 | 4,861,733 |
| Shares issued during the period | 9,730,677 | - | - | 9,730,677 |
| Net loss for period | - | (4,444,322) | - | (4,444,322) |
| **At 30 June 2013** | **17,812,791** | **(10,202,614)** | **2,537,911** | **10,148,088** |
| **At 01 July 2013** | 17,812,791 | (10,202,614) | 2,537,911 | 10,148,088 |
| Shares issued during the period | 88,470 | - | - | 88,470 |
| Net loss for period | - | (7,973,286) | - | (7,973,286) |
| Deconsolidation of controlled entity | | 2,537,911 | (2,537,911) | - |
| **At 30 June 2014** | **17,901,261** | **(15,637,989)** | **-** | **2,263,272** |

## Consolidated Statement of Cash Flows for the Year Ended 30 June 2014

| | | *CONSOLIDATED 2014 $* | *CONSOLIDATED 2013 $* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 2,972,222 | 2,646,476 |
| Payments to suppliers, employees and others | | (3,454,611) | (4,292,976) |
| Interest received | | - | 232 |
| Interest paid | | (469,247) | (628,572) |
| **Net cash flows from operating activities** | 17 | **(951,636)** | **(2,274,840)** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (87,465) | (355,835) |
| Proceeds from sale of property, plant and equipment | | 14,000 | 50,000 |
| **Net cash flows used in investing activities** | | **(73,465)** | **(305,835)** |
| **Cash flows from financing activities** | | | |
| Net proceeds of capital issued | | 15,678 | 3,339,727 |
| Net proceeds from / (repayment of) borrowings | | (262,391) | 767,796 |
| Payment of hire purchase obligations | | (46,739) | (295,148) |
| **Net cash flows from financing activities** | | **(293,452)** | **3,812,375** |
| Net increase in cash and cash equivalents | | (1,318,553) | 1,231,700 |
| Cash at beginning of financial period | | 1,351,218 | 119,518 |
| Less cash released on deconsolidation | | (16,463) | - |
| **Cash and cash equivalents at end of period** | 17 | **16,202** | **1,351,218** |

# Notes to the Consolidated Financial Statements for Year Ended 30 June 2014

**1 CORPORATE INFORMATION**

The financial report includes the consolidated financial statements and notes of Australian Natural Proteins Limited and its controlled entities ('Consolidated Group' or 'Group'). The financial report was authorised for issue in accordance with a resolution of the directors on 1 October 2014.

Australian Natural Proteins Limited (the Company) is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the directors' report, neither of which are part of these financial statements.

The registered office of Australian Natural Proteins Limited is located at Level 18, 101 Collins Street, Melbourne 3000.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Australian Natural Proteins Limited is a for profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and on the basis of historical cost, except for certain property and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. 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 the characteristics of 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 the financial report is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised 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.

On 11 June 2014, Australian Natural Proteins Limited lost control of one of its subsidiaries, Agline Pastoral Pty Ltd. It was placed in receivership by the ANZ Banking Group under the auspices of Korda Mentha. Agline Pastoral Pty Ltd was deconsolidated from the Group's financial statements as at the date of receivership.

**(b) Correction of prior period error**

Upon inestigation of the above referred deconsolidation it was determined that loans from related parties that were converted into Australian Natural Proteins shares in June 2013 had been incorrectly accounted for. This error has been rectified by restating the affected financial statement lines for prior period as follows:

| | | 30-Jun-13 | |
|---|---|---|---|
| **Statement of Financial Position (Extract):** | Previous amount | Adjustment | Restated amount |
| Trade and other payables | 8,381,077 | (57,575) | 8,323,502 |
| Total Current Liabilities | 8,381,077 | (57,575) | 8,323,502 |
| Directors related loans | 1,816,536 | (1,400,000) | 416,536 |
| Total Liabilities | 10,197,613 | (1,457,575) | 8,740,038 |
| Net Assets | 8,690,513 | 1,457,575 | 10,148,088 |
| Reserves | 1,080,336 | 1,457,575 | 2,537,911 |
| Total Equity | 8,690,513 | 1,457,575 | 10,148,088 |

**(c) Going Concern**

The financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group reported an operating loss of $7,973,286 (2013: $4,444,322 loss) and cash outflows on operations of $951,636 (2013: $2,274,840) for the year ended 30 June 2014. The Group has net current liabilities of $353,939 and net assets of $2,172,372 as of 30 June 2014, that balance including loan advances to one of its subsidiaries, Agline Pastoral Pty Ltd. The company lost control of this significant operating subsidiary, together with Swann Water Management Pty Ltd on 11 June 2014. Also during the year the operations of Envy Lamb Pty Ltd were closed.

Since the end of the financial year, a new Board has been appointed to focus on a significant reform program to restructure the Group. The emphasis is on capital raising activities and to put together a portfolio of agricultural business opportunities for acquisition. The Company has entered into an agreement with Mercer Capital to raise up to $1,000,000. Funds raised will be used to fund working capital to ensure that the Company can continue its business activities.

The continuance of business activities will be dependent on successful further capital raisings.

Taking into account these strategies the directors have prepared a cashflow forecast through to September 2015. Based on current cash resources at the date of this report, and cashflow forecasts (generated by capital raising) over the next twelve months, the Group will have sufficient cash resources to continue to pay its debts when due and payable within the twelve months from the completion of this report.

The financial statements do not include adjustments relating to the recoverability and classification of asset amounts or to the amounts and classification of liabilities that might be necessary if the Group was not to continue as a going concern.

## Notes to the Consolidated Financial Statements (continued)
## for Year Ended 30 June 2014

**(d) Changes in Accounting Policies, Accounting Standards and Interpretations**

**New/Amended Accounting Standards and Interpretations**

**(i) Changes in accounting policy and disclosures**

The accounting policies adopted are consistent with those of the previous financial year other than as noted below.

There are a number of new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), which are applicable for reporting periods beginning on or after 1 July 2013. The Group has adopted all of the mandatory new and amended pronouncements issued that are relevant to its operations and that are effective for the current reporting period. The impact on the consolidated financial statements for the year as a result of adoption of those new and amended pronouncements is described below:

*AASB 10 Consolidated Financial Statements*

AASB 10 establishes a new control model that applies to all entities, replacing parts of AASB 127 Consolidated and Separate Financial Statements. The new model broadens the situations when an entity is considered to be controlled by another entity and provides guidance for applying the model to specific situations, including when acting as a manager, the impact of potential voting rights, and when holding less than a majority of voting rights.

Various other Standards are consequentially revised through AASB 2011-7. The adoption of the standards has had no material impact on the financial statements of the Group.

*AASB 12 Disclosure of Interests in Other Entities*

AASB 12 governs the disclosures relating to an entity's interests in subsidiaries, joint arrangements, and associates, including the judgements made by management to determine whether control exists.

The adoption of AASB 12 has had no material impact on the financial statements of the Group.

*AASB 13 Fair Value Measurement*

AASB 13 establishes a single source of guidance for fair value measurements and disclosure thereof, and expands the disclosure requirements for assets or liabilities carried at fair value to include information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The scope of the standard is broad, and it applies to both financial instruments and non-financial instrument items for which other standards require or permit fair value measurement and disclosure, except for share-based payment transactions within the scope of AASB 2 Share-based Payment and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 Inventories or value in use in AASB 136 Impairment of Assets.

The adoption of AASB 13 has had no material impact on the financial statements of the Group.

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

The amendment removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

**(ii) Early adoption of standards**

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013

**(iii) Australian Accounting Standards and Interpretations issued but not yet effective**

Various Standards and Interpretations have been issued or amended but which are not yet effective. The Group has not adopted any of those standards in the preparation of the financial statements at reporting date. The Group believes that the standards of most significant future impact will be those as set out below.

*AASB 9 Financial Instruments, and associated relevant amending standards*

AASB 9 includes requirements for the classification and measurement of financial assets and amendments to the accounting for financial liabilities.

AASB 9 introduces a revised basis of financial asset classification, changes the accounting treatment in respect of equity investments not held for trading, eliminates potential inconsistencies in the treatment of certain financial assets, and clarifies the measurement of financial liabilities under the fair value option.

Various other Standards have been consequentially revised. The Standards will be applied by the Group with effect from 1 July 2017, prior to which point the impacts will be more readily determinable.

**(e ) Principles of consolidation**

*Controlled entities*

The consolidated financial statements incorporate the financial statements of the Company and 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.

As at the reporting date the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Group during the year, their respective operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the Group, including unrealised profits and losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Investments in subsidiaries are accounted at cost in the individual financial statements of the parent, less any impairment charges.

## Notes to the Consolidated Financial Statements (continued)
## for Year Ended 30 June 2014

**(f) Business combinations**

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and probable contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and probable contingent liabilities recognised. If the fair value of the acquirer's interest is greater than probable cost, under AASB3 the surplus should be immediately recognised in profit and loss.

**(g) Operating segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the Group's chief operating decision makers) in assessing performance and in determining the allocation of resources.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available.

Segment results that are reported for the purpose of management's decisions include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate office assets, head office expenses, and any income tax related balances.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

**(h) Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of two months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(i) Financial instruments**

*Recognition*

Financial instruments, incorporating financial assets and financial liabilities, are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Current receivables are generally expected to be settled within 60 days. Receivables are recognised and carried at original invoice amount less provision for any uncollectible debts. An estimate for impaired debtors is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

*Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation

Due to their short term nature trade and other payables are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days of recognition.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

*Fair value*

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models. Unless otherwise disclosed in the notes to the financial statements, the carrying amount of the Group's financial instruments approximates their fair values.

*Impairment*

At each reporting date the Group assesses whether there is objective evidence that any financial asset is impaired. A deemed impairment arises if objective evidence exists of one or more events occurring since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent year, the amount of the impairment loss decreases because of an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised.

## Notes to the Consolidated Financial Statements (continued)
## for Year Ended 30 June 2014

**(j) Inventories and consumables**

Inventories and consumables held for use in the Group's operations are valued at the lower of cost and net realisable value. Cost is determined on the average cost basis and comprises the cost of purchases including transport cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**(k) Biological assets**

The Group's biological assets comprise sheep, crops not yet harvested, and harvested crops. The Group only recognises biological asset or agricultural produce in the financial statements when it:

(a) controls the asset as a result of past events;

(b) has determined that the future economic benefits associated with the asset will flow to the Group; and

(c) the fair value or cost of the asset can be measured reliably.

The fair value of an asset is based on its present location and condition. If an active market exists for a biological asset or agricultural produce in its present location and condition, the quoted price in that market is the appropriate basis for determining the fair value of that asset. If the Group has access to different active markets then it uses the most relevant one, that being defined as the market expected to be used at the time the fair value is established.

If an active market does not exist the Group uses one of the following, when available, to determine fair value

(a) the most recent market transaction price, provided there has not been a significant change in economic circumstances between the date of that transaction and the end of the reporting period; or

(b) market prices for similar assets with adjustments to reflect differences; or

(c) sector benchmarks.

In the event that market determined prices or values may not be available for a biological asset in its present condition the Group may use the present value of the expected net cash flows from the asset, discounted at a current market determined rate to determine fair value.

Crops in ground at the reporting date are measured at their fair value less costs to sell. Immediately prior to harvest the fair value is determined on an estimated yield per hectare basis at the commodity's quoted spot price in the market place. If the crop is immature at the reporting date, such that it remains too early to reliably predict yield, the fair value equates to the costs incurred on the crop at the reporting date. The value is brought to account only when it can be reliably measured and it is probable that the future economic benefits will be received by the Group.

**(l) Property, plant and equipment**

***Bases of measurement of carrying amount***

Freehold pastoral property and attached water rights is measured at fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction) as determined by a Directors' valuation based on periodic but at least triennial appraisals by independent valuers, less any impairment losses recognised after the date of the revaluation.

Plant and equipment is measured on the cost basis less depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the costs of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

***Revaluation of property***

Following initial recognition at cost, freehold pastoral property and attached water rights is carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated impairment losses.

Revalued assets are assessed annually to ensure that the carrying amount of each asset does not differ materially from its fair value, which is determined by reference to market based evidence. However, fair values are confirmed by independent appraisals which are commissioned triennially. Revaluation increments or decrements arise from differences between an asset's carrying amount and fair value.

Freehold pastoral property is treated as a class of assets, as is attached water rights. When the carrying amount of this class is increased as a result of a revaluation, the increase is credited directly to the revaluation reserve, except where it reverses a revaluation decrement previously recognised in the income statement, in which case it is credited to the income statement.

When the carrying amount of property is decreased as a result of a revaluation, the decrease is recognised in the income statement, except where a credit balance exists in the revaluation reserve, in which case it is debited to that reserve.

***Depreciation***

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of buildings, plant and equipment commencing from the time the assets are held ready for use. Freehold pastoral property and attached water rights are not depreciated.

The estimated useful life of each class of depreciable asset is:

Buildings and fixed improvements, including fencing: 33 years

Plant and equipment: 3 - 10 years

Irrigation plant: 13 - 20 years

# Notes to the Consolidated Financial Statements (continued)
# for Year Ended 30 June 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Property, plant and equipment (continued)**

***Impairment***

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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 assets.

***Derecognition***

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the income statement in the period the asset is derecognised.

**(m) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

*Group as a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

**(n) Intangibles**

***Goodwill***

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at costs less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

***Water rights***

Where water rights are separable and tradeable they are included as an intangible asset. Separable and tradeable water rights are able to be legally separated from properties and are able to be traded. Separable and tradeable water rights are recognised at cost less impairment losses. The cost is not amortised as the water licences have indefinite useful lives.

**(o) Impairment of assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(p) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

## Notes to the Consolidated Financial Statements (continued)
## for Year Ended 30 June 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(q) Employee leave benefits**

*Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

**(r) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax from the proceeds.

If the entity reacquires its own equity instruments, e.g. as the result of a share buy back, then those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the income statement and the consideration paid, including any direct attributable incremental cost (net of income taxes) is recognised directly in equity.

**(s) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific revenue recognition criteria must also be met before revenue is recognised:

***Livestock***

Revenue on livestock (sheep and lambs) is recognised in accordance with AASB 141 Agriculture, which requires livestock to be measured at net market value at each reporting date. The net market value is determined through price movements, natural increase, and the weight of the flock.

Net increments or decrements in the market value of livestock are recognised as revenue or expense in the income statement, determined as

- the difference between the total net market value of livestock recognised at the beginning ot the financial period and the total net market value of livestock recognised as at the reporting date; less
- costs expected to be incurred in realising the market value, including freight and selling costs.

***Wool***

The value of unshorn wool is not brought to account at the reporting date as the Directors consider that the fair value cannot be reliably measured

***Crops***

Revenue on cropping operations is accounted in accordance with AASB 141, which requires that the market value of the harvest be brought to account as revenue. Crops in ground at the reporting date are recognised only when their fair value less costs to sell can be reliably measured and it is probable that the future economic benefits will be received by the Group.

***Rendering of services***

Revenue is recognised on the rendering of services when the outcome of a contract to provide services can be measured reliably and the service is performed.

***Interest revenue***

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets

All revenue is stated net of the amount of goods and services tax (GST).

**(t) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

• when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

• when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

• when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

• when the deductible temporary difference is associated with investments in subsidiaries, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

## Notes to the Consolidated Financial Statements (continued)
## for Year Ended 30 June 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(u) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:
• when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
• receivables and payables, which are stated with the amount of GST included.
The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.
Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(v) *Earnings per share***

***Basic earnings per share***
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

***Diluted earnings per share***
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(w) *Significant accounting judgments, estimates and assumptions***

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas that involve a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in notes of the particular accounts separately.

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

The judgements of higher current significance relate to continuing assessment of impairment, and classification of amounts reported in the statement of financial position. The directors have considered it prudent to classify the receivable due from Agline Pastoral Pty Ltd as non-current as of the reporting date.

| | ***CONSOLIDATED 2014 $*** | ***CONSOLIDATED 2013 $*** |
|---|---|---|
| **3 REVENUES AND EXPENSES** | | |
| **3 (a) Revenue from operating activities** | | |
| Other Revenue | 4,803 | 5,991 |
| **3 (b) Revenue from discontinued operations** | | |
| Sale of agricultural products | 1,918,764 | 2,405,659 |
| **Operating loss includes the following items of expense:** | | |
| **3 (c) Expenses from operating activities** | | |
| Depreciation | 41,431 | - |
| Share based payments | 72,792 | 1,658,111 |
| Remuneration of the auditor of the Company for: | | |
| - auditing or reviewing the financial report | 39,000 | 59,500 |
| - other non-assurance services - accounting advisory services | 7,000 | 4,000 |
| | 46,000 | 63,500 |
| **3 (d) Expenses from discontinued operations** | | |
| Depreciation | 378,350 | 399,054 |
| Loss on disposal of plant and equipment | 116,638 | 2,866 |
| Borrowing costs | | |
| - Interest paid - banks and unrelated parties | 460,768 | 628,340 |
| Loss on deconsolidation of controlled entity | 4,596,795 | - |

**3 (e) Deconsolidation of controlled entity**

The directors were advised that on 11 June 2014 that the ANZ Banking Group had made the decision to exercise its right under security arrangements to appoint a receiver to Agline Pastoral Pty Ltd, in order to recover loans advanced.

As of that date, Agline Pastoral was deconsolidated from the Group. The results of Agline Pastoral for the period to the date of deconsolidation, together with the financial impact of the deconsolidation, are presented below:

## Notes to the Consolidated Financial Statements (continued)
## for Year Ended 30 June 2014

| | | CONSOLIDATED 2014 $ | CONSOLIDATED 2013 $ |
|---|---|---|---|
| 3 | **REVENUES AND EXPENSES (continued)** | | |
| | Revenue | 1,918,764 | 2,405,659 |
| | Cost of goods sold | (2,342,121) | (2,285,199) |
| | Operating expenses | (1,820,145) | (2,310,399) |
| | Loss on deconsolidation of controlled entity | (4,596,795) | - |
| | Total expenses | (8,759,061) | (4,595,598) |
| | **Loss from discontinued operations** | (6,840,297) | (2,189,939) |
| | The major classes of assets and liabilities of Agline Pastoral that were deconsolidated are as follows | | |
| | Cash and cash equivalents | 16,463 | |
| | Property, plant and equipment | 14,756,431 | |
| | Intangibles | 456,000 | |
| | Trade and other payables | (624,501) | |
| | Interest-bearing loans and borrowings | (6,944,404) | |
| | Provisions | (63,598) | |
| | Director related loans | (473,285) | |
| | Net assets | 7,123,106 | |
| | Balance of loans receivable from Agline Pastoral Pty Ltd | 2,526,311 | |
| | Loss on deconsolidation | 4,596,795 | |
| 4 | **INCOME TAX** | | |
| | A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year is as follows: | | |
| | Accounting profit before tax from continuing operations | (1,132,989) | (2,254,383) |
| | Accounting profit before tax from discontinued operations | (6,840,297) | (2,189,939) |
| | At the statutory income tax rate of 30% | (2,391,986) | (1,333,297) |
| | Effect of non-recognition of losses incurred | 2,391,986 | 1,333,297 |
| | Income tax expense reported in income statement | - | - |
| | The total value of tax losses unrecognised at 30 June 2014 is $4,437,805 | | |
| 5 | **TRADE AND OTHER RECEIVABLES** | | |
| | ***CURRENT*** | | |
| | Trade receivables (i) | - | 572,254 |
| | Allowance for doubtful debts | - | - |
| | | - | 572,254 |
| | Other receivables | - | 281,991 |
| | Carrying amount of current trade and other receivables (ii) | - | 854,245 |

(i) Trade receivables are non-interest bearing and are generally on 7-21 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

(ii) The carrying amount disclosed above is a reasonable approximation of fair value.

| | | CONSOLIDATED 2014 $ | CONSOLIDATED 2013 $ |
|---|---|---|---|
| 6 | **INVENTORIES** | | |
| | Finished goods inventories at net realisable value | - | 245,124 |
| 7 | **BIOLOGICAL ASSETS** | | |
| | Crops (seeding costs capitalised) | - | 187,950 |
| | Sheep at net market value | - | 481,250 |
| | | - | 669,200 |
| | Net movements during the period represent decrements associated with costs of sale | | |
| 8 | **OTHER ASSETS** | | |
| | Loan provided to Agline Pastoral Pty Ltd (Non-current) | 2,526,311 | - |
| | Other current assets | - | 2,053 |
| | | 2,526,311 | 2,053 |

## Notes to the Consolidated Financial Statements (continued) for Year Ended 30 June 2014

| | | CONSOLIDATED 2014 $ | CONSOLIDATED 2013 $ |
|---|---|---|---|
| 9 | **PROPERTY, PLANT AND EQUIPMENT** | | |
| | **Land** | | |
| | At fair value (a) | - | 11,544,001 |
| | **Plant & Equipment** | | |
| | Cost | 136,897 | 5,684,361 |
| | Accumulated depreciation and impairment | (45,997) | (1,918,076) |
| | | 90,900 | 3,766,285 |
| | **Property, plant & equipment total, at carrying amount** | 90,900 | 15,310,286 |

**Movement in carrying amounts**

Movement in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Land | Plant & Equipment | Total |
|---|---|---|---|
| Balance at 1 July 2012 | 11,544,001 | 3,881,514 | 15,425,515 |
| Additions | - | 355,835 | 355,835 |
| Disposals & writedowns | - | (72,010) | (72,010) |
| Depreciation expense | - | (399,054) | (399,054) |
| Balance at 30 June 2013 | 11,544,001 | 3,766,285 | 15,310,286 |
| Additions | | 136,897 | 136,897 |
| Disposals & writedowns | - | | - |
| Depreciation expense | - | (419,781) | (419,781) |
| Deconsolidation on Loss of control | (11,544,001) | (3,392,501) | (14,936,502) |
| Balance at 30 June 2014 | - | 90,900 | 90,900 |

**(a) Land revaluation**

The directors obtained an independent appraisal of the fair value of freehold land and buildings on 25 January 2012. Fair value is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller, in an arms length transaction as at the valuation date and has been based on vacant possession, with direct reference to recent market transactions on arm's length terms for land comparable to that of the Company.

**(b) Historical Cost**

| | | 2014 | 2013 |
|---|---|---|---|
| | If land was stated at historical cost, amounts would be as follows: | - | 11,544,001 |
| 10 | **INTANGIBLE ASSETS** | | |
| | Water rights, at cost | - | 456,000 |
| 11 | **TRADE AND OTHER PAYABLES** | | |
| | Trade payables (i) | 135,346 | 708,131 |
| | Other payables and accruals (i) | 27,000 | 284,419 |
| | Carrying amount of trade and other payables (ii) | 162,346 | 992,550 |

**Terms and conditions:**

(i) Trade payables are non-interest bearing and are normally settled within 45 days from receipt of invoice.

(ii) The carrying amount disclosed above is a reasonable approximation of fair value.

| | | 2014 | 2013 |
|---|---|---|---|
| 12 | **INTEREST-BEARING LOANS AND BORROWINGS** | | |
| | ***CURRENT*** | | |
| | Obligations under hire purchase contracts (i) (iii) | 89,184 | 666,990 |
| | Obligations under hire purchase contracts - past due (i) (iii) | - | 630,036 |
| | Secured bank borrowings (iii) | - | 5,865,335 |
| | Other loans | - | 117,106 |
| | | 89,184 | 7,279,467 |
| | ***NON-CURRENT*** | | |
| | Director related loans (ii) | - | 416,536 |
| | | - | 416,536 |

**Terms and conditions:**

(i) Hire purchase obligations have an average contracted term of 1 year. Interest is charged at a weighted average effective rate of approximately 8.23%

(ii) For further information on director related party loans refer to note 20.

(iii) The carrying amount disclosed above is a reasonable approximation of fair value. The Group's land and certain plant and equipment are pledged as security for bank borrowings. Assets financed under hire purchase contracts are the security thereon.

## Notes to the Consolidated Financial Statements (continued)
## for Year Ended 30 June 2014

| | | CONSOLIDATED 2014 $ | CONSOLIDATED 2013 $ |
|---|---|---|---|
| 13 | **PROVISIONS** | | |
| | Employee entitlements | 18,611 | 51,485 |
| | Provision for other costs | 100,000 | - |
| | | 118,611 | 51,485 |
| 14 | **CONTRIBUTED EQUITY AND RESERVES** | | |
| | ***Ordinary shares*** | | |
| | Fully paid ordinary shares carry one vote per share and carry the right to dividends. | 17,901,261 | 17,812,791 |
| | ***Reserves*** | | |
| | Asset revaluation reserve | - | 2,537,911 |
| | ***Accumulated losses*** | | |
| | Balance at the beginning of the financial year | (10,202,614) | (5,758,292) |
| | Net profit (loss) after income tax for the financial year | (7,973,286) | (4,444,322) |
| | Trasfer from asset revaluation reserve | 2,537,911 | - |
| | | (15,637,989) | (10,202,614) |
| | Dividends paid or declared | - | - |
| | Balance at the end of the financial year | (15,637,989) | (10,202,614) |

***Capital Management***

When managing capital, the directors' objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Current circumstances regarding going concern are described in Note 2(c). Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

***Nature and purpose of reserves***

The asset revaluation reserve is used to record increments and decrements on the revaluation of non current assets. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances permitted by law.

Upon the deconsolidation of Agline Pastoral Pty Ltd, the balance of the asset revaluation reserve was transferred to accumulated losses.

| ***Movement in Share Capital*** | | | No. of shares | $ |
|---|---|---|---|---|
| **As at:** | 1 July 2012 | *Opening balance* | 5,475,875 | 8,082,114 |
| | 28 September 2012 | *Shares issued* | 53,797,981 | 6,054,731 |
| | 31 January 2013 | *Shares issued* | 1,200,000 | 120,000 |
| | 2 April 2013 | *Shares issued* | 13,024,999 | 781,500 |
| | 28 June 2013 | *Shares issued* | 76,863,332 | 4,611,800 |
| | 30 June 2013 | *Closing balance* | 150,362,187 | 19,650,145 |
| | Costs of capital raising | | | (1,837,354) |
| | Subtotal | | 150,362,187 | 17,812,791 |
| | 18 August 2013 | *Shares issued* | 1,474,500 | 88,470 |
| | 30 June 2014 | *Closing Balance* | 151,836,687 | 17,901,261 |

### 15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

During the reporting period the Group's principal financial instruments comprised cash and cash equivalents, hire purchase finance contracts, and borrowings. The main purpose of these financial instruments was to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period, the Group's policy that no trading in financial instruments shall be undertaken. The overall risk management program focused on minimising potential adverse effects on the financial performance of the Group. Current circumstances regarding going concern are described in Note 2(c).

The Group's activities exposed it to a range of financial risks: credit risk, market risk (interest rate) and liquidity risk. The Group used different methods to measure and manage different types of risks to which it was exposed. These included monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates. Ageing analyses and monitoring of specific credit allowances were undertaken to manage credit risk, and liquidity risk was monitored through the development of cash flow forecasts.

As a consequence of the deconsolidation of Agline Pastoral Pty Ltd the Group's financial instruments and associated objectives and policies were significantly impacted. The current board of directors will perform financial risk management under policies approved by them, against the objective of supporting the delivery of the Group's financial targets whilst protecting future financial security.

# Notes to the Consolidated Financial Statements (continued) for Year Ended 30 June 2014

**15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Risk exposures and responses**

**(a) Market interest rate risk**

The Group's exposure to market interest rates related primarily to its debt obligations.

No exposure arises from the contracted interest rate fixed in respect of hire purchase obligations.

**(b) Credit risk**

Credit risk arises from cash and cash equivalents and outstanding trade and other receivables. Minimal balances are held at the reporting date.

**(c) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Directors must manage liquidity risk to ensure that the Group will always have sufficient liquidity to meet its liabilities when they fall due. As of the reporting date the Group has access to funds from its capital raising activities.

**Fair value estimation**

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

**16 OPERATING SEGMENTS**

Prior to deconsolidation of Agline Pastoral Pty Ltd, the prime focus of the group was the fattening of lambs for both Australia and overseas markets (the Meat Marketing segment), along with secondary income from sale of wool and various soft commodity crops including rice, wheat, canola, barley (the Pastoral segment). All of its operations, assets and employees are located in Australia.

The group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The information in the tables below relates to each of the operating segments, represented by the entities Agline Pastoral (Pastoral segment) and Envy Lamb (Meat Marketing segment), and unallocated amounts typically associated with the operations of the parent entity together with the group's taxation outcomes.

| 2014 | | Pastoral (Discontinued) $ | Meat Marketing (Discontinued) $ | Unallocated $ | Total $ |
|---|---|---|---|---|---|
| Revenue: | External sales | 933,496 | 985,268 | - | 1,918,764 |
| | Inter-segment sales | - | - | - | - |
| | Interest income | - | - | 4,803 | 4,803 |
| | | 933,496 | 985,268 | 4,803 | 1,923,567 |
| Less inter-segment sales | | - | - | - | - |
| | | 933,496 | 985,268 | 4,803 | 1,923,567 |
| Share based payments | | - | - | (72,792) | (72,792) |
| Depreciation and amortisation | | (378,350) | - | (41,431) | (419,781) |
| Interest expense | | (458,766) | (2,002) | - | (460,768) |
| Loss on deconsolidation of controlled entity | | (4,596,795) | | | |
| Segment result before income tax | | (6,416,263) | (424,034) | (1,132,989) | (7,973,286) |
| Income tax expense | | - | - | - | - |
| Segment result before and after tax | | (6,416,263) | (424,034) | (1,132,989) | (7,973,286) |
| | | | | | |
| Segment assets | | - | - | 2,633,413 | 2,633,413 |
| Inter-segment eliminations | | - | - | - | - |
| | | | | | 2,633,413 |
| Segment liabilities | | - | - | 370,141 | 370,141 |
| Inter-segment eliminations | | - | - | - | - |
| | | | | | 370,141 |
| Cash flow information - net cash flows from / (used in): | | | | | |
| Operating activities | | (532,404) | (424,034) | 4,802 | (951,636) |
| Investing activities | | 14,000 | - | (87,465) | (73,465) |
| Financing activities | | (309,130) | - | 15,678 | (293,452) |

## Notes to the Consolidated Financial Statements (continued)
## for Year Ended 30 June 2014

**16 OPERATING SEGMENTS (continued)**

| **2013** | | **Pastoral** $ | **Meat Marketing** $ | **Unallocated** $ | **Total** $ |
|---|---|---|---|---|---|
| Revenue: | External sales | 618,642 | 1,704,663 | 73,624 | 2,396,929 |
| | Interest income | 105 | - | 5,991 | 6,096 |
| | | 618,747 | 1,704,663 | 79,615 | 2,403,025 |
| Share based payments | | - | - | (1,658,111) | (1,658,111) |
| Depreciation and amortisation | | (399,054) | - | - | (399,054) |
| Interest expense | | (628,542) | (2,002) | - | (630,544) |
| Segment result before and after tax | | (1,742,027) | (447,912) | (2,254,383) | (4,444,322) |
| | | | | | |
| Segment assets | | 17,162,550 | 664,237 | 15,551,969 | 33,378,756 |
| Inter-segment eliminations | | - | - | (14,490,630) | (14,490,630) |
| | | | | | 18,888,126 |
| Segment liabilities | | (21,910,034) | (1,111,949) | (208,685) | (23,230,668) |
| Inter-segment eliminations | | 13,581,829 | 908,801 | - | 14,490,630 |
| | | | | | (8,740,038) |
| Cash flow information - net cash flows from / (used in): | | | | | |
| Operating activities | | (1,158,941) | (1,245,520) | 129,621 | (2,274,840) |
| Investing activities | | (305,835) | - | - | (305,835) |
| Financing activities | | 472,648 | - | 3,339,727 | 3,812,375 |

| | *CONSOLIDATED* ***2014*** *$* | *CONSOLIDATED* ***2013*** *$* |
|---|---|---|
| **17 CASH AND CASH EQUIVALENTS** | | |
| Cash at banks and in hand (i) (ii) | 16,202 | 1,351,218 |

(i) Cash at banks earns interest at floating rates based on daily bank deposit rates.
(ii) The carrying amount of cash and cash equivalents represents fair value.

**Reconciliation of net profit (loss) after tax to net cash flows from operations**

| | 2014 $ | 2013 $ |
|---|---|---|
| Net profit (loss) | (7,973,286) | (4,444,322) |
| *Adjustments for:* | | |
| Result on sale of fixed assets | 116,638 | 2,866 |
| Depreciation and amortisation | 419,781 | 399,054 |
| Cost of share issues | 72,792 | 1,658,111 |
| *Changes in assets and liabilities* | | |
| (Increase)/decrease in trade and other receivables | 856,298 | 228 |
| (Increase)/decrease in inventories | 914,324 | (324,924) |
| (Decrease)/increase in trade and other payables | 77,896 | 382,662 |
| (Decrease)/increase in employee entitlement provisions | (32,874) | 51,485 |
| Impact of deconsolidation | 4,596,795 | - |
| Net cash from operating activities | (951,636) | (2,274,840) |

**18 COMMITMENTS AND CONTINGENCIES**

**Obligations due under hire purchase contracts**

Future rentals payable under hire purchase contracts as at 30 June are as follows:

| | 2014 $ | 2013 $ |
|---|---|---|
| Within one year | 16,910 | 1,343,570 |
| After one year but not more than five years | 89,369 | - |
| | 106,280 | 1,343,570 |
| Less unexpired interest | 17,096 | 46,544 |
| | 89,184 | 1,297,026 |
| | | |
| Net current liability (Note 12) | 89,184 | 1,297,026 |
| Net non-current liability (Note 12) | - | - |
| | 89,184 | 1,297,026 |

**Capital commitment**

At the reporting date, the Group was not committed to any capital expenditure.

**Contingent liabilities**

At the reporting date, the Group had no contingent liabilities.

# Notes to the Consolidated Financial Statements (continued)
# for Year Ended 30 June 2014

**19 DIRECTOR AND EXECUTIVE DISCLOSURES**

**(a) Details of Key Management Personnel**

Harvey Parker
Paul Duckett
Ray Taylor
Trevor Kelly
Benny Wu
Xu Lidi
Phil Beale
William Clarke

**(b) Compensation of Key Management Personnel**

*(i) Policy*

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The Board assesses the appropriateness of the nature and amount of compensation of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality executive team.

*(ii) Remuneration paid*

| | Short-term benefits | Post employment benefit | Share-based payment | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2014** | | | | |
| Total compensation | 223,000 | 15,000 | - | 238,000 |

The company has taken advantage of the relief provided by Corporation Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the directors report. The relevant information can be found in the remuneration report.

**(c) Equity instrument disclosures relating to key management personnel**

The number of shares and options in the company held during the financial year by each director of Australian Natural Proteins Limited and other key management personnel, including their personal related parties, are set out below.

| **Shareholdings** | **Balance 1 July 2013** | **Commencement of role** | **(Cessation of role)** | **Balance 30 June 2014** |
|---|---|---|---|---|
| **Key Management Personnel** | | | | |
| Harvey Parker | 6,622,121 | | (6,622,121) | - |
| Paul Duckett | 12,787,894 | | | 12,787,894 |
| Raymond Taylor | 9,994,038 | | | 9,994,038 |
| Dr Wu Pun Yan | 19,996,666 | | (19,996,666) | - |
| Xu Lidi | - | 39,200,000 | (39,200,000) | - |
| Phil Beale | - | | - | - |
| Trevor Kelly | | 238,719 | | 238,719 |
| William Clarke | 6,000,000 | | (6,000,000) | - |

| **Options** | **Balance 1 July 2013** | **Commencement of role** | **Options expired** | **Balance 30 June 2014** |
|---|---|---|---|---|
| **Key Management Personnel** | | | | |
| William Clarke | 12,000,000 | - | (12,000,000) | - |

## Notes to the Consolidated Financial Statements (continued)
## for Year Ended 30 June 2014

| | CONSOLIDATED 2014 $ | CONSOLIDATED 2013 $ |
|---|---|---|

**20 RELATED PARTY DISCLOSURE**

**(a) Related entities within the Group**

The consolidated financial statements include the financial statements of Australian Natural Protein Limited and its wholly owned entities: Envy Lamb Pty Ltd, Agline Pastoral Pty Ltd and Swann Water Management Pty Ltd.

**(b) Transactions with directors and director related parties**

As of balance date, loans were made and remained in place, between Group companies and other related parties. The nature of the transactions, and balances outstanding at the reporting date are:

| *Related party* | *Description* | *Amount receivable from / (payable to)* $ | *Amount receivable from / (payable to)* $ |
|---|---|---|---|
| *Directors:* | | | |
| Mr Raymond Taylor | Provision of working capital loan with no interest applicable | - | (7,957) |
| *Director-related entities:* | | | |
| Meridian Fertilisers | Controlled by interests associated with Director Mr P Duckett.<br>Provision of working capital loan with no interest applicable | - | (246,215) |
| Soil Management Systems | Controlled by Directors Mr R Taylor and Mr P Duckett who represent 2 of the entities 3 directors and control 35% of shares issued<br>Provision of working capital loan with no interest applicable | - | (162,363) |
| | | - | (416,535) |

**(c) Terms and conditions of transactions with related parties**

Working capital loans from related parties do not attract interest

Other related party loans have the terms disclosed above.

**21 EVENTS AFTER THE REPORTING DATE**

Since the end of 2014 financial year, the Company has appointed new members to the Board to focus on a significant reform program to restructure the Company and to put together a portfolio of agricultural business opportunities for acquisition.

In July 2014, the Company entered into an agreement with Mercer Capital to raise up to $1,000,000 from the issue of up to 50,000,000 shares at the issue price of $0.02 per share with one free option exercisable at $0.03. Funds raised will be used to fund working capital to ensure that the Company maintains its equilibrium.

The Company is currently engaged in discussions with a number of businesses and has signed a letter of intent with one of these companies subject to satisfactory due diligence results. The acquisition contemplates a purchase price of $8,500,000, funding of which will be provided by further capital raising.

## Notes to the Consolidated Financial Statements (continued)
## for Year Ended 30 June 2014

**22 CONTROLLED ENTITIES**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in note 2:

| Name | Country of incorporation | | Percentage Owned | Percentage Owned |
|---|---|---|---|---|
| Envy Lamb Pty Ltd | Australia | | 100.0% | 100.0% |
| Agline Pastoral Pty Ltd | Australia | Loss of control 11/06/14 | 100.0% | 100.0% |
| Swann Water Management Pty Ltd | Australia | Loss of control 11/06/14 | 100.0% | 100.0% |

| | cents | cents |
|---|---|---|
| Basic earnings per share | (5.26) | (9.17) |
| Diluted earnings per share | (5.26) | (9.17) |
| Profit attributable to ordinary equity holders of the company used in calculating earnings per share: | (7,973,286) | (4,444,322) |

**Weighted average number of shares used as the denominator**

| | # | # |
|---|---|---|
| Weighted average number of shares used as the denominator in calculating basic earnings per share | 151,654,899 | 48,441,259 |
| Adjustments for calculation of diluted earnings per share | - | - |
| **Weighted average number of ordinary shares** | 151,654,899 | 48,441,259 |

**23 EARNINGS PER SHARE**

| | cents | cents |
|---|---|---|
| Basic earnings per share | (5.26) | (9.17) |
| Diluted earnings per share | (5.26) | (9.17) |
| Profit attributable to ordinary equity holders of the company used in calculating earnings per share: | (7,973,286) | (4,444,322) |
| | | |
| **Weighted average number of shares used as the denominator** | # | # |
| Weighted average number of shares used as the denominator in calculating basic earnings per share | 151,654,899 | 48,441,259 |
| Adjustments for calculation of diluted earnings per share | - | - |
| **Weighted average number of ordinary shares** | 151,654,899 | 48,441,259 |

**24 PARENT ENTITY DETAILS**

Summarised presentation of the parent entity, Australian Natural Proteins Limited, financial statements:

**(a) Summarised statement of financial position**

| Assets | $ | $ |
|---|---|---|
| Current assets | 16,202 | 2,842,589 |
| Non-current assets | 2,617,211 | 12,924,504 |
| Total assets | 2,633,413 | 15,767,093 |
| Liabilities | | |
| Current liabilities | 370,141 | 208,685 |
| Non-current liabilities | - | - |
| Total liabilities | 370,141 | 208,685 |
| Net assets | 2,263,272 | 15,558,408 |
| Equity | | |
| Share capital | 17,901,261 | 17,812,791 |
| Retained earnings | (15,637,989) | (2,254,383) |
| Total equity | 2,263,272 | 15,558,408 |

**(b) Summarised statement of comprehensive income**

| | | |
|---|---|---|
| Loss for the year | (7,973,286) | (2,254,383) |
| Total comprehensive income for the year | (7,973,286) | (2,254,383) |

The comparative parent entity details are that of Agline Pty Ltd. Due to the loss of control of Agline on 11 June 2014, Australian Natural Proteins is identified as the parent at 30 June 2014.

## DIRECTOR'S DECLARATION

For the year ended 30 June 2014

In the opinion of the directors:

1. The financial statements and notes of the company and the additional disclosures included in the Directors' Report designated as audited are in accordance with the Corporations Act 2001, including:

    a. Giving a true and fair view of the consolidated group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

    b. Complying with the Corporations Regulations 2001 and Australian Accounting Standards, which, as stated in accounting policy Note 2(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declaration required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ended 30 June 2014.

This declaration is made in accordance with a resolution of the board of directors and signed in Melbourne on 30 September 2014.

**Emily D'Cruz**
Chairman

Dated: 1 October 2014

PKF lawler

**Independent Auditor's Report to the members of Australian Natural Proteins Limited**

**Report on the Financial Report**

We were engaged to audit the accompanying financial report of Australian Natural Proteins Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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.

***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 is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state that the financial statements comply with International Financial Reporting Standards.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on conducting the audit in accordance with Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraph however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

***Independence***

In conducting our audit, we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. We confirm that the declaration would be in the same terms if given to the directors as at the date of this auditor's report.

***Basis for Disclaimer of Opinion***

We have been unable to obtain sufficient appropriate audit evidence in relation to the operations of the consolidated entity to enable us to satisfy ourselves as to the following matters:

*Existence and recoverability of amounts due from former controlled entity*

As disclosed in Note 3(e) to the financial statements, the company's controlled entity Agline Pastoral Pty Ltd was placed into receivership on 11 June 2014 by a secured lender. During the process of the company preparing its financial report the amount receivable from the controlled entity was determined to be $2,526,311. The status of the receivership is not known to the company. Consequently, we have not been provided with sufficient appropriate audit evidence to determine the accuracy of the stated amount of the receivable, or whether the directors' assessment of its carrying amount at the reporting date complied with the requirements of Accounting Standard AASB 139: *Financial Instruments: Recognition and Measurement*. We are therefore unable to quantify the possible impact (if any) that a non-recovery of the receivable may have on the operating result for the year or the financial position as at 30 June 2014.



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*Uncertainty Regarding Continuation as a Going Concern*

As stated in Note 2(c) Going Concern, the financial statements have been prepared on a going concern basis, which indicates realisation of assets and settlement of liabilities in the normal ongoing course of business. The ability of the Group to continue as a going concern is dependent on the raising of sufficient capital over the coming year to achieve projected cash flows. The Directors have stated that they have reasonable grounds to believe these matters will be achieved. However, we have not been provided with sufficient appropriate audit evidence as to whether the Group may be able to obtain such financing, and hence remove significant doubt of its ability to continue as a going concern within 12 months of the date of this auditor's report.

***Disclaimer of Opinion***

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the financial 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.

***Auditor's Opinion***

In our opinion the Remuneration Report of Australian Natural Proteins Limited for the financial year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PKF Lawler Melbourne

**PKF Lawler Melbourne**

**Steven Bradby**

**Partner**
Melbourne, 1 October 2014

## ADDITIONAL INFORMATION

For the year ended 30 June 2014

The following information was extracted from the Australian N atural Proteins Limited register of shareholders on 19 September 2014"

| 20 Top Shareholders | Shares | % |
|---|---|---|
| H HARVEST COMPANY PTY LTD <H HARVEST FAMILY A/C> | 39,200,000 | 25.82 |
| CITICORP NOMINEES PTY LIMITED | 20,004,512 | 13.18 |
| MERIDIAN FERTILISERS PTY LTD | 7,131,351 | 4.70 |
| SUSAN PARKER | 6,717,255 | 4.42 |
| WILLIAM JOHN TIMSBURY CLARKE | 6,000,000 | 3.95 |
| RAYMOND TAYLOR <TAYLOR SUPER FUND A/C> | 5,862,292 | 3.86 |
| MR PAUL FREDERICK DUCKETT & MRS DIANE ELIZABETH DUCKETT <DUCKETT SUPER FUND A/C> | 4,571,228 | 3.01 |
| HARVEY PARKER | 4,246,551 | 2.80 |
| MR SING EN CHAN | 3,370,910 | 2.22 |
| RAYMOND TAYLOR <FOURTAYS A/C> | 3,358,014 | 2.21 |
| SECOND OPINION COM AU PTY LTD | 2,684,496 | 1.77 |
| DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT> | 2,570,827 | 1.69 |
| HARVEY PARKER <PARKER SUPER FUND A/C> | 2,360,570 | 1.56 |
| TONI TAYLOR | 2,357,650 | 1.55 |
| SOIL MANAGEMENT SYSTEMS PTY LTD | 1,895,873 | 1.25 |
| INNOVATIVE INTELLECTUAL SOLUTIONS (AUST) PTY LTD | 1,888,900 | 1.24 |
| NEIL FLEMING | 1,341,092 | 0.88 |
| MR RHETT ANTHONY JOHN MORSON | 1,302,600 | 0.86 |
| PROFESSIONAL & SOPHISTICATED INVESTORS PTY LTD <PROF & SOPH INVEST A/C> | 1,150,000 | 0.76 |
| TERRAIN CAPITAL LIMITED | 1,117,250 | 0.74 |
| | 119,131,371 | 78.46 |

**Distribution of Shareholdings**
**Security Classes**

Fully Paid Ordinary Shares
Fully Paid Ordinary Shares Escrowed for 12 months

| Holdings Ranges | Holders | Total Units | % |
|---|---|---|---|
| 1-1,000 | 284 | 112,011 | 0.074 |
| 1,001-5,000 | 149 | 362,833 | 0.239 |
| 5,001-10,000 | 205 | 1,974,167 | 1.300 |
| 10,001-100,000 | 130 | 5,435,671 | 3.580 |
| 100,001-9,999,999,999 | 94 | 143,952,005 | 94.807 |
| **Totals** | **862** | **151,836,687** | **100.000** |

| Total Securities | UMP Securities | UMP Holders | UMP % |
|---|---|---|---|
| 151,836,687 | 8,445,888 | 773 | 5.562 |

**Marketable Parcels**
At 19 September 2014, using the last traded share price of $0.005 per share, there were 773 holdings, which were of less than a marketable parcel ($500)

**Voting Rights**
Each shareholder is entitled to receive notice of and attend and vote at general meetings of the company. At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held.