



# Alterra™

## **ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2017**

**ABN 20 129 035 221**

**Alterra Limited and Controlled Entities  
Annual Report  
for the year ended 30 September 2017**

**2017**

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## CORPORATE INFORMATION

**ABN 20 129 035 221**

### Directors

Mr ANDREW MCBAIN, Executive Director  
Mr TREVOR STONEY, Chairman & Non-Executive Director  
Mr NEIL MCBAIN, Non-Executive Director

### Company Secretary

Mr ANTHONY FITZGERALD

### Principal & Registered Office

SUITE 1  
25 WALTERS DRIVE  
OSBORNE PARK WA 6017  
TELEPHONE: (08) 9204 8400

### Auditors

HLB MANN JUDD  
LEVEL 4, 130 STIRLING STREET  
PERTH WA 6000

### Share Registry

ADVANCED SHARE REGISTRY SERVICES  
110 STIRLING HIGHWAY  
NEDLANDS WA 6009  
TELEPHONE: (08) 9389 8033

### Solicitors

BELLANHOUSE LEGAL  
LEVEL 19, ALLUVION  
58 MOUNTS BAY ROAD  
PERTH WA 6000

### Bankers

COMMONWEALTH BANK OF AUSTRALIA  
150 ST GEORGES TERRACE  
PERTH WA 6000

### Securities Exchange

AUSTRALIAN SECURITIES EXCHANGE  
EXCHANGE CENTRE  
20 BRIDGE STREET  
SYDNEY NSW 2000  
(ASX: 1AG)

# EXECUTIVE DIRECTOR REVIEW OF OPERATIONS

Dear Shareholder,

The year to September 2017 saw the Company continue to explore new opportunities in the dairy sector whilst continuing to manage its core agri-forestry operations in Australia including:

- Windup of New Zealand Entities
- Continuation of Carbon Farming Initiative (“CFI”) projects in Western Australia
- Finalisation of sale of remaining carbon-forestry freehold land
- Purchase of “Dambadgee Springs” property in Western Australia
- Feasibility studies at Dambadgee Springs for System-5 Dairy

## New Zealand Entities

With the New Zealand assets having been sold during the 2016 financial year, the three New Zealand subsidiaries were wound up during the 2017 year. The Company no longer has any entity with activities or obligations in New Zealand.

## Ongoing Agri-forestry Project Management

Alterra continues to manage approximately 18,000 hectares of agri-forestry projects in Western Australia to generate Australian Carbon Credit Units (ACCUs), and Voluntary Carbon Offsets. The Company has existing contracts out until December 2027 which generate management fees of circa \$2.7 million per annum.

Field work which included tree measurements and plantation monitoring and FullCAM modelling, informed the Company’s ongoing development of growth models, and supported Offset Reports to the Clean Energy Regulator. ACCUs were generated by both CFI projects with some delivered against an Emissions Reduction Fund Carbon Abatement Contract and others transferred to a client.

In 2017 Alterra completed a program to dispose of all remaining freehold titles to land on properties where it holds carbon-forestry assets. Alterra continues to own the required carbon and forestry rights on the various properties that are required to operate its carbon projects. The sale of the underlying land has provided Alterra with additional revenue from the sale of the written down value of land, reduced operating expenses, and removed a number of short and long term liabilities/obligations. In addition the sale of the land triggers a tax effective mechanism to recognise the loss on the written down component of the land on an emerging profits basis.

The sale of the land has two main impacts to Alterra’s 2017 financial statements for accounting purposes; increased amortisation (non-cash) expenses; and a reduction of tangible assets (land) with a corresponding increase of non-tangible assets (forestry and carbon rights net of accrued amortisation expense). Amortisation is calculated over the length of existing contracts (15 years), with 40% applied in the first year and 4% on the remaining 15 years. For example if land included in a contract that commenced in 2010 were sold in 2017, amortisation of 64% of cost was applied in 2017 with a further 4% p.a. to be applied until the contract ends in 2025. As a result the Company has a one-off amortisation expense of \$3.7 million in 2017.

The EBITDA for 2017 was \$0.75 million. However, after applying \$3.7M of amortisation expenses the NPAT was a \$1.96 million loss.

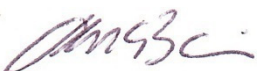
## Dairy Project

In March 2017 the Company purchased “Dambadgee Springs” near Dandaragan in Western Australia for \$4.2 million. The property was assessed as highly suitable for the development of a System-5 dairy and is currently leased for cropping purposes, generating positive cash-flow, while feasibility and detailed engineering studies are conducted.

Various works undertaken at Dambadgee Springs during 2017 included conducting: regional hydrology and exploration drilling for water on the property; preliminary environmental assessments; silage-crop productivity and quality trials; teaming international System-5 dairy management and engineering specialists with local construction and environmental engineering consultants to conduct extensive site assessments, identification of preferred locations for infrastructure; development of high level designs and refinement of the operating model. The Company is now primarily focussed on securing water access, refining environment management plans and applications and securing a milk off-take contract.

International and Eastern Australian dairy market prices have improved albeit from a low base. In Western Australia, there continues to be a contraction in milk supply in response to lower price signals from local processors. The uncertainty surrounding the long-term ownership and strategy for the Brownes dairy in WA received a positive boost with the recent announcement of the purchase of the iconic dairy processing business by Chinese interests. It is the Company’s view the new ownership will lead to an expansion of the dairy industry in WA. While the mega-trend of increased demand for Australian dairy into Asia continues, a long term secure milk offtake contract at sustainable prices is required to enable the Company to proceed with the project with discussions ongoing with various parties.

Alterra continues to seek out other new business opportunities that are complimentary to its existing business, whilst preserving its existing cash-flow and continuing to grow the Company’s assets.



**Andrew McBain**  
Executive Director

# DIRECTORS' REPORT

Your directors submit the annual financial report of the Company and the entities it controlled (hereafter referred to as "The Group") for the year ended 30 September 2017. In order to comply with the provisions of the Corporations Act 2001, the directors' report is as follows:

## Directors

The names of directors who held office during or since the end of the financial year and until the date of this report are as follows. Directors were in office for this entire period unless stated below.

ANDREW MCBAIN (Executive Director)  
TREVOR STONEY (Non-Executive Director)  
NEIL MCBAIN (Non-Executive Director)

## Information on Directors

### TREVOR STONEY (Chairman & Non-Executive Director)

Mr Stoney brings cumulative knowledge, acumen and relationships from more than 50 years in agribusiness. From 1962 until a sale in 2009, he managed numerous large-scale family owned mixed farming enterprises across the Western Australian and Victorian agricultural zones. Mr Stoney is also a founding director of an innovative renewable energy business based in Perth, Western Australia and continues to have an active interest in agriculture via his two sons and private livestock interests. He has had no other directorships of ASX listed companies in the last 3 years.

### ANDREW MCBAIN (Executive Director)

Mr McBain is the founder of Alterra Ltd (formerly Carbon Conscious Ltd), and over the past 15 years has successfully developed a number of start-up businesses involved in agriculture, carbon and mineral exploration. The capital sourced and raised for these ventures since 2005 exceeds \$100 million. Mr McBain has experience in management, business development, ASX listings including IPO's and RTO's, capital raisings and corporate compliance. Previous directorships include ASX entities Rumble Resources Ltd, AACL Holdings Ltd and Scimitar Resources Ltd.

### NEIL MCBAIN (Non-Executive Director)

Mr McBain has had a long business career in the business to business industrial services sector, during which he has established a solid history of business development and profitable growth. More recently, Mr McBain headed up a private equity consortium which built the Loscam Pallet business into a major competitor to Chep in Australia and to market dominance in South and North Asia. Loscam was sold to Chinese logistics group CML Ltd for \$600 million in 2010. Mr McBain has significant experience in Mergers and Acquisitions including operational integration and prides himself on a reputation for an intense focus on customers and creating value for shareholders. He has had no other directorships of ASX listed companies in the last 3 years.

## Information on Company Secretary

### ANTHONY FITZGERALD (Commercial Manager & Company Secretary)

Mr Fitzgerald has over 30 years' experience in operational and financial management of agribusinesses that span large-scale extensive animal production, land conservation projects, farmer networks and grain marketing pools. At Alterra his responsibilities include managing compliance with the Carbon Farming Initiative Act, generation of Australian Carbon Credits Units and driving a commercial focus into the management of properties. He holds a Bachelor of Agribusiness (Hons) and Post Graduate Diploma in Financial Services.

## Interests in the Shares and Options of the Company

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at the date of this report.

Directors	Number of fully paid ordinary shares	Number of options
Trevor Stoney	20,917,361	-
Andrew McBain	8,910,306	3,500,000
Neil McBain	8,600,000	-

Details of unissued ordinary shares under options are as follows:

Number of options	Exercise price	Expiry date
3,000,000	\$0.06	31 January 2018
3,000,000	\$0.06	31 May 2018
6,000,000	\$0.15	1 March 2019

## DIRECTORS' REPORT (continued)

### Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

### Principal Activities

The principal activities of the Group during the year were agri-forestry services being the management of established carbon forests for the purpose of sequestration of carbon from the atmosphere and the generation of carbon credits or ACCU's; and the commencement of dairy operations including the ongoing development of a feasibility study for the expansion of a System 5 dairy project in Western Australia. There have been no significant changes in the nature of those activities during the year.

### Dividends

No dividends have been paid or declared for the year ended 30 September 2017. The directors do not recommend the payment of a dividend in respect of the year ended 30 September 2017.

### Review of Operations

The Group continues to review and manage its costs in a challenging carbon market whilst looking for other opportunities. The Group has two substantial long-term contracts with strong counterparties for the continued provision of services associated with agri-forestry that generate revenue out till 2027 in Australia. The Group has also built a long-term asset base which involves agricultural land that has in the majority been planted with native trees for bio-sequestration.

### Operating Results for the Year

The loss of the Group for the year ended 30 September 2017 after providing for income tax amounted to \$2,038,701 (30 September 2016: profit of \$302,206).

### Financial Position

The net assets of the Group have decreased by \$1,558,912 from \$12,553,223 at 30 September 2016 to \$11,005,671 at 30 September 2017.

### Significant Changes in the State of Affairs

The following significant change in the state of affairs occurred during the year ended 30 September 2017:

- (a) **29 March 2017** – the Company announced the acquisition of a 1,640-hectare farming property "Dambadgee Springs", located 165 kilometres north of Perth in the Dandaragan Shire. The purchase was a result of 12 months due diligence conducted on the property, including assessing water development potential, soil types and climate. It was deemed that the property has the likely attributes required for the development of a System-5 Dairy operation. The \$4.2 million acquisition was funded equally from cash on hand and a new debt facility with Bank West. The property has been leased for the next 12 months so that further due diligence and on-site development work could continue.

### Significant Events after Balance Date

There are no significant changes in the state of affairs after the year ended 30 September 2017.

### Likely Developments and Expected Results

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Therefore, this information has not been presented in this report.

### Environmental Legislation

The Group is not subject to any significant environmental legislation.

### Legal Litigation

The Group is not subject to any significant legal litigation.

### Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for directors and other key management personnel of Alterra Limited (the "Company"). The term 'executives' is used in this remuneration report to refer to the following key management personnel. The named person held their current position for the year ended 30 September 2017:

Anthony Fitzgerald (Commercial Manager and Company Secretary)

# DIRECTORS' REPORT (continued)

## Remuneration Philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

## Remuneration Committee

Two (2) members of the Board of the Company are delegated by the Board to constitute the Remuneration Committee. The Remuneration Committee makes recommendations to the full Board on appropriate levels of remuneration within the organisation.

## Remuneration Structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

## Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the initial meeting of members held on 2 January 2008 when shareholders approved an aggregate maximum remuneration of \$300,000 per year. The current total remuneration for non-executive directors is \$136,875 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each director receives a fee for being a director of the Company. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees. The remuneration of non-executive directors for the year ended 30 September 2017 is detailed in Table 1.

## Executives and Executive Director Remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

## Fixed Remuneration

Fixed remuneration is reviewed periodically by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary. Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component of the Company's executives is detailed in Table 1.

## Variable Remuneration

The objective of the short-term incentive program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short-term incentives available are set at a level so as to provide sufficient incentive to the senior management to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

There were no short-term incentives during the year ended 30 September 2017, other than the bonuses paid to Mr Andrew McBain and Mr Anthony Fitzgerald.

## Employment Contracts

Mr Andrew McBain (Executive Director) has a contract of employment dated 1 January 2017 with a term of three years. The contract sets out the duties and responsibilities of the Executive Director who is paid \$175,000 per annum exclusive of superannuation with a performance bonus to be determined by the Company taking into consideration the key performance indicators as the Company may set from time to time, and any other matter that it deems appropriate in the Company's sole and absolute discretion.

Mr Anthony Fitzgerald (Commercial Manager & Company Secretary) has a contract of employment dated 1 January 2017 with a term of three years. The contract sets out the duties and responsibilities of the Commercial Manager & Company Secretary who is paid \$175,000 per annum exclusive of superannuation with a performance bonus to be determined by the Company taking into consideration the key performance indicators as the Company may set from time to time, and any other matter that it deems appropriate in the Company's sole and absolute discretion.

## DIRECTORS' REPORT (continued)

### September 2017 Remuneration of Key Management Personnel

**Table 1: Key Management Personnel remuneration for the year ended 30 September 2017**

	Primary benefits		Post-employment		Equity		Other	Total	%
	Salary & fees	Cash Bonuses (i)	Non-monetary benefits (ii)	Superannuation	Prescribed benefits	Options			Performance related
<b>Directors</b>	\$	\$	\$	\$	\$	\$	\$	\$	%
Andrew McBain	175,406	35,000	-	16,388	-	29,211	-	256,005	25%
Neil McBain	50,000	-	-	4,750	-	-	-	54,750	-
Trevor Stoney	75,000	-	-	7,125	-	-	-	82,125	-
<b>Total</b>	<b>300,406</b>	<b>35,000</b>	<b>-</b>	<b>28,263</b>	<b>-</b>	<b>29,211</b>	<b>-</b>	<b>392,880</b>	<b>16%</b>
<b>Executives</b>	\$	\$	\$	\$	\$	\$	\$	\$	%
Anthony Fitzgerald	172,715	35,000	-	16,388	-	29,211	-	253,314	25%
<b>Total</b>	<b>172,715</b>	<b>35,000</b>	<b>-</b>	<b>16,388</b>	<b>-</b>	<b>29,211</b>	<b>-</b>	<b>253,314</b>	<b>25%</b>

(i) The cash bonus was granted as per the terms of the employment contract. No other cash bonuses were granted during the year.

(ii) Non-monetary benefits include employee share scheme payments and fringe benefits tax payments.

### Options Granted as Part of Remuneration September 2017

	Value of options granted at grant date	Value of options exercised at exercise date	Value of options lapsed at time of lapse	Total value of options granted, exercised and lapsed	Value of options lapsed during the year	Value of options included in remuneration for the year	% Remuneration consisting of options for the year
<b>Directors</b>	\$	\$	\$	\$	\$	\$	%
Andrew McBain	29,211	-	-	29,211	-	-	11%
Neil McBain	-	-	-	-	-	-	-
Trevor Stoney	-	-	-	-	-	-	-
<b>Total</b>	<b>29,211</b>	<b>-</b>	<b>-</b>	<b>29,211</b>	<b>-</b>	<b>-</b>	<b>7%</b>
<b>Executives</b>	\$	\$	\$	\$	\$	\$	%
Anthony Fitzgerald	29,211	-	-	29,211	-	-	12%
<b>Total</b>	<b>29,211</b>	<b>-</b>	<b>-</b>	<b>29,211</b>	<b>-</b>	<b>-</b>	<b>12%</b>

For details on the valuation of the options, including models and assumptions used, please refer to Note 17 to the financial report. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.



## DIRECTOR'S REPORT (continued)

### Shares Issued to Key Management Personnel for the year ended 30 September 2017

No shares were issued to Directors and Executives as part of the short-term incentive scheme during the year ended 30 September 2017.

### Option Holdings of Key Management Personnel for the year ended 30 September 2017

12 months ended 30 September 2017	Balance at beginning of reporting period	Granted as remuneration	Options exercised <sup>(i)</sup>	Net change Other	Balance at end of reporting period	Vested as at end of reporting period	
						Exercisable	Not Exercisable
<b>Directors</b>							
Andrew McBain	5,000,000	-	(1,500,000)	-	3,500,000	1,500,000	-
Trevor Stoney	1,500,000	-	(1,500,000)	-	-	-	-
Neil McBain	1,500,000	-	(1,500,000)	-	-	-	-
<b>Executives</b>							
Anthony Fitzgerald	5,000,000	-	(1,500,000)	-	3,500,000	1,500,000	-
<b>Total</b>	<b>13,000,000</b>	<b>-</b>	<b>(6,000,000)</b>	<b>-</b>	<b>7,000,000</b>	<b>3,000,000</b>	<b>-</b>

(i) Unlisted Options exercised on 31 January 2017 under the Company's Employee Share Option Plan. The value at exercise date was \$0.015 per option represented by the intrinsic value of the option at the exercise date.

### Shareholdings of Key Management Personnel for the year ended 30 September 2017

12 months ended 30 September 2017	Balance at beginning of reporting period	Granted as remuneration	On exercise of options <sup>(i)</sup>	Net change Other	Balance at end of reporting period
<b>Directors</b>					
Andrew McBain	7,410,306	-	1,500,000	-	8,910,306
Trevor Stoney	19,417,361	-	1,500,000	-	20,917,361
Neil McBain	7,100,000	-	1,500,000	-	8,600,000
<b>Executives</b>					
Anthony Fitzgerald	3,450,000	-	1,500,000	-	4,950,000
<b>Total</b>	<b>37,377,667</b>	<b>-</b>	<b>6,000,000</b>	<b>-</b>	<b>43,377,667</b>

(i) Shares were issued upon exercise of options by Directors / Executives on 31 January 2017.

### Loans to Key Management Personnel for the year ended 30 September 2017

12 months ended 30 September 2017	Balance at beginning of reporting period	Amount loaned in year <sup>(i)</sup>	Interest charged	Interest paid	Principal repayments made	Balance at end of reporting period
	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
Andrew McBain	-	67,500	2,619	(2,619)	(13,700)	53,800
Trevor Stoney	-	67,500	2,697	(2,697)	(6,894)	60,606
<b>Executives</b>						
Anthony Fitzgerald	-	67,500	2,592	(2,592)	(15,716)	51,784
<b>Total</b>	<b>-</b>	<b>202,500</b>	<b>7,908</b>	<b>(7,908)</b>	<b>(36,310)</b>	<b>166,190</b>

(i) Loans refer to unsecured monies loaned on 25 January 2017 by Alterra to its key management personnel for the purpose of purchasing shares in the Company via the exercising of options. The loans are on commercial terms and conditions. Interest is payable at 6.75% per annum with monthly principal and interest repayments made over the 4-year term of the loans.

## DIRECTOR'S REPORT (continued)

### September 2016 Remuneration of Key Management Personnel

Table 1: Key Management Personnel remuneration for the year ended 30 September 2016

	Primary benefits		Post-employment		Equity		Other	Total	%
	Salary & fees	Cash Bonuses (i)	Non-monetary benefits (ii)	Superannuation	Prescribed benefits	Options			Performance related
Directors	\$	\$	\$	\$	\$	\$	\$	\$	%
Andrew McBain	165,000	57,000	-	15,675	-	12,171	-	249,846	28%
Neil McBain	50,000	-	-	4,750	-	-	-	54,750	-
Trevor Stoney	75,000	-	-	7,125	-	-	-	82,125	-
<b>Total</b>	<b>290,000</b>	<b>57,000</b>	<b>-</b>	<b>27,550</b>	<b>-</b>	<b>12,171</b>	<b>-</b>	<b>386,721</b>	<b>18%</b>
Executives	\$	\$	\$	\$	\$	\$	\$	\$	%
Anthony Fitzgerald	165,000	57,000	-	15,675	-	12,171	-	249,846	28%
<b>Total</b>	<b>165,000</b>	<b>57,000</b>	<b>-</b>	<b>15,675</b>	<b>-</b>	<b>12,171</b>	<b>-</b>	<b>249,846</b>	<b>28%</b>

(i) The cash bonus was granted as per the terms of the employment contract. No other cash bonuses were granted during the year.

(ii) Non-monetary benefits include employee share scheme payments and fringe benefits tax payments.

### Options Granted as Part of Remuneration September 2016

	Value of options granted at grant date	Value of options exercised at exercise date	Value of options lapsed at time of lapse	Total value of options granted, exercised and lapsed	Value of options lapsed during the year	Value of options included in remuneration for the year	% Remuneration consisting of options for the year
Directors	\$	\$	\$	\$	\$	\$	%
Andrew McBain	12,171	-	-	12,171	-	12,171	5%
Neil McBain	-	-	-	-	-	-	-
Trevor Stoney	-	-	-	-	-	-	-
<b>Total</b>	<b>12,171</b>	<b>-</b>	<b>-</b>	<b>12,171</b>	<b>-</b>	<b>12,171</b>	<b>3%</b>
Executives	\$	\$	\$	\$	\$	\$	%
Anthony Fitzgerald	12,171	-	-	12,171	-	12,171	5%
<b>Total</b>	<b>12,171</b>	<b>-</b>	<b>-</b>	<b>12,171</b>	<b>-</b>	<b>12,171</b>	<b>5%</b>

For details on the valuation of the options, including models and assumptions used, please refer to Note 17 to the financial report. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

## DIRECTOR'S REPORT (continued)

### Shares Issued to Key Management Personnel for the year ended 30 September 2016

No shares were issued to Directors and Executives as part of the short-term incentive scheme during the year ended 30 September 2016.

### Option Holdings of Key Management Personnel for the year ended 30 September 2016

12 months ended 30 September 2016	Balance at beginning of reporting period	Granted as remuneration <sup>(i)</sup>	Options exercised	Net change Other <sup>(ii)</sup>	Balance at end of reporting period	Vested as at end of reporting period	
						Exercisable	Not Exercisable
<b>Directors</b>							
Andrew McBain	3,000,000	2,000,000	-	-	5,000,000	3,000,000	-
Trevor Stoney	1,500,000	-	-	-	1,500,000	1,500,000	-
Neil McBain	1,500,000	-	-	-	1,500,000	1,500,000	-
<b>Executives</b>							
Anthony Fitzgerald	3,000,000	2,000,000	-	-	5,000,000	3,000,000	-
<b>Total</b>	<b>9,000,000</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>13,000,000</b>	<b>9,000,000</b>	<b>-</b>

(i) Unlisted Options issued on 13 May 2016 under the Company's Employee Share Option Plan.

### Shareholdings of Key Management Personnel for the year ended 30 September 2016

12 months ended 30 September 2016	Balance at beginning of reporting period	Granted as remuneration	On exercise of options	Net change Other <sup>(i)</sup>	Balance at end of reporting period
<b>Directors</b>					
Andrew McBain	7,410,306	-	-	-	7,410,306
Trevor Stoney	9,417,361	-	-	10,000,000	19,417,361
Neil McBain	7,100,000	-	-	-	7,100,000
<b>Executives</b>					
Anthony Fitzgerald	3,450,000	-	-	-	3,450,000
<b>Total</b>	<b>27,377,667</b>	<b>-</b>	<b>-</b>	<b>10,000,000</b>	<b>37,377,667</b>

(i) Shares were acquired or sold by Directors / Executives or their related entities both on and off market.

### Transactions with Key Management Personnel

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial period:

Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	\$	\$	\$	\$
<b>12 months ended 30 September 2017</b>				
Stoney Pastoral Co Pty Ltd	23,160	6,910	16,116	-
Stoney Agri	110,907	39,504	121,407	-
The Yathroo Property Trust	-	4,202,417	-	-
<b>12 months ended 30 September 2016</b>				
Stoney Pastoral Co Pty Ltd	13,399	13,533	-	134
Aroona Management Ltd	-	83,046	-	-
Broadacre Land Holdings	-	-	558	-

## DIRECTOR'S REPORT (continued)

### Transactions with Key Management Personnel (continued)

Stoney Pastoral Co Pty Ltd is an entity controlled by Trevor Stoney, which provided agistment services to Alterra in the year. Alterra also provided the usage of vehicles to Stoney Pastoral Co Pty Ltd within the year.

Stoney Agri, trading name for The Willyama (WA) Pty Ltd ATF The Ruby Trust, is a company controlled by a related party of Trevor Stoney. Alterra has a 3-year lease agreement commencing April 2017 for land at Dambadgee Springs. Stoney Agri provided farming contracting services to Alterra in the year.

The Yathroo Property Trust is an entity controlled by a related party of Trevor Stoney, from which the property at Dambadgee Springs was purchased from in the year on arm's length and commercial terms.

Aroona Management Pty Ltd is an entity controlled by Neil McBain, a director of Alterra Ltd. The convertible note and any outstanding interest were fully paid in the prior year.

Broadacre Land Holdings Pty Ltd, a former subsidiary of Stoney Pastoral Co Pty Ltd, was bought by Alterra in the year for a nominal sum.

### END OF REMUNERATION REPORT

#### Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Number of Meetings Eligible to Attend	Number of Meetings Attended
Andrew McBain	8	8
Trevor Stoney	8	8
Neil McBain	8	8

#### Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company, for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year ended 30 September 2017.

#### Auditor Independence and Non-audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 14 and forms part of this directors' report for the year ended 30 September 2017.

#### Non-audit Services

No non-audit services were provided by the external auditors during the year ended 30 September 2017.

Signed in accordance with a resolution of the directors.



**Andrew McBain**  
Executive Director  
Alterra Limited  
Perth, 30<sup>th</sup> November 2017

# CORPORATE GOVERNANCE STATEMENT

The Board of Alterra Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Alterra Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Alterra Limited's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations as set out by the ASX Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition).

The Company's Corporate Governance Statement for the year ended 30 September 2017 was reviewed and approved by the Board on 20 June 2017. The Board is ultimately responsible for all matters relating to the running of the Company and is committed in demonstrating and achieving the highest standards of corporate governance.

Alterra Limited's corporate governance practices were in place throughout the year ended 30 September 2017 and were substantially compliant with the Council's recommendations.

A description of the Company's current corporate governance statement is available on the Company's website at [www.alterra.com.au](http://www.alterra.com.au).

# AUDITOR'S INDEPENDENCE DECLARATION



Accountants | Business and Financial Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Alterra Limited for the year ended 30 September 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of

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

Perth, Western Australia  
30 November 2017

A handwritten signature in blue ink, appearing to read 'M R Ohm'.


**M R Ohm**  
**Partner**

### HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of  HLB International, a world-wide organisation of accounting firms and business advisers

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Note	CONSOLIDATED	
		12 months ended 30 September 2017	12 months ended 30 September 2016
		\$	\$
Revenue	2	2,723,654	2,899,834
Other income	2	435,700	121,261
Operating expenses		(780,100)	(999,721)
Administrative expenses		(236,576)	(303,812)
Business development expenses		(47,525)	(213,084)
Employee benefits expense		(783,243)	(772,919)
Occupancy expense		(65,235)	(71,633)
Financing expenses		(60,617)	(68,150)
Depreciation and amortisation expense		(3,703,674)	(781,382)
Share-based payment expenses		(140,382)	(93,671)
<b>(Loss) / profit before income tax benefit</b>		<b>(2,657,998)</b>	<b>(283,277)</b>
Income tax benefit / (expense)	3	513,392	100,452
<b>Loss from continued operations</b>		<b>(2,144,606)</b>	<b>(182,825)</b>
<b>Profit after tax from discontinued operations</b>	5	<b>105,905</b>	<b>485,031</b>
<b>(Loss)/profit attributable to members of the parent entity</b>		<b>(2,038,701)</b>	<b>302,206</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss:			
Exchange difference on translating foreign controlled entities		1,325	(34,873)
Gain on revaluation of listed investments		79,442	-
<b>Other comprehensive income/ (loss) for the period</b>		<b>80,767</b>	<b>(34,873)</b>
<b>Total comprehensive income attributable to members of the parent entity</b>		<b>(1,957,934)</b>	<b>267,333</b>
Basic and diluted earnings per share (cents per share)	4	(1.44)	0.22
Basic and diluted (loss) / earnings per share (cents per share) from continuing operations	4	(1.51)	(0.13)
Basic and diluted earnings per share (cents per share) from discontinued operations	4	0.07	0.35

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	Note	CONSOLIDATED	
		30 September 2017	30 September 2016
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	7	843,355	1,886,519
Trade and other receivables	8	778,069	625,320
Income tax refundable	3	108,750	74,767
Investments	9	183,266	28,824
Inventories	10	-	108,000
Other assets	11	264,616	258,401
<b>Total Current Assets</b>		<b>2,178,056</b>	<b>2,981,831</b>
<b>Non-Current Assets</b>			
Intangible Assets	12	5,437,078	3,923,174
Property, plant and equipment	13	147,580	5,782,873
Investment Property	14	4,428,518	-
Inventories	10	291,885	294,622
Other Assets	11	257,078	-
Deferred tax asset	3	301,167	-
<b>Total Non-Current Assets</b>		<b>10,863,306</b>	<b>10,000,669</b>
<b>Total Assets</b>		<b>13,041,362</b>	<b>12,982,500</b>
<b>Current Liabilities</b>			
Trade and other payables	15	204,609	160,605
Interest-bearing liabilities	16	40,530	42,888
<b>Total Current Liabilities</b>		<b>245,139</b>	<b>203,493</b>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities	16	1,790,552	81,083
Deferred tax liability	3	-	144,701
<b>Total Non-Current Liabilities</b>		<b>1,790,552</b>	<b>225,784</b>
<b>Total Liabilities</b>		<b>2,035,691</b>	<b>429,277</b>
<b>Net Assets</b>		<b>11,005,671</b>	<b>12,553,223</b>
<b>Equity</b>			
Issued capital	17	14,254,212	13,984,212
Reserves	17	1,542,582	1,321,433
Retained earnings / (accumulated losses)		(4,791,123)	(2,752,422)
<b>Total Equity</b>		<b>11,005,671</b>	<b>12,553,223</b>

The accompanying notes form part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

		CONSOLIDATED	
		Inflows/(Outflows)	Inflows/(Outflows)
		12 months ended 30 September 2017	12 months ended 30 September 2016
	Note	\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		2,751,539	3,022,642
Payments to suppliers and employees		(1,936,974)	(3,041,975)
Income tax refunded		33,646	419,273
Interest received		22,706	16,302
Interest paid		(54,121)	(142,797)
Net cash provided by operating activities	22	816,796	273,445
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(4,430,898)	(33,845)
Proceeds from sale of intangible assets		-	312,122
Proceeds from the sale of property, plant and equipment		827,223	1,932,161
Purchase of available-for-sale investments		(75,000)	(15,000)
Sale of plantations		-	1,000,987
Net cash (used in)/ provided by investing activities		(3,678,675)	3,196,425
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		270,000	-
Issue of employee loans		(202,500)	-
Receipt of payments from employee loans		36,309	-
Repayment of convertible notes		-	(200,000)
Receipt of funds from bank loan		2,100,000	-
Repayment of bank loan		(350,000)	(1,743,500)
Repayment of finance leases		(35,094)	(26,682)
Net cash provided by / (used in) financing activities		1,818,715	(1,970,182)
Net (decrease) / increase in cash and cash equivalents		(1,043,164)	1,499,688
Cash and cash equivalents at beginning of year		1,886,519	386,831
<b>Cash and cash equivalents at end of year</b>	7	843,355	1,886,519

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2017

		CONSOLIDATED				
	Issued capital	Share-based payment reserve	Revaluation Reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$		\$	\$	\$
Balance at 1 October 2015	13,984,212	956,340	-	306,294	(3,054,628)	12,192,218
Profit attributable to members	-	-	-	-	302,206	302,206
Foreign currency translation differences	-	-	-	(34,873)		(34,873)
Total comprehensive income for the year	-	-	-	(34,873)	302,206	267,333
Share based payments	-	93,672	-	-	-	93,672
<b>Balance at 30 September 2016</b>	<b>13,984,212</b>	<b>1,050,012</b>	<b>-</b>	<b>271,421</b>	<b>(2,752,422)</b>	<b>12,553,223</b>
Balance at 1 October 2016	13,984,212	1,050,012	-	271,421	(2,752,422)	12,553,223
Loss attributable to members	-	-	-	-	(2,038,701)	(2,038,701)
Gain on revaluation of listed investments	-	-	79,442	-	-	79,442
Foreign currency translation differences	-	-	-	1,325	-	1,325
Total comprehensive income for the year	-	-	79,442	1,325	(2,038,701)	(1,957,934)
Share based payments	-	140,382	-	-	-	140,382
Shares issued during the year	270,000	-	-	-	-	270,000
Transaction costs on shares issued during the year	-	-	-	-	-	-
<b>Balance at 30 September 2017</b>	<b>14,254,212</b>	<b>1,190,394</b>	<b>79,442</b>	<b>272,746</b>	<b>(4,791,123)</b>	<b>11,005,671</b>

The accompanying notes form part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements and notes represent those of Alterra Limited and its controlled entities (the "Group").

The financial statements were authorised for issue on 30 November 2017 by the directors of the Company.

#### (a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report of Alterra Limited complies with Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety. Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets for which the fair value basis of accounting has been applied.

#### (b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Alterra Limited as at 30 September 2017 and the results of all controlled entities for the year then ended. A controlled entity is any entity over which Alterra Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

Where controlled entities have entered (left) the Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased). A list of controlled entities is contained in Note 19 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group, including any unrealised profits or 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.

#### (c) 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 balance date.

Deferred income tax is provided on all temporary differences at the balance 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, associates or interests in joint ventures, 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 balance 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 balance 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 balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Income Tax (continued)

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.

The Company and its wholly-owned Australian entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Alterra Limited.

#### (d) Inventories

There are two main types of inventories held by Alterra Limited – tree plantations and dairy cows.

##### (i) Tree Plantations

Inventories consisting of trees and seeds are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated selling expenses.

Cost comprises all production, acquisition and conversion costs. At the end of each period, inventory cost is evaluated based on the recoverable value and current market pricing to determine whether any write down is appropriate. To the extent that any impairment arises, losses are recognised in the period they occur. Additionally, the costs associated with producing inventories are charged to the statement of comprehensive income in the same period as the related revenues are recognised.

##### (ii) Dairy Cows

Dairy Cows are measured initially at costs and then, at each reporting date, at fair value less costs to sell.

#### (e) Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

#### (f) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land is measured at cost, less any impairment losses recognised after the date of recognition.

Depreciation is calculated using the diminishing value method or straight-line basis over the estimated useful life of the assets as follows:

- Plant and equipment - 7.5% to 37.5% diminishing value
- Leasehold improvements - 6.6% to 50% straight line
- Motor vehicles - 13% to 30% diminishing value

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

##### (i) Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Property, Plant and Equipment (continued)

For land, plant and equipment, impairment losses are recognised in the statement of comprehensive income in the other expenses line item.

##### (ii) *Revaluations*

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss.

Any revaluation decrease is recognised in profit or loss, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

An annual transfer from the asset revaluation reserve to retained earnings / accumulated losses is made for the difference between depreciation based on the revalued carrying amounts of the assets and depreciation based on the assets' original costs.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings / accumulated losses.

It is not the Company's policy to assign any revaluation increment to land assets as they are encumbered by carbon and forestry rights.

##### (iii) *Derecognition and Disposal*

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 of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

#### (g) Cash and Cash Equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### (h) Financial Instruments

##### Recognition of financial assets and financial liabilities

##### (i) *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and has either:
  - transferred substantially all the risks and rewards of the asset, or
  - neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial Instruments (continued)

#### Recognition of financial assets and financial liabilities (continued)

##### (i) *Financial assets (continued)*

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### (ii) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### Classification and subsequent measurement

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the year established generally by regulation or convention in the marketplace.

##### (i) *Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

##### (ii) *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

##### (iii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Financial Instruments (continued)

#### Recognition of financial assets and financial liabilities (continued)

##### (iv) *Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

#### Impairment of financial assets

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired.

##### (i) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

##### (ii) *Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

##### (iii) *Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs - refer Note 1(m).

Finance leased assets are depreciated on a straight-line basis over the estimated useful life of the asset.

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

#### (j) Trade and Other Receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 7 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

#### (k) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (l) Functional and Presentation Currency

The functional currency of each of the companies in the Group is measured using the currency of the primary economic environment in which that company operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

#### Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

#### Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

#### (m) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

#### (n) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised for the major business activities of the Group as follows:

- *Sale of carbon credits* – revenue from the sale of carbon credits is recognised when the Group has transferred to the buyer the significant risks and rewards of the ownership of the carbon credits.
- *Project revenue* – where the company undertakes the development of carbon sinks for third parties, revenue is recognised in proportion to the percentage completion of the project. Management related income is recognised on an accrual basis in accordance with the substance of the relevant contract.
- *Milk sales* – revenue from the sale of milk from dairy operations is recognised when the milk has been transferred to the customer.
- *Cattle sales* – revenue from the sale of cattle is recognised when the cattle have physically been transferred to the buyer.
- *Interest revenue* is recognised as it accrues, taking into account the effective yield on the financial asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) 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 statement of cash flows 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.

#### (p) Provisions

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

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

#### (q) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and 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.

#### (r) Employee Leave Benefits

##### (i) 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.

##### (ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (s) Share-based Payment Transactions

##### (i) *Equity settled transactions*

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). To provide these benefits, the Group currently has in place an Employee Share Option Plan (ESOP), which provides benefits to directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined using a Black and Scholes option pricing model, further details of which are given in Note 18.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Alterra Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 4).

##### (ii) *Cash settled transactions*

The Group also provides benefits to employees in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Alterra Limited.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted (see Note 18). This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each balance date up to and including the settlement date with changes in fair value recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (t) Issued Capital

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

#### (u) Earnings per Share

Basic earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential Ordinary Shares; divided by the weighted average number of Ordinary Shares and dilutive potential Ordinary Shares, adjusted for any bonus element.

#### (v) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### (w) Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

##### (i) *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black and Scholes model, using the assumptions detailed in Note 18.

##### (ii) *Valuation of land, forestry rights and plantations*

The Company reviews the value of land, forestry rights and plantations on an annual basis. A combination of external valuation processes and internal valuation models are used to assess any potential impairment of this value. The impairment testing is carried out using an estimate of future realisable values for ACCU's based on market expectations.

##### (iii) *Tax deductibility of losses on disposal of freehold title of land*

The Company claimed, as a tax deduction, losses on disposal of freehold title of land used in the establishment of plantations and subsequent generation of carbon credits. This is consistent with previous years.

#### (x) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Director and other members of the Board. Reportable segments are consistent with operating segments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (y) Interest Bearing Loans and Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects where material.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (z) Parent Entity Financial Information

The financial information for the parent entity, Alterra Limited, disclosed in Note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### (i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Alterra Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

#### (ii) Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

### (aa) Intangible Assets

#### *Intangible assets acquired separately*

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a systematic basis over their estimated useful lives which reflect the pattern in which the intangible asset's future economic benefits are expected to be consumed by the entity. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Forestry and carbon rights are either held together with the freehold title of the land and as such disclosed as land assets under property, plant and equipment or, where the rights are held separately, disclosed as intangible assets. On the disposal of the freehold title, the remaining forestry and carbon rights are valued at the original cost of the freehold less the sales proceeds. The forestry and carbon rights are then amortised over the life of the contracts in place, being 40% in the first year and then 4% per annum over the remaining 15 years. The forestry and carbon rights are also impairment tested on an annual basis.

#### *Internally generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (bb) Adoption of new and revised standards

##### *Standards and Interpretations applicable to 30 September 2017*

In the year ended 30 September 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

##### *Standards and Interpretations in issue not yet adopted*

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 September 2017.

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and Amendments that have been issued but are not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments	1 January 2018	30 September 2019
AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards - Effective date of AASB 15, 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15	1 January 2018	30 September 2019
AASB 16 Leases	1 January 2019	30 September 2020

#### Impact of changes to Australian Accounting Standards and Interpretations

##### (i) AASB 9 'Financial Instruments', and the relevant amending standards

It addresses the classification, measurement and derecognition of financial assets and liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group does not plan to adopt this standard early. The directors of the company anticipate that the application of AASB9 will not have a material impact on the Group's financial assets and financial liabilities.

##### (ii) AASB 15 'Revenue from Contracts with Customers'

It replaces the existing revenue standard and interpretations and is based on the identification of performance obligations under a contract to determine the revenue treatment.

The Group does not plan to adopt this standard early. The directors of the company do not anticipate that the application of AASB15 will have a material impact on the Group's consolidated financial statements.

##### (iii) AASB 16 'Leases'

The new standard removes the distinction between operation and finance leases. Recognising all lease assets and liabilities on the balance sheet, with limited exceptions for short-term leases and low value assets.

The Group does not plan to adopt this standard early. The directors of the company do not anticipate that the application of AASB16 will have a material impact on the Group's consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 2: REVENUES AND EXPENSES

	CONSOLIDATED	
	12 months ended 30 September 2017	12 months ended 30 September 2016
	\$	\$
<b>(a) Revenue</b>		
Carbon sales	10,563	18,154
Land licence / management fees	2,409,968	2,374,777
Cattle Sales	122,221	293,800
Milk Sales	-	160,337
Interest received	22,706	15,273
Other income	158,196	37,493
	2,723,654	2,899,834
<b>(b) Expenses</b>		
Operating lease rental expense	44,432	46,880
<b>(c) Other expenses</b>		
Write down of plantation / (reversal of write-down) <sup>(i)</sup>	-	(63,114)
Impairment of / (reversal of impairment of) land <sup>(i)</sup>	(435,700)	(58,147)
	(435,700)	(121,261)

- (i) Plantation inventory, comprising trees at cost and seed stock, and land associated with the plantation inventory have been adjusted in the period to reflect the current economic benefit in the uncertain carbon market. As all plantation land has been sold by 30 September 2017, no impairment of land is now required.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 3: INCOME TAX

	CONSOLIDATED	
	12 months ended 30 September 2017	12 months ended 30 September 2016
<b>Current Tax (refund) / liability</b>		
Current Year	(770,484)	(167,823)
Reversal of prior year timing differences	144,701	78,926
Deferred tax asset recognised	301,167	(144,701)
Assessed loss not recognised in prior year	202,013	67,371
Effect of change in income tax rate	13,853	-
Over provision in prior year	-	(27,283)
Income tax liability from discontinued operations	-	118,743
<b>Total current tax (refund)/liability</b>	<b>(108,750)</b>	<b>(74,767)</b>
Origination and reversal of temporary differences	445,869	(61,797)
Total deferred tax expenses	445,869	(61,797)
Income tax (benefit)/expense recognised in profit or loss	(513,392)	(100,452)
<b>Total income tax (benefit) /expense recognised in profit or loss</b>	<b>(513,392)</b>	<b>(100,452)</b>
<b>Numerical reconciliation between tax-expense and pre-tax net growth</b>		
Accounting loss before tax from continuing operations	(2,657,998)	(283,277)
Profit before tax from a discontinued operation	102,543	574,325
Accounting profit before income tax	(2,555,455)	291,048
Income tax using the domestic tax rate of 27.5% (2016: 30%)	(702,750)	87,315
Difference in tax rate of foreign subsidiaries	513	(8,070)
Effect of change in income tax rate	13,853	-
Non-deductible expenses	40,231	(50,706)
Benefit of deferred tax assets not previously recognised	202,282	67,371
Refundable tax offsets - R&D	(108,750)	(79,605)
Under/(over) provided in prior periods	37,866	(27,283)
	(516,755)	(10,978)
Income tax benefit reported in the statement of profit or loss	(513,392)	(100,452)
Income tax expense for discontinued operations	(3,363)	89,474
	(516,755)	(10,978)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 3: INCOME TAX (continued)

	CONSOLIDATED				
	Balance 30/09/2016	Recognised in Income	Effect of change in income tax rate	Recognised in Equity	Balance 30/09/2017
	\$	\$	\$	\$	\$
<b>Movement in deferred tax balances during the year</b>					
Tax losses - Australia	706,523	425,956	(58,976)	-	1,073,503
Other timing difference	(851,224)	7,853	71,034	-	(772,337)
Net Deferred tax liability	(144,701)	433,809	12,058	-	301,166

Alterra Limited and its wholly-owned subsidiaries in Australia are a consolidated tax group as defined under the tax consolidation legislation. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Alterra Limited. All deferred tax balances relate to continuing operations within Australia.

## NOTE 4: EARNINGS PER SHARE

	CONSOLIDATED	
	12 months ended 30 September 2017	12 months ended 30 September 2016
	Cents per share	Cents per share
Basic earnings per share	(1.44)	0.22
Basic earnings per share (Continued Operations)	(1.51)	(0.13)
Basic earnings per share (Discontinued Operations)	0.07	0.35
The earnings and weighted average number of Ordinary Shares used in the calculation of basic earnings per share is as follows:		
		\$
(Loss) for the year	(2,038,701)	302,206
(Loss) for the year (Continued Operations)	(2,144,606)	(182,825)
Profit for the year (Discontinued Operations)	105,905	485,031
		No.
Weighted average number of Ordinary Shares outstanding during the year used in calculating basic EPS	141,578,070	137,599,988
Weighted average number of Ordinary Shares (diluted) outstanding during the year used in calculating basic EPS	141,578,070	137,599,988

### Diluted Earnings Per Share

The Company has options outstanding that are potential Ordinary Shares. They are not considered to be dilutive in nature as options only have a dilutive effect when the average market price of Ordinary Shares during the period exceeds the exercise price of the options.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### NOTE 5: DISCONTINUED OPERATIONS

On 1 April 2016, the Group sold all of the land, forestry rights and plantations held in New Zealand. At 30 September 2017, Carbon Conscious New Zealand Ltd and its subsidiary were in the process of being wound up. No more movement on these accounts is expected. Results for Carbon Conscious New Zealand Ltd and its subsidiaries have been classified as discontinued operations for the period.

CONSIDERATION RECEIVED		
	2017	2016
	\$	\$
Total Disposal Consideration	-	3,240,353
Net Assets disposed of	-	(2,668,597)
Gain on disposal before income tax	-	571,756
Income tax	-	(96,115)
Gain on disposal after income tax	-	475,641

NET ASSETS SOLD AT DATE OF SALE		
	2017	2016
	\$	\$
Property, plant and equipment	-	2,258,818
Forestry Rights	-	192,932
Plantations	-	20,257
Inventory	-	196,590
Total	-	2,668,597

NET CASH INFLOW ON DISPOSAL		
	2017	2016
	\$	\$
Cash received	-	3,240,353

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### NOTE 5: DISCONTINUED OPERATIONS (continued)

Results for Carbon Conscious New Zealand Ltd and its subsidiaries have been classified as discontinued operations for the period.

	CONSOLIDATED	
	12 months ended 30 September 2017	12 months ended 30 September 2016
	\$	\$
Revenue	200,637	233,453
Expenses	(98,094)	(230,884)
Profit on Sale of Assets	-	571,756
Profit before tax from discontinued operations	102,543	574,325
Income tax (expense)/benefit	3,362	(89,294)
Profit / (loss) after tax from discontinued operations	105,905	485,031
<b>Cash flows from discontinued operations</b>		
Net cash flows used in operating activities	99,663	(25,012)
Net cash flows from investing activities	(187,931)	(574,693)
Net cash flows from financing activities	-	662,645
Net cash flows from discontinued operations	(88,268)	62,940
Cash at beginning of year	97,013	34,074
Cash at end of year	8,745	97,014

### NOTE 6: SEGMENT REPORTING

The Group has two reportable segments, as described below, which are the Group's strategic divisions. These divisions offer different products and services, and are managed separately as they require different expertise, marketing strategies and fall under different jurisdictions. For each of the strategic divisions, the Executive Director and other directors review internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:

- Plantations – Includes the planting and managing of mallee trees in low rainfall areas of the wheat-belt of Western Australia to produce carbon credits.
- Dairy – Includes the running of dairy operations in Western Australia.

Information regarding the results of each reportable segment is included below. Performance is measured on net profit/loss before taxation as detailed in the management reports presented to the Executive Director and other directors.

#### Discontinued Operations

The results of the Group's New Zealand plantation operations have been classified as a discontinued operation as disclosed in Note 5. The results of this discontinued operation have been excluded in the disclosure of segment results and cash flows in the tables below.

#### Major customers

The Group has one customer to whom it provides goods and services where the revenue from this customer was in excess of 10% of the Group's revenue for the year ended 30 September 2017. This customer generated 75.78% (30 September 2016: 69.52%) of the Group's revenue for the period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 6: SEGMENT REPORTING (continued)

12 months ended 30 September 2017	Plantations	Dairy	Corporate	Consolidated
	\$	\$	\$	\$
<b>Revenue</b>				
Sales to external customers	2,420,531	227,221	-	2,647,752
Other revenues from external customers	53,196	-	-	53,196
Interest revenue	-	5,090	17,616	22,706
<b>Total segment revenue</b>	<b>2,473,727</b>	<b>232,311</b>	<b>17,616</b>	<b>2,723,654</b>
<b>Expenses</b>				
Cost of sales	419,779	360,321	-	780,100
Interest expense	-	52,802	7,815	60,617
Depreciation and amortisation	3,684,989	18,685	-	3,703,674
Other costs	(435,700)	-	1,272,961	837,261
<b>Total segment expenses</b>	<b>3,669,068</b>	<b>431,808</b>	<b>1,280,776</b>	<b>5,381,652</b>
<b>Net profit / (loss) before tax</b>	<b>(1,195,341)</b>	<b>(199,497)</b>	<b>(1,263,160)</b>	<b>(2,657,998)</b>
Income tax benefit / (expense)	-	-	513,392	513,392
<b>Net profit / (loss) after tax from continuing operations</b>	<b>(1,195,341)</b>	<b>(199,497)</b>	<b>(749,768)</b>	<b>(2,144,606)</b>
<b>Segment assets</b>				
Current assets	839,133	250,959	1,087,964	2,178,056
Non-current assets	5,914,861	4,507,300	441,145	10,863,306
<b>Total segment assets</b>	<b>6,753,994</b>	<b>4,758,259</b>	<b>1,529,109</b>	<b>13,041,362</b>
<b>Segment liabilities</b>				
Current liabilities	17,452	17,225	210,462	245,139
Non-current liabilities		1,750,000	40,552	1,790,552
<b>Total segment liabilities</b>	<b>17,452</b>	<b>1,767,225</b>	<b>251,014</b>	<b>2,035,691</b>
<b>Net segment assets</b>	<b>6,736,542</b>	<b>2,991,034</b>	<b>1,278,095</b>	<b>11,005,671</b>
<b>Cash flow information</b>				
Net cash flow from operating activities	1,653,212	(192,651)	(646,810)	813,751
Net cash flow from investing activities	(729,935)	(4,238,247)	1,292,553	(3,675,629)
Net cash flow from financing activities	-	1,750,000	68,714	1,818,714
<b>Net increase in cash</b>	<b>923,277</b>	<b>(2,680,898)</b>	<b>714,457</b>	<b>(1,043,164)</b>
Cash at beginning of year	-	-	1,886,519	1,886,519
<b>Cash at end of year</b>	<b>923,277</b>	<b>(2,680,898)</b>	<b>2,600,977</b>	<b>843,355</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 6: SEGMENT REPORTING (continued)

During the current reporting period, the New Zealand operations were treated as a discontinued operation due to the sale within the year.

12 months ended 30 September 2016	Plantations	Dairy	Corporate	Consolidated
	\$	\$	\$	\$
<b>Revenue</b>				
Sales to external customers	2,392,931	454,137	-	2,847,068
Other revenues from external customers	37,493	-	-	37,493
Interest revenue	-	-	15,273	15,273
<b>Total segment revenue</b>	<b>2,430,424</b>	<b>454,137</b>	<b>15,273</b>	<b>2,899,834</b>
<b>Expenses</b>				
Cost of sales	407,038	592,682	-	999,720
Interest expense	-	-	68,150	68,150
Depreciation and amortisation	768,408	12,974	-	781,382
Other costs	(121,261)	-	1,455,120	1,333,858
<b>Total segment expenses</b>	<b>1,054,185</b>	<b>605,656</b>	<b>1,523,270</b>	<b>3,183,111</b>
<b>Net profit / (loss) before tax</b>	<b>1,376,239</b>	<b>(151,519)</b>	<b>(1,507,997)</b>	<b>(283,277)</b>
Income tax benefit/(expense)	-	-	100,452	100,452
<b>Total comprehensive income</b>	<b>1,376,239</b>	<b>(151,519)</b>	<b>(1,407,545)</b>	<b>(182,825)</b>
<b>Segment assets</b>				
Current assets	941,697	49,290	1,990,844	2,981,831
Non-current assets	9,613,984	386,685	-	10,000,669
<b>Total segment assets</b>	<b>10,555,681</b>	<b>435,975</b>	<b>1,990,844</b>	<b>12,982,500</b>
<b>Segment liabilities</b>				
Current liabilities	(626)	(608)	204,727	203,493
Non-current liabilities	-	-	225,784	225,784
<b>Total segment liabilities</b>	<b>(626)</b>	<b>(608)</b>	<b>430,511</b>	<b>429,277</b>
<b>Net segment assets</b>	<b>10,556,307</b>	<b>436,581</b>	<b>1,560,333</b>	<b>12,553,223</b>
<b>Cash flow information</b>				
Net cash flow from operating activities	2,143,830	(460,576)	(1,409,809)	273,445
Net cash flow from investing activities	(2,143,830)	460,576	4,880,379	3,197,125
Net cash flow from financing activities	-	-	(1,970,182)	(1,970,182)
<b>Net increase in cash</b>	<b>-</b>	<b>-</b>	<b>1,499,688</b>	<b>1,499,688</b>
Cash at beginning of year	-	-	386,831	386,831
<b>Cash at end of year</b>	<b>-</b>	<b>-</b>	<b>1,886,519</b>	<b>1,886,519</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 7: CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	30 September 2017	30 September 2016
	\$	\$
Cash at bank and on hand	843,355	1,886,519

Cash at bank earns interest at floating rates based on daily bank deposit rates.

## NOTE 8: TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	30 September 2017	30 September 2016
	\$	\$
<b>Current</b>		
Trade receivables (i)	178,206	80,730
Accrued income	599,863	544,590
	778,069	625,320

- (i) Trade receivables are non-interest bearing and are generally on 14 to 30-day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment loss has been recognised by the Company for the last three months (30 September 2016: nil).

At the 30 September, the ageing analysis of trade receivables is as follows:

0 – 30 days	57,616	80,730
31 – 60 days	-	-
61 – 90 days, past due not impaired	-	-
61 – 90 days, considered impaired	-	-
+ 91 days, past due not impaired	120,590	-
+ 91 days, considered impaired	-	-
Total	178,206	80,730

## NOTE 9: INVESTMENTS

	CONSOLIDATED	
	30 September 2017	30 September 2016
	\$	\$
Investment in Rumble Resources Limited	133,266	28,824
Investment in Windlab Limited	50,000	-
	183,266	28,824

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 10: INVENTORIES

	CONSOLIDATED	
	30 September 2017	30 September 2016
	\$	\$
<b>Current</b>		
Cattle	-	108,000
<b>Non-Current</b>		
Plantations at cost	1,450,947	1,450,947
Less: Write down	(1,176,692)	(1,173,955)
	274,255	276,992
Seed stock at cost	352,608	352,608
Less: Write down	(334,978)	(334,978)
	17,630	17,630
	291,885	294,622

## NOTE 11: OTHER ASSETS

	CONSOLIDATED	
	30 September 2017	30 September 2016
<b>Current</b>	\$	\$
Loan to Broadacre Asset Management	6,500	6,500
Loan to Broadacre Land Holdings	-	558
Loans with employees	26,212	-
Prepayments	65,804	65,343
Land Debtors	166,100	186,000
	264,616	258,401
<b>Non - Current</b>		
Loans with employees	139,978	-
Land Debtors	117,100	-
	257,078	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 12: INTANGIBLE ASSETS

	CONSOLIDATED		
	Total	Forestry Rights	Cattle Model Development
	\$	\$	\$
<b>Cost</b>			
Balance at 1 October 2015	9,155,114	9,041,172	113,942
Reclassification on sale of freehold land title	391,901	391,901	-
Additional development costs	175,227	-	175,227
Disposals	(367,138)	(367,138)	-
Foreign exchange revaluation	-	-	-
<b>Balance at 30 September 2016</b>	<b>9,355,104</b>	<b>9,065,935</b>	<b>289,169</b>
Balance at 1 October 2016	9,355,104	9,065,936	289,168
Reclassification on sale of freehold land title	5,111,918	5,111,918	-
Additional development costs	67,484	-	67,484
<b>Balance at 30 September 2017</b>	<b>14,534,506</b>	<b>14,177,854</b>	<b>356,652</b>
<b>Accumulated amortisation and impairment losses</b>			
Balance at 1 October 2015	4,853,262	4,853,262	-
Amortisation for the period	751,442	751,442	-
Disposals	(172,774)	(172,774)	-
<b>Balance at 30 September 2016</b>	<b>5,431,930</b>	<b>5,431,930</b>	<b>-</b>
Balance at 1 October 2016	5,431,930	5,431,930	-
Amortisation for the period	3,665,498	3,665,498	-
<b>Balance at 30 September 2017</b>	<b>9,097,428</b>	<b>9,097,428</b>	<b>-</b>
<b>Carrying amounts</b>			
At 30 September 2016	<b>3,923,174</b>	<b>3,634,005</b>	<b>289,169</b>
At 30 September 2017	<b>5,437,078</b>	<b>5,080,426</b>	<b>356,652</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment	Motor Vehicles	Land	Total
	\$	\$	\$	\$
<b>12 months ended 30 September 2017</b>				
Cost	223,320	133,992	6,037,119	6,394,431
Accumulated depreciation	(152,556)	(23,675)	(435,327)	(611,558)
As at 1 Oct 2016, net of accumulated depreciation	70,764	110,317	5,601,792	5,782,873
Additions	5,484	-	-	5,484
Disposals	(3,380)	-	-	(3,380)
Reclassification to forestry right assets on disposal of title of land	-	-	(6,037,119)	(6,037,119)
Depreciation charge for the year	(14,028)	(21,577)	-	(35,605)
Impairment of Land	-	-	435,327	435,327
At 30 Sept 2017 net of accumulated depreciation	58,840	88,740	-	147,580
<b>12 months ended 30 September 2016</b>				
Cost	197,132	49,799	8,900,412	9,147,343
Accumulated depreciation	(143,590)	(4,066)	(493,474)	(641,130)
As at 1 Oct 2015, net of accumulated depreciation	53,542	45,733	8,406,938	8,506,213
Additions	37,952	84,193	-	122,145
Disposals	(11,764)	-	(2,277,392)	(2,289,156)
Reclassification to forestry right assets on disposal of title of land	-	-	(585,901)	(585,901)
Depreciation charge for the year	(8,966)	(19,609)	-	(28,575)
Impairment of Land	-	-	58,147	58,147
Foreign exchange revaluation	-	-	-	-
At 30 Sept 2016 net of accumulated depreciation	70,764	110,317	5,601,792	5,782,873
<b>At 30 September 2017</b>				
Cost	225,424	133,992	-	359,416
Accumulated depreciation	(166,584)	(45,252)	-	(211,836)
Net carrying amount	58,840	88,740	-	147,580
<b>At 30 September 2016</b>				
Cost	223,320	133,992	6,037,119	6,394,431
Accumulated depreciation	(152,556)	(23,675)	(435,327)	(611,558)
Net carrying amount	70,764	110,317	5,601,792	5,782,873

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### NOTE 14: INVESTMENT PROPERTY

	CONSOLIDATED	
	30 September 2017	30 September 2016
	\$	\$
Investment Property acquired during the year	4,429,518	-
	4,429,518	-

The investment property relates to the purchase of Dambadgee Springs in the period. Refer to Note 26 relating to operating lease agreement entered into during the period. This property has been purchased as a site for the expansion into dairy. Whilst the due diligence on the site is occurring, the property has been leased out, providing rental income to the Group.

### NOTE 15: TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	30 September 2017	30 September 2016
<b>Current</b>	\$	\$
Trade payables	40,643	10,362
Employee benefits accrual	98,102	90,395
GST Payable	40,116	37,849
Sundry payables and accrued expenses	25,748	21,999
	204,609	160,605

Trade payables are non-interest bearing and are normally settled on 30-day terms.  
Information regarding the effective interest rate and credit risk of current payables is set out in Note 21.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 16: INTEREST BEARING LIABILITIES

	CONSOLIDATED	
	30 September 2017	30 September 2016
	\$	\$
<b>Current</b>		
<i>Secured</i>		
Lease liabilities (note 24)	40,530	29,329
	40,530	29,329
<i>Unsecured</i>		
Insurance loan	-	13,559
	-	13,559
	40,530	42,888
<b>Non-Current</b>		
<i>Secured</i>		
Bank loan	1,750,000	-
Lease liabilities (note 24)	40,552	81,083
	1,790,552	81,083
<b>Total current and non-current secured liabilities:</b>		
Bank loan	1,750,000	-
Lease liabilities	81,082	110,412
	1,831,082	110,412
<b>Carrying amounts of non-current assets pledged as security:</b>		
Fixed and floating charge over assets	4,513,017	104,865
<b>Bank Loan</b>		
Facility	2,100,000	-
Drawn	1,750,000	-

The company has a bank loan with Bank West granted on 22 March 2017 for a period of 24 months. Interest is due at the end of each roll term which is currently a 90-day term. Voluntary principal payments of \$350,000 have been made in the year. The loan is secured against the assets of Yathroo Dairy Assets Pty Ltd and is guaranteed by Alterra Ltd.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 17: ISSUED CAPITAL AND RESERVES

	CONSOLIDATED			
			30 September 2017	30 September 2016
			\$	\$
<b>Issued capital</b>				
143,599,988 (30 September 2016: 137,599,988) fully paid Ordinary Shares			14,254,212	13,984,212
	<b>12 months ended 30 September 2017</b>	<b>12 months ended 30 September 2017</b>	<b>12 months ended 30 September 2016</b>	<b>12 months ended 30 September 2016</b>
Movement in Ordinary Shares on issue	No.	\$	No.	\$
At beginning of the financial year	137,599,988	13,984,212	137,599,988	13,984,212
Issued 31 January 2017	6,000,000	270,000	-	-
At 30 September	143,599,988	14,254,212	137,599,988	13,984,212

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

Reserves	12 months ended 30 September 2017	12 months ended 30 September 2016
<i>Share based payment reserve</i>		
At beginning of financial year	1,050,012	956,340
Share based payments	140,382	93,672
At end of financial year	1,190,394	1,050,012
<i>Revaluation reserve</i>		
At beginning of financial year	-	-
Gain on revaluation of investments	79,442	-
At end of financial year	79,442	-
<i>Foreign currency translation reserve</i>		
At beginning of financial year	271,421	306,294
Foreign currency translation differences	1,325	(34,873)
At end of financial year	272,746	271,421
<b>Total</b>	<b>1,542,582</b>	<b>1,321,433</b>

### Share based payment reserve

This reserve is used to record the value of equity benefits provided to directors and executives as part of their remuneration and to related parties in consideration for the establishment and ongoing promotion of the Group's activities. Details of all options on issue by the Company are disclosed in Note 18.

### Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign subsidiary.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### NOTE 18: SHARE BASED PAYMENTS

The following table illustrates the number (No.) and weighted average exercise prices of, and movements in, share options issued during the year:

		12 months ended 30 September 2017		12 months ended 30 September 2016
	No.	Weighted average exercise price	No.	Weighted average exercise price
Outstanding at the beginning of the reporting period	22,250,000	\$0.09	11,250,000	\$0.05
Granted during the reporting period	-	-	11,000,000	\$0.13
Exercised during the reporting period	(6,000,000)	\$0.045		
Expired during the reporting period	(2,250,000)	\$0.045	-	-
Cancelled during the reporting period	(2,000,000)	\$0.175	-	-
Outstanding at the end of the reporting period	12,000,000	\$0.105	22,250,000	\$0.09
Exercisable at the end of the reporting	6,000,000	\$0.06	11,250,000	\$0.09

The weighted average remaining contractual life for the share options outstanding as at 30 September 2017 is 0.95 years (30 September 2016: 1.40 years).

The outstanding balance as at 30 September 2017 is represented by:

- 3,000,000 options over Ordinary Shares with an exercise price of \$0.06 each, exercisable until 31 January 2018
- 3,000,000 options over Ordinary Shares with an exercise price of \$0.06 each, exercisable until 31 May 2018
- 6,000,000 options over Ordinary Shares with an exercise price of \$0.15 each, not vested until 13 May 2018, exercisable until 1 March 2019

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black and Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used:

	12 months ended 30 September 2017			12 months ended 30 September 2016		
	6c shares	15c shares	17.5c shares	6c shares	15c shares	17.5c shares
Volatility (%)	100	100	100	100	100	100
Risk-free interest rate (%)	2	2	2	2	2	2
Expected life of option (years)	0.44	1.14	1.66	0.44	1.14	1.66
Exercise price (cents)	6	15	17.5	6	15	17.5
Weighted average share price at grant date (cents)	0.052	0.042	0.011	0.052	0.042	0.011
Discount for lack of marketability (%)	30	30	30	30	30	30

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value.

The range of exercise prices for options outstanding at the end of the year was \$0.06- \$0.15 (30 September 2016: \$0.045-\$0.175).

The weighted average fair value of options granted during the year was \$Nil (30 September 2016: \$0.09).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 19: CONTROLLED ENTITIES

Subsidiaries of Alterra Limited			
Name	Country of incorporation	Ownership interest	
		12 months ended 30 September 2017	12 months ended September 2016
Carbon Fund Australia Pty Ltd	Australia	100%	100%
WA2 Milk Pty Ltd	Australia	100%	100%
Capel River Dairy Pty Ltd	Australia	100%	100%
Carbon Conscious Pty Ltd	Australia	100%	100%
Broadacre Land Holdings Pty Ltd	Australia	100%	0%
Yathroo Dairy Assets Pty Ltd	Australia	100%	N/A
Carbon Conscious New Zealand Ltd	New Zealand	100%	100%
Carbon Conscious NZ Holdings No. 1 Limited	New Zealand	100%	100%

Trusts Controlled by Alterra Limited			
Name	Country of incorporation	Ownership interest	
		12 months ended 30 September 2017	12 months ended September 2016
Alterra Investment Fund	Australia	100%	N/A
Yathroo Dairy Assets Fund	Australia	100%	N/A

## NOTE 20: AUDITOR'S REMUNERATION

The auditor of Alterra Limited is HLB Mann Judd.

	CONSOLIDATED	
	12 months ended 30 September 2017	12 months ended 30 September 2016
	\$	\$
Amounts received or due and receivable by HLB Mann Judd for:		
An audit or review of the financial report of the entity and any other entity in the Group	36,500	39,600

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 21: FINANCIAL INSTRUMENTS

### (i) Capital Risk Management

The Group's activities may expose it to a variety of risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group's overall strategy remains unchanged from 30 September 2016.

### (ii) Categories of Financial Instruments

	CONSOLIDATED	
	12 months ended 30 September 2017	12 months ended 30 September 2016
	\$	\$
Financial assets		
Trade and other receivables	778,069	625,320
Investments	183,266	28,824
Cash and cash equivalents	843,355	1,886,519
Total financial assets	1,804,690	2,540,663
Financial liabilities		
Trade and other payables	204,609	160,605
Other financial liabilities	1,831,082	123,971
Total financial liabilities	2,035,691	284,576
Net financial assets / (liabilities)	(231,001)	2,256,087

During the financial year no loans or receivables were revalued through profit or loss.

### (iii) Market Risk

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

The carbon market is a newly developing market and as such there are limited avenues to negate market risk in traditional manners. The Group monitors and understands movements within the market on a daily basis.

### (iv) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparty is a bank with a high credit rating assigned by international credit rating agencies.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### NOTE 21: FINANCIAL INSTRUMENTS (continued)

#### (v) Liquidity Risk Management

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

#### (vi) Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month	1 – 3 Months	3 months – 1 year	1 – 5 years	5+ years
<b>12 months ended 30 September 2017</b>						
Non-interest bearing	-	204,609				
Finance leases	5.89%	2,925	5,849	35,670	42,902	-
Other fixed rate instruments	4.44%	-	19,664	57,528	1,789,417	-
		207,534	25,513	93,198	1,832,319	-
<b>12 months ended 30 September 2016</b>						
Non-interest bearing	-	160,605	-	-	-	-
Finance leases	5.86%	2,925	5,849	26,321	87,345	-
Other fixed rate instruments	7.00%	3,629	7,258	3,629	-	-
		167,159	13,107	29,950	87,345	-

#### (vii) Fair Value of Financial Instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

#### (viii) Interest Rate Sensitivity Analysis

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

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

- Net result before tax would decrease by \$5,203 (30 September 2016: decrease by \$2,629) or increase by \$5,203 (30 September 2016: decrease by \$2,629). This is attributable to the Group's exposure to interest rates on its variable rate instruments.
- Total equity would increase by \$5,203 (30 September 2016: increase by \$2,629) or decrease by \$5,203 (30 September 2016: increase by \$2,629) attributable to the Company's exposure to interest rates on its variable rate instruments.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 22: CASH FLOW INFORMATION

Reconciliation of profit / (loss) for the year to net cash flows from operating activities

	CONSOLIDATED	
	12 months ended 30 September 2017	12 months ended 30 September 2016
	\$	\$
(Loss)/profit for the year	(2,038,701)	302,206
(Profit)/loss on sale of fixed assets	(1,146)	(593,621)
Employee leave benefits	17,736	8,236
Depreciation and amortisation expense	3,703,674	787,501
Share based payments	140,383	93,671
Impairment of assets	(435,700)	(58,147)
Finance costs	6,722	8,834
Taxation (benefit) / expense	(516,754)	(10,978)
(Increase) in inventories	110,737	(167,079)
(Increase) in receivables	(78,001)	(84,890)
(Decrease) /increase in trade and other payables	12,451	(348,019)
Decrease in other assets	(104,605)	335,731
Net cash used in operating activities	816,796	273,445

## NOTE 23: KEY MANAGEMENT PERSONNEL (KMP) REMUNERATION

Refer to the Remuneration Report contained within the Directors' Report for details of remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 September 2017.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	CONSOLIDATED	
	12 months ended 30 September 2017	12 months ended 30 September 2016
	\$	\$
Short-term employment benefits	543,121	569,000
Post-employment benefits	44,651	43,225
Equity benefits	58,422	24,342
	646,194	636,567

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 24: COMMITMENTS

### (a) Operating Commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are as follows:

	CONSOLIDATED	
	12 months ended 30 September 2017	12 months ended 30 September 2016
<b>Payable:</b>	\$	\$
Within one year	44,557	22,510
After one year but not more than five years	22,205	8,060
Total minimum lease repayments	66,762	30,570

These lease commitments encompass office rent and office equipment under an operating lease.

### (b) Finance Lease Commitments

The Company has a finance lease for three motor vehicles. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	CONSOLIDATED	
	12 months ended 30 September 2017	12 months ended 30 September 2016
<b>Payable:</b>	\$	\$
Within one year	44,444	35,095
After one year but not more than five years	42,902	87,345
Total minimum lease repayments	87,346	122,440
Less amounts representing finance charges	(6,263)	(12,028)
Present value of minimum lease payments	81,083	110,412

### (c) Capital Commitments

The Company had no capital commitments at balance date that are not included as liabilities in the Statement of Financial Position (30 September 2016: \$Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2017

## NOTE 25: PARENT ENTITY DISCLOSURES

	CONSOLIDATED	
	30 September 2017	30 September 2016
<b>Financial position</b>	\$	\$
Assets		
Current assets	4,856,576	8,221,942
Non-current assets	6,502,870	4,761,914
<b>Total assets</b>	<b>11,359,446</b>	<b>12,983,856</b>
Liabilities		
Current liabilities	245,141	204,849
Non-current liabilities	40,552	225,784
<b>Total liabilities</b>	<b>285,693</b>	<b>430,633</b>
Equity		
Issued capital	14,254,212	13,984,212
(Accumulated losses) / retained earnings	(4,370,853)	(2,481,001)
Reserves	1,190,394	1,050,012
<b>Total equity</b>	<b>11,073,753</b>	<b>12,553,223</b>
<b>Financial performance</b>		
Profit / (loss) for the year	(1,889,852)	183,865
<b>Total comprehensive income / (loss)</b>	<b>(1,889,852)</b>	<b>183,865</b>

Alterra Limited (the parent entity) provides a performance guarantee under the Carbon Purchase Agreement in New Zealand to Carbon Conscious New Zealand Ltd (a wholly owned subsidiary).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 30 SEPTEMBER 2017

### NOTE 26: RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial period:

Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	\$	\$	\$	\$
<b>12 months ended 30 September 2017</b>				
Stoney Pastoral Co Pty Ltd	23,160	6,910	16,116	-
Stoney Agri	110,907	39,504	121,407	-
The Yathroo Property Trust	-	4,202,417	-	-
<b>12 months ended 30 September 2016</b>				
Stoney Pastoral Co Pty Ltd	13,399	13,533	-	134
Broadacre Land Holdings	-	-	558	-
Aroona Management Ltd	-	83,046	-	-

Stoney Pastoral Co Pty Ltd is an entity controlled by Trevor Stoney, which provided agistment services to Alterra in the year. Alterra also provided the usage of vehicles to Stoney Pastoral Holdings within the year.

Stoney Agri, trading name for The Willyama (WA) Pty Ltd ATF The Ruby Trust, is a company controlled by a related party of Trevor Stoney. Alterra has a 3-year lease agreement commencing April 2017 for land at Dambadgee Springs. Stoney Agri provided farming contracting services to Alterra in the year.

The Yathroo Property Trust is an entity controlled by a related party of Trevor Stoney, from which the property at Dambadgee Springs was purchased from in the year on arm's length and commercial terms.

Aroona Management Pty Ltd is an entity controlled by Neil McBain, a director of Alterra Ltd. The convertible note and any outstanding interest were fully paid in the prior year.

Broadacre Land Holdings Pty Ltd, a former subsidiary of Stoney Pastoral Co Pty Ltd, was bought by Alterra in the year for a nominal sum.

### NOTE 27: CONTINGENT LIABILITIES

The Company has no contingent liabilities as at 30 September 2017 (30 September 2016: \$Nil).

### NOTE 28: EVENTS AFTER BALANCE DATE

There have been no other matters or circumstances that have arisen after balance date 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 financial years.

## DIRECTORS' DECLARATION

1. In the opinion of the Directors of Alterra Limited (the 'Company'):
  - (a) the accompanying financial statements, notes and additional disclosures are in accordance with the Corporations Act 2001 including:
    - i. giving a true and fair view of the Group's financial position as at 30 September 2017 and of its performance for the year then ended; and
    - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
  - (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the year ended 30 September 2017.

This declaration is signed in accordance with a resolution of the Board of Directors.



**Andrew McBain**  
Executive Director  
Alterra Limited

Dated this 30<sup>th</sup> day of November 2017



Accountants | Business and Financial Advisers

## INDEPENDENT AUDITOR'S REPORT

To the members of Alterra Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Alterra Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 September 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 September 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<b>Accounting for intangible assets</b> Note 12 of the financial report	
The Group has intangible assets with a value of \$5,437,078. These intangible assets principally relate to forestry rights.	Our procedures included but were not limited to the following: - We obtained an understanding of the key processes and controls associated with management's review of

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Key Audit Matter	How our audit addressed the key audit matter
<b>Accounting for intangible assets</b> Note 12 of the financial report  The accounting treatment and valuation of the Group's intangible assets was considered to be a key audit matter due to the accounting complexity of recognising intangible assets, the materiality of the underlying assets and the importance to the users' understanding of the financial report as a whole.	<ul style="list-style-type: none"> <li>- intangible assets;</li> <li>- We considered the accounting treatment of the assets and ensured compliance with AASB 138;</li> <li>- We considered the Directors' assessment of the existence of any potential indicators of impairment; and</li> <li>- We examined the disclosures made in the financial report.</li> </ul>
<b>Investment Property</b> Note 14 of the financial report  At balance date, the Group held \$4,429,518 of investment property measured using the cost model under AASB 140 <i>Investment Property</i> . We considered the accounting for the Group's investment property to be a key audit matter due to its materiality and therefore its importance to the users' understanding of the financial report as a whole.	Our procedures included but were not limited to the following: <ul style="list-style-type: none"> <li>- We obtained an understanding of the key processes and controls associated with the investment property balance;</li> <li>- We considered the accounting treatment adopted to ensure it was consistent with the requirements of AASB 140 <i>Investment Property</i> and other relevant accounting standards;</li> <li>- We assessed the initial recognition during the period to ensure this was correctly accounted for;</li> <li>- We determined whether the asset was in fact characterised as an investment property;</li> <li>- We conducted an assessment of the existence of any impairment indicators; and</li> <li>- We examined the disclosures made in the financial report and ensured that they were appropriate.</li> </ul>
<b>Tax accounting</b> Note 3 of the financial report  At balance date, the Group had a tax receivable of \$108,750 and a net deferred tax asset of \$301,167 and recorded an income tax benefit for the period of \$513,392. We considered this to be a key audit matters as it involved significant communication with management and is material to the financial statements.	Our procedures included but were not limited to: <ul style="list-style-type: none"> <li>- We considered the tax calculations prepared by management and critically assessed them for reasonableness;</li> <li>- We engaged our internal tax specialists to perform an assessment of the tax calculations prepared by management;</li> <li>- We considered the appropriateness of recognition of the deferred tax asset; and</li> <li>- We ensured the disclosures within the financial report were appropriate and in line with the requirements of accounting standards.</li> </ul>



### *Information other than the financial report and auditor's report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 September 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the directors for the financial report*

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.





- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

#### *Opinion on the remuneration report*

We have audited the remuneration report included in the directors' report for the year ended 30 September 2017.

In our opinion, the remuneration report of Alterra Limited for the year ended 30 September 2017 complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

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.

*HLB Mann Judd*

**HLB Mann Judd**  
**Chartered Accountants**

**Perth, Western Australia**  
**30 November 2017**

A handwritten signature in blue ink, appearing to read 'M R Ohm'.

**M R Ohm**  
**Partner**

## Shareholding

The distribution of members and their holdings of equity securities in the Company as at 28 November 2017 were as follows:

	Class of Equity Securities
Number Held as at 28 November 2017	Fully Paid Ordinary Shares
1 - 1,000	2,808
1,001 - 5,000	372,589
5,001 - 10,000	955,119
10,001 - 100,000	17,862,827
100,001 and over	124,406,645
<b>Total</b>	<b>143,599,988</b>

Holders of less than a marketable parcel:

- 1 – 13,888 fully paid shares – 266
- > 13,888 fully paid shares – 571

## Substantial Shareholders

The Company has the following substantial shareholders listed in the Company's register as at 28 November 2017:

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Stoney Pastoral Co Pty Ltd <Maybenup Subscription A/C>	20,917,361	14.57
Aroona Management Pty Ltd <McBain Family A/C>	8,600,000	5.99
Broadacre Finance Pty Ltd <The Rule 303 Super Fund A/C>	6,121,114	4.26
Mac 110 Nominees Pty Ltd <The Rule 303 A/C>	2,400,942	1.67

## Restricted Securities

The Company has no restricted securities on issue.

## Voting Rights – Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every Fully Paid Ordinary Share held.

## TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest ordinary fully paid shareholders as at 28 November 2017 are as follows:

Rank	Name of Shareholder	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	Stoney Pastoral Co Pty Ltd <Maybenup Subscription A/C>	20,917,361	14.57
2	Aroona Management Pty Ltd <McBain Family A/C>	8,600,000	5.99
3	Broadacre Finance Pty Ltd <The Rule 303 Super Fund A/C>	6,121,114	4.26
4	Mr Anthony Irwin Fitzgerald	3,950,000	2.75
5	Loiseau Investment Pty Ltd <Loiseau Inv P/L S/F A/C>	3,212,186	2.24
6	Mr Harvey Stern	3,000,000	2.09
7	Mr Steven Daniel Wilson	2,950,223	2.05
8	Broadacre Asset Management Pty Ltd	2,751,706	1.92
9	Mac 110 Nominees Pty Ltd <The Rule 303 A/C>	2,400,942	1.67
10	Mr Albert Wijeweera	2,341,142	1.63
11	Mr Christopher Neil Stevens & Mrs Nerolie Joy Stevens <Yall Super Fund A/C>	2,300,000	1.60
12	Mr Andrew John ten Seldam <ten Seldam Family A/C>	2,179,289	1.52
13	Mr David C Scicluna & Mr Anthony A Scicluna <Scicluna 1913 Unit A/C>	2,075,000	1.44
14	Mr Tin Song Le	1,600,000	1.11
14	Mr Peter Macarthur Morrison & Mrs Annette Kaye Morrison <The Morrison Super Fund>	1,500,000	1.04
15	Mr Scott Ian Paddon-Jones	1,500,000	1.04
16	Green World Investments Pty Ltd	1,500,000	1.04
18	Ballybunnion Trading Co Pty Ltd	1,456,882	1.01
19	Salgood Pty Ltd	1,419,000	0.99
20	Betty Chin Holdings Pty Ltd <Betty Chin Family A/C>	1,395,250	0.97
	<b>Total</b>	<b>73,170,095</b>	<b>50.95%</b>