



LIVESTOCK
BIOSECURITY
NETWORK

Annual Report 2016-17

*HEALTHY LIVESTOCK,
PRODUCTIVE FARMS,
STRONG COMMUNITIES*





LIVESTOCK BIOSECURITY NETWORK

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ABOUT LIVESTOCK BIOSECURITY NETWORK



OUR ROLE

The Livestock Biosecurity Network Pty Ltd (LBN) is jointly owned and operated by Animal Health Australia (AHA) and Cattle Council of Australia (CCA).

LBN works closely with producers, the livestock industry and supply chain participants to provide tools and information which help safeguard biosecurity, livestock health and welfare, productivity, market access and food safety. These tools and information foster the resilience and integrity of the Australian animal health system.

LBN has established a small but far-reaching network of Biosecurity and Extension Managers, who act as proactive agents for information to build understanding and awareness on biosecurity, food safety, livestock health and welfare, to support a more prepared and responsive livestock sector and promote understanding of its key role in surveillance, detection and reporting of a disease or pest event.

OUR VISION

Australia's livestock sector is better prepared and informed on biosecurity, food safety, livestock health and welfare matters.

OUR MISSION

To partner in the extension of high quality animal health, welfare and biosecurity information to the Australian livestock industries.

OUR VALUES

As a service and member-oriented company, LBN strives to model the following key behaviours:

- Service culture to protect the livestock industry and producer livelihoods
- Act collaboratively with complementary agencies
- Deliver passion for the task and empathy toward the livestock industry
- Meet deadlines and remain committed
- Act with integrity; be honest in all matters
- Deliver value to the livestock industry
- A want to "make a difference"
- An ability to listen, identify and report potential future issues.

OUR MEMBERS

The key factor behind the success of LBN's programs is the ability of Members and stakeholders to work together through partnerships, enabling investments and outcomes that would never be possible if the parties operated alone.

Members are involved in the management of some of the activities and have input to the development of company annual and strategic plans.

LBN currently has two Members:

LBN is continuously striving to build its membership base with a view to ensuring the company becomes part of the service organisations that support Australia's livestock industries.

Member	Involved to:
Animal Health Australia	Present
Cattle Council of Australia Inc.	Present

OUR PEOPLE

LBN prides itself on maintaining a work environment that supports and enhances the abilities of staff, fosters collaboration and encourages innovation. Our success is dependent upon our dedicated team applying their range of skills and qualifications to develop and achieve agreed outcomes.

LBN Board

- James Kellaway (Chair)
- Melinee Leather
- Hamish Munro
- Kathleen Plowman
- Sharon Starick

LBN Staff

- Duncan Rowland (Executive Manager)
- Patrick Kluver
- Rachel Gordon
- Jessica Tyson
- Rachael O'Brien
- Sarah-Jane Wilson
- Frances Gartrell

TRAINING UNDERTAKEN DURING 2016-17

- Monitoring and evaluation
- Media
- Real-time foot-and-mouth disease training

Qualifications

Veterinary science
Agriculture
Animal science
Extension
Post-graduate qualifications in veterinary science, veterinary public health management
Post- and undergraduate qualifications in science communications
Multimedia design
Training
Workplace health and safety
Public safety

Skills

An understanding of disease movement, risk management and epidemiology
Monitoring and evaluation
Facilitation and training
Social media
Administration management
Project and financial management
Strategic planning and policy development
Website development, print production, app development
Training and development
Workplace health and safety

LBN STRATEGIC PLAN 2013-2017

Strategic Overview

The *LBN Strategic Plan 2013–2017* was developed through extensive consultation and feedback with Members and stakeholders. LBN's overarching strategic direction is to increase the awareness of the company to a level where it is recognised as a respected conduit for relevant information by current agencies, organisations and farmers for animal health, welfare and biosecurity matters, such as exotic and endemic diseases, pests and weeds. This will increase the speed and information flow between the parties.

During the year the LBN Board developed and has started implementing a new Strategic Plan covering the period 2017-2022.

Build and maintain a network of public and private collaborators to assist with the delivery of livestock health, welfare and biosecurity activities and communications.

- Maintain a team of regional LBN Biosecurity Officers to be situated strategically across the nation.
- Maintain an engaged network of collaborators, both public and private that will become key to the delivery of core activities and messages.
- Deliver an operational plan that utilises a diverse network of agencies and a variety of methods to enable dissemination and uptake of key messages.

STRATEGIC
PRIORITY

1

***The Strategic Plan is
Livestock Biosecurity
Network's blueprint for
the pilot project.***

**STRATEGIC
PRIORITY**

2

Support jurisdictions to enhance industry capability in implementing endemic disease prevention and control; and animal welfare risk management programs. Build the capacity of industry to respond to an emergency biosecurity event, through greater awareness and preparedness for emergency animal diseases.

- Ensure LBN team maintains a comprehensive understanding of livestock health, welfare and biosecurity issues.
- Work with national and regional stakeholders to ensure provision of suitable materials and information on risk management for endemic diseases and animal welfare.
- Ensure the LBN Executive Manager and all LBN Biosecurity and Extension Managers have an awareness of industry responsibilities in the Emergency Animal Disease Response Agreement and Australian Veterinary Emergency Plan (also known as AUSVETPLAN).
- Work with industry, commercial and government stakeholders to promote awareness, preparedness, recognition and reporting of emergency disease outbreaks.

**STRATEGIC
PRIORITY**

3

Work with collaborators to identify gaps in information, knowledge and practice and where possible seek to fill these gaps through engagement, extension and provision of suitable informational resources for dissemination within the livestock industries.

- Work with collaborators to undertake gap analysis on the available livestock health, welfare and biosecurity information and resources suitable for livestock industries.
- Partner with key collaborators to provide new materials where required, and maintain up-to-date resources regarding on-farm livestock health, welfare and biosecurity.
- Develop a catalogue of resources to support LBN Biosecurity and Extension Managers and industry in providing consistent messaging on matters of livestock health, welfare and biosecurity.

FROM THE CHAIRMAN



It is with great pleasure that I submit my first Chairman's message for the 2016-17 financial year of the LBN.

LBN was re-established during the year as a subsidiary company of the Australian Animal Health Council Limited trading as Animal Health Australia (AHA) and commenced operations under its new structure on 5 September 2016. Currently with two Members, AHA and CCA, LBN proudly and essentially provides biosecurity, animal health and livestock welfare extension services to livestock (predominantly cattle) producers Australia-wide.

We have a simple Vision to: "better prepare and inform Australia's livestock sector on biosecurity, food safety, livestock health and welfare matters." To achieve this Vision, we must and wish to partner with Australia's livestock industries and collaborate with other stakeholders involved or interested in mitigating such risks on-farm and throughout the supply chain for the sole benefit of Australian livestock producers.

"To achieve this Vision, we must and wish to partner with Australia's livestock industries and collaborate with other stakeholders..."

LBN is a small organisation with a very efficient and active team of four Biosecurity and Extension Managers dispersed around the country who proudly 'punch above their weight' in the delivery of

biosecurity, food safety, livestock health and animal welfare risk mitigation services directly to livestock producers.

LBN seeks to become the 'go-to' or preferred organisation for the extension and training of on-farm biosecurity, animal health, food safety and livestock welfare for producers Australia-wide. To achieve this, LBN must remain responsive to and partner closely with government and industry along the supply chain whilst ensuring its own operations are lean, efficient and productive. We wish to fully assist livestock producers to fulfil their part of what is a 'shared responsibility' to mitigate risks on-farm and throughout the supply chain as they relate to these three key strategic functions:

1. Build and maintain a network of public and private collaborators to assist with the delivery of livestock health, welfare, food safety and biosecurity activities and communications.
2. Support jurisdictions to enhance industry capability in implementing endemic disease prevention and control; food safety risk mitigation; and animal welfare risk management programs. Build the capacity of industry to respond to an emergency biosecurity event, through greater awareness and preparedness for emergency animal diseases.
3. Work with collaborators to identify gaps in information, knowledge and practice and where possible seek to fill these gaps through engagement, extension and provision of suitable informational resources for dissemination within the livestock industries.

“LBN seeks to become the ‘go-to’ or preferred organisation for the extension and training of on-farm biosecurity, animal health, food safety and livestock welfare for producers Australia-wide.”

This past year was largely spent putting in place appropriate operating processes, governance structures, foundation policies, a reporting framework, scoping work plans and establishing an effective staff complement. 2017 was also spent at the ‘front end’ of the business in delivering for livestock producers. Please refer to Key Achievements for 2016-17. Our second year of operating will be spent largely implementing the plans developed in 2017 with many more tangible outcomes in addressing the Vision of LBN.

LBN will continue to operationalise its *Strategic Plan* during 2018 which is aimed at building capacity to deliver more services on-the-ground in close collaboration with industry and jurisdictional partners. LBN is passionate about delivering services and products that have real and genuine value to livestock producers and that have a direct and tangible benefit to their business. This includes expanding the reach of our services beyond cattle producers with other livestock industries and to other participants throughout the livestock value or supply chain. LBN looks forward to building on new beginnings.

Finally, I wish to thank the efforts and genuine commitment of every LBN director to ensure LBN has its best chance of delivering for livestock producers as it relates to fulfilling its Vision. Their expertise, dedication and focus is testament to the belief they have in providing service excellence for livestock producers.



OPERATIONS

EXECUTIVE MANAGER'S MESSAGE



This *Annual Report* represents the first year in LBN's life as a subsidiary company of AHA. It presently has two Members - AHA and CCA - and has a constitution that will support the growth of the membership as new organisations wish to join.

This year we repositioned LBN for the future, to support the strategic priorities of its Members' strategic plans and meet the changing biosecurity requirements being placed on livestock producers. During the year a number of major achievements were finalised:

1. The LBN constitution was rewritten to support the future governance requirements of the company. As part of this, a new Board was instigated with Mr James Kellaway appointed after a rigorous selection process as the new independent Chair.
2. The LBN office was relocated to shared premises with AHA.
3. Five new staff were appointed to key regions throughout Australia.
4. Discussions relating to a strategic partnership began between LBN and the Victorian Farmers Federation Livestock Health and Biosecurity Victoria.
5. Staff presented to over 10,000 livestock producers in dedicated workshops focusing on biosecurity, disease response, livestock welfare and food safety issues.
6. Finalised the drafting of a strategic plan for 2017-22 that assists the delivery against our member's strategic priorities as well as LBN's own priorities.

The staff's commitment to delivering against the *2016-17 Annual Operating Plan* has been outstanding and is a credit to their passion and commitment with approximately 87% of all deliverables being met. They are still working on 12% of deliverables due to delays, whilst another 1% were never completed.

Over the past 12 months, LBN staff have provided front-line services to livestock producers relating to a number of initiatives that the industry sector has implemented:

- Introduction of the Johne's Beef Assurance Score (J-BAS)
- Introduction of the new biosecurity module for the Livestock Production Assurance (LPA) scheme
- Food safety issues and details associated with the National Vendor Declarations
- The increasing need for stock health declarations when buying and selling livestock
- The training of agents at Australian Livestock and Property Agents (ALPA) led professional development days and for AuctionsPlus.

I have to send my strongest thanks and congratulations to the LBN staff and Board for their support in: bringing about change and setting the direction and culture within the organisation; helping to deliver agreed outcomes to our Members and

"2016-17 was a year of repositioning LBN for the future..."

“Looking forward the primary function of LBN will be to help shape the culture of livestock producers in the protection of their most valuable assets – their livestock.”

stakeholders; and for their unwavering efforts to developing LBN’s services. I am also grateful to our Members for their ongoing support they provide to LBN.

Looking forward, the primary function of LBN will be to help shape the culture of livestock producers in the protection of valuable critical assets – their livestock. LBN’s task will be to work in a collaborative and collegiate alliance with livestock producers, their suppliers and public agencies. Assuring high standards of biosecurity, animal health, welfare and food safety assists in maintaining the reputation our industries have for healthy and well-cared for livestock.

LBN’s goal is to partner with other industry relevant organisations along the supply chain in the extension of high quality livestock health, welfare and biosecurity information to the Australian livestock industries to deliver against its tag line:

*Healthy livestock,
Productive farms,
Strong communities*



KEY ACHIEVEMENTS FOR 2016-17

**JUL
2016**

- Decision made by CCA to continue membership of LBN
- Presentation on biosecurity to the Victorian Police Security Day
- Workshop with the Birchip Cropping Group
- Footrot Contractors Workshop
- Tasmanian Cattle Health Taskforce Meeting

**AUG
2016**

- AHA and CCA working together to ensure LBN moves to an agreed, stable and efficient ownership base
- AuctionsPlus training of assessors on biosecurity practices
- Victorian Livestock Industry Consultative Committee meeting
- Tasmanian Sheep Health Taskforce Meeting
- Tasmanian Biosecurity Roadshow (four locations)
- Grazing Best Management Partner Expo – Biloela
- North Australian Beef Research Council presentation

**SEP
2016**

- LBN becomes a subsidiary company of AHA
- New Board announced
- Spoke at Australian Livestock Markets Association Annual General Meeting (AGM)
- Spoke at Australian Livestock Saleyards Association AGM
- Article '*Bought a bargain on Facebook?*' generates a large amount of interest, including several radio interviews and social media activity

WHOLE YEAR

- Delivered 70 workshops across six state and territory jurisdictions focusing on biosecurity planning at the farm level
 - These workshops had a total attendance of over 2100 livestock producers
 - 51 additional workshops are planned for the first half of 2017-18 financial year, with a predicted reach of an extra 5000 producers
- Trained over 100 agents and merchandisers on biosecurity and food safety
- Lectured to approx. 200 university students from the University of Melbourne and the University of Queensland
- Distributed approx. 30 articles to national media on biosecurity, health and welfare

**JUN
2017**

- LBN interviews to fill the vacant position Manager Biosecurity and Extension based in Northern Australia
- LBN develops training workshop for implementation of LPA biosecurity module
- J-BAS workshops continue
- LPA biosecurity workshops continue

**MAY
2017**

- Australian Government White Paper funding agreement finalised
- J-BAS workshops commence
- LPA biosecurity workshops commence

**OCT
2016**

- Independent LBN Chair appointed
- LBN combined with NSW DPI to host the feature educational exhibit at the Australian National Field Days in Orange
- NSW Sydney Basin Peri-urban Biosecurity Forum

**NOV
2016**

- New LBN governance structure adopted
- Presentation to the NSW Local Land Services Team Leaders meeting, demonstrating the work done with livestock producers with respect to on-farm biosecurity
- Filming of case study as a collaborative project with NSW DPI regarding the purchasing of livestock from online sites such as Facebook and Gumtree

**DEC
2016**

- Rachel Gordon joins the *European Commission for the Control of Foot-and-Mouth Disease* for training in Nepal

**APR
2017**

- Frances Gartrell joins LBN as Manager Biosecurity and Extension based in Western Australia
- ALPA biosecurity 'Continuing Education' workshop

**MAR
2017**

- LBN speaks at the National Biosecurity Roundtable on partnerships in biosecurity
- Rachael O'Brien joins LBN as Manager Biosecurity and Extension based in Queensland

**FEB
2017**

- AuctionsPlus biosecurity training
- ALPA biosecurity 'Continuing Education' workshop

COMMITTEE MEMBERSHIP

Committee Name

Animal Biosecurity and Market Access Liaison Group

NSW Greater Sydney Basin Small Landholder Biosecurity Steering Group

Ovine Brucellosis Working Group

NSW Sydney Basin Peri-urban Working Group

Sheep Health Project Steering Committee

Tasmanian Cattle Health Taskforce

Tasmanian Sheep Health Taskforce

Temora Model Biosecurity Farm Project

CORPORATE GOVERNANCE

FOUNDATIONS FOR GOVERNANCE

BOARD CHARTER

All responsibilities and activities of the LBN Board are covered in detail in the Board Charter. The Charter delineates the responsibilities and role of the Board, the Chairperson, the Chief Executive Officer (CEO¹) and the Company Secretary and addresses all aspects of Board appointments, activity, responsibilities and performance.

STRUCTURE AND SELECTION OF THE BOARD

BOARD SELECTION

The constitution of the LBN establishes the structure of the Board as five directors including the Independent Chairperson, prescribes a selection process to be undertaken by the Members and the appointment of an independent selection committee for appointing the Chairperson. All positions are 'skills based'.

RIGHT OF ACCESS

Each director has the right of access to all relevant company information and to the Company's executive and, subject to prior consultation with the Chairperson, may seek independent professional advice at the company's expense.

1 In the Board's Charter it recognises that the role of CEO is presently being undertaken by AHA's Executive Manager Biosecurity and Product Integrity. During September 2017, the Board decided to employ a CEO to replace the Executive Manager with Duncan Rowland being appointed. Mr Rowland started as CEO on the 16 October 2017.

BOARD MEETINGS

The Board, in accordance with the LBN constitution, holds at least four meetings each year and may meet at other times as necessary, including by telephone. The CEO (or equivalent) regularly attends the Board meetings.

ETHICAL AND RESPONSIBLE DECISION MAKING

CONFLICTS OF INTEREST

As specified in the Board Charter, directors must declare on an ongoing basis any interests that could potentially conflict with those of the Company. A standing agenda item at all Board meetings involves the update by each director of a statement of interests. In addition, directors are asked to sign a statement annually affirming that they have no specific interests that will impact on their ability as a director and that should such interests arise that may result in a potential conflict of interest, they will declare such to the Board.

INTEGRITY IN FINANCIAL REPORTING

FINANCIAL POLICIES AND PROCEDURES

Comprehensive practices are established and included in the Company's policy and procedure manuals such that all unbudgeted expenditure and commitments require prior Board approval; financial exposures are controlled; investment of funds is governed by a specific investment policy; and business transactions are properly authorised and executed. The shareholders agreement between LBN, CCA and AHA provides that critical business matters

must be unanimously agreed by the Board. Critical business matters include annual business plan and related budgets, five-year strategic plan and material (greater than \$250,000) changes to the business plan, material capital expenditure, and finance, dividend and share policies.

CONTRACTING AND TENDERING

The Company has adopted comprehensive policies and procedures in respect of purchasing, contracting and tendering. All contracts exceeding \$40,000 in value are subject to competitive quotation. Where proposed expenditure exceeds \$250,000 a formal open contracting process is used to seek competitive quotations (unless the requirement is exempted by the CEO or Board).

RESPECTING THE RIGHTS AND INTERESTS OF MEMBERS AND STAKEHOLDERS

MEMBER CONSULTATION AND COMMUNICATIONS

The Board aims to ensure that all Members are informed of all major developments affecting the Company.

COMPANY GENERAL MEETINGS

The Board encourages full participation of Members at the AGM.

CODE OF CONDUCT

The Board Charter contains a Directors' Code of Conduct with which each director is expected to comply. In addition, the Company has documented standards that each manager and employee of the Company is expected to operate within. The requirement to comply with these ethical standards is communicated to all employees. Directors, managers and employees are expected to strive at all times to enhance the reputation and performance of the Company.

RECOGNITION AND MANAGEMENT OF RISK

RISK MANAGEMENT

The Company's process of periodic risk assessment and review covers the business environment, work health and safety, property, financial reporting and internal control. There is a standing agenda item on Company risk at each face-to-face Board meeting.

ENHANCEMENT OF PERFORMANCE

COMPANY PERFORMANCE EVALUATION

The LBN has commenced a monitoring and evaluation framework, in consultation with Members, to report on key deliverables as outlined in the *Strategic Plan*.

STAFF PERFORMANCE EVALUATION

Each staff member is employed under an employment contract that specifically calls for an annual performance agreement against which performance is measured by the staff member's manager.

FAIR AND RESPONSIBLE REMUNERATION

DIRECTORS' REMUNERATION

The remuneration payable to directors is approved at a general meeting of the Company as stipulated in the LBN constitution. There are no schemes for retirement benefits, aside from statutory superannuation.

EMPLOYEE REMUNERATION

The remuneration of all staff is set and reviewed by the CEO (or equivalent) as part of the employee's annual performance review.





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Livestock Biosecurity Network Pty Ltd

ACN 160 796 449

Financial Statements

For the Year Ended 30 June 2017

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Directors' report for the year ended 30 June 2017

The directors present their report together with the financial report for Livestock Biosecurity Network Pty Ltd (LBN) for the year ended 30 June 2017 and the audit report thereon.

Information on directors

Name:	James Kellaway
Title:	Chairman of the Board (since 28 October 2016)
Qualifications:	B App Sci (Agr), GDMM, MBA, GAICD, ACIS, AFAIM
Experience and expertise:	Extensive agribusiness experience in stakeholder relations, business development, product marketing and R&D investment. James has held a number of RD&E entity directorships and committee positions.
Name:	Melinee Leather
Title:	Non-executive director (since 19 July 2016)
Qualifications:	Dip B Mgmt, Dip Ag, Member AICD
Experience and expertise:	Extensive experience in livestock farming and cattle policy development through Agforce Qld, Agforce Cattle and as Chair of Cattle Council of Australia's Animal Health, Welfare & Biosecurity Committee.
Name:	Hamish Munro
Title:	Non-executive director (since 16 October 2012) Chairman (19 May 2016 – 28 October 2016)
Qualifications:	B AgMgmt, Member AICD
Experience and expertise:	Experience in livestock farming, agri-political involvement at the state and national level and extensive experience in international beef trade, marketing and traceability schemes.
Name:	Kathleen Plowman
Title:	Non-executive director (since 5 September 2016)
Qualifications:	B Ec (Hons), GAICD
Experience and expertise:	Extensive experience in policy and strategy development and implementation in the agriculture sector. Kathleen has been the Chief Executive Officer of Animal Health Australia since 2014.
Name:	Sharon Starick
Title:	Non-executive director (since 6 September 2016)
Qualifications:	B AgSci (Hons), Member AICD
Experience and expertise:	Extensive experience in livestock farming, industry organisation, stakeholder relationships and as a company director, including Animal Health Australia since 2010.
Name:	Grant Maudsley
Title:	Non-executive director (16 October 2012 - 31 August 2016)
Qualifications:	Grad Dip AgEc
Experience and expertise:	Extensive experience in livestock farming, and industry organisations such as Agforce Qld and Agforce Cattle.

Directors' report for the year ended 30 June 2017

Objectives

Livestock Biosecurity Network's vision is to:

"Better prepare and inform Australia's livestock sector on biosecurity, food safety, livestock health and welfare matters."

The LBN Mission outlines how it aims to reach the vision:

"To partner in the extension of biosecurity, food safety, livestock health and welfare information to the Australian livestock industries."

Strategic priorities

Livestock Biosecurity Network commenced the development of a new strategic plan 2017-2022 during the year that, as a 'critical business matter' was endorsed by both members in accordance with the requirements of the joint shareholders agreement in September 2017. The strategic priorities and key activities are set out in Figure 1 – Livestock Biosecurity Network Strategy Map.

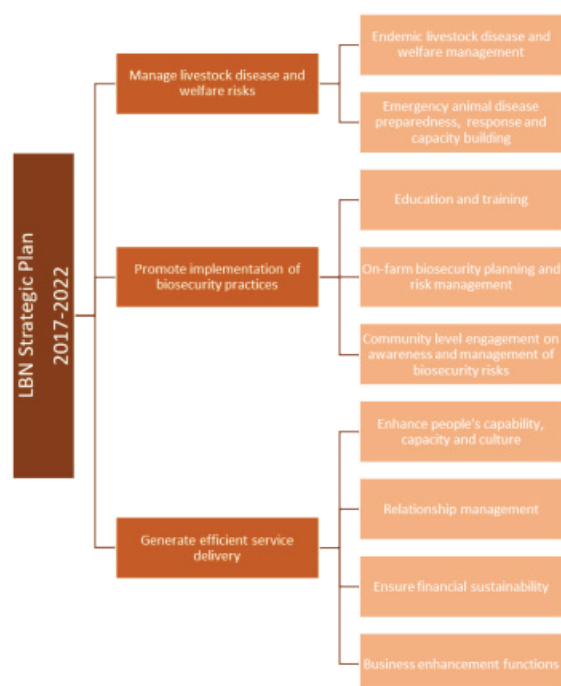
Principal activities and significant changes

Partnering with members and stakeholders to convey, upskill and seek adoption of relevant and current information on matters of biosecurity (such as emergency and endemic diseases, pests and weeds), food safety, livestock health and welfare among supply chain participants to foster the resilience and integrity of the Australian animal health system.

LBN has established a small network of biosecurity and extension managers located throughout Australia who act as proactive agents for information on biosecurity, food safety, livestock health and welfare to support a more prepared and responsive livestock sector and understanding of its key role in surveillance, detection and reporting of a disease/pest event.

There were no significant changes in the nature of LBN's principal activities during the year. Investment by the sheepmeat and wool sectors ceased and the greater focus of activities has turned singularly to cattle sector stakeholders. However, the strategic plan is neutral to livestock sector in method and principle and envisages future engagement and investment in future from the sheep sectors.

Figure 1 – Livestock Biosecurity Network Strategy Map



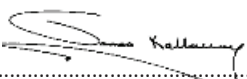
Directors' Report for the year ended 30 June 2017**Operating result and review of operations**

The first year of LBN operations following its seed funding period of three years to 2016, delivered an operating **loss of \$131,051 (2016: \$424,473)**, while operating with a revenue of around half of its initial years at **\$657,069 (2016: \$1,221,524)** and curtailed expenditure of **\$788,120 (2016: \$1,645,997)**. Staff turnover during the reshaping of The Company's operations was the fundamental component of the reduced expenditure, combined with the 'in-sourcing' of the full suite of administrative, financial and communications services from the parent Company, AHA. New funding, the first since the seed contracts in 2014, were sourced from the National Residue Survey and Commonwealth Government. As a result the net equity of LBN remained at **\$880,187** after a fourth year of delivery, providing the backing for further business build.

Events after the reporting date

The Directors have resolved and subsequently received joint shareholder approval for the engagement of a dedicated Chief Executive Officer position during 2017-18 with a focus on deriving funding to ensure LBN's financial sustainability and expansion strategy. On 16 October 2017, Duncan Rowland will commence in the role of LBN Chief Executive Officer. Duncan has been with Animal Health Australia for 13 years, most recently as an Executive Manager Biosecurity and Product Integrity Services, including provision of executive management to LBN.

Signed in accordance with a resolution of the Board of Directors:

Director: 
Mr James Kellaway

Director: 
Ms Kathleen Plowman

Dated 19th September 2017



RSM Australia Pty Ltd

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
LIVESTOCK BIOSECURITY NETWORK PTY LTD**

Opinion

We have audited the financial report of Livestock Biosecurity Network Pty Ltd, which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the directors.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Livestock Biosecurity Network Pty Ltd as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

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 Livestock Biosecurity Network Pty Limited in accordance with 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.

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing Livestock Biosecurity Network Pty Ltd's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Livestock Biosecurity Network Pty Ltd or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Pty Ltd ACN 009 321 377 atf Birdanco Practice Trust ABN 65 319 382 479 trading as RSM

Liability limited by a scheme approved under Professional Standards Legislation

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**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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

RSM AUSTRALIA PTY LTD

GED STENHOUSE
Director

Canberra, Australian Capital Territory
Dated: 20th September 2017

Directors' Declaration

The directors of the entity declare that:

1. The financial statements and notes:

(a) comply with Australian Accounting Standards; and

(b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the entity.

2. In the directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

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

Director
Mr James Kellaway

Director
Ms Kathleen Plowman

Dated 19th September 2017

**Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2017**

	Note	2017 \$	2016 \$
Revenue	2	657,069	1,221,524
Administration expenses		(187,113)	(37,378)
Depreciation expense	6(a)	(4,408)	(6,271)
Directors fees and expenses		(72,520)	(72,240)
Employee benefits expense - salaried staff / management		(345,399)	(850,315)
Finance costs		-	(1,282)
Insurance		-	(17,154)
Media and advertising		(44,988)	(165,562)
Occupancy costs		(3,599)	(68,629)
Office expenses		(6,503)	(30,620)
Other expenses		(523)	(2,440)
Professional fees		(57,478)	(221,923)
Seminars and events		(8,712)	(31,911)
Travel expenses		<u>(56,877)</u>	<u>(140,272)</u>
Total Expenses		(788,120)	(1,645,997)
Loss for the year		<u>(131,051)</u>	<u>(424,473)</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(131,051)</u>	<u>(424,473)</u>

The accompanying notes form part of these financial statements.

Statement of Financial Position 30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	799,122	1,291,092
Trade and other receivables	5	<u>173,150</u>	<u>-</u>
TOTAL CURRENT ASSETS		972,272	1,291,092
NON-CURRENT ASSETS			
Property, plant and equipment	6	<u>2,521</u>	<u>6,929</u>
TOTAL NON-CURRENT ASSETS		<u>2,521</u>	<u>6,929</u>
TOTAL ASSETS		974,793	1,298,021
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	84,836	148,716
Employee benefits	8	<u>9,379</u>	<u>138,067</u>
TOTAL CURRENT LIABILITIES		94,215	286,783
NON-CURRENT LIABILITIES			
Employee benefits	8	<u>391</u>	<u>-</u>
TOTAL NON-CURRENT LIABILITIES		<u>391</u>	<u>-</u>
TOTAL LIABILITIES		<u>94,606</u>	<u>286,783</u>
NET ASSETS		880,187	1,011,238
EQUITY			
Issued capital	9	100	100
Retained earnings		<u>880,087</u>	<u>1,011,138</u>
TOTAL EQUITY		<u>880,187</u>	<u>1,011,238</u>

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2017

2017

	Ordinary Shares \$	Retained Earnings \$	Total \$
Balance at 1 July 2016	100	1,011,138	1,011,238
Loss attributable to shareholders	-	(131,051)	(131,051)
Balance at 30 June 2017	<u>100</u>	<u>880,087</u>	<u>880,187</u>

2016

	Ordinary Shares \$	Retained Earnings \$	Total \$
Balance at 1 July 2015	100	1,435,611	1,435,711
Loss attributable to shareholders	-	(424,473)	(424,473)
Balance at 30 June 2016	<u>100</u>	<u>1,011,138</u>	<u>1,011,238</u>

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2017

	Note	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		554,362	2,918,150
Payments to suppliers and employees		(1,050,773)	(1,766,461)
Interest received		<u>4,441</u>	<u>3,690</u>
Net cash provided by (used in) operating activities	14	<u>(491,970)</u>	<u>1,155,379</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	6(a)	<u>-</u>	<u>(1,181)</u>
Net cash used by investing activities		<u>-</u>	<u>(1,181)</u>
Net increase (decrease) in cash and cash equivalents held		(491,970)	1,154,198
Cash and cash equivalents at beginning of year		<u>1,291,092</u>	<u>136,894</u>
Cash and cash equivalents at end of financial year	4(a)	<u>799,122</u>	<u>1,291,092</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements**For the Year Ended 30 June 2017**

This financial report covers Livestock Biosecurity Network Pty Ltd as an individual entity. Livestock Biosecurity Network Pty Ltd is a not-for-profit Company limited by shares, incorporated and domiciled in Australia.

The functional and presentation currency of Livestock Biosecurity Network Pty Ltd is Australian dollars.

1. Summary of Significant Accounting Policies**(a) New or amended Accounting Standards and Interpretations adopted**

Livestock Biosecurity Network Pty Ltd has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(b) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Notes to the Financial Statements**For the Year Ended 30 June 2017****1 Summary of Significant Accounting Policies continued****(d) Property, Plant and Equipment**

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

Depreciation

The depreciable amount of all fixed assets, are depreciated on a diminishing value basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Office Equipment	33%
Computer Equipment	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

(e) Financial Instruments**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that The Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs.

Notes to the Financial Statements**For the Year Ended 30 June 2017****1 Summary of Significant Accounting Policies continued****(f) Financial Instruments continued****Classification and subsequent measurement**

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Company does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(g) Financial Instruments continued

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Notes to the Financial Statements**For the Year Ended 30 June 2017****1 Summary of Significant Accounting Policies continued****Impairment**

At each reporting date, The Company assesses whether there is objective evidence that a financial instrument has been impaired.

Derecognition

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

(h) Impairment of Assets

At the end of each reporting period, The Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

(j) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by The Company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(k) Employee Benefits*Short-Term employee Benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Notes to the Financial Statements**For the Year Ended 30 June 2017****1 Summary of Significant Accounting Policies continued***Other Long-term employee benefits*

The liability for long service leave and annual leave not expected to be settled wholly within 12 months of the reporting date are measured at the present value of the expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(l) Income Tax

The Company is exempt from income tax as a not for profit organisation established for the purpose of promoting the development of Australian agricultural resources.

(m) Revenue and Other Income

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

Grant revenue is recognised in the income statement when it is controlled. When there are conditions attached to grant revenue relating to the use of those grants for specific purposes it is recognised in the balance sheet as a liability until such conditions are met or services provided.

Donations and bequests are recognised as revenue when received unless they are designated for a specific purpose, where they are carried forward as prepaid income on the balance sheet.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets, is the rate inherent in the instrument.

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

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Notes to the Financial Statements**For the Year Ended 30 June 2017****1 Summary of Significant Accounting Policies continued****(o) Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reporting amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgement, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimate of useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

New Accounting Standards*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019 for not-for-profit entities. Replaces all existing standards on revenue, and establishes a five-step process for revenue recognition:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations
- Recognise revenue when the performance

AASB 15 is likely to lead to greater deferral of revenue, and a significant implementation challenge in assessing the performance obligations inherent in contracts.

Notes to the Financial Statements**For the Year Ended 30 June 2017****1 Summary of Significant Accounting Policies continued***AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. A comprehensively revamped lease accounting model, which largely ends the previous distinction between operating and finance leases:

- All leases greater than 12 months must be recognised on balance sheet as a lease liability and a related right to use asset, based on the present value of future lease payments
- A new requirement to consider renewal options which are reasonably likely to be exercised when calculating the lease term
- The expenses related to leases will appear in the income statement as interest on the lease liability and depreciation on the right-to-use asset – not as a rental expense
- No significant change for accounting by lessors

AASB 1058 Income of Not-for-Profit Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. Substantially alters the requirements of the existing AASB 1004 *Contributions* and clarifies the treatment of the receipt of income by not-for-profit entities. Income where there is an associated performance obligation should be recognised in line with the principles of AASB 15, whereas donations with no future obligation may be recognised immediately. In addition, assets or services received at below market value (such as peppercorn leases) must be recognised at fair value.

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Revenue

	Note	2017 \$	2016 \$
- Operating grants		560,000	1,196,772
- Special Program Funding		70,729	-
- Interest income		7,390	3,690
- Workshops and seminar sponsorship		-	727
- Reimbursements		-	6,000
- Other income		<u>18,950</u>	<u>14,335</u>
Total Revenue		657,069	1,221,524

3 Auditors' Remuneration

	<u>12,000</u>	<u>25,450</u>
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4 Cash and Cash Equivalents

Cash		199,122	50,000
Cash equivalents		<u>600,000</u>	<u>1,241,159</u>
Total cash and cash equivalents	4(a)	<u>799,122</u>	<u>1,291,092</u>

Notes to the Financial Statements

For the Year Ended 30 June 2017

4 Cash and Cash Equivalents continued

(a) Reconciliation of cash

	2017 \$	2016 \$
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	<u>799,122</u>	<u>1,291,092</u>
	<u>799,122</u>	<u>1,291,092</u>

5 Trade and Other Receivables

CURRENT

Trade receivables	170,200	-
Other receivables	<u>2,950</u>	<u>-</u>
Total trade and other receivables	<u>173,150</u>	<u>-</u>

Trade receivables are generally due within 30 days of the end of the month of invoice issue.
Where trade receivables are for funding the amount is drawn down as cash flow requires.

6 Property, Plant and Equipment

PLANT AND EQUIPMENT

Office equipment & furniture

At cost	19,727	19,727
Accumulated depreciation	<u>(17,206)</u>	<u>(12,798)</u>
Total property, plant and equipment	<u>2,521</u>	<u>6,929</u>

Notes to the Financial Statements

For the Year Ended 30 June 2017

6 Property, Plant and Equipment continued

(a) Movements in carrying amounts of property, plant and equipment

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

	Office Equipment & Furniture \$	Total \$
Year ended 30 June 2017		
Balance at the beginning of year	6,929	6,929
Additions	-	-
Depreciation expense	<u>(4,408)</u>	<u>(4,408)</u>
Balance at the end of the year	<u>2,521</u>	<u>2,521</u>
Year ended 30 June 2016		
Balance at the beginning of year	12,019	12,019
Additions	1,181	1,181
Depreciation expense	<u>(6,271)</u>	<u>(6,271)</u>
Balance at the end of the year	6,929	6,929

7 Trade and Other Payables

	2017 \$	2016 \$
CURRENT		
Unsecured liabilities		
Trade payables	53,135	31,377
GST and PAYG Withholding payable	27,184	112,748
Superannuation payable	<u>4,517</u>	<u>4,591</u>
	<u>84,836</u>	<u>148,716</u>

Notes to the Financial Statements

For the Year Ended 30 June 2017

8 Employee Benefits

	2017	2016
	\$	\$
Current liabilities		
Annual leave accrual	9,379	27,952
Provision for employee retention incentive	-	<u>110,115</u>
	<u>9,379</u>	<u>138,067</u>
Non-Current Liabilities		
LSL leave accrual	<u>391</u>	<u>110,115</u>
	<u>9,770</u>	<u>138,067</u>

9 Issued Capital

100 Shares @\$1 each	100	100
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The issued capital was incorrectly stated in the previous financial year. An adjustment was made which had the following affect:

	Previously Stated 30 June 2016	Amount Restated 30 June 2017
STATEMENT OF FINANCIAL POSITION		
Retained Earnings	1,011,234	1,011,138
Issued Capital	4	100

10 Financial Instruments

(a) Financial Risk Management Policies

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The main purpose for non-derivative financial instruments is to raise finance for The Company operations. The Company does not believe it faces major risks from interest rates, credit, liquidity and foreign exchange risks and accordingly no further disclosures regarding financial risk management policies are required under AASB107.

Notes to the Financial Statements

For the Year Ended 30 June 2017

11 Related Parties

(a) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel. The 2017 key management personnel compensation amounted to \$59,234 (2016: \$55,804).

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

12 Economic Dependency

Livestock Biosecurity Network Pty Ltd is totally dependent on external funding.

As of 30 June 2017, LBN has an executed funding agreement with the Department of Agriculture and Water Resources for \$570,000, including GST, receivable upon completion of milestones until October 2019. Of the total amount of the grant, \$70,000 has been received as at 30 June 2017.

13 Events Occurring After the Reporting Date

On the 16th October, Duncan Rowland will commence in the role of LBN Chief Executive Officer. Duncan has been with Animal Health Australia for 13 years providing an enormous contribution to key business areas of AHA and outstanding biosecurity services to the members. The LBN Board has the utmost confidence that LBN will continue to deliver value to its partners, stakeholders and producers under Duncan's leadership.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of The Company, the results of those operations or the state of affairs of The Company in future financial years.

Notes to the Financial Statements

For the Year Ended 30 June 2017

14 Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2017 \$	2016 \$
Loss for the year	(131,051)	(424,473)
Non-cash flows in loss		
- Depreciation	4,408	6,271
Changes in assets and liabilities:		
- (Increase)/decrease in trade and term receivables	(173,150)	1,578,533
- decrease in trade payables and accruals	(63,880)	(91,653)
- Increase/(decrease) in provisions for employee benefits	<u>(128,297)</u>	<u>86,701</u>
Cashflow used in operations	<u>(491,970)</u>	<u>1,155,379</u>

15 Company Details

The registered office of The Company is:

Livestock Biosecurity Network Pty Ltd
Level 2, 95 Northbourne Avenue
TURNER ACT 2612



RSM Australia Pty Limited

Equinox Building 4, Level 2, 70 Kent Street Deakin ACT 2600
GPO Box 2000 Canberra ACT 2601

T +61(0) 2 6217 0300
F +61(0) 2 6217 0401

www.rsm.com.au

20 September 2017

Board of Directors
Livestock Biosecurity Network Pty Limited
PO BOX 5116
Braddon ACT 2612

Dear Directors

AUDIT FOR THE YEAR ENDED 30 JUNE 2017

We have completed the audit of the financial statements of Livestock Biosecurity Network Pty Limited (LBN) in accordance with the engagement letter provided to the LBN Board of Directors 2 June 2017.

We expect to issue an auditor's report upon receipt of the signed financial statements and the signed written representations that we have requested. We expect the opinion on the financial statements will be unmodified.

We set out in this management letter certain significant matters which came to our attention during the course of our recent audit.

This letter is part of a continuing dialogue between LBN and ourselves and is intended solely for the information of the Board and management. For this reason, we consider it inappropriate for this report to be made available to third parties and we do not accept responsibility for any reliance that third parties may place on it.

Our procedures are designed to support our audit opinion and they cannot be expected to identify all weaknesses or inefficiencies in your systems and working practices.

Our main findings are contained in the attached appendix. Comments and recommendations have been provided for each finding.

We shall be pleased to discuss further with you any of the points raised in our letter if that would be helpful.

Finally, we would like to record our appreciation of the helpful and courteous assistance afforded to us by your staff and contract accountant during the course of our work.

Yours faithfully

GED STENHOUSE
Director

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Pty Ltd ACN 009 321 377 atf Birdanco Practice Trust ABN 65 319 382 479 trading as RSM

Liability limited by a scheme approved under Professional Standards Legislation

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1. Appendix

1. Detailed Findings

During the course of our audit, we noted the following findings and adjustments as follows:

No.	Description	In AUD				
		Asset	Liability	Equity	Income	Expense
1	Expense the final retention incentive provision since the program is only for the financial year 2016 and the Company has paid the covered employees in 2017	–	10,000	(10,000)	–	(10,000)
2	Reverse insurance accrual as the insurance forms part of the administrative fees paid to a related party	–	2,400	(2,400)	–	(2,400)
3	Increase annual leave to include superannuation cost in estimate	–	(814)	814	–	814
Net DR (CR) adjustments to account balances		–	11,586	(11,586)	–	(11,586)

2. General Comments

2.1 Segregation of Duties

Due to the small nature of the accounting department it is difficult to maintain adequate segregation of duties. As roles and functions within a small organisation can change rapidly it is important to regularly review the segregations in place to ensure that adequate segregation is maintained.

2.2 Implementing the new accounting standards

The next few years will see the adoption of three major new standards, which will significantly impact most entities. They will fundamentally change the current approach to accounting for revenue, leases, and financial instruments. ASIC have highlighted the disclosures about the impact of the new standards as a key area of focus in their financial reporting surveillance for June 2017 year-ends.

These standards are likely to impact more than just the finance team – for example contracts may need to be re-written, management bonus structures altered, bank covenants renegotiated, and profit targets re-considered.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2019 for not-for-profit entities. Replaces all existing standards on revenue, and establishes a five-step process for revenue recognition:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations
- Recognise revenue when the performance

AASB 15 is likely to lead to greater deferral of revenue, and a significant implementation challenge in assessing the performance obligations inherent in contracts.

2. General Comments (continued)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

A comprehensively revamped lease accounting model, which largely ends the previous distinction between operating and finance leases:

- All leases greater than 12 months must be recognised on balance sheet as a lease liability and a related right to use asset, based on the present value of future lease payments
- A new requirement to consider renewal options which are reasonably likely to be exercised when calculating the lease term
- The expenses related to leases will appear in the income statement as interest on the lease liability and depreciation on the right-to-use asset – not as a rental expense
- No significant change for accounting by lessors

AASB 1058 Income of Not-for-Profit Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2019.

Substantially alters the requirements of the existing AASB 1004 *Contributions* and clarifies the treatment of the receipt of income by not-for-profit entities. Income where there is an associated performance obligation should be recognised in line with the principles of AASB 15, whereas donations with no future obligation may be recognised immediately. In addition, assets or services received at below market value (such as peppercorn leases) must be recognised at fair value.

2.3 Addressing the risks of Cybersecurity and Ransomware

Recent ransomware incidents have made global headlines, with a wave of unprecedented attacks infecting companies worldwide. While many middle market companies assume they are not a target for cyberattacks and are too small to interest hackers, the opposite is actually true. The ransomware threat, in particular, is very real, and risks are more prevalent for smaller companies than larger organisations because of differences in the depth of resources and education.

What matters should Directors be considering with in addressing this risk?

a. Analyse your strengths and weaknesses

Organisations of every industry and size are likely to possess information that is valuable to a hacker. Inventory your sensitive information and understand who has access to it, including employees and vendors. Understand the reputational and financial impacts to your organisation if this information were exploited. Ensure the proper controls are in place to secure sensitive data.

b. Security awareness

Many employees become unknowing contributors when they do something as innocent and simple as click on a link in an email message that appears to come from an internal team member or outside vendor, and thus activate a malware attack. Cybercriminals are becoming increasingly crafty in the techniques they use to break into networks. An educated staff is your best defence. A security awareness program may help your employees to understand ransomware and other cybersecurity risks, what to look for and how to respond. The programme should be continuous and updated to include new threats, tested with regular social engineering exercises, and engaging enough to help ensure widespread user adoption.

c. Patch management

The next line of defence against cybersecurity risks is to prevent infection, should a user click on a malicious link. Symantec data recently found that 75 percent of breaches leverage exploits where a patch is available, and 78 percent of scanned websites exhibited known vulnerabilities. Therefore, your organisation should develop a comprehensive inventory of systems and applications in your environment,

as well as a program to identify, prioritise and apply patches to software. Be sure to consider applications such as Microsoft Office, Flash and Java in addition to operating systems and antivirus programs.

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2. General Comments (continued)

d. System backups

Unfortunately, hackers and their methods are becoming increasingly sophisticated, and harmful emails and websites can look very legitimate. You must be prepared with robust data backup programs to address a ransomware attack if it happens to you. A comprehensive program includes data mapping to identify what and where data is, ensuring that backups are complete and offline from the network, and comprehensive, regular testing protocols to ensure the data can be restored.

e. Make cybersecurity assessment a continuous process

Every time a network changes, there is the possibility of introducing new risks to systems. Adding a router, replacing a server or implementing new software can create vulnerabilities for cybercriminals to exploit. We recommend periodic risk assessments to identify areas of weakness, develop incident response plans, and keep those plans current by revisiting risk assessments whenever networks change. When an incident occurs, it is important to go back and re-evaluate why a particular risk was missed or a breach occurred. Cybersecurity assessment should be a continuous learning cycle.

We would be pleased to discuss further the potential risks around cybersecurity with the directors, and, if appropriate, to introduce RSM's dedicated IT audit and cybersecurity team to assist.

ABBREVIATIONS_____

AGM	Annual General Meeting
AHA	Animal Health Australia
ALPA	Australian Livestock and Property Agents
CCA	Cattle Council of Australia
CEO	Chief Executive Officer
DPI	Department of Primary Industries
EAD	Emergency Animal Disease
FMD	Foot-and-Mouth Disease
J-BAS	Johne's Beef Assurance Score
LBN	Livestock Biosecurity Network
LPA	Livestock Production Assurance



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