# Lindsay Australia Limited

ABN 81 061 642 733

ASX Code LAU

Preliminary Final Report

Financial Year Ended 30 June 2018
ASX Rule 4.3A

Information required by Appendix 4E

# Lindsay Australia Limited (LAU)

## Results for announcement to the market

| | | | A$000<br>30 June 2018 | | A$000<br>30 June 2017 |
|---|---|---|---|---|---|
| Revenues | Up | 8.0% | 364,882 | From | 337,712 |
| Profit after tax attributable to members | Up | 25.4% | 8,058 | From | 6,426 |

| Dividends | | | |
|---|---|---|---|
| | Amount per security | Franked amount per security | Conduit Foreign Income |
| Interim Dividend | 0.8 cent | 100% | Nil |
| Final Dividend | 1.0 cent | 100% | Nil |

The Record Date for determining entitlements to the dividend is 14 September 2018.

## Management Comments

Refer Annual Report 2018 which has been lodged concurrently with App 4E.

## Comparison of half-year profits

| | $A'000<br>30 June 2018 | $A'000<br>30 June 2017 |
|---|---|---|
| Profit after tax attributable to members for the 1st half-year. | 5,010 | 5,939 |
| Profit after tax attributable to members for the 2nd half-year. | 3,048 | 487 |

## Ratios

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| **Profit before tax / revenue**<br>Profit before tax as a percentage of revenue | 3.1% | 2.5% |
| **Profit after tax / equity interests**<br>Profit after tax attributable to members as a percentage of equity (similarly attributable) at the end of the year | 8.9% | 7.5% |

## Earnings Per Security (EPS)

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| (a) Basic EPS | 2.7 cents | 2.2 cents |
| (b) Diluted EPS | 2.7 cents | 2.2 cents |
| (c) Weighted average number of ordinary shares outstanding during the period used in the calculation of Basic EPS | 293,150,766 | 290,833,967 |

## NTA backing

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| Net tangible asset backing per ordinary security | 27.3 cents | 26.0 cents |

**Dividends**

| | |
|---|---|
| Date the dividend is payable | 28 September 2018 |
| Record date to determine entitlements to the dividend | 14 September 2018 |
| If it is a final dividend, has it been declared? | Yes |

**Dividend amount per security**

| | | Amount per security<br>¢ | Franked amount per security at 30% tax<br>¢ |
|---|---|---|---|
| **Final dividend:** | Current year<br>Previous year | 1.0<br>0.8 | 100%<br>100% |
| **Interim dividends:** | Current year<br>Previous year | 0.8<br>0.8 | 100%<br>100% |
| **Total dividend per security:** | Current year<br>Previous year | 1.8<br>1.6 | 100%<br>100% |

There is no Conduit Foreign Income in 2018 or 2017.

**Other disclosures in relation to dividends**

The company has a dividend reinvestment plan. The last date for election to participate in the plan is 17 September 2018. Shares issued pursuant to the plan are at 5% discount to the volume weighted average price for the five business days prior to and including the record date.

**Issued and quoted securities at end of current year**

| Category of securities | Total number | Number quoted | Issue price per security (cents) |
|---|---|---|---|
| Ordinary securities | 294,153,227 | 294,153,227 | |
| Changes during current year:<br><br>Increases through issues:<br><br>Dividend Re-investment Plan<br>Dividend Re-investment Plan | <br><br><br><br>1,071,954<br>990,479 | <br><br><br><br>1,071,954<br>990,479 | <br><br><br><br>36.00<br>39.00 |
| | 2,062,433 | 2,062,433 | |

**Annual meeting**

The annual meeting will be held as follows:

| | |
|---|---|
| Place | McCullough Robertson Auditorium<br>Level 11, 66 Eagle Street<br>Brisbane, Qld 4000 |
| Date | Friday 26 October 2018 |
| Time | 11:00 am |
| Approximate date the annual report will be available | 10 September 2018 |

**Compliance statement**

This report has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.

This report and the accounts, upon which the report is based, use the same accounting policies.

1. This report does give a true and fair view of the matters disclosed.
2. The entity has a formally constituted audit committee.
3. There are no entities over which control has been gained or lost during the period.
4. This report is based on accounts that have been audited.

Justin Green

Chief Financial Officer and Company Secretary

Date: 23 August 2018


# annual report

## for the financial year ended 30 June 2018


LINDSAY AUSTRALIA LIMITED

# annual report

for the year ended 30 June 2018

| | |
|---|---|
| **DIRECTORS** | Chairman-non-executive,<br>John F Pressler OAM MAICD |
| | Managing Director and Chief Executive Officer<br>Michael K Lindsay |
| | Non-executive Directors<br>Richard A Anderson OAM BCom FCA FCPA<br>Gregory D Farrell BEcon |
| **GENERAL LEGAL COUNSEL & COMPANY SECRETARY** | Broderick T Jones LLB |
| **CHIEF FINANCIAL OFFICER & COMPANY SECRETARY** | Mr Justin T Green BBus, CPA |
| **SHARE REGISTER** | Computershare Investor Services Pty Ltd<br>117 Victoria Street, West End, QLD 4101<br>Telephone: 1300 552 270<br>Website: www.computershare.com.au |
| **REGISTERED & PRINCIPAL ADMINISTRATIVE OFFICE** | 152 Postle St, Acacia Ridge, QLD 4110<br>Telephone: (07) 3240 4900<br>Fax: (07) 3054 0240<br>Website: www.lindsayaustralia.com.au |
| **AUDITOR** | Pitcher Partners<br>Level 30 Central Plaza 1, 345 Queen Street,<br>Brisbane, QLD, 4000 |
| **BANKER** | Westpac Banking Corporation<br>65 Molesworth Street, Lismore, NSW, 2480 |
| **STOCK EXCHANGE LISTING** | Lindsay Australia Limited shares are listed on the Australian Securities Exchange, code LAU. |

# Contents

# Our business

Lindsay Australia is an integrated transport, logistics and rural supply company with a specific focus on servicing customers in the food processing, food services, fresh produce, rural and horticultural sectors.

Lindsay Australia comprises of two divisions Rural and Transport. When combined these divisions offer products and services covering the key needs of growers (customer) throughout their production cycle.

From planting crops, through fertiliser, chemicals, supply of packaging, and then transportation, fumigation and export. The two divisions offer customers an end to end solution with one point of contact and accountability.

# Site locations

**Lindsay Rural**
Brisbane Shop
Brisbane Warehouse
Berri
Bowen
Brandon
Bundaberg North
Bundaberg Wyllie
Childers
Coffs Harbour
Emerald
Gatton
Innisfail
Invergordon
Leeton
Mareeba
Adelaide
Mildura
Mundubbera
Murwillumbah
Nambour
Stanthorpe
Tully
Werribee

**Lindsay Transport**
Adelaide
Bowen
Brisbane
Bundaberg
Coffs Harbour
Emerald
Gatton
Innisfail
Mackay
Mareeba
Melbourne
Mildura
Mundubbera
Nambour
Perth (coming soon)
Stanthorpe
Sydney
Tully

**Lindsay Fresh Logistics**
Brisbane Markets
Melbourne Markets

# The Lindsay end-to-end solution

Lindsay Australia's business units share common customers within the horticulture industry which gives the Group a strategic advantage by providing a unique end-to-end service solution.

With the recent addition of the Lindsay Fresh Logistics facility, Lindsay Australia continues to build on the Lindsay Solution by increasing our service offerings to our customers and now provide an integrated logistics service from port to paddock and everything in-between.

## LINDSAY RURAL – Working with Australian growers

Expert Advice | Horticulture & Agronomy | Irrigation and Fertilisers | Packaging

## LINDSAY TRANSPORT – Providing total transport solutions

Transport | Logistics | Cold Storage | Distribution

## LINDSAY FRESH LOGISTICS – Managing storage and delivery

Warehousing | Bio-security | Ripening | Delivery

## LINDSAY CONNECT – Taking Australian produce to the world

Fresh Produce | Sea Freight | Air Freight | Global Distribution

# chairs' report

The Group delivered an 8% increase in revenue to **$360 million** and a 25% increase in Statutory Net Profit After Tax to **$8.06 million**.

# chairs' report

## A focus on improved fleet utilisation coupled with strategic investment in facility upgrades, fleet renewal and technology has delivered a strong result for the 2018 financial year.

The 2018 financial year (FY18) was in many ways a great year of progress for the Lindsay Australia Group. Our ambition to lead the industry for all our stakeholders, and add value wherever we are, was marked by efforts to transform – through new technologies, by creating new business and extending our services and footprint to make our offering smarter, more efficient, safer and more rewarding.

It is all the more satisfying that we have delivered a year of great operational progress along with a solid financial performance. Our revenue grew 8% to $360 million, reflecting our investment in facility upgrades and focus on improved ultilisation rates. Net profit after tax grew to $8 million, an increase of 25%. This strong growth was achieved despite multiple challenges such as adverse weather significantly impacting the Wide Bay-Burnett region and unstable fuel prices negatively impacting the Transport division.

Our investment in a geographically diversified portfolio further mitigated headwinds during FY18 with less seasonal risk in the horticultural segment aiding growth. Mareeba, Brisbane and Adelaide all delivered double digit revenue growth due to strategic investment in capacity increases resulting in customer additions and customer volume increases.

FY18 also saw the completion of a number of key projects. Our Brisbane market facility received a $2.5 million upgrade (completed May 2018) which will support export growth and drive volume increases across multiple fresh food categories. The Off Road Bulk Fuel project (completed June 2018) expanded the Group's bulk storage facilities with new refuelling facilities in strategic locations such as Mareeba, Townsville, Emerald and Dubbo. These tanks coupled with an upgraded fuel management system will remove reliance on service stations and facilitate improved fuel cost management.

Our fleet renewal program also continued throughout FY18, with a further investment of $23 million in new interstate prime movers, refrigerated trailers and distribution equipment. These upgrades will deliver improved safety and cost reductions due to the implementation of latest technology and reduced fleet maintenance.

Looking ahead, we will continue to expand our reach in FY19 supporting our strategy of mitigating seasonal horticultural risks by diversifying our geographical footprint. In July we purchased a distribution facility in the major horticulture growing region of Bowen, Central Queensland.

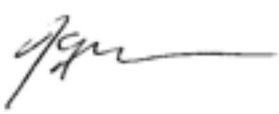
The Transport division will also see expansion in FY19 with a greenfield cold storage project in Perth, Western Australia (WA). The WA operations will be serviced primarily with the addition of 35 new refrigerated rail containers and equipment at a cost of $5.7 million. The expansion into Perth will provide the national network desired by our existing eastern seaboard customer base and will be underpinned by a long term transport supply agreement from a major Perth manufacturer.

A new purpose built distribution hub in Sydney is also planned. Subject to project financial and legal criteria being met and planning approvals being obtained, construction will commence in FY19 with completion expected in 2020. The proposed facility will include significantly increased cold storage capacity with purpose built driver accommodation, workshop facilities and bulk fuel storage.

As we enter the 2019 financial year, we remain focused on high fleet utilisation rates, improving operational efficiency and diversifying and expanding our network to continue delivering stakeholder value. Investment in technology upgrades also remains a priority with system upgrades expected to drive productivity, efficiency and safety improvements.

In line with increased earnings, the Board has declared a final dividend fully franked of 1.0 cent per share. This represents a full year fully franked dividend of 1.8 cents per share, up from fully franked 1.6 cents per share in FY17.

On behalf of the board, I thank our CEO Kim Lindsay and all Lindsay Australia employees for their dedication and hard work, and for their continuous capacity for improvement without which our ongoing success would not be possible.



**John F Pressler**
Brisbane, Queensland,
23 August 2018

# Overview of directors and company secretaries

### Mr John Frederick Pressler OAM

Chairman-non-executive

Mr Pressler has had a highly successful involvement in the agricultural and horticultural industries for over 40 years, and is recognised as one of the industry's leading participants in both the Bundaberg and Emerald regions.

Mr Pressler was a non-executive director of Wide Bay Australia Limited from 1988 to 2013, and Chairman from 1997 to 2009. Mr Pressler is a member of the Australian Institute of Company Directors. He was awarded the medal of the Order of Australia in 2004 for services to the horticultural industry.

Mr Pressler has held no other directorships with other listed companies during the last three years.

### Mr Michael Kim Lindsay

Managing Director and Chief Executive Officer

Mr Lindsay has over 30 years' experience in the Australian transportation and rural merchandising industries. From 1974 to 1983 he worked for Lindsay Transport, gaining a hands-on knowledge of the transportation industry through an involvement in all areas of the Group's operations.

In 1983 Mr Lindsay established Lindsay Rural, a specialist rural merchandising business with operations in Central and South East Queensland. As Managing Director of the Company he was responsible for expanding it from a small local operation to a major regional business.

Mr Lindsay has been Managing Director and Chief Executive Officer of Lindsay Australia since 2002.

Mr Lindsay has held no other directorships with other listed companies during the last three years.

### Mr Richard Andrew Anderson OAM

Non-executive Director

Mr Anderson is a former partner of PriceWaterhouseCoopers having served as the firm's managing partner in Queensland for nine years and also as a member of the firm's national committee.

Mr Anderson holds a Bachelor of Commerce degree from the University of Queensland and is a Fellow of the Institute of Chartered Accountants and a Fellow of CPA Australia.

Mr Anderson is the current chairman of Data #3 Limited. He is also a member of the board of Namoi Cotton Limited (formerly Namoi Cotton Cooperative Limited) and is the current president of the Guide Dogs for the Blind Association of Queensland.

Mr Anderson was awarded the medal of the Order of Australia in 1997 for services to the Guide Dogs for the Blind Association of Queensland and the Queensland Art Gallery Foundation.

Mr Anderson has held no other directorships with other listed companies during the last three years.

### Mr Gregory Damien Farrell

Non-executive Director

Mr Farrell is the Managing Director of Mulawa Holdings Pty Limited – a family company with interests in the Australian tourism, gaming and road transport industries.

In 1988 Mr Farrell was appointed to the position of Managing Director of Mulawa Holdings following his transfer from the IPEC Transport Group.

Whilst at IPEC, Mr Farrell participated in all areas of the business, gaining valuable experience and insight into every department. He held senior positions, including those of Industrial Relations Manager and National Freight Manager and was a key member of the IPEC Board of Management.

In 1990 Mulawa Holdings established, and still operates, Cope Transport a significant road transport company operating in all States and Territories throughout Australia.

Mr Farrell has a Bachelor of Economics degree from the University of New South Wales and in 1999 successfully completed a three-year executive education program at the Harvard Business School.

Mr Farrell has held no other directorships with other listed companies during the last three years.

### Mr Justin Troy Green

Chief Financial Officer and Company Secretary

Mr Green was appointed CFO on 31 January 2018 and Company Secretary on 24 May 2018.

Mr Green has been with the Company for 17 years and has held both group finance positions in head office and commercial positions for both the Rural and Transport divisions.

Justin holds a Bachelor of Business (accounting) and is a member of CPA Australia.

### Mr Broderick Thomas Jones

Group Legal Counsel and Company Secretary

Mr Jones holds a bachelor of laws degree from Queensland University of Technology.

He has 20 years' professional experience within law, finance, property and markets gained from a number seniorroles both domestically and offshore.

Broderick joined Lindsay Australia Limited in September 2014 and was appointed Company Secretary 30 October 2014.

# operating and financial report

The Group continues to **pursue new revenue opportunities** which complement the existing operations.

# Operating and Financial Report

## Summary of Operating Results

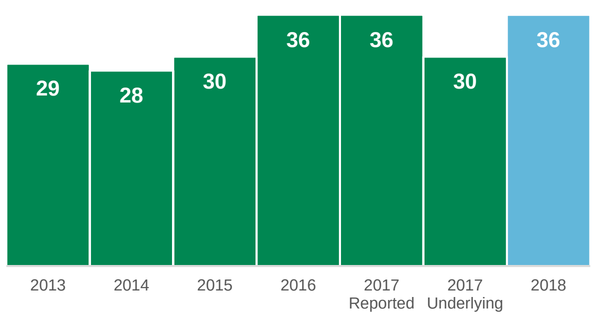
For the Financial Year Ended 30 June 2018, the Lindsay Australia Limited Group of companies (the 'Group') grew operating revenue by 8.3% to $360 million and achieved an $8.06 million operating profit after tax which was a 25.4% from the previous financial year. Despite a number of challenges the Group faced in FY2018, key initiatives undertaken in previous years were able to mitigate the impacts of volatile fuel pricing, adverse weather events and changes in the Groups customer base.

Excluding the impact of fuel tax credits received in FY2017 which related to prior years, the Underlying Net Profit before Tax in FY2018 was $11.224 million. This result represents an increase of $9.047 million from FY2017. The Group remains focused on delivering improved performance through strategic capacity additions, upgraded technology and fleet renewal and upgrades.

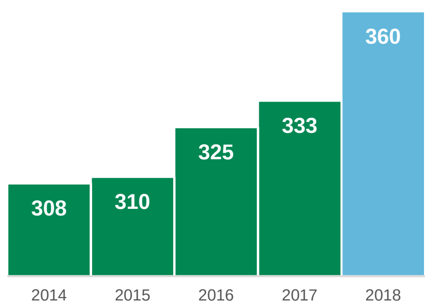
| **Key Metrics** | **2018** | **2017** | **% Change** |
|---|---|---|---|
| | **$'000** | **$'000** | |
| Operating Revenue | 360,479 | 332,858 | 8.3% |
| EBITDA | 36,149 | 35,904 | 0.7% |
| Depreciation & Amortisation | (19,624) | (22,086) | (11.1%) |
| EBIT | 16,525 | 13,818 | 19.6% |
| Finance Costs | (5,301) | (5,483) | (3.3%) |
| Reported Net Profit Before Tax | 11,224 | 8,335 | 34.7% |
| Income Tax[1] | (3,166) | (1,909) | 65.8% |
| Reported Net Profit After Tax | 8,058 | 6,426 | 25.4% |
| Underlying Net Profit Before Tax [(a)] | 11,224 | 2,177 | 415.5% |
| **Key Finance Metrics** | | | |
| Capital Expenditure | 29,750 | 35,160 | (15.4%) |
| Operating Cash Flow | 18,912 | 39,702 | (52.4%) |
| EPS | 2.7 cents | 2.2 cents | 24.7% |
| Divisional Contribution | | | |
| • Transport | 28,435 | 25,153 | 13.0% |
| • Rural | 2,994 | 3,405 | (12.1%) |
| Transport Underlying Divisional Contribution [(a)] | 28,435 | 18,995 | 49.7% |

(a) Transport profit contribution for FY2017 included $6.158 million of fuel tax credits relating to prior periods.

**EBITDA ($M)**




**Group Operating Revenue ($M)**




[1] In FY2018 tax expense was reduced by Research and development (R&D) tax offsets of $214k. In FY2017 tax expense was reduced by tax offsets of $202k and the over provision of tax in prior years of $433k also relating to R&D. Excluding these items normalised tax rate remained at approximately 30%.

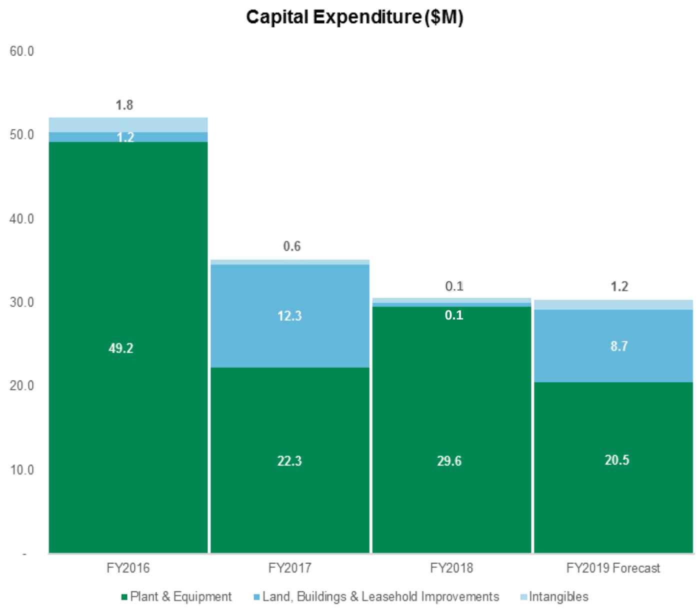
The investment in facility upgrades in Mareeba, Brisbane and Adelaide in prior years provided the platform for revenue growth in FY2018. On a revenue basis Mareeba grew 30%, Brisbane grew 18% and Adelaide grew 24% from FY2017, collectively contributing revenue growth of $13.4 million for the Transport division. With customer growth in Mareeba and Adelaide horticulture regions and customer additions in Brisbane these facilities are expected to provide revenue growth opportunities for future years.

The Group continues to pursue new revenue opportunities which complement the existing operations of both the Transport and Rural divisions. New opportunities from the import/export segment will be supported by a refrigeration capacity upgrade completed in June at the Brisbane Market facility. The $2.5 million investment supports volume increases from existing and new customers in various produce categories including citrus, mangoes and avocadoes.

Cash generated from operating activities normalised in FY2018 to $18.91 million from $39.7 million in FY2017. Group operating cash fluctuates yearly depending on seasonal debtor payments and deferred creditor terms.

Capital expenditure for FY2018 was $29.8 million taking the three year capital expenditure program to $123 million (FY2016-FY2018). Capital spend made during the year related to the fleet renewal program with investment in the long haul prime mover fleet and local distribution fleet, and a small increase in refrigerated trailer equipment, delivering safety improvements and maintenance savings.

Continued capital expenditure is key to delivering future earnings growth for the Group. Capital spend for FY2019 is forecast to increase by $2 million from FY2018 and will be funded through a combination of cash and finance leases. The Group continue to invest in fleet renewal of $13.1 million, expansion in the rail container fleet and associated equipment of $5.6 million, facility additions and upgrades of $8.7 million and information technology programs of $3.1 million.




# Divisional performance Transport & Rural

| Segment Overview | 2018<br>$'000 | 2017<br>$'000 | % Change |
|---|---|---|---|
| **External Sales** | | | |
| Transport | 250,555 | 227,400 | 10.2% |
| Rural | 109,924 | 105,458 | 4.2% |
| **Profit Contribution** | | | |
| Transport | 28,435 | 25,153 | 13.0% |
| Rural | 2,994 | 3,405 | (12.1%) |
| Transport Underlying Divisional Contribution [(a)] | 28,435 | 18,995 | 49.7% |

(a) Transport profit contribution for FY2017 included $6.158 million of fuel tax credits relating to prior periods.

## Transport result

Transport made a divisional contribution in FY2018 of $28.44 million, an increase of 13% on the previous year. Excluding the fuel tax credits in FY2017 relating to prior periods, underlying segment contribution increased $9.44 million or 49.7%. The result was achieved despite volatile fuel pricing throughout the year. Fuel pricing peaked in May at an increase of 31 cents per litre (33%) from the beginning of the financial year. Stable fuel pricing is the preferred operating environment for both Transport and its customers.

The consolidated profit and loss statement shows vehicle operating costs for the year of $57.617 million increasing by $12.437 million. Excluding the impact of increased fuel expenses and related fuel tax credits in FY2017, vehicle operating costs for FY2018 increased 5.2%. Long haul fleet kilometres travelled increased by 7.6% in the same period. The increase is mainly related to additional fuel tax credits of $6.158 million in FY2017 relating to prior years, and an increase in fuel operating costs in FY2018 of $5.550 million. A fuel levy passed onto customers partially recovers pricing swings but overall fuel price volatility negatively impacts the divisions earnings.

Import/Export logistic revenue for Lindsay Fresh increased by 27% in FY2018 to $4.66 million. With increased volumes from existing produce categories and new customer additions, the Import/Export logistic freight task is forecast to deliver similar revenue growth in FY2019.

## Rural result

Rural division remains key to the Lindsay Group end-to-end customer service model, although FY2018 delivered a number of challenges for the division. An adverse rain event in the Wide Bay Burnett region in the first half of the year negatively impacted the division and contribution reduced $411k or 12.1% from FY2017. Despite this, the Rural segment sales remained strong throughout the year, increasing 4.2%.

The Rural division derives almost all revenue from horticulture customers in regional produce growing areas. Rural has a small number of regions impacted by the severe drought conditions in regional Australia. Approximately 2.8% of the Rural division revenue is generated from Stanthorpe in Queensland which is currently experiencing water restraints due to the dry conditions. Extended drought conditions are not forecast to have a material impact on the Rural divisions future earnings.

## Corporate

During FY2018, the Group employed 1366 full time equivalent employees (FTE), this was an increase of 41 FTE's from FY2017. The Group takes pride in being an industry leader in the area of innovative technology solutions that provide a safer work environment for our people. The Group employs the motto "Safety Always" and encourages all employees to make safety a personal value; think SAFE, act SAFE, be SAFE.

| Division | FY2018 | FY2017 | Change | % |
|---|---|---|---|---|
| Corporate | 66 | 63 | 3 | 4.8% |
| Rural | 107 | 103 | 4 | 3.9% |
| Transport | 1,193 | 1,159 | 34 | 2.9% |
| Total FTE | 1,366 | 1,325 | 41 | 3.1% |

# Strategy, risk & governance

## Business strategies and prospects for future years

The Group's overall business strategy remains consistent with prior years. Plans and initiatives for export revenue growth remain a goal, and investment in new regions to diversify seasonal revenue risks remain in place. Operational performance from equipment utilisation remains a priority with continual review of latest technology to improve safety and systems.

## Investing for future growth and sustainability

- Facility upgrades to drive operational efficiencies and increased capacity
- New facility additions to expand the Lindsay Australia Group footprint
- Investing in fleet technology to allow real time tracking of trailers
- Safety system investments for improved fatigue management

## Transport Division

- Fleet renewal to deliver modern fleet with latest safety features
- Expanding rail container fleet to service existing and new freight lanes
- Use of technology to deliver fleet utilisation improvements
- Customer reviews to ensure service model meets customer demands

## Rural Division

- Leverage existing Transport customer relationships to deliver supply chain improvements for both Lindsay Australia Group and its customer base
- Focus on product sales mix
- Reducing cost to service

## Risk Management

The Lindsay Australia Group takes a proactive approach to risk management. The board is responsible for ensuring that risks and also opportunities are identified on a timely basis.

The board adopts the "three lines of defence" model for management of risks:

1. Accountability and ownership of risks within the operation. Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets, including the establishment and monitoring of KPI's of both a financial and non-financial nature;
2. Monitor and management of risks. Committees to report on specific business risks including, for example, such matters as environmental issues and concerns, and occupational health and safety; and
3. Testing and assurance of the risk systems.

## Risk and uncertainties that could impact future results

External risks include: weather, fuel pricing, exchange rates, commodity prices, credit risks from customers and regulatory changes

Strategic risks include: making unsuccessful acquisitions and not adapting to continually changing technologies

Operation risks include: labour force management, fleet safety, and succession planning for key personnel

## Funding and dividend strategy

Total dividends of 1.8 cents (0.8 cents interim, 1.0 cent final) are proposed out of the FY2018 profit. This represents a payout of $5,295,000 representing 66% of after tax profit. The board continually evaluates the payout ratio to ensure there are sufficient funds to sustain and grow the business while considering shareholder's best interests.

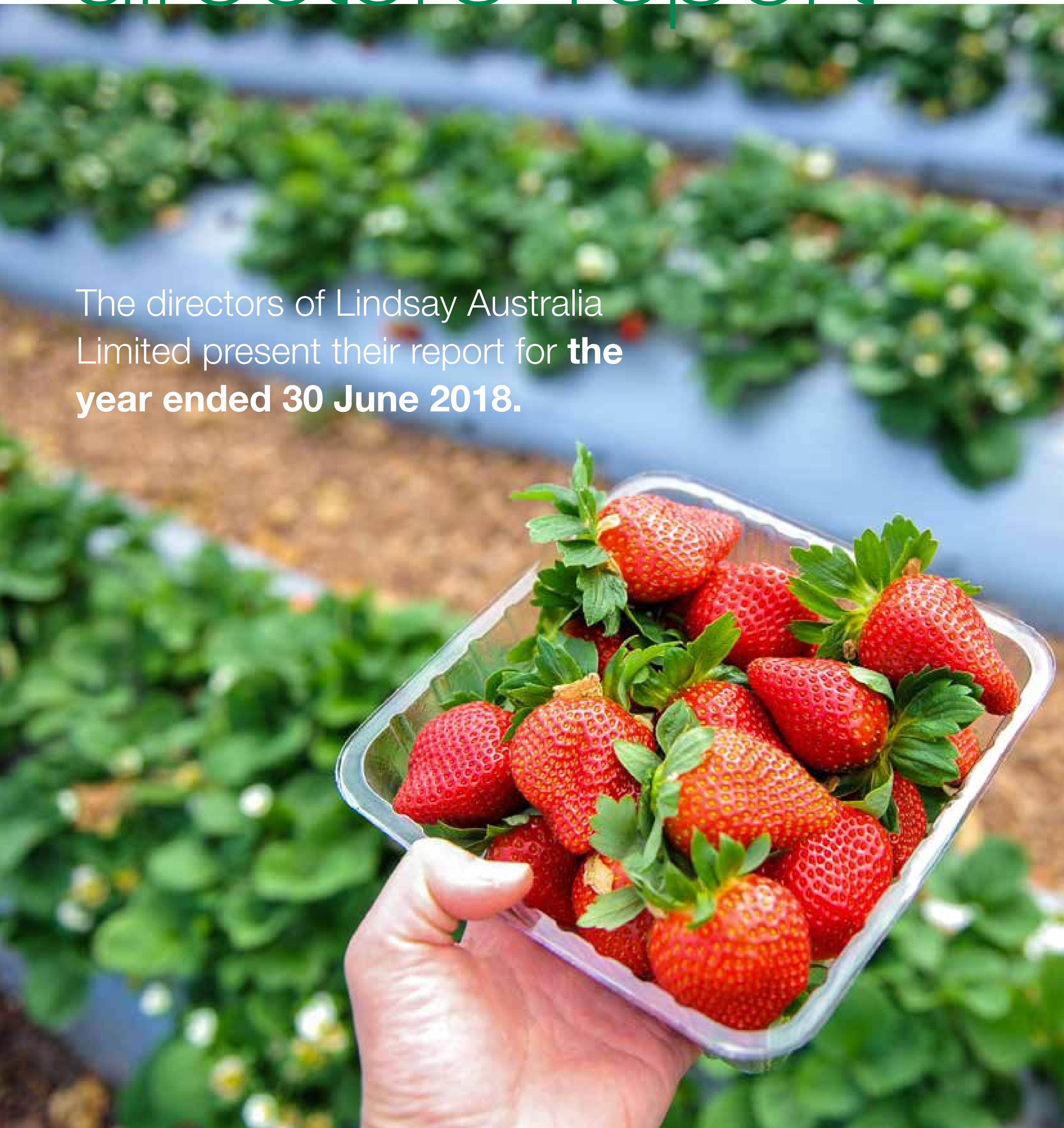
## Committee Membership

As at the date of this report, the Group has an Audit and Risk Committee, an Environmental & Occupational Health and Safety Committee, and a Remuneration Committee of the board of directors. Membership of the committees is as follows:

| Audit & Risk | Remuneration | Environmental & Occupational Health & Safety |
|---|---|---|
| R A Anderson (Chairman) | G D Farrell (Chairman) | J F Pressler (Chairman) |
| J F Pressler | J F Pressler | R A Anderson |
| G D Farrell | R A Anderson | G D Farrell |
| | | M K Lindsay |

# directors' report

The directors of Lindsay Australia Limited present their report for **the year ended 30 June 2018.**



# Directors' Report

**The directors of Lindsay Australia Limited present their report (including the Remuneration Report) together with the Financial Report of the consolidated entity, being Lindsay Australia Limited and its controlled entities, for the year ended 30 June 2018, referred to throughout the report as the Group.**

## Directors

All of the directors of Lindsay Australia Limited were in office for the full financial year ending 30 June 2018. Information on directors (including qualifications and experience and directorships of listed companies held by the directors at any time in the last three years), are set out on pages 8 to 9.

The table below outlines the number of directors' meetings held (including meetings of committees of the Board) and the number of meetings attended by each of the directors of Lindsay Australia Limited during the financial year.

| | Directors' Meetings | | Audit & Risk Committee | | Remuneration Committee | | Environmental & Occupational Health & Safety Committee | |
|---|---|---|---|---|---|---|---|---|
| | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** |
| J F Pressler | 16 | 16 | 5 | 5 | 2 | 2 | 12 | 12 |
| M K Lindsay | 16 | 16 | - | - | - | - | 12 | 12 |
| R A Anderson | 16 | 15 | 5 | 5 | 2 | 2 | 12 | 11 |
| G D Farrell | 16 | 16 | 5 | 5 | 2 | 2 | 12 | 12 |

Details of director and senior executive remuneration are set out in the Remuneration Report. The particulars of directors' interests in shares of the company as at the date of this report are set out on page 18.

## Principal Activities

The principal activities and operations of the Group during the financial year were transportation of refrigerated and general freight, and merchandising of rural supplies and logistic functions associated with the export and import of horticultural goods through Lindsay Fresh Logistics.

There were no significant changes in the nature of the activities of the Group during the year.

## Consolidated Results

The consolidated operating profit attributable to the Lindsay Australia Limited Shareholders after provision for income tax was $8,058,000.

## Review of Operations

A review of the operations of Lindsay Australia Group during the financial year and the results of those operations are set out on pages 11 to 14.

## Significant changes in state of affairs

There were no significant changes to state of affairs during the period.

## Events after the reporting date

On 13 July 2018 Lindsay Australia Limited completed settlement of the acquisition of a property and associated plant and equipment in the key horticulture growing region in Bowen, Queensland for $1.05 million. The property will be utilised for both Transport and Rural divisions.

There are no other matters or circumstance since the year end that have significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Other are events they are outlined in Note 36 of the financial report.

## Likely developments and expected results

Refer to Strategy, Risk and Governance section set out on pages 14.

## Environmental Compliance

The Group's operations are subject to environmental laws and the National Greenhouse Energy Reporting Act 2007. The Group complies with this Act.

## Company Secretaries

The Company Secretaries of Lindsay Australia Limited and their information (including qualifications, experience and directorships of listed companies held in the last three years), are set out on page 9.

N L King ceased as a Company Secretary on 22 January 2018.

J T Green was appointed as a Company Secretary on 24 May 2018.

## Share Options

During the financial year 400,000 performance rights (options) were granted over unissued shares as part of an employee remuneration contract. Refer to the remuneration report for further information on share options issued during the year and existing at year-end.

No share option entitles the holder to participate in any share issue of the Group.

Since the end of the financial year up to the date of this report, no options over ordinary shares in Lindsay Australia Limited have been granted to any person or compensated.

## Shares issued on the exercise of options

There were no shares issued pursuant to the exercise of options since the beginning of the financial year up to the date of this report.

## Dividends Paid or Recommended

| Dividends paid to members are as follows: | **2018 cents** | **2017 cents** |
|---|---|---|
| Final ordinary dividend per share paid on 29th September for the prior financial year | 0.8 | 1.1 |
| Interim ordinary dividend per share paid on 29th March | 0.8 | 0.8 |

Since the end of the financial year the directors have recommended payment of a final ordinary dividend of $2,941,000 (1.0 cent per share fully franked) for the year ended 30 June 2018.

## Insurance of officers and indemnities

Lindsay Australia Limited agrees to indemnify each director, officer, and company secretary of the Group and of its Australian based subsidiaries against any liability:

a. to a party other than Lindsay Australia Limited or a related body corporate, but only to the extent that the liability arises out of conduct in good faith, and

b. for legal costs incurred in connection with proceedings for relief to the director or secretary under the Corporations Act 2001 in which the court grants the relief.

The amount payable under the agreement is the full amount of the liability. No liability has arisen under these indemnities as at the date of this report.

Lindsay Australia Limited has paid a premium to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director, other than conduct involving a wilful breach of duty. The amount of the premium for 2018 financial year was $87,217 exclusive of GST.

## Rounding of Amounts

Unless otherwise stated, the amounts in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) relying on rounding relief under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument (2016/191). The Group is an entity to which the Instrument applies.

## Audit Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is attached on page 27 of this report.

## Non-Audit Services

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

Details of the amounts paid or payable to the auditor, Pitcher Partners, for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of the non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact on the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Pitcher Partners received or is due to receive the following amounts for the provision of non-audit services during the year ended 30 June 2018:

| Non-audit services | 2018 $ | 2017 $ |
|---|---|---|
| Tax compliance services | 39,600 | 26,870 |
| Other services | 50,000 | - |

## Interests in Shares of the Company

At the date of this report the interests of current directors in securities of the Group are as follows:

| Director | Ordinary Shares |
|---|---|
| J F Pressler | 2,662,055 |
| M K Lindsay | 11,335,581 |
| R A Anderson | 391,869 |
| G D Farrell | 14,607,038 |

# Remuneration Report (Audited)

The Remuneration Report details the nature and amount of remuneration for non-executive directors, the executive director and other key management personnel of Lindsay Australia Limited and its controlled entities.

The Remuneration Report is set out under the following main headings:

## Contents



The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

# A. Principles used to determine the Nature and Amount of Remuneration

## Remuneration Philosophy

It is the Group's objective to provide maximum shareholder benefit by the attraction and retention of a high quality board and executive team (key management personnel). This is in part achieved by remunerating directors and executives fairly and appropriately with reference to relevant employment market conditions and results delivered.

## Remuneration Committee

The board's Remuneration Committee is responsible for determining and reviewing compensation arrangements for directors and executives of the Group. To assist in achieving this objective, the Remuneration Committee takes into account the nature and amount of executive directors' and officers' emoluments and the Group's achieved financial and operational performance when determining and reviewing compensation arrangements.

## Remuneration Structure

The structure of non-executive director and senior management remuneration is separate and distinct.

## Non-executive Director Remuneration

### Objective

The board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain suitably qualified and experienced directors, whilst incurring a cost which is acceptable to shareholders.

### Structure

The Constitution of the Company and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by shareholders at a General Meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the General Meeting held on 19 November 2007 where shareholders approved an aggregate remuneration of $450,000 per year. The actual amount paid including statutory superannuation during the financial year ended 30 June 2018 was $229,707 (2017: $225,570).

The amount of aggregate remuneration sought (subject to the approval of shareholders) and the manner in which it is apportioned amongst directors is reviewed annually. The board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. No additional remuneration is paid for board committee membership.

Details of the nature and amount of the emolument of each director of the Company for the years ended 30 June 2018 and 30 June 2017 are set out on page 23.

The table below lists the executive directors and non-executive directors of Lindsay Australia Limited during the financial year:

| Name | Position | Appointment Date |
|---|---|---|
| J F Pressler | Chairman (Non-Executive) | 8 January 1997 |
| M K Lindsay | Managing Director and Chief Executive Officer | 26 November 1996 |
| R A Anderson | Director (Non-Executive) | 16 December 2002 |
| G D Farrell | Director (Non-Executive) | 17 November 2005 |

## Executive Director and other Key Management Personnel Remuneration

### Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and results achieved.

The executive pay and reward framework has three components:

| Component | Vehicle(s) | Rewarding |
|---|---|---|
| Fixed remuneration | Base salary, superannuation and salary packaged benefits | Skills and experience relative to the market |
| Short term incentives (STI) | Discretionary bonus payments | Performance relative to annual goals |
| Long-term incentives (LTI) | Grants of performance options | Long term performance of the Group |

### Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash, superannuation 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 Group. The fixed remuneration is not dependent upon the satisfaction of any performance conditions.

In 2016 a Long Term Incentive Plan (LTI Plan) was approved by shareholders. The terms and conditions of this plan are detailed in Note 29. At the 2017 Annual General Meeting shareholders approved the issue of 400,000 options to the CEO, M K Lindsay, pursuant to the LTI Plan.

The terms of these options are:

- each option is to acquire one ordinary share in Lindsay Australia Limited (the Company);
- the options were issued for nil consideration;
- the employee must remain employed by the Company during the vesting period;
- the exercise price to acquire a share is $nil;
- the options will vest if a number of performance targets are achieved. Targets are set by the Board. In 2018 the targets were:
  - Initial hurdle of Net Profit After Tax of $7.53 million for the financial year ended 30 June 2018, and
  - achieve aggregate Earnings Per Share Target of 8.09c over the 2018 to 2020 financial years – (EPS Hurdle), with a further retest at 4 years against a 4 year target (to be determined by the Board) if the hurdle is not met at the 3 year mark;
- notwithstanding the vesting conditions outlined above, in accordance with the LTI Plan rules, the Board may, in its absolute discretion, waive some or all of the vesting conditions such that the options may vest despite a vesting condition not being satisfied;
- the options will not be transferrable other than with the written consent of the Board;
- the options will expire on the date which is seven years after the issue date; and
- in the event that the CEO leaves the Company, the Board will determine their status as a Good Leaver or Bad Leaver and determine the treatment of any equity instruments in accordance with the LTI Plan rules.

The Net Profit after Tax hurdle of $7.53 million has been achieved for FY2018.

During FY2017 shareholders approved the issue of 400,000 options to acquire shares exercisable at $nil for each option subject to satisfying certain conditions. The conditions were not satisfied and the options were forfeited in that year.

During FY2018 and FY2017 no other KMP or other employee has participated in the LTI Plan. It is expected that other KMP's and employees will be invited to participate in the LTI Plan in FY2019.

An Employment Contract was entered into with the CEO M K Lindsay during FY2017. This contract provided for Short Term Incentives (STI's) between 0% and 60% of base salary on achieving goals. The STI's earned and paid to the CEO are measured against delivery of the strategic objectives including:

- Safety outcomes. Benchmarked internally.
- Delivering an updated network with new sites, systems, updating the fleet.
- Implementing new logistics systems. Maintaining fleet age below five years.
- Growing new sources of revenue, particularly in export.
- Maintaining a profitable business.
- Preparing to export new lines of produce to overseas markets.
- Building staff skills and retaining KMP's.

These short term objectives were chosen because of the need to renew infrastructure and set the Group on a future path of growth. For FY2018 M K Lindsay achieved a STI inclusive of superannuation of $200,000 (FY2017 $82,125).

During FY2017 W T Lorenz was General Manager of the Rural division and a KMP. W T Lorenz's STI and LTI were calculated based on the following areas:

- Sales growth adjusted for inflation.
- Divisional profit growth adjusted for inflation
- Stock turns to profit (gross margin return on investment).
- And discretionary effort.

These measures were chosen because they balance growth in profitability, revenue and working capital. The method used to calculate each key performance indicator (KPI) is an agreed formulae understood and able to be referenced. The discretionary amount covers safety, people, and sustainability. As a result of the above measures, W T Lorenz achieved 25% of the possible STI.

The payment of STI's to other KMP's is at the discretion of the CEO and the Remuneration Committee, having regard to the overall performance of the Group and the performance of the individual during the period.

The Key Management Personnel are eligible to participate in the Employee Share Option Plan. No grants of Options were made during FY2018 and FY2017 pursuant to the Employee Share Option Plan.

The following people employed by Lindsay Australia Limited also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

| **Name** | **Position** | **Term as KMP** |
|---|---|---|
| M K Lindsay | Managing Director and Chief Executive Officer | Full financial year |
| N L King | Chief Financial Officer and Company Secretary | Ceased 22 January 2018 |
| J T Green | Chief Financial Officer and Company Secretary | Appointed CFO 31 January 2018 |
| | | Appointed Company Secretary 24 May 2018 |
| B T Jones | General Counsel and Company Secretary | Full financial year |
| W T Lorenz | General Manager Rural | Ceased 30 June 2017 |
| C R Baker | General Manager Rural | Appointed 1 July 2017 |

Details of the nature and amount of remuneration and all monetary and non-monetary components for each key management personnel during the years ended 30 June 2018 and 30 June 2017 are provided later in this report.

## Use of external consultants

The Remuneration Committee in FY2017 approved the engagement of external consultant The Indelible Link to review and provide recommendations regarding the remuneration mix and quantum for executives and to assist in designing the future performance and remuneration framework to cover the Group's executives. The Indelible Link consultancy services were used in both FY2017 and FY2018.

Following assurances from the Indelible Link and the Remuneration Committee, the Board is satisfied the advice received from The Indelible Link is free from undue influence from the key management personnel to whom the remuneration recommendations apply. The remuneration recommendations were provided to the Group as an input into decision making only. The Remuneration Committee considered the recommendations, along with other factors, in making its remuneration decisions. All reports provided by The Indelible Link are issued directly to the chair of that committee and subsequently reviewed with all members of the Remuneration Committee. The committee is satisfied that the review was objective

A new Long Term Incentive Plan (LTI) was implemented following the review.

The cost of the engagement of The Indelible Link in FY2018 was $11,067 (2017: $28,025).

## Voting and comments made at the Group's 2017 Annual General Meeting

Lindsay Australia Limited received more than 98% of "yes" votes on eligible votes cast by shareholder present or by proxy on its remuneration report for the 2017 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

# B. Service Agreements

The Group's policy in operation during FY2018 is that service contracts for CEO and other key management personnel are unlimited in term but capable of termination on giving twelve months and between four and twelve weeks' notice respectively. Key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. Short term incentives (STI) are based on performance against a key set of performance measures which are aligned to shareholder outcomes. Long term incentives (LTI) include a combination of performance measures and tenure.

Compensation levels are reviewed each year to meet the principles of the remuneration policy.

During FY2017 a new CEO contract was implemented with STI's and LTI's. The STI earned and paid to the CEO for FY2018 was measured against delivery of the strategic objectives outlined under "structure" above. STI is paid as a portion of fixed remuneration between 0 and 60%.

For FY2017 W T Lorenz had a specific contract containing fixed remuneration and an STI between 0 and 40% of fixed remuneration. An LTI is determined using the STI percentage.

N L King had STI & LTI's determined by the Remuneration Committee and based on specific measure against overall business performance, delivery of the strategy, contribution to profit and overall leadership.

All remaining management receive STI's at the discretion of the CEO and Remuneration Committee based on non-contracted discretionary measures.

# C. Details of Remuneration Paid to Key Management Personnel

The persons listed are the only persons to have authority and responsibility for the planning, directing and controlling the activities of Lindsay Australia Limited and the Group. There are no other executives who are key management personnel. Amounts disclosed for cash salary, fees and superannuation include amounts accrued during the year in respect of leave entitlements. Total remuneration expense may vary, as compared to base salary, with the movements in annual and long service leave accruals.

| | Short-term benefits | | | Long-term benefits | Post-employment benefits | Share-based payments [b] | Total | Performance related |
|---|---|---|---|---|---|---|---|---|
| | Salary and fees $ | Cash Bonus [a] $ | Non-monetary benefits $ | Long service leave $ | Superannuation $ | Options $ | $ | % |
| Non-executive directors | | | | | | | | |
| J F Pressler (Chairman) | | | | | | | | |
| 2018 | 83,911 | - | - | - | 7,972 | - | 91,883 | NA |
| 2017 | 55,960 | - | - | - | 34,268 | - | 90,228 | NA |
| R A Anderson | | | | | | | | |
| 2018 | 62,933 | - | - | - | 5,979 | - | 68,912 | NA |
| 2017 | 61,800 | - | - | - | 5,871 | - | 67,671 | NA |
| G D Farrell | | | | | | | | |
| 2018 | 62,933 | - | - | - | 5,979 | - | 68,912 | NA |
| 2017 | 61,800 | - | - | - | 5,871 | - | 67,671 | NA |
| Sub-Total 2018 | 209,777 | - | - | - | 19,930 | - | 229,707 | - |
| Sub-Total 2017 | 179,560 | - | - | - | 46,010 | - | 225,570 | - |
| Executive director and other key management personnel | | | | | | | | |
| M K Lindsay (Managing Director & Chief Executive Officer) [g] | | | | | | | | |
| 2018 | 888,690 | 257,648 | 6,629 | 12,564 | 42,352 | 48,626 | 1,256,509 | 24 |
| 2017 | 822,513 | 127,000 | - | 12,579 | 35,000 | - | 997,092 | 13 |

| | Short-term benefits | | | Long-term benefits | Post-employment benefits | Share-based payments [b] | Total | Performance related |
|---|---|---|---|---|---|---|---|---|
| | Salary and fees $ | Cash Bonus [a] $ | Non-monetary benefits $ | Long service leave $ | Superannuation $ | Options $ | $ | % |
| Non-executive directors | | | | | | | | |
| J T Green (Chief Financial Officer) [c] | | | | | | | | |
| 2018 | 133,653 | 10,000 | - | 30,204 | 12,444 | - | 186,301 | 5 |
| N L King (Chief Financial Officer) [d] | | | | | | | | |
| 2018 | 233,426 | - | - | - | 18,750 | - | 252,176 | - |
| 2017 | 275,791 | 7,711 | - | - | 27,646 | - | 311,148 | 2 |
| B T Jones (General Counsel & Company Secretary) | | | | | | | | |
| 2018 | 280,991 | - | - | - | 25,000 | - | 305,991 | - |
| 2017 | 226,600 | 17,000 | - | - | 21,231 | - | 264,831 | 6 |
| C R Baker (General Manager Rural) [e] [g] | | | | | | | | |
| 2018 | 277,274 | 60,000 | 55,652 | 23,754 | 26,425 | - | 443,105 | 14 |
| W T Lorenz (General Manager Rural) [f] | | | | | | | | |
| 2017 | 358,745 | 46,424 | - | - | 30,000 | 4,530 | 439,699 | 11 |
| Sub-Total 2018 | 1,814,034 | 327,648 | 62,281 | 66,522 | 124,971 | 48,626 | 2,444,082 | 15 |
| Sub-Total 2017 | 1,683,649 | 198,135 | - | 12,579 | 113,877 | 4,530 | 2,012,770 | 10 |
| **Total 2018** | **2,023,811** | **327,648** | **62,281** | **66,522** | **144,900** | **48,626** | **2,673,788** | **14** |
| **Total 2017** | **1,863,209** | **198,135** | **-** | **12,579** | **159,887** | **4,530** | **2,238,340** | **9** |

(a) During 2017 W.T Lorenz and N.L King share options were modified to vest and exercise through cash settlement. See Note 29 for further information.
(b) Share-based option payments are the probable number to vest at the grant date value.
(c) J T Green appointed KMP on 31 January 2018
(d) N L King ceased to be a KMP on 22 January 2018
(e) C R Baker appointed KMP on 1 July 2017
(f) W T Lorenz ceased to be a KMP on 30 June 2017
(g) Total remuneration includes cash bonuses which have been paid during the financial year and also bonuses that have been accrued and paid after the end of the financial year. In FY2018 bonus payments accrued and paid after year end included M K Lindsay ($200,000), J T Green ($5,475) and C R Baker ($16,425). There were no bonus payments accrued at the end of the 2017 financial year, a bonus of $57,648 was paid to M K Lindsay in FY2018 relating to FY2017. The cash bonuses shown for M K Lindsay in 2017 of $127,000 relate to FY2016.

# D. Other Transactions with Key Management Personnel

| **Amounts recognised as revenues and expenses (exclusive GST):** | **2018 $** |
|---|---|
| Revenues | |
| Cartage revenue received / receivable from and the sale of rural supplies to entities associated with G D Farrell | 1,447,421 |
| Cartage revenue received / receivable from and the sale of rural supplies to entities associated with J F Pressler | 17,102,017 |
| | 18,549,438 |
| Expenses | |
| Fees for corporate uniform consultancy provided by entities associated with M K Lindsay | 18,055 |
| Amounts receivable / payable to key management personnel and their related parties at the reporting date | |
| Current receivables – trade debtors | 898,928 |

The directors believe transactions with key management personnel were on commercial terms and conditions (unless otherwise stated). Current receivables and payables are unsecured, to be settled in cash and are on the same terms and conditions as non-related parties as disclosed elsewhere in this report.

# E. Share-Based Compensation

## Options

Options over shares in Lindsay Australia Limited are granted under the Lindsay Australia Limited Employee Share Option Plans to provide long term incentives to executives to deliver long-term shareholder returns. In addition, Performance Rights (options) may be granted to key management personnel as part of a Long Term Incentive Plan (LTI Plan). The LTI Plan is structured as a reward for length of service and is variable depending upon cumulative annual performance. The terms and conditions of each grant of options affecting performance in the current or a future reporting period are as follows:

| Grant Date | Fair Value per option (cents) | Date vested and exercisable | Expiry Date | Exercise price | Vested |
|---|---|---|---|---|---|
| July 2014 | 22.7 | August 2019 | Sept 2019 | - | - |
| October 2017 | 36.5 | October 2020 | Nov 2024 | - | - |

All of the above grants of options are performance related to provide long-term incentives.

Detail of options over ordinary shares in the company provided as remuneration to each director of Lindsay's Australia Limited and each of its key management personnel and other executives of the parent entity and the Group at 30 June 2018 are set out below. When exercisable, each option is convertible into one ordinary share of Lindsay Australia Limited. Further information on the options is set out in note 29 to the financial report.

| Name | Number of options granted during the year | Value of options at grant date [(a)] | Number of options forfeited | Number of options vested during the year |
|---|---|---|---|---|
| M K Lindsay | 400,000 | 145,881 | - | - |

(a) The value at the grant date calculated in accordance with AASB2 Share-based Payments of options granted during the year as part of remuneration. The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above.

Options granted have an exercise price of zero and no market conditions. The number of options vested ultimately depends on the performance of the individual and the overall company. Fair values at grant date are determined using the share price at the grant date less the dividend discounted where the vesting date is greater than one year. The number and movement for all options during FY2018 is as follows.

| Name | Balance 30 June 2017 | | Granted during year | Modified, vested and Exercised during year | Forfeited | % Forfeited | Balance 30 June 2018 | |
|---|---|---|---|---|---|---|---|---|
| | Unvested | Vested | | | | | Unvested | Vested |
| W T Lorenz | 157,315 | - | - | (19,488) | - | 4% | 137,827 | - |
| M K Lindsay | - | - | 400,000 | - | - | 0% | 400,000 | - |

# F. Equity Holdings of Key Management Personnel

The share and option holdings disclosed for key management personnel are calculated in accordance with AASB 124 Related Party Disclosures. Accordingly, the holdings for each key management person include holdings of the individual (whether held directly, indirectly or beneficially) as well as the holdings of their related parties (whether held directly, indirectly or beneficially). As a result, where key management personnel have related parties in common, the holdings of the related parties may be included in the holdings of all relevant key management personnel i.e. holdings may be included more than once in the disclosure.

## (i) Options provided as remuneration and shares issue on exercise of such options

Options were provided as remuneration and part of the Long Term Incentive Plan. Vested options above were cash settled.

## (ii) Share holdings

The number of ordinary shares in the Company held during the financial year and prior year by each director of Lindsay Australia Limited and other key management personnel of the Group, including their personally related parties, are set out below

| **2018 Shares** | **Balance at 30 June 2017** | **Upon appointment** | **Net change other** | **Balance at 30 June 2018** |
|---|---|---|---|---|
| Directors of Lindsay Australia Limited | | | | |
| J F Pressler | 2,659,356 | - | 2,699 | 2,662,055 |
| M K Lindsay | 11,335,581 | - | - | 11,335,581 |
| R A Anderson | 391,869 | - | - | 391,869 |
| G D Farrell | 14,857,038 | - | (250,000) | 14,607,038 |
| Other key management personnel of the Group | | | | |
| B T Jones | - | - | - | - |
| J T Green | - | 31,632 | - | 31,632 |
| N L King | - | - | - | - |
| C R Baker | - | 58,419 | - | 58,419 |
| W T Lorenz | - | - | - | - |

All equity transactions with directors and other key management personnel have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

# G. Loans to Key Management Personnel

There were no loans to key management personnel during the current or prior reporting period.

# H. Additional Information

The table below shows for the current financial year and previous four financial years the total remuneration cost of the key management personnel, earnings per ordinary share (EPS), dividends paid or declared, and the closing price of ordinary shares on ASX at year end.

| **Financial Year** | **Total Remuneration $** | **EPS ¢** | **Dividends ¢** | **Share Price ¢** |
|---|---|---|---|---|
| 2014 | 2,345,032 | 2.8 | 2.0 | 34.0 |
| 2015 | 2,785,272 | 2.4 | 2.1 | 45.0 |
| 2016 | 2,578,782 | 2.8 | 2.2 | 47.5 |
| 2017 | 2,238,340 | 2.2 | 1.6 | 38.0 |
| 2018 | 2,673,788 | 2.7 | 1.8 | 38.0 |

This report is made in accordance with a resolution of the directors.

John F Pressler

*Chairman of Directors*
Brisbane, Queensland
23 August 2018

PITCHER PARTNERS

Level 38, 345 Queen Street
Brisbane, Queensland 4000

Postal Address
GPO Box 1144
Brisbane, Queensland 4001

Tel +61 7 3222 8444
Fax +61 7 3221 7779
www.pitcher.com.au
info@pitcherpartners.com.au

The Directors
Lindsay Australia Limited
152 Postle Street
ACACIA RIDGE QLD 4110

**Auditor's Independence Declaration**

In relation to the independent audit for the year ended 30 June 2018, to the best of my knowledge and belief there have been:

i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001; and

ii. no contraventions of APES110 Code of Ethics for Professional Accountants.

This declaration is in respect of Lindsay Australia Limited and the entities it controlled during the period.

Pitcher Partners

PITCHER PARTNERS

J. Evans

JASON EVANS
Partner

Brisbane, Queensland
23 August 2018

Ken Ogden
Nigel Fischer
Mark Nicholson
Peter Camenzuli
Jason Evans
Ian Jones
Kylie Lamprecht
Norman Thurecht
Brett Headrick
Warwick Face
Nigel Batters
Cole Wilkinson
Simon Chun
Jeremy Jones
Tom Splatt
James Field
Daniel Colwell

An Independent Queensland Partnership ABN 84 797 724 539
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**Pitcher Partners is an association of independent firms**

Adelaide Brisbane Melbourne Newcastle Perth Sydney

an independent member of
BAKER TILLY
INTERNATIONAL

# financial statements

# Contents

These financial statements cover the consolidated financial statements for the consolidated entity consisting of Lindsay Australia Limited and its subsidiaries.  The financial statements are presented in Australian currency.

Lindsay Australia Limited is a company limited by shares, incorporated and domiciled in Australia. It's Registered Office and Principal Place of Business is:

Lindsay Australia Limited
152 Postle Street
ACACIA RIDGE QLD 4110

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the Directors' Report which is not part of this financial report.

The financial statements were authorised for issue by the directors on 23 August 2018. The directors have the power to amend and reissue the financial statements.

# Consolidated statement of profit and loss and other comprehensive income

for the year ended 30 June 2018

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| Revenue | 4 | 360,479 | 332,858 |
| Other Income | 5 | 4,403 | 4,854 |
| Expenses | | | |
| Changes in inventories | | (1,071) | 530 |
| Purchase of inventories | | (87,645) | (84,500) |
| Employee benefits expense | | (108,079) | (99,964) |
| Subcontractors | | (31,212) | (30,350) |
| Depreciation and amortisation | 6 | (19,624) | (22,086) |
| Vehicle operating charges | 6 | (57,617) | (45,180) |
| Finance costs | | (5,301) | (5,483) |
| Insurance | | (1,452) | (1,412) |
| Pallet charges | | (2,264) | (2,605) |
| Operating lease rentals | | (9,661) | (8,662) |
| Professional fees | | (1,455) | (1,570) |
| Bad debt expense | | (85) | (684) |
| Other expenses | | (28,192) | (27,411) |
| Profit before income tax | | 11,224 | 8,335 |
| Income tax expense | 7 | (3,166) | (1,909) |
| Profit for the year | 24 | 8,058 | 6,426 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 8,058 | 6,426 |

| | | Cents | Cents |
|---|---|---|---|
| Basic earnings per share | 26 | 2.7 | 2.2 |
| Diluted earnings per share | 26 | 2.7 | 2.2 |

The above Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# Consolidated statement of financial position

## for the year ended 30 June 2018

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and Cash Equivalents | 9 | 14,716 | 25,037 |
| Trade and Other Receivables | 10 | 48,862 | 43,946 |
| Inventories | 11 | 13,010 | 14,308 |
| Other | 12 | 4,260 | 4,302 |
| Current Tax Assets | | 1,087 | - |
| Total Current Assets | | 81,935 | 87,593 |
| **Non-Current Assets** | | | |
| Available-For-Sale Financial Assets | 13 | 25 | 25 |
| Property, Plant and Equipment | 14 | 168,200 | 161,125 |
| Intangible Assets | 16 | 10,090 | 10,630 |
| Total Non-Current Assets | | 178,315 | 171,780 |
| Total Assets | | 260,250 | 259,373 |
| **Current Liabilities** | | | |
| Trade and Other Payables | 17 | 30,614 | 37,074 |
| Borrowings | 18 | 39,280 | 36,436 |
| Current Tax Liabilities | | - | 684 |
| Provisions | 20 | 8,982 | 7,788 |
| Other | 21 | 2,831 | 2,701 |
| Total Current Liabilities | | 81,707 | 84,683 |
| **Non-Current Liabilities** | | | |
| Borrowings | 18 | 82,427 | 84,279 |
| Deferred Tax Liabilities | 19 | 1,634 | 795 |
| Provisions | 20 | 1,262 | 1,074 |
| Other | 21 | 2,813 | 2,333 |
| Total Non-Current Liabilities | | 88,136 | 88,481 |
| Total Liabilities | | 169,843 | 173,164 |
| Net Assets | | 90,407 | 86,209 |
| **Equity** | | | |
| Contributed Equity | 22 | 71,656 | 70,884 |
| Reserves | 23 | 565 | 515 |
| Retained Earnings | 24 | 18,186 | 14,810 |
| Total Equity | | 90,407 | 86,209 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# Consolidated statement of changes in equity

for the year ended 30 June 2018

| | Note | Contributed equity<br>$'000 | Share-based payments reserve<br>$'000 | Retained profits<br>$'000 | Total equity<br>$'000 |
|---|---|---|---|---|---|
| At 30 June 2016 | | 70,044 | 536 | 13,901 | 84,481 |
| Profit for the year | | - | - | 6,426 | 6,426 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | - | - | 6,426 | 6,426 |
| Dividends reinvested /(paid) during year | 8 | 840 | - | (5,517) | (4,677) |
| Employee share schemes – value of employee services | | - | (21) | - | (21) |
| At 30 June 2017 | | 70,884 | 515 | 14,810 | 86,209 |
| Profit for the year | | - | - | 8,058 | 8,058 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | - | - | 8,058 | 8,058 |
| Dividends reinvested /(paid) during year | 8 | 772 | | (4,682) | (3,910) |
| Employee share schemes – value of employee services | | - | 50 | - | 50 |
| At 30 June 2018 | | 71,656 | 565 | 18,186 | 90,407 |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Consolidated statement of cash flows

for the year ended 30 June 2018

| | Note | 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| Cash flows from Operating Activities | | | |
| Receipts In the course of operations | | 397,496 | 379,123 |
| Payments In the course of operations | | (369,625) | (331,254) |
| Interest received | | 441 | 518 |
| Income taxes paid | | (4,099) | (3,202) |
| Finance costs paid | | (5,301) | (5,483) |
| Net Cash Provided by Operating Activities | 25 | 18,912 | 39,702 |
| Cash Flows from Investing Activities | | | |
| Proceeds from disposal of Property, Plant and Equipment | | 3,434 | 2,753 |
| Payments for Property, Plant and Equipment | | (2,349) | (15,654) |
| Payments for Intangibles | | (123) | (566) |
| Net Cash (Used In) Investing Activities | | 962 | (13,467) |
| Cash flows from Financing Activities | | | |
| Proceeds from Borrowings | | 6,146 | 22,807 |
| Repayment of Borrowings | | (10,332) | (9,333) |
| Repayment of Lease Liabilities | | (22,099) | (20,017) |
| Dividends Paid | | (3,910) | (4,677) |
| Net Cash (Used In) Financing Activities | | (30,195) | (11,220) |
| Increase/(Decrease) In Cash and Cash Equivalents | | (10,321) | 15,015 |
| Cash And Cash Equivalents at Beginning of Financial Year | | 25,037 | 10,022 |
| Cash And Cash Equivalents At End Of Financial Year | 9 | 14,716 | 25,037 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to the consolidated financial statements

## Lindsay Australia Group

The Lindsay Australia Group is adding value to the many perishable product value chains that require cold temperatures to extend and preserve life, with the aim of delivering end consumers products in optimal condition.  The Group currently add value in these chains through cold logistics and rural merchandise.  These businesses have a strong presence in the Eastern states and South Australia.

Lindsay Australia Limited is a for-profit entity limited by shares. Shares in Lindsay Australia Limited are publicly traded on the Australian Securities Exchange (Code: LAU).  The financial statements relate to the consolidated entity consisting of Lindsay Australia Limited and its subsidiaries.

The full board of Lindsay Australia Limited authorised the issuance of the consolidated financial statements for the year ended 30 June 2018, on 23 August 2018.

# 1. Significant Accounting Policies

## 1.1 Basis of preparation of the financial statements

These general purpose consolidated financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authorised pronouncements of the Australian Accounting Standards Board.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements have been prepared under the historical cost basis, except for the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property (measured at fair value).

The financial report is presented in Australian dollars and unless otherwise stated all values are rounded to the nearest ($000), except where whole dollars are used, relying on rounding relief under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument (2016/191).

### Changes in Accounting Standards and Regulatory requirements

There were a number of new and amended accounting standards issued by the AASB which were applicable for reporting periods beginning on 1 July 2017. All the mandatory new and amended accounting standards issued that are relevant to the operations and effective for the current reporting period have been adopted. There was no material impact on the financial report as a result of the mandatory new and amended accounting standards adopted.

### Compliance with IFRS

The consolidated financial statements of Lindsay Australia Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates.  It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

## 1.2 Basis of consolidation of the financial statements

The consolidated financial statements contain the financial statements of Lindsay Australia Limited (the Company) and its controlled subsidiaries (the 'Group') as at 30 June 2018. Control occurs when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct its activities. Generally, there is a presumption that a majority of voting rights results in control.  Supporting this assertion the Company considers the facts and circumstances in assessing whether it has power over the entity including: the contractual arrangements with other vote holders, rights arising from other contractual arrangements, and the Company's voting rights and potential voting rights.

Subsidiaries are fully consolidated from the date on which control is obtained, and deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations of the Group.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent Company and to the non-controlling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the Group members are eliminated in full on consolidation.

## 1.3 Summary of significant accounting policies

### a. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.
The excess of the sum of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity,

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquisition is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

### b. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

### c. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

Revenue from freight cartage and import and export services is recognised when the services are provided. Revenue from the sale of goods is recognised when the risks and rewards of ownership have been transferred which is taken to be upon the delivery of goods to customers.

Rental income from operating leases is recognised in income on a straight-line basis over the lease term.

Interest revenue is recognised on a time proportional basis that takes into account the effective yield on the financial asset.

## d. Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

## e. Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the lessee will obtain ownership, the asset is depreciated over the shorter of the lease term and the assets useful life.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

## f. Impairment of assets

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

## g. Cash and cash equivalents

For the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities to the extent they are drawn on the statement of financial position.

## h. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 to 120 days from the date of recognition.

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a Group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

## i. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises cost of purchase and, where applicable, cost of conversion after deducting trade discounts, rebates and other similar items. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to market the sale. Volume rebates are apportioned evenly across the relevant product purchased. Where the product remains in inventory the rebate reduces its carrying value.

## j. 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 a provision is presented in the statement of profit or loss net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

## k. Investments and other financial assets

The Group classifies investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purposes of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end date, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the period end date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium or long term.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses from investment securities.

The Group assesses at each period end date whether there is objective evidence that a financial asset or Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

## l. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the period end date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## m. Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of assets is calculated on a diminishing value (DV) or straight line (SL) method to allocate their cost, net of their residual values, over their estimated useful lives. The depreciation rates used for each class of depreciable asset are:

| Classification | Rate | Depreciation Basis |
|---|---|---|
| Buildings | 2.5-5% | SL |
| Leasehold improvements | 7.5-30% | SL/DV |
| Plant and equipment | 8-40% | SL/DV |
| Leased plant and equipment | 8-40% | SL/DV |

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 (Note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

## n. Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which goodwill arose, identified according to operating segments.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

### o. Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are usually unsecured and paid within 7 to 60 days of recognition.

### p. Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits.

The liabilities for long service leave and annual leave which are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The Group makes contributions to defined contribution superannuation funds. Contributions are recognised as an expense as they become payable.

Share-based compensation benefits are provided to employees via the Lindsay Australia Limited Employee Share Option Plans.

The fair value of options granted under the Employee Share Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss with a corresponding adjustment to equity.

### q. 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.

Borrowings are derecognised 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.

### r. Contributed equity

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

## s. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## t. Dividends

Provision is made for the amount of any dividend declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at reporting date.

## u. Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

## v. GST

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

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

## w. New accounting standards and interpretations

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the year are as follows:

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 9 ‘Financial Instruments’, and the relevant amending standards | 1 January 2018 | 30 June 2019 |
| AASB 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’ | 1 January 2018 | 30 June 2019 |
| AASB 16 ‘Leases’ | 1 January 2019 | 30 June 2020 |
| AASB 2014-10 ‘Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture’, AASB 2015-10 ‘Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128’ | 30 January 2018 | 30 June 2019 |
| AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions | 1 January 2018 | 30 June 2019 |
| AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 | 30 June 2019 |

The directors anticipate that the adoption of these Standards and Interpretations in future years may have the following impacts:

**AASB 9 –** Financial Instruments, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard will be applicable retrospectively.

There will be no impact on the accounting for the Group’s financial liabilities as the new standard only impacts financial liabilities designated at fair value through profit or loss. The Group has one small holding classified as available for sale financial assets. No significant accounting impact is anticipated as these holdings are small.

The Group has not yet completed its detail assessment of the classification and measurement of financial assets, debt instruments currently available for sale how the hedging arrangements and the impairment of financial instruments under the expected credit loss model will be affected by the new rules; however, the impact is not expected to be material.

The new standard also introduces expanded disclosure requirements and changes in presentation. The Group's assessment of the potential accounting, disclosure and financial impacts on adoption of the standard will continue up to the date of application.

**AASB 15** – Revenue from Contracts with Customers. This new standard replaces AASB 118 and AASB 111. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a cumulative catch-up approach for the transition. It contains a single model that applies to contracts with customers and two approaches to recognising revenue. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised.

The Group earns revenue from providing goods and services to customers. Consistent with the requirements of AASB15 and the nature of the Groups performance obligations to its customers, the Group will recognise revenue with respect to the provision of goods at specific points in time (typically when the goods are physically transferred to the customers) and recognise revenue with respect to the provision of services over the period in which the services are provided to the customers.

The Group intends to adopt this standard effective from the 1 July 2018 and apply the cumulative catch-up approach which will result in a debit to opening retained earnings of $486,000.

**AASB 16 Leases** – This new standard replaces AASB 117 and some lease-related Interpretations. It requires all leases to be accounted for "on balance sheet" by lessees, other than for short-term and low value asset leases. The standard also provides new guidance on the definition of a lease and on sale and leaseback accounting and requires new and different disclosures about leases. The accounting requirements for lessors remains largely unchanged from AASB 117. If AASB 16 were adopted from 1 July 2019 based on the leases in effect at 30 June 2018, this would have a material impact on the transactions and balances recognised in the financial statements, specifically:

- lease assets and financial liabilities on the balance sheet would increase on 1 July 2019 by approximately $39.1 million and $41.5 million, respectively.
- retained earnings would be reduced on 1 July 2019 by approximately $2.4 million because the carrying value of the assets reduce more quickly than the carrying amount of the lease liabilities.
- in FY2020 total expenses would be approximately $0.4 million higher, as depreciation and interest expense would increase by approximately $6.6 million whilst rent expense would decrease by approximately $6.2 million.

The Group does not intend to adopt AASB 16 before its effective date on 1 July 2019.

**AASB 2014-10** – These amendments clarify the accounting treatment for sales or contributions of assets between an investor and its associates or joint ventures. They confirm that the accounting depends on whether the contributed assets constitute a business or an asset**.** There is no impact from this standard.

**AASB 2016-5** Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions. The amendments made to AASB 2 clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. They also introduce an exception to the classification principles in AASB 2. Where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority, the whole award will be treated as if it was equity-settled provided it would have been equity-settled without the net settlement feature. The impact of this standard will not be material.

### x. Parent entity financial information

The financial information for the parent entity, Lindsay Australia Limited, disclosed in Note 35 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries are accounted for at cost in the financial statements of Lindsay Australia Limited.

Lindsay Australia Limited and its wholly-owned Australian controlled entities have implemented the tax consolidated legislation.

The head entity, Lindsay Australia Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone tax payer in its own right.

In addition to its own current and deferred tax amounts, Lindsay Australia Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the whole-owned entities fully compensate Lindsay Australia Limited for any current tax payable assumed and are compensated by Lindsay Australia Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Lindsay Australia Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

### y. General

Lindsay Australia Limited is a public company limited by shares, incorporated and domiciled in Australia. The Registered Office and Principal Place of Business is:

Lindsay Australia Limited
152 Postle Street
ACACIA RIDGE QLD 4110

# 2. Financial Risk Management

The Group's activities expose it to a variety of financial 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 uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and aging analysis for credit risk. Risk management is undertaken by senior management and the board of directors. Monthly reports of financial assets and financial liabilities including undrawn facilities, analysis and details of significant and/or overdue debtors are provided to the board of directors for review.

The Group holds the following financial instruments:

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| Financial assets | | |
| Cash and cash equivalents (a) | 14,716 | 25,037 |
| Trade and other receivables (a) | 48,862 | 43,946 |
| Available-for-sale financial assets | 25 | 25 |
| | 63,603 | 69,008 |
| Financial liabilities | | |
| Trade and other payables (b) | 30,614 | 37,074 |
| Borrowings (b) | 121,707 | 120,715 |
| | 152,321 | 157,789 |

(a) Loans and receivables category
(b) Financial liabilities at amortised cost category

## Assets pledged as security

Refer to Note 18 for information on assets pledged as security.

### a. Market risk

The Group does not operate internationally however does have some revenue generated from internationally based customers denominated in Australian Dollars. Revenue from international customers in FY2018 accounted for 0.32% (FY2017: nil) of Group revenue.

The Group purchases approximately $2.7 million (2.9%) (2017 - $2.8 million (3.1%)) of its inventory from overseas sources in overseas currency. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, during the interval, usually not greater than 90 days, between purchase and settlement. Selling prices can also be adjusted to cover price movements. The Group's exposure to foreign exchange movements at 30 June 2018 and 30 June 2017 is not significant.

## b. Price risk

The Group is exposed to equity security price risk on unlisted available-for-sale financial assets. The price risk for the unlisted securities at 30 June 2018 and 30 June 2017 is not significant.

## c. Interest rate risk

The Group's main interest rate risk arises from borrowings, cash and debtors. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2018 and 2017, the Group's borrowings at variable rate were denominated in Australian Dollars. The Group's policy is to fix the rates for plant and equipment purchases at the time of purchase or leasing. The Group has no significant interest-bearing assets other than cash and debtors. The Group charges interest on debtor balances that extend beyond agreed terms. Interest is based on fixed loan rates.

The Group's cash flow interest rate risk primarily relates to variable rate financial instruments such as the bank overdraft, and other variable rate loans. The proportion of variable rate borrowings to total borrowings of the Group is 13.3% (2017: 15.5%). The Group monitors its interest rate exposure against movements in market interest rates and future interest rate expectations.

No hedging instruments are used.

As at the reporting date, the Group had the following financial instruments subject to variable interest rates outstanding:

**Weighted Average Interest Rate**

| | 2018<br>% | 2017<br>% | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 0.1% | 0.0% | 14,716 | 25,037 |
| Borrowings | | | | |
| Bank loans | 4.85% | 4.60% | 16,181 | 18,711 |
| | - | - | 30,897 | 43,748 |

At 30 June 2018, if interest rates had changed by +/-1% from the year-end rates, with all other variables held constant, after-tax profit for the year would have been $10,000 lower/higher (2017 – change of 1%: $45,000 lower/higher), mainly as a result of higher/lower interest expense from borrowings and higher/lower interest income from cash and cash equivalents.

## d. Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, and deposits with trading banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. For customers, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors such as credit reports. Individual risk limits are set based on credit worthiness and sales expectations. Management regularly monitors the compliance of credit limits by customers. The Group has significant concentrations of credit risk as detailed below. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Board of Directors reviews outstanding customer receivables in excess of $50,000 monthly.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised above.

There are a number of individually significant receivables. These include Government fuel rebates/subsidies receivable (refer Note 10) of $653,000 (2017: $671,000).

At 30 June 2018 the largest ten debtors comprised approximately 31% (2017: 35%) of total trade debtors (the largest individual debtor comprised 6% (2017: 8%) of trade debtors). The majority of the trade debtors are involved in the rural industry in Queensland, New South Wales, Victoria, and South Australia - approximately 62% (2016: 69%).

At the reporting date cash was held with the Group's banker and principal financier Westpac Banking Corporation.

## e. Liquidity risk

Liquidity risk is managed by maintaining sufficient cash and the availability of funding, through adequate amount of at call committed credit facilities, to meet obligations when due. The Group manages liquidity risk by continuously monitoring cash flows and the maturity profiles of financial assets and liabilities. Surplus funds are only invested in deposits with trading banks. The Group maintains un-drawn limits on equipment facilities.

**Financing arrangements**

The Group had access to the following undrawn borrowing facilities at the reporting date:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Available facilities | | |
| Bank overdraft | 5,000 | 5,000 |
| Bank loans | 19,389 | 23,770 |
| Other loans | 1,384 | 2,150 |
| Lease Liabilities | 132,434 | 109,629 |
| Amounts utilised | | |
| Bank loans | (19,389) | (22,809) |
| Other loans | (1,233) | (2,000) |
| Lease Liabilities | (101,085) | (95,906) |
| Unused facilities | 36,500 | 19,834 |

**Bank overdraft**

The bank overdraft facility is subject to annual review, may be drawn at any time and may be terminated by the bank without notice. The interest rate is variable and is based on prevailing market rates.

**Bank loans**

Bank loans are generally repayable by monthly instalments of principal and interest over periods of between 12 months and 3 years with options to refinance. The facilities are subject to annual review.

**Other loans**

The 2018 balance of other loans includes an amount of $1,233,000 (2017: $2,000,000) that relates to an interest free working capital loan provided by Visy Board Pty Ltd. The loan is due to be paid in full by 30 June 2020.

**Equipment finance facilities**

The consolidated entity is able to draw on these facilities for the acquisition of plant and equipment (by way of finance lease). Generally:

- The facilities are subject to periodic review;
- Fixed monthly repayments of principal and interest are arranged over the term of the agreement at the date of each draw; and
- The liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

**Maturities of financial liabilities**

The tables below analyse the Group's financial liabilities into relevant maturity Groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Within 1 year $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Greater than 5 years $'000 | Total contractual cash flows $'000 | Carrying Amount liabilities $'000 |
|---|---|---|---|---|---|---|
| At 30 June 2017 | | | | | | |
| Trade Payables | 37,074 | - | - | - | 37,074 | 37,074 |
| Borrowing (excluding finance leases) | 8,478 | 7,362 | 13,169 | - | 29,009 | 24,809 |
| Finance Leases | 31,398 | 26,973 | 45,689 | - | 104,060 | 95,906 |
| Total | 76,950 | 34,335 | 58,858 | - | 170,143 | 157,789 |
| At 30 June 2018 | | | | | | |
| Trade Payables | 30,614 | - | - | - | 30,614 | 30,614 |
| Borrowing (excluding finance leases) | 7,893 | 13,702 | - | - | 21,595 | 20,622 |
| Finance Leases | 35,161 | 26,406 | 48,571 | - | 110,138 | 101,085 |
| Total | 73,668 | 40,108 | 48,571 | - | 162,347 | 152,321 |

### f. Fair value estimation

The fair value of financial assets and financial liabilities must be determined for recognition and measurement or for disclosure purposes. The Group has no significant financial assets or liabilities measured and recognised at fair value in the financial statements at year end.

The carrying amounts of financial instruments represent reasonable approximations of their fair values, given their short-term nature.

## 3. Critical Accounting Estimates & Judgements

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(n). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 16 for details of these assumptions.

The Group makes judgements as to its ability to collect outstanding receivables and provides for the portion of receivables when collection becomes doubtful. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Refer note 10 for details of impaired receivables and the allowance provided.

## 4. Revenues

| | **2018 $'000** | **2017 $'000** |
|---|---|---|
| Freight cartage | 250,555 | 227,400 |
| Sale of goods | 109,924 | 105,458 |
| Total revenue | 360,479 | 332,858 |

## 5. Other Income

| | **2018 $'000** | **2017 $'000** |
|---|---|---|
| Other income | | |
| Insurance & other recoveries | 1,563 | 2,448 |
| Rents and sub-lease rentals | 210 | 197 |
| Interest | 441 | 518 |
| Other items | 2,189 | 1,691 |
| | 4,403 | 4,854 |

# 6. Expenses

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---:|---:|
| Profit before income tax includes the following specific expenses: | | |
| Cost of goods sold | 88,716 | 83,971 |
| Depreciation | | |
| Freehold buildings | 392 | 327 |
| Plant and equipment | 5,089 | 5,682 |
| Leasehold improvements | 978 | 781 |
| Amortisation | | |
| Plant and equipment under finance lease | 12,503 | 14,285 |
| Customer list | 257 | 257 |
| Computer software | 405 | 754 |
| Total depreciation and amortisation | 19,624 | 22,086 |
| Vehicle Operating Expenses | | |
| Vehicle Operating Expenses | 57,617 | 51,338 |
| Fuel tax credits relating to prior periods (a) | - | (6,158) |
| Total vehicle operating expenses | 57,617 | 45,180 |
| Defined contribution superannuation expense | 7,412 | 6,175 |
| Impairment losses – trade receivables | 85 | 684 |
| Impairment losses - inventory | (8) | 56 |
| Minimum Lease payments | 9,661 | 8,662 |

### a. Fuel tax credits relating to prior periods

During the 2017 financial year, external consultants were engaged to conduct a review of the Group's fuel tax credit processes. The external review was conducted to ensure the Lindsay Group was using an accurate and reliable methodology to ensure it was claiming the correct amount of tax to which it was entitled. The new processes focused on utilising new systems and data, which had been implemented with the recent IT system upgrades. Using the new processes to review prior periods, external consultants identified a further $6,158,000 of fuel tax credits to which the business was entitled. Of the refund almost the entire amount had been refunded and received during the previous year, with the exception of a $43,000 received in the current period.

# 7. Income Tax

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Income tax expense** | | |
| Current tax | 2,733 | 3,169 |
| Deferred tax | 433 | (827) |
| Under (over) provision in prior years | - | (433) |
| | 3,166 | 1,909 |
| Deferred tax is attributable to: | | |
| (Increase) decrease in deferred tax assets (Note 15) | (599) | (788) |
| Increase (decrease) in deferred tax liabilities (Note 19) | 1,032 | (39) |
| | 433 | (827) |
| **Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Profit before income tax | 11,224 | 8,335 |
| Tax at the Australian tax rate of 30% (2017: 30%) | 3,367 | 2,500 |
| Tax effects of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Non-deductible expenses | 13 | 44 |
| Research and development tax offset relating to current year | (214) | (202) |
| Research and development tax offset related to prior years | - | (433) |
| Income tax expense | 3,166 | 1,909 |
| **Tax losses** | | |
| Unused tax losses for which deferred tax assets have not been recognised at 30% | 263 | 263 |

All unused and unrecognised tax losses were incurred by Australian entities and comprise capital losses.

# 8. Franking Credits / Dividends

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Franking credits** | | |
| Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%) | 4,964 | 4,839 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

a. Franking credits that will arise from the payment or provision for income tax;

b. Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

c. Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $1,260,000 (2017 - $1,001,000).

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Dividends paid** | | |
| Interim dividend for the year ended 30 June 2018 of 0.8 cents per share fully franked (at 30%) paid in full on 29 March 2018. (2017: 0.8 cents per share fully franked (at 30%) paid in full on 31 March 2017 fully franked (at 30%). | 2,345 | 2,328 |
| Interim dividends paid in cash or satisfied by the issue of shares under the dividend re-investment plan during the years ended 30 June 2018 and 2017 were as follows: | | |
| • Paid in cash | 1,959 | 1,956 |
| • Satisfied by issue of shares | 386 | 372 |
| | 2,345 | 2,328 |
| Final dividend for the year ended 30 June 2017 of 0.8 cents per share fully franked (at 30%) paid on 29 September 2017 (2016 – 1.1 cents per share fully franked (at 30%) paid in full on 30 September 2016). | 2,337 | 3,189 |
| Final dividend out of prior year's profits paid in cash or satisfied by the issue of shares under the dividend re-investment plan during the years ended 30 June 2017 and 2016 were as follows: | | |
| • Paid in cash | 1,951 | 2,721 |
| • Satisfied by issue of shares | 386 | 468 |
| | 2,337 | 3,189 |
| **Dividends not recognised at year end** | | |
| In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 1.0 cents per share fully franked based on tax paid at 30% (2017: 0.8 cents per share fully franked (at 30%) paid in full on 29 September 2017). | 2,942 | 2,337 |

# 9. Cash and Cash Equivalents

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Cash at bank and on hand | 14,716 | 25,037 |

Reconciliation of cash and cash equivalents

Cash and cash equivalents 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 | 14,716 | 25,037 |
| | 14,716 | 25,037 |

The Group's exposure to interest rate risk is discussed in Note 2.

# 10. Trade and Other Receivables

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Current | | |
| Trade receivables | 46,677 | 41,496 |
| Provision for impairment of receivables | (291) | (176) |
| | 46,386 | 41,320 |
| Fuel rebates/subsidies | 653 | 671 |
| Future GST recoverable | 643 | 607 |
| Other receivables | 1,180 | 1,348 |
| | 48,862 | 43,946 |

Other receivables generally arise from transactions outside the usual operating activities of the Group.

## a. Impaired trade receivables

As at 30 June 2018 current trade receivables of the Group with a nominal value of $321,000 (2017 - $194,000) were impaired. The amount of the provision was $291,000 (2017 - $176,000). The GST component of the receivables is not considered impaired as this is refundable. The majority of the individually impaired receivables relate to customers in the rural industry sector who are experiencing difficulties as a result of seasonal factors.

The ageing of the full balance of these receivables is as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| 0 to 2 months | 73 | 221 |
| 3 to 4 months | 105 | 1 |
| Over 4 months | 579 | 213 |
| | 757 | 435 |

Movements in the provision for impairment of receivables are as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| At 1 July | 176 | 345 |
| Provision for impairment recognised/(reversed) during the year | 30 | 515 |
| Receivables written off during the year as uncollectible | 85 | (684) |
| At 30 June | 291 | 176 |

The creation and release of the provision for impaired receivables has been included in "Bad debt expense" in the statement of profit and loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

### b. Past due but not impaired

As of 30 June 2018 trade receivables of $4,680,000 (2017 - $9,179,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing history of these trade receivables is as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| 1 to 2 months | 2,538 | 5,196 |
| 3 months | 806 | 648 |
| Greater than 3 months | 628 | 3,335 |
| | 3,972 | 9,179 |

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these classes it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

### c. Foreign exchange and interest rate risk

There are no receivables denominated in foreign currencies. No interest is charged on trade debtors except for certain debtors who pay late and are charged interest at rates between 1% and 1.5% per month by agreement.

### d. Fair value and credit risk

The carrying amounts of financial instruments represent reasonable approximations of their fair values, given their short-term nature. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. Refer Note 2 for more information on the risk management policy of the Group and on the credit quality of the entity's trade receivables.

## 11. Inventories

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Raw materials and stores – at cost | 2,552 | 2,779 |
| Finished goods – at cost | 10,760 | 11,838 |
| | 13,312 | 14,617 |
| Provision for obsolescence | (302) | (309) |
| | 13,010 | 14,308 |

Of the above inventory, raw materials and stores are expensed and not charged to cost of sales.

## 12. Other Current Assets

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Prepayments | 4,260 | 4,302 |

## 13. Available-For-Sale Financial Assets

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Unlisted equity securities | 25 | 25 |

Unlisted equity securities are traded in inactive markets.

# 14. Property, Plant and Equipment

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Freehold Land and Buildings | | |
| Land - at cost | 6,430 | 6,430 |
| Buildings - at cost | 15,471 | 15,468 |
| Accumulated depreciation | (1,108) | (716) |
| | 20,793 | 21,182 |
| Leasehold Improvements | | |
| At cost | 12,225 | 12,597 |
| Accumulated depreciation | (2,424) | (1,792) |
| | 9,801 | 10,805 |
| Total property | 30,594 | 31,987 |
| Plant and Equipment | | |
| At cost | 88,432 | 97,066 |
| Accumulated depreciation | (67,304) | (73,300) |
| | 21,128 | 23,766 |
| Plant and equipment under finance lease | | |
| At cost | 163,285 | 142,789 |
| Accumulated amortisation | (46,807) | (37,417) |
| | 116,478 | 105,372 |
| Total plant and equipment | 137,606 | 129,138 |
| Total property, plant and equipment | 168,200 | 161,125 |

### Movements in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment are shown below.

| | Freehold Land $'000 | Buildings $'000 | Leasehold Improvements $'000 | Plant & Equipment $'000 | Plant & Equipment Under Finance Lease $'000 | Work In Progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| Carrying amount at 30 June 2016 | 6,430 | 7,559 | 3,947 | 23,444 | 105,885 | 5,939 | 153,204 |
| Additions | - | 6,091 | 6,203 | 3,410 | 18,890 | - | 34,594 |
| Disposals | - | - | (31) | (2,909) | (771) | - | (3,711) |
| Transfers | - | 1,429 | 1,467 | 5,503 | (4,347) | (5,939) | (1,887) |
| Depreciation/amortisation | - | (327) | (781) | (5,682) | (14,285) | - | (21,075) |
| Carrying amount at 30 June 2017 | 6,430 | 14,752 | 10,805 | 23,766 | 105,372 | - | 161,125 |
| Additions | - | 3 | 53 | 2,385 | 27,187 | - | 29,628 |
| Disposals | - | - | (79) | (2,418) | (1,094) | - | (3,591) |
| Transfers | - | - | - | 2,484 | (2,484) | - | - |
| Depreciation/amortisation | - | (392) | (978) | (5,089) | (12,503) | - | (18,962) |
| Carrying amount at 30 June 2018 | 6,430 | 14,363 | 9,801 | 21,128 | 116,478 | - | 168,200 |

Assets pledged as security. Refer to Note 18 for information on assets pledged as security.

# 15. Deferred Tax Assets

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| The balance comprises temporary differences attributable to: | | |
| Impaired receivables | 87 | 53 |
| Employee benefits | 3,073 | 2,658 |
| Payables | 493 | 231 |
| | 3,653 | 2,942 |
| Other | | |
| Stock obsolescence | 90 | 93 |
| Other | 929 | 842 |
| | 1,019 | 935 |
| Total deferred tax assets | 4,672 | 3,877 |
| Set-off of deferred tax liabilities pursuant to set-off provisions (refer Note 19) | (4,672) | (3,877) |
| Net deferred tax assets | - | - |

| Movements | Employee Benefits $'000 | Impaired Receivables $'000 | Deprec & Amort $'000 | Payables $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| At 30 June 2016 | 2,454 | 103 | 47 | 314 | 165 | 3,083 |
| (Charged)/credited to: | | | | | | |
| Profit or loss | 204 | (50) | - | (87) | 721 | 788 |
| Current tax liability | - | - | (47) | 4 | 49 | 6 |
| At 30 June 2017 | 2,658 | 53 | - | 231 | 935 | 3,877 |
| (Charged)/credited to: | | | | | | |
| Profit or loss | 415 | 34 | - | 66 | 84 | 599 |
| Current tax liability | - | - | - | 196 | - | 196 |
| At 30 June 2018 | 3,073 | 87 | - | 493 | 1,019 | 4,672 |

# 16. Intangible Assets

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Computer software | 4,795 | 4,673 |
| Accumulated amortisation | (3,314) | (2,909) |
| | 1,481 | 1,764 |
| Goodwill | 7,805 | 7,805 |
| Accumulated impairment | (244) | (244) |
| | 7,561 | 7,561 |
| Customer list | 1,802 | 1,802 |
| Accumulated amortisation | (754) | (497) |
| | 1,048 | 1,305 |
| Total intangible assets | 10,090 | 10,630 |

## a. Movements in carrying amounts

Movements in the carrying amounts for each class of intangible asset are shown below.

| | Computer Software $'000 | Goodwill $'000 | Customer List $'000 | Total $'000 |
|---|---|---|---|---|
| Carrying amount at 30 June 2016 | 65 | 7,561 | 1,562 | 9,188 |
| Additions – internal development | 566 | - | - | 566 |
| Amortisation | (754) | - | (257) | (1,011) |
| Transfers from WIP – internal development | 1,887 | - | - | 1,887 |
| Carrying amount at 30 June 2017 | 1,764 | 7,561 | 1,305 | 10,630 |
| Additions – internal development | 122 | - | - | 122 |
| Amortisation | (405) | - | (257) | (662) |
| Carrying amount at 30 June 2018 | 1,481 | 7,561 | 1,048 | 10,090 |

## b. Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the business segments. The carrying amount of goodwill is attributable to the Rural segment.

The Group tests whether goodwill should be impaired on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

## c. Key assumptions used for value-in-use calculations of the Rural CGU

| | 2018 % | 2017 % |
|---|---|---|
| Average Gross margin | 17.0 | 17.9 |
| Terminal growth rate | 2.0 | 2.0 |
| Free cash growth rate | 15.6 | 17.3 |
| Discount rate | 9.4 | 9.6 |

| Assumption | Approach used to determining values |
|---|---|
| Budgeted gross margin | Based on past performance and management's expectations for the future |
| Terminal growth rate | The growth rate used to extrapolate cash flows beyond the five-year forecasted period based off management's expectations of long-term growth. |
| Free cash grow rate | The average cash flow growth rate over the five-year forecast period is based off management's expectations for the future. |
| Pre-tax discount rate | Reflect specific risks relating to the relevant segments and the countries in which they operate based off management's expectations for the future. |

## d. Impact of possible changes in key assumptions

A sensitivity analysis was performed on key assumptions, which included increasing the discount rate from 9.4 to 11.6% and reducing product margin growth. Both scenarios did not result in impairment.

## e. Assets pledged as security

Refer to Note 18 for information on current assets pledged as security.

## f. Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Computer Software 2 - 6 years
- Customer list 7 years

See note 1(f) for the other accounting policies relevant to impairment of assets, and note 1(n) for the Group's policy regarding intangible assets.

# 17. Trade and Other Payables

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| Trade payables | 30,614 | 37,074 |

Orora Limited, a previous supplier to the Group had a registered charge over the assets of Lindsay Rural Pty Ltd up to a maximum of $3,200,000 (2017: $3,200,000). At reporting date no amounts were payable to Orora Limited (2017: $3,500,000). The charge has been removed after 30 June 2018.

No other major suppliers have a registered charge over assets.

# 18. Borrowings

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| Current | | |
| *Secured* | | |
| Lease liabilities | 31,363 | 27,898 |
| Bank loans | 7,091 | 7,741 |
| Total secured current borrowings | 38,454 | 35,639 |
| *Unsecured* | | |
| Other loans | 826 | 797 |
| Total unsecured current borrowings | 826 | 797 |
| Total current borrowings | 39,280 | 36,436 |
| Non-current | | |
| *Secured* | | |
| Lease liabilities | 69,722 | 68,008 |
| Bank loans | 12,298 | 15,068 |
| Total secured non-current borrowings | 82,020 | 83,076 |
| *Unsecured* | | |
| Other loans | 407 | 1,203 |
| Total unsecured current borrowings | 407 | 1,203 |
| Total non-current borrowings | 82,427 | 84,279 |
| Total borrowing | 121,707 | 120,715 |

### a. Bank overdraft and bank loans

The bank overdraft and bank loans are secured by guarantees by all companies in the consolidated entity supported by mortgage charges over all the consolidated entity's property and other assets.

### b. Lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Certain lease liabilities are also guaranteed by entities in the consolidated entity in addition to mortgage charges over the property and other assets.

### c. Other Loans

The 2018 balance of other loans includes an amount of $1,233,000 (2017: $2,000,000) which relates to an interest free working capital loan provided by Visy Board Pty Ltd. The loan is due to be paid in full by 30 June 2020.

### d. Assets pledged as security

All the assets of the consolidated entity are pledged as security for the facilities as noted above.

### e. Fair value

Information about the Group's fair value of borrowings is provided in Note 2.

### f. Risk exposure

Information about the Group's exposure to risks arising from borrowings is provided in Note 2.

## 19. Deferred Tax Liabilities

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| The balance comprises temporary differences attributable to: | | |
| Prepayments | 1,082 | 1,136 |
| Inventories | 695 | 834 |
| Depreciation and amortisation | 4,333 | 2,518 |
| Other | 196 | 184 |
| Total deferred tax liabilities | 6,306 | 4,672 |
| Set-off of deferred tax assets pursuant to set-off provisions (refer Note 15) | (4,672) | (3,877) |
| Net deferred tax liabilities | 1,634 | 795 |

| Movements | Prepayments $'000 | Inventories $'000 | Depreciation & Amortisation $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|
| Consolidated | | | | | |
| At 30 June 2016 | 1,103 | 768 | 3,026 | 17 | 4,914 |
| Charged /(credited): | | | | | |
| Profit or loss | 33 | 58 | (297) | 167 | (39) |
| Current tax liability | - | 8 | (211) | - | (203) |
| At 30 June 2017 | 1,136 | 834 | 2,518 | 184 | 4,672 |
| Charged /(credited): | | | | | |
| Profit or loss | (54) | (139) | 1,213 | 12 | 1,032 |
| Current tax liability | - | - | 602 | - | 602 |
| At 30 June 2018 | 1,082 | 695 | 4,333 | 196 | 6,306 |

## 20. Provisions

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Current | | |
| Employee benefits | 8,982 | 7,788 |
| Non-current | | |
| Employee benefits | 1,262 | 1,074 |

# 21. Other Liabilities

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Current | | |
| Deferred revenue | 2,802 | 2,620 |
| Other | 29 | 81 |
| | 2,831 | 2,701 |
| Non-current | | |
| Other | 2,813 | 2,333 |

Deferred revenue comprises monies paid in advance of delivery of goods or services.

# 22. Contributed Equity

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Fully paid ordinary shares | 71,656 | 70,884 |

The movement in fully paid ordinary shares for 2018 and 2017 is reconciled as follows:

| | Note | No of Shares | Issue Price | $'000 |
|---|---|---|---|---|
| Balance at 30 June 2016 | | 289,934,944 | | 70,044 |
| Issue of shares pursuant to the Dividend Reinvestment Plan | (a) | 1,061,640 | 44 cents | 468 |
| Issue of shares pursuant to the Dividend Reinvestment Plan | (a) | 1,094,210 | 34 cents | 372 |
| Balance at 30 June 2017 | | 292,090,794 | | 70,884 |
| Issue of shares pursuant to the Dividend Reinvestment Plan | (a) | 1,071,954 | 36 cents | 386 |
| Issue of shares pursuant to the Dividend Reinvestment Plan | (a) | 990,479 | 39 cents | 386 |
| Balance at 30 June 2018 | | 294,153,227 | | 71,656 |

## a. Dividend Reinvestment Plan

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a discount as determined by the directors but no more than 5% to the market price.

Issues pursuant to the Dividend Reinvestment Plan are:

| 2017 Dividends | Number of Shares | Issue Price |
|---|---|---|
| 30 September 2016 | 1,061,640 | 44 cents |
| 31 March 2017 | 1,094,210 | 34 cents |

| 2018 Dividends | Number of Shares | Issue Price |
|---|---|---|
| 29 September 2017 | 1,071,954 | 36 cents |
| 29 March 2018 | 990,479 | 39 cents |

Dividends payable on 30 September 2016 and 31 March 2017 were each settled in to two tranches due to rounding errors in the DRP, with 1,005,868 and 1,033,423 shares being issued on 30 September 2016 and 31 March 2017 respectively and a further issuance of 60,787 and 55,772 shares issued on 10 April 2017 and 21 June 2017 respectively.

### b. Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a cost effective cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise or retire debt finance or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by net debt and total equity. Net debt is calculated as total interest bearing borrowings as shown in the statement of financial position less cash and cash equivalents. During the year ended 30 June 2018 the Group did not alter its capital management policy.

The gearing ratios at 30 June 2018 and 30 June 2017 were as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Total borrowings | 121,706 | 120,715 |
| Less cash and cash equivalents | (14,716) | (25,037) |
| Net debt | 106,990 | 95,678 |
| Total equity | 90,407 | 86,209 |
| Gearing ratio | 54% | 53% |

Lindsay Australia Limited has complied with the financial covenants of its borrowing facilities during the 2018 and 2017 reporting periods.

# 23. Reserves

Movements in the Share-based payments reserve are shown below.

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Share-based payment reserve | | |
| Open at 1 July | 515 | 536 |
| Employee share schemes – value of employee services | 50 | (21) |
| Close at 30 June | 565 | 515 |

### a. Nature and purposes of reserve

The share-based payments reserve is used to recognise the fair value of options issued to employees.

# 24. Retained Earnings

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Retained earnings at the beginning of the year | 14,810 | 13,901 |
| Profit for the year | 8,058 | 6,426 |
| Dividends paid or provided | (4,682) | (5,517) |
| Retained earnings at the end of the year | 18,186 | 14,810 |

# 25. Cash Flow Information

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Reconciliation of Cash Flows from Operating Activities with Profit for the Year** | | |
| Profit for the year | 8,058 | 6,426 |
| Depreciation/amortisation | 19,624 | 22,086 |
| Net (gain)/loss on disposal of property, plant and equipment | 373 | 861 |
| Non-cash employee benefits expense-share-based payments | 50 | (21) |
| (Increase)/decrease in current taxes | (1,771) | (257) |
| (Increase)/decrease in deferred taxes | 839 | (1,035) |
| (Increase)/decrease in trade and other receivables | (5,141) | 6,054 |
| (Increase)/decrease in prepayments and other assets | 31 | 1,871 |
| (Increase)/decrease in inventories | 1,298 | (720) |
| (Decrease)/increase in trade and other payables | (6,442) | 2,300 |
| (Decrease)/increase in other liabilities | 611 | 1,454 |
| (Decrease)/increase in provisions | 1,382 | 683 |
| Cash flows from operating activities | 18,912 | 39,702 |
| **Non-Cash Financing and Investing Activities** | | |
| Acquisition of plant and equipment by means of finance leases | 27,187 | 18,940 |
| Dividends satisfied by issue of shares | 772 | 840 |

# 26. Earnings per Share

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Basic earnings per share | 2.7 | 2.2 |
| Diluted earnings per share | 2.7 | 2.2 |
| Earnings used in calculating basic and diluted earnings per share – net profit | 8,058 | 6,426 |

| | Number of Shares | Number of Shares |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic and diluted earnings per share | 293,150,766 | 290,833,967 |

# 27. Auditor's Remuneration

| | 2018 $ | 2017 $ |
|---|---|---|
| During the year the auditor of the parent entity earned the following remuneration: | | |
| Audit or review of financial reports | 150,000 | 150,000 |
| Taxation and other services | 89,600 | 26,870 |
| Total remuneration | 239,600 | 176,870 |

There was no other remuneration paid to related practices of the auditor.

# 28. Related Party Disclosures

## a. Key management personnel compensation

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Short-term employee benefits | 2,413,740 | 2,061,344 |
| Long-term employee benefits | 66,522 | 12,579 |
| Post-employment benefits | 144,900 | 159,887 |
| Share-based payments | 48,626 | 4,530 |
| | 2,673,788 | 2,238,340 |

Detailed remuneration disclosures are provided in the remuneration report contained in the directors' report.

## b. Other transactions and balances with key management personnel

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Amounts recognised as revenues and expenses (GST exclusive): | | |
| Revenues | | |
| Cartage revenue received / receivable | 9,581,537 | 7,486,435 |
| Sale of rural supplies | 8,967,901 | 6,701,893 |
| | 18,549,438 | 14,188,327 |
| Expenses | | |
| Fees for corporate uniform consultancy | 18,055 | 18,909 |
| Amounts receivable / payable to key management personnel and their related parties at the reporting date | | |
| Current receivables – trade debtors | 898,928 | 312,241 |

The directors believe transactions with key management personnel were on commercial terms and conditions (unless otherwise stated). Current receivables and payables are unsecured, to be settled cash and are on the same terms and conditions as non-related parties as disclosed elsewhere in this report.

## c. Loans to key management personnel

There were no loans to key management personnel during the current or prior reporting period.

# 29. Share-based Payments

Lindsay Australia has a number of share-based incentive plans described in the Remuneration Report. These plans have been accounted for in accordance with the fair value recognition provisions of AASB 2 "*Share-based Payment*".

### Expense arising from share-based payment transactions

During the period $50,262 (2017: ($4,530)) was recognised as employee benefit expense arising from equity settled share-based payment transactions. There was an additional expense recognised for the modification of a share based payment plan of $551 (2017: $13,315).

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Expense arising from equity settled share-based payment transactions | 49,711 | 4,530 |
| Expense relating to modification on equity settled share-based plan | 551 | 13,315 |
| Total expense arising from share-based payment transactions | 50,262 | 17,845 |

There were no share options converted to shares during the year.

### Change in share-based payment reserve

During the year the share-based payment reserve increased by $50,262 comprising of the modification and cash settlement of $551 outlined below and the expense arising from equity settled share-based payment transactions of $49,711.

## Employee share option plans

### Long Term Incentive (Option) Plan (LTIP)

In 2016 shareholders approved a LTIP at the 2016 Annual General Meeting. The plan has the following characteristics:

| | |
|---|---|
| Eligibility | The LTIP will be open to eligible employees (including directors, contractors and consultants) of the Company who the Board determines in its absolute discretion to issue options. |
| Grant of options | No amount is payable by eligible employees for the issue of options under the LTIP.<br>The offer must be in writing and specify, amongst other things, the number of options being issued, the exercise period, any conditions to be satisfied before the options may be exercised and the exercise price of the options. The options may also be subject to specific terms established by the Board. |
| Exercise | The options may be exercised, subject to any exercise conditions, by the participant giving a signed notice to the Company and paying the exercise price in full. The Company will apply for official quotation of any Shares issued on exercise of any options. |
| Lapse | The options shall lapse in accordance with specific offer terms or events contained in the LTIP rules, including termination of employment or resignation, redundancy, death or disablement (subject to the Board's direction to extend the terms of exercise in restricted cases). |
| Right of participants | Once shares are allotted upon exercise of the options the participant will hold the shares free of restrictions (unless the Board determines otherwise). The shares will rank for dividends declared on or after the date of issue but will carry no right to receive any dividend before the date of issue.<br>Should the Company undergo any reorganisation of capital, the number of options or shares will be adjusted in accordance with the Listing Rules as applicable to options at the time of the reorganisation.<br>In the event of a change of control, and subject to the Listing Rules and any applicable laws, the Board may determine that:<br>(a) a participant's unvested options will vest notwithstanding some or all of the vesting conditions have not been satisfied;<br>(b) that an eligible employee may transfer or otherwise dispose of their options; or<br>(c) that a disposal restriction will be waived in respect of the options.<br>A holder of options is not entitled to participate in dividends, a new issue of shares or other securities made by the Company to shareholders merely because he or she holds options. |
| Assignment | The options are not transferable or assignable without the prior written approval of the Board. |
| Administration | The LTIP will be administered by the Board which has an absolute discretion to determine appropriate procedures for its administration and, subject to the Listing Rules and applicable laws, all decisions of the Board as to the interpretation, effect or application of the plan rules and all calculations and determinations made by the Board under the plan rules are final, conclusive and binding in the absence of manifest error. |
| Termination and amendment | The LTIP may be terminated or suspended at any time by the Board, or if an order is made or an effective resolution is passed for the winding up of the Company other than for the purpose of amalgamation or reconstruction.<br>The LTIP may be amended at any time by the Board provided that any amendment does not materially alter the rights of any participant in respect of the issue of options under the plan prior to the date of the amendments unless:<br>(a) the amendment is introduced primarily for the purposes of complying with or conforming to present or future applicable legislation;<br>(b) to correct any manifest error or mistake; or<br>(c) to enable the plan or Company to comply with any applicable laws or any required policy. |

A grant of 400,000 options for shares exercisable at $nil was granted to the CEO M K Lindsay in each of FY2018 and FY2017 pursuant to the LTI Plan. Both of these issues were approved by shareholders at the Annual General Meetings held in 2017 and 2016 respectively. No other options have been granted pursuant to the LTI Plan in FY2018 and FY2017. The options issued in FY2017 were forfeited in that year.

## Fair value of options granted under LTI Plan

The assessed fair value at grant date of options granted during the year ended 30 June 2018 was $0.3647 and 30 June 2017 was $0.4084 per option. The options have nil exercise price, a three year vesting period where they do not participate in dividends, and two performance criteria (year one NPAT and year three EPS). There are no direct market criteria incorporated in valuing the options. Under these criteria both the Black Scholes and a discounted cash model produce a similar result, and are permitted methodologies under ASIC Regulatory Guide 76. The Board believes this valuation model to be appropriate to the circumstances and has not used any other valuation or other models in proposing the terms of the options. These valuation methods are based on a number of assumptions, set out below, with an adjustment to the expected life of the options to take account of limitations on transferability. These valuations impute a total value of $145,881 for FY2018 and $163,369 for FY2017 after tax for the proposed options over the three year vesting period.

The models used the following assumptions:

- risk free rate set at 2.78% (2017: 1.96%) based on the Australian Government 10-year bond rate as at the grant date;
- a share price of $0.41 (2017: $0.47) being the most recent traded price on ASX at grant date before the valuation was completed;
- the option exercise price on 30 June 2024 and 30 June 2020 of $nil;
- volatility of 30% is based on the standard deviation of the monthly Company's share price movement over the last 4 years; and
- no discount has been applied to reflect the fact the options will be unlisted and non-transferrable.

## Employee Share Option Plan

The employee share option plan in place prior to 2017 is expected to be phased out and replaced by the LTI Plan. That plan has the same characteristics as the LTI Plan, except exercise conditions are specific to the individual's performance rather than the performance of the Group. During FY2017, two senior employees were a part of long term incentive programs involving employment contract specific options. No grants were undertaken in 2018 under this plan.

## Employee Share Options Granted

The following table summarises options granted under the LTI Plan and employee share option. The number and weighted average exercise price (WAEP) per option in cents of, and movements in, share options during the year: no options expired during the periods covered by the below table.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Number** | **WAEP** | **Number** | **WAEP** |
| Balance at beginning of year | 157,315 | - | 341,737 | - |
| Granted during the year | 400,000 | - | 400,000 | - |
| Forfeited and lapsed during the year | (4,176) | - | (492,685) | - |
| Modified, vested and exercised during the year | (15,312) | - | (91,737) | - |
| Balance at the end of the year | 537,827 | - | 157,315 | - |
| Exercisable at end of year | - | - | - | - |

## Summary of options outstanding

The share options outstanding at the end of the year had an exercise price of nil (2017: nil) and a weighted average remaining contractual life of 2.0 years (2017: 1.8 years).

A summary of the status of the Groups equity settled share option plans at 30 June 2018 is presented below. When exercisable, each option is convertible into one ordinary share of Lindsay Australia Limited at a zero exercise price.

| Tranche | Fair Value Per Option (cents) | Grant Date | Expiry Date | Number Issued | Number Forfeited | Number Modified, Vested and Exercised (a) | Vested Not Exercisable |
|---|---|---|---|---|---|---|---|
| First | 26.5 | July 2014 | Sept 2018 | 250,000 | 180,139 | 69,861 | - |
| Second (b) | 22.7 | July 2014 | Sept 2019 | 250,000 | - | - | - |
| LTIP | 36.5 | October 2017 | Nov 2024 | 400,000 | - | - | - |

(a) Refer to modification section below.

(b) 112,173 options for W T Lorenz Second Tranche not expected to vest based on performance hurdles

## Determining option value at grant date

All issued and outstanding options contain no market conditions to vest. All options are non-participating zero priced options. These options have an exercise price of zero and do not participate in dividends until exercised. The fair value at the grant date for the issues was determined by taking the share price at grant date less the present value of dividends discounted at the risk free rate where the vest date is greater than one year from grant date.

### (a) Modification of share-based payment arrangements

#### 2018

In September 2017, Lindsay Australia Limited cash settled 15,312 options from the employee share option plan in preparation for transition to the LTIP at a price of 37.40 cents. There were 4,176 options that were also forfeited. The settlement price was based on the 5 day weighted average leading up to 30 June 2017. The change in settlement resulted in an additional expense being recognised in income statement of $551. This difference is also recognised as a cash bonus in Remuneration report for the relevant employee.

| Existing Option plan | Grant Price (cents) | Settlement price (cents) | Options exercised | Expensed in income | Change in share-based payment reserve |
|---|---|---|---|---|---|
| Tranche 1 (W T Lorenz) | 26.6 | 37.4 | 15,312 | $551 | $551 |

*grant price is rounded in the model from 5 decimal places to 2.

#### 2017

In September 2016, Lindsay Australia Limited cash settled 91,737 options from the existing option plan in preparation for transition to the LTIP at a price of 48 cents. The settlement price was based on the 5 day weighted average from 1 September 2016. The change in settlement resulted in an additional expense being recognised in income statement of $13,315. This difference is also recognised as a cash bonus in Remuneration report for each relevant employee.

| Existing Option plan | Grant Price (cents) | Settlement price (cents) | Options exercised | Expensed in income | Change in share-based payment reserve |
|---|---|---|---|---|---|
| Tranche 1 (W T Lorenz) | 26.6 | 48.0 | 50,373 | $10,809 | ($13,370) |
| Tranche 3 (N L King) | 41.9 | 48.0 | 41,364 | $7,711 | ($12,144) |
| Total | - | - | 91,737 | $18,520 | ($25,514) |

*grant price is rounded in the model from 5 decimal places to 2.

# 30. Subsidiaries

The Group consists of the ultimate parent entity Lindsay Australia Limited and its wholly owned subsidiaries. Set out below are the names of the subsidiaries which are included in the consolidated financial statements shown in this report. All entities were incorporated in Australia.

| Name | Class Shares/Units | Equity Holding % 2018 | Equity Holding % 2017 |
|---|---|---|---|
| Lindsay Brothers Holdings Pty Ltd (a), (d) | Ordinary | 100 | 100 |
| Lindsay Transport Pty Ltd (a), (d) | Ordinary | 100 | 100 |
| Lindsay Brothers Management Pty Ltd (a), (d) | Ordinary | 100 | 100 |
| Lindsay Brothers Fuel Services Pty Ltd (a), (d) | Ordinary | 100 | 100 |
| Lindsay Brothers Hire Pty Ltd (a), (d) | Ordinary | 100 | 100 |
| Lindsay Brothers Plant & Equipment Pty Ltd (a), (d) | Ordinary | 100 | 100 |
| P & H Produce Pty Ltd (d) | Ordinary | 100 | 100 |
| P & H Produce Trust (d) | Ordinary | 100 | 100 |
| Lindsay Rural Pty Ltd (b), (d) | Ordinary | 100 | 100 |
| Skinner Rural Pty Ltd (c), (d) | Ordinary | 100 | 100 |
| Croptec Fertilizer and Seeds Pty Ltd (c), (d) | Ordinary | 100 | 100 |
| Lindsay Fresh Logistics Pty Ltd (d) | Ordinary | 100 | 100 |

(a) Lindsay Brothers Holdings Pty Ltd (LBH) is the parent entity of Lindsay Transport Pty Ltd, Lindsay Brothers Management Pty Ltd, Lindsay Brothers Fuel Services Pty Ltd, Lindsay Brothers Hire Pty Ltd, and Lindsay Brothers Plant and Equipment Pty Ltd. Accordingly, the parent entity's interest in these entities (other than LBH) is indirect.
(b) Lindsay Rural Pty Ltd is 50% owned by P&H Produce Trust and 50% owned by the parent entity.
(c) These companies are subsidiaries of Lindsay Rural Pty Ltd.
(d) These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC Corporations (wholly-owned companies) Instrument 2016/785. For further information refer to Note 32.

# 31. Segment Information

## Description of segments

The Group has identified the following reporting segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources:

- Transport – Cartage of general and refrigerated products and ancillary sales, and;
- Rural – Sale and distribution of a range of agricultural supply products.

The segments are determined by the type of product or service provided to customers and the operating characteristics of each segment. The Group operated in these business segments for the whole of the 2018 and 2017 years. The majority of the Group's revenue is derived from customers within Australia.

## Basis of accounting for purposes of reporting segments

### Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

The Group does not allocate assets or liabilities to each segment because management does not include this information in its measurement of the performance of the operating segments.

### Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. All such transactions are eliminated on consolidation for the Group's financial statements. Some corporate charges are allocated to reporting segments based on the segments' overall proportion of usage within the Group.

### Unallocated items

The following items of revenue and expense are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest received;
- Borrowing costs;
- Corporate costs including bad debt expense; and
- Income tax expense.

### Major customers

No customer of the Group accounts for more than 10% of external revenue (2017: nil). The largest individual customer accounts for 3.7% of external revenues (2017: 7.8%).

## Segment information

| | Transport $'000 | Rural $'000 | Total $'000 |
|---|---|---|---|
| **2018** | | | |
| Revenue | | | |
| External sales | 250,555 | 109,924 | 360,479 |
| Inter-segment sales | 6,341 | 969 | 7,310 |
| Other revenue | 2,015 | 709 | 2,724 |
| Total segment revenue/income | 258,911 | 111,602 | 370,513 |
| Reconciliation of segment revenue/income to Group revenue/income | | | |
| Inter-segment elimination | | | (7,310) |
| Interest income | | | 441 |
| Corporate/unallocated income | | | 1,238 |
| Total revenue/income | | | 364,882 |
| Segment net profit before tax | 28,435 | 2,994 | 31,429 |
| Reconciliation of segment profit to Group net profit before tax | | | |
| Corporate/unallocated | | | (14,904) |
| Finance costs | | | (5,301) |
| Net profit before income tax | | | 11,224 |
| Income tax expense | | | (3,166) |
| Profit for year | | | 8,058 |
| Depreciation and amortisation | 16,914 | 527 | 17,441 |
| Corporate/unallocated cost | | | 2,183 |
| | | | 19,624 |
| **2017** | | | |
| Revenue | | | |
| External sales | 227,400 | 105,458 | 332,858 |
| Inter-segment sales | 5,415 | 765 | 6,180 |
| Other income | 2,187 | 406 | 2,593 |
| Total segment revenue/income | 235,002 | 106,629 | 341,631 |
| Reconciliation of segment revenue/income to Group revenue/income | | | |
| Inter-segment elimination | | | (6,180) |
| Interest income | | | 518 |
| Corporate/unallocated income | | | 882 |
| Total revenue/income | | | 336,851 |
| Segment net profit before tax | 25,153 | 3,405 | 28,558 |
| Reconciliation of segment profit to Group net profit before tax | | | |
| Corporate/unallocated | | | (14,739) |
| Finance costs | | | (5,483) |
| Net profit before income tax | | | 8,335 |
| Income tax expense | | | (1,909) |
| Profit for year | | | 6,426 |
| Depreciation and amortisation | 19,327 | 478 | 19,805 |
| Corporate/unallocated cost | | | 2,281 |
| | | | 22,086 |

# 32. Deed of Cross Guarantee

The following companies are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (wholly-owned companies) Instrument 2016/785. The companies include: Lindsay Australia Limited, Lindsay Brothers Holdings Pty Ltd, Lindsay Transport Pty Ltd, Lindsay Brothers Management Pty Ltd, Lindsay Brothers Fuel Services Pty Ltd, Lindsay Brothers Hire Pty Ltd, Lindsay Brothers Plant and Equipment Pty Ltd, P & H Produce Pty Ltd, P & H Produce Trust, Lindsay Rural Pty Ltd, Skinner Rural Pty Ltd, Croptec Fertiliser and Seeds Pty Ltd, Lindsay Fresh Logistics Pty Ltd.

The above companies represent a 'closed Group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Lindsay Australia Limited, they also represent the 'extended closed Group'.

# 33. Commitments

## Finance lease commitments

Finance lease liabilities are payable exclusive of GST as follows:

| | Minimum lease payments | Interest | Principal | Minimum lease payments | Interest | Principal |
|---|---|---|---|---|---|---|
| | 2018 $'000 | 2018 $'000 | 2018 $'000 | 2017 $'000 | 2017 $'000 | 2017 $'000 |
| Less than one year | 35,161 | 3,798 | 31,363 | 31,398 | 3,500 | 27,899 |
| Between one and five years | 74,977 | 5,255 | 69,722 | 72,662 | 4,654 | 68,008 |
| | 110,138 | 9,053 | 101,085 | 104,060 | 8,154 | 95,906 |

Finance leases comprise leases of items of plant and equipment under normal commercial finance lease terms and conditions. Finance leases do not contain any contingent rental components. No items subject to finance lease are subleased. Under the leases there are no escalation clauses and there is an option to acquire the leased assets at the end of the term.

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Operating Lease Commitments (GST exclusive) | | |
| Non-cancellable operating leases contracted for but not recognised in the financial statements are payable as follows: | | |
| Not later than 1 year | 6,746 | 6,609 |
| Later than 1 year but not later than 5 years | 21,406 | 11,371 |
| Later than 5 years | 32,262 | 28,390 |
| | 60,414 | 46,369 |

Operating leases primarily comprise leases of premises under normal commercial operating lease terms and conditions. These include rentals, in certain cases, being subject to periodic review for market and/or for CPI increases as well as options for renewal.

There are no significant items subject to operating leases that are subleased.

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Capital Commitments | | |
| Commitments for capital expenditure (property, plant, equipment and intangibles) contracted for but not recognised in the financial statements are as follows: | 13,446 | 7,256 |

# 34. Contingent Liabilities

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Guarantees to secure lease obligations | 4,524 | 4,405 |
| Guarantees to cover Workers policy | 2,817 | 3,090 |
| Total Guarantees | 7,341 | 7,495 |

Cross guarantees have been given as described in Note 32.

From time to time the consolidated entity is subject to claims and litigation during the normal course of business. The directors have given consideration to such matters and are of the opinion that there are no further material contingent liabilities as at the reporting date that are likely to arise. Other than above to the directors' knowledge no matter or circumstance has arisen since the end of the year that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## Legal Matters

On 16 October 2017 Lindsay Australia Limited announced that Worksafe NSW commenced proceedings in the District Court of NSW for alleged breaches by the Company and related entities of the Work Health and Safety Act.

The proceedings relate to an accident, and consequential fatality of a Lindsay employee at the Arndell Park site in Sydney on 10 October 2015. Proceedings are currently ongoing.

From time to time the consolidated entity is subject to claims and litigation during the normal course of business. The directors have given consideration to such matters and are of the opinion that there are no further material contingent liabilities as at the reporting date that are likely to arise.

## Other

Other than above to the directors' knowledge no matter or circumstance has arisen since the end of the year that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

# 35. Parent Company Information

Information relating to Lindsay Australia Limited is as follows:

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| Summary financial information | | |
| Statement of financial position | | |
| Current assets | 1,448 | 3,074 |
| Total assets | 385,784 | 351,308 |
| Current liabilities | 293,650 | 256,389 |
| Total liabilities | 309,600 | 275,169 |
| Issued capital | 71,656 | 70,884 |
| Retained profits | 3,963 | 4,740 |
| Share-based payments reserve | 565 | 515 |
| Total shareholders' equity | 76,184 | 76,139 |
| Profit of the parent entity | 3,906 | 4,803 |
| Total comprehensive income of the parent entity | 3,906 | 4,803 |
| Contingent liabilities of the parent entity | - | - |
| Contractual commitments | - | - |

## Guarantees entered into by parent entity

Lindsay Australia Limited has guaranteed the Groups external debt in respect of bank overdrafts, financial leases, and bank loans of subsidiaries amounting to $33,753,891 (2017: $35,348,151) secured by registered mortgage charges over property and other assets. The parent entity has also given unsecured guarantees in respect of financial leases of subsidiaries amounting to $67,396,910 (2017: $60,244,092).

In addition, there are cross guarantees given by Lindsay Australia Limited as described in Note 32. No deficiencies of assets exist in any of these companies. No liability has been recognised in relation to these financial guarantees in accordance with the policy set out in Note 1(u) as the present value of the difference in net cash flows is not significant.

# 36. Events after the reporting period

On 13 July 2018 Lindsay Australia limited completed settlement of the acquisition of a property in the key horticulture growing region in Bowen, Queensland for $1.05 million for the property and associated plant and equipment. The property will be utilised for both Transport and Rural divisions. Additional capital improvements to the property of $150,000 are forecast to be completed in FY2019.

# Directors’ Declaration

In the directors’ opinion:

a. The attached financial statements and notes are in accordance with the *Corporations Act 2001,* including:

   i. Complying with Accounting Standards, the Corporations Regulations 2001; and other mandatory professional reporting requirements, and

   ii. Giving a true and fair view of the company’s and consolidated entity’s financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

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; and

c. At the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 32 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 32.

Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

**John F Pressler**

*Chairman of Directors*
Brisbane, Queensland

23 August 2018

PITCHER PARTNERS

Level 38, 345 Queen Street
Brisbane, Queensland 4000

Postal Address
GPO Box 1144
Brisbane, Queensland 4001

Tel +61 7 3222 8444
Fax +61 7 3221 7779
**www.pitcher.com.au**
**info@pitcherpartners.com.au**

## Independent Auditor's Report
## To the Members of Lindsay Australia Limited

### Report on the Audit of the Financial Report

*Opinion*

We have audited the financial report of Lindsay Australia Limited, "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2018, 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 June 2018 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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Ken Ogden | Peter Camenzuli | Kylie Lamprecht | Warwick Face | Simon Chun | James Field
Nigel Fischer | Jason Evans | Norman Thurecht | Nigel Batters | Jeremy Jones | Daniel Colwell
Mark Nicholson | Ian Jones | Brett Headrick | Cole Wilkinson | Tom Splatt

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*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 matter |
|---|---|
| **Impairment of goodwill**<br>***Refer to Note 16: Intangible Assets*** | |
| At 30 June 2018 the Group's balance sheet includes goodwill amounting to \$7.561 million relating to historical business acquisitions.<br>In accordance with AASB136 *Impairment of Assets*, an annual impairment test is performed which requires management to exercise judgement in determining the key assumptions to calculate the recoverable amount using a value-in-use model. Key assumptions in the model include discount rates, annual revenue and terminal growth rates and interest rates.<br>The key assumptions and a sensitivity analysis is included in Note 16.<br>It is due to the use of key estimates and judgement that this is a key area of audit focus. | Our procedures included, amongst others:<br>• Checking management's calculations for accuracy;<br>• Critically assessing the reasonableness of key inputs including assumptions, considering supporting documentation and historic performance, where available; and<br>• Performing a sensitivity analysis of management's calculations to assess the level of headroom available.<br>We also considered the adequacy of the Group's disclosures on goodwill impairment in light of the requirements of the Australian Accounting Standards. |

*Other Information*

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 June 2018, 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 has 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 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.

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 pages 19 to 26 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Lindsay Australia Limited, for the year ended 30 June 2018, 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.

Pitcher Partners

PITCHER PARTNERS

J. Evans

JASON EVANS
Partner

Brisbane, Queensland
23 August 2018

# Corporate Governance Statement Introduction

The board of Directors of Lindsay Australia Limited is responsible for the corporate governance of the consolidated entity. The board guides and monitors the business and affairs of Lindsay Australia Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Lindsay Australia Limited's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations. Lindsay Australia Limited's Corporate Governance practices recognise the Company's market capitalisation and the complexity of its operations. For further information on corporate governance policies adopted by Lindsay Australia Limited, refer to our website: www.lindsayaustralia.com.au

## Contents

# Principle 1

## Lay solid foundations for management and oversight

### Recommendation 1.1

Recognise and publish the respective roles and responsibilities of the board and management.

*During the financial year the Company was governed in accordance with its Corporate Governance Charter adopted by the board. The Corporate Governance Charter is published on the Company's website*.

The Company should establish the functions reserved to the board and those delegates to senior executives and disclose those functions.

*The Corporate Governance Board charter reserves powers for the board. Functions not reserved to the Board are delegated to senior management.*

### Recommendation 1.2

Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director. Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.

*The Company undertakes appropriate checks and evaluation before appointing or re-appointing a person including putting forward a candidate for election as a director. The Corporate Governance Charter outlines the process for appointment and retirement of members of the board including the provision of relevant information to security holders.*

### Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

*The Company has entered into agreements with Directors and senior executives, these documents together with the Corporate Governance charter outline roles, responsibilities and expectations.*

### Recommendation 1.4

The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

*The Company Secretary has access to all Board members and the primary functions are to assist and advise the Board on governance matters and compliance with internal processes. The role of the Company Secretary is outlined in the board charter which support the recommendations. The Company Secretary's appointment and engagement terms reflect the requirements of the recommendations.*

### Recommendation 1.5

A listed entity should:

a. Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them

b. Disclose the policy or a summary of it; and

c. Disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:

    i. The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined senior executive for these purposes); or

    ii. If the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Act.

*The Diversity Policy is published on the Company's web site. The Board has established the following objectives in relation to gender diversity. The intention is to achieve the objectives over time as positions become available. The Board notes that some positions within the Company have time and physical demands that may make these jobs traditionally unattractive to women.*

| | Objective | 2018 | 2017 |
|---|---|---|---|
| Percentage of women in Group's workforce | 15% | 5% | 12% |
| Percentage of women in management positions | 20% | 12% | 14% |

The Company's Workplace Gender Equality Act public report for 2018 is available on the Company's website.

## Recommendation 1.6

A listed entity should:

a. Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
b. Disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company has adopted processes concerning the evaluation and development of the board, board committees and individual directors. Procedures include an internal Board assessment. The Corporate Governance Statement outlines the skills criteria for Directors of the Company.

*During the 2018 financial Year, an internal board performance assessment was performed and reviewed against the criteria. The review did not result in any governance or other changes.*

## Recommendation 1.7

A listed entity should:

a. Have and disclose a process for periodically evaluating the performance of its senior executives; and
b. Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

*The Company's Corporate Governance Charter details the procedures for performance reviews and evaluation. Senior executives are subject to formal/informal evaluations against individual performance and business measures either on an ongoing or annual basis.*

# Principle 2

**Structure the board to add value – Have a board of an effective composition, size, and commitment to adequately discharge its responsibilities and duties.**

## Recommendation 2.1

The board of a listed entity should:

a. Have a nomination committee which:
   i. Has at least three members, a majority of whom are independent directors; and
   ii. is chaired by an independent director; and disclose:
   iii. the charter of the committee;
   iv. the members of the committee; and
   v. as at the end of each reporting period, the number of times the committee met throughout the reporting period and the individual attendances of the members at those meetings.
b. If it does not have a nomination committee, disclose the fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skill, knowledge and experience, independence and diversity to enable it to discharge its duties responsibly and effectively.

*The Company does not have a nomination committee. The board believes that due to the Company's relatively small size a nominations committee is not necessary as the board can undertake all functions normally delegated to a nomination committee. The Selection and Re-appointment of Directors Policy contains procedures for the appointment and resignation of Directors. The Board Charter also outlines the requirements for the composition of the board.*

## Recommendation 2.2

A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

*The Company's objective is an appropriate mix of skills, experience and expertise and attributes relevant to the board in discharging its responsibilities.*

| Skills/Expertise | Experience | Attributes |
|---|---|---|
| Strategy | Transport Industry | Integrity |
| Financial | Agriculture Industry | Communication |
| Governance | Import Export Industry | Commitment |
| Risk Management and Safety | Property | Innovation |
| Policy, Legal, Compliance | | Influence |
| Government & Stakeholders | | |
| Culture & Values | | |
| Executive Management | | |
| Information Technology | | |

## Recommendation 2.3

A listed entity should disclose:

a. The names of directors considered by the board to be independent directors;

b. If a director has an interest, position, association or relationship of the type described in box 2.3 of ASX Corporate Governance Principles and Recommendations, but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest position, association or relationship in question and an explanation of why the board is of that opinion; and

c. The length of service of each director.

| Director | Status | Date of appointment | Length of Service | Interest/Association |
|---|---|---|---|---|
| J F Pressler | Non-Executive. Independent Director | 08/01/1997 | 21 years (as at 08/01/2018) | |
| R A Anderson | Non-Executive. Independent Director | 16/12/2002 | 15 years (as at 16/12/2017) | |
| M K Lindsay | Executive. Non Independent | 26/11/1996 | 21 years (as at 26/11/2017) | Chief Executive Officer |
| G D Farrell | Non-executive. Non Independent | 17/11/2005 | 12 years (at 17/11/2017) | Substantial Shareholder |

## Recommendation 2.4

The majority of the board of a listed entity should be independent directors.

*The Company has not complied with this recommendation, there are four members of the board of directors, two of which are considered independent directors. Directors of Lindsay Australia Limited are considered to be independent when they are independent of management and free from any material business or other relationship that could interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement In the context of director independence, a factor is considered "material" if it is greater than 5% of either sales or purchases of the Group. In accordance with the definition of independence detailed on the Company's website, the following Directors of Lindsay Australia Limited are considered to be independent:*

- *J F Pressler*
- *R A Anderson*

*The board does not consider the expense of increasing the number of independent directors so that a majority of independent directors is obtained is justified. The board considers the current composition of a board an appropriate blend of skills and experience relevant to the Company's business. The board will assess independence when any new appointments are made.*

*There are procedures in place, agreed by the board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.*

## Recommendation 2.5

The chair of the board of a listed entity should be an independent director, and, in particular, should not be the same person as the Chief Executive Officer of this entity.

*The Company complies with this recommendation. Mr J.F. Pressler, an independent director, is the Chair. Mr M.K Lindsay is the Chief Executive Officer.*

## Recommendation 2.6

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain their skills and knowledge needed to perform their role as directors effectively.

The board assumes responsibility for new board member induction, education and development. The Corporate Governance Charter requires new directors to be provided with relevant information, induction and opportunities for training, and the opportunity to take independent advice at the expense of the Company.

# Principle 3

### Promote ethical and responsible decision-making

## Recommendation 3.1

A listed entity should:

a. Have a code of conduct for its directors, senior executives and employees; and;

b. Disclose the code or a summary of it:

A formal Code of Ethics forms part of the Corporate Governance Charter that is disclosed on the Company's website. The Company has a code of conduct, equal opportunity policy and Employee Workplace and Safety Handbook applicable to all employees, a summary of these policies is disclosed on the Company's website.

# Principle 4

### Safeguard integrity in corporate reporting

## Recommendation 4.1

The board of a listed entity should:

a. Have an audit committee which:
    - i. Has at least three members, all of whom are non-executive directors and a majority of whom are independent directors
    - ii. Is chaired by an independent director who is not the chair of the board,
    - iii. and disclose:
    - iv. The charter of the committee;
    - v. The relevant qualifications and members of the committee; and
    - vi. In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b. If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and rotation of the audit engagement partner.

The board has established an audit and risk committee, which operates under a charter approved by the board. The charter is contained in the Company's Corporate Governance Charter which is available on the Company's website.

The Chairman of the committee is Mr RA Anderson, an independent director. The members of the committee, meetings and attendances are contained in the Directors' Report to the Annual Report disclosed on the Company's website. All members of the audit and risk committee are non-executive Directors. There is a majority of independent directors on the committee.

The board has delegated the responsibility for the establishment and maintenance of a framework of internal controls and ethical standards for the management of the consolidated entity to the audit and risk committee.

It is the board's responsibility to ensure that an effective internal control framework and risk identification process exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

## Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a period, receive from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and control which is operating effectively.

*In respect of the relevant financial reporting period the Company's Chief Executive Officer and Chief Financial Officer provide the board with a declaration in accordance with S.295A of the Corporations Act which is consistent with Recommendation 4.2.*

## Recommendation 4.3

A listed entity that has an Annual General Meeting should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

*Representative of the Company's auditor attends the Annual General Meeting and be available to answer questions from security holders.*

# Principle 5

**Make timely and balanced disclosure – Promote timely and balanced disclosure of all material matters concerning the Company.**

## Recommendation 5.1

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance.

*The Company has adopted a Continuous Disclosure Policy and has complied with the continuous disclosure requirements of Chapter 3 of the Australian Securities Exchange Listing Rules. The Corporate Governance Charter contains additional requirements. The continuous disclosure obligations are reviewed at each board meeting.*

# Principle 6

**Respect the rights of security holders**

## Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

*The Corporate Governance Charter is available on the website together with other Company policies. The website provides details of the key business divisions, copies of recent annual reports, other relevant publications; and investor information.*

## Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

*The board encourages attendance at meetings and is available to shareholders at general meetings. General meetings are set well in advance of their scheduled date to facilitate maximum attendance by shareholders. Investors may communicate directly with the company in person or electronically via the website.*

## Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders

*The Company's notice of meetings is clear, concise and effective, shareholders receive notice of meetings in hard copy. All general meetings of the Company allow shareholder participation through the opportunity to ask questions directly of the board prior to a poll or vote.*

## Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

*The Company's share registry is maintained electronically through Computershare Limited, a link is provided on the Company's website. Contact information for Computershare Limited is also provided in the annual report. Security holders can also contact the Company electronically via the Company's website.*

# Principle 7

**Recognise and manage risk**

## Recommendation 7.1

The board of a listed entity should:

a. Have a committee or committees to oversee risk, each of which:
   i. Has at least three members, a majority of whom are independent directors;
   ii. Is chaired by an independent director and disclose:
   iii. The charter of the committee;
   iv. The members of the committee;
   v. As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings
b. If it does not have a risk committee or a committee that satisfies (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.

*The board has established an audit and risk committee, which operates under a charter approved by the board. The charter is contained in the Company's Corporate Governance Statement which is available on the Company's website. The chairman of the committee is Mr RA Anderson, an independent director. The members of the committee, meetings and attendances are contained in the Directors' Report to the Annual Report disclosed on the Company's website. All members of the audit and risk committee are non-executive Directors. There is a majority of independent directors on the committee.*

*The board has delegated the responsibility for the establishment and maintenance of a framework of internal controls and ethical standards for the management of the consolidated entity to the audit and risk committee.*

*It is the board's responsibility to ensure that an effective internal control framework and risk identification process exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.*

*The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The board considers risks at each board meeting. The Board assesses risk and risk issues at each board meeting described further under recommendation 7.2.*

## Recommendation 7.3

A listed entity should disclose if it has an internal audit function, how the function is structured and what role it performs or if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

*The Company does not have an internal audit function. The board considers that due to the relatively small size of the Company such a function would not be cost effective. Details of financial risks are provided in Note 2 to the Financial Statements. The board may engage an independent third party to undertake the equivalent activities of internal audit at any time if it requires.*

## Recommendation 7.4

The Company actively considers and monitors business and other risks but does not consider it has material exposure to these risks. Where possible the Company looks to adopt products or processes that have a positive environmental or social sustainability impact.

*The board has established an environmental and occupational health and safety committee, details on meetings, membership and attendance are contained in the Directors Report to the Annual Report located on the Company's website. It is the board's responsibility to ensure that the Company observes all regulatory compliance, is proactive in achieving environmental outcomes consistent with sustainable development, and to provide a safe workplace by identifying and managing risks in the workplace. The board has delegated the responsibility for these functions to the environmental and occupational health and safety committee.*

# Principle 8

**Remunerate fairly and responsibly**

## Recommendation 8.1

The board of a listed entity should:

a. Have a Remuneration Committee which:
   i. has at least three members, a majority of whom are independent directors; and
   ii. is chaired by an independent director; And disclose:
   iii. the charter of the committee; and
   iv. the members of the committee; and
   v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the member at those meetings; or

b. If it does not have a Remuneration Committee, disclose the fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive

*The Company has established a Remuneration Committee. The Remuneration Committee has a formal charter contained in the Corporate Governance Charter on the Company's website. The members of the committee, meetings and attendances are disclosed in the Directors report to the Annual Report disclosed on the Company's website.*

*The Company does not meet the recommendation of the Remuneration Committee having an Independent Chairman, however the committee has a majority of independent directors. The current chairman of the committee is Mr G.D Farrell, as a non-executive director and material shareholder of the Company. The board considers Mr Farrell appropriately qualified to chair the committee to oversee matters of remuneration.*

*It is the Company's objective to provide maximum security holder benefit from the retention of a high quality board and executive team, by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive Directors' and officers' remuneration to the Company's financial and operational performance.*

1. *Retention and motivation of key executives;*
2. *Attraction of quality management to the Group; and*
3. *Performance incentives which allow executives to share the rewards of the success of Lindsay Australia Limited.*

*For details on the amount of remuneration and all monetary and non-monetary components for each of the key management personnel during the year and for all Directors, refer to the Remuneration Report contained in the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the board, having regard to the overall performance of Lindsay Australia Limited and the performance of the individual during the period.*

*There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors. The board is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Chief Executive Officer and the key management personnel.*

*The remuneration policy is disclosed in the Remuneration Report contained in the Directors' Report. There were no material changes to that policy during the year. Due to the relatively small size of the Company the only direct link between remuneration and performance of the Company for the Chief Executive Officer and Senior Executive staff is by the potential issue of options or performance rights over shares. At any review the performance of the Company and the contribution by particular executives form part of the process. Details of the remuneration of the Directors and the key management personnel of the Group is disclosed in the Remuneration Report.*

## Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

*Executives will be remunerated by way of salary and statutory superannuation. Senior Executives may participate in a performance based incentive structure. The Company complies with the guidelines of the Council, specifically Non-executive Directors do not receive options or bonus payments nor retirement benefits other than statutory superannuation. Refer also to the Remuneration Report contained in the Directors' Report.*

## Recommendation 8.3

A listed entity which has an equity based remuneration scheme should:

a. Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

b. Disclose the policy or a summary of it.

*The Company has a limited equity based incentive scheme applying to a small number of senior executives only. Trading in Company securities is regulated by the Securities Trading Policy disclosed on the Company's website. Trading activities relating to any short term or speculative gain is prohibited.*

# Shareholder Information

Information relating to security holders as at 1 August 2018.

## Distribution of Shareholders

| Range | Number of Shareholders | Number of Shares |
|---|---|---|
| 1- 1,000 | 105 | 22,632 |
| 1,001 – 5,000 | 324 | 895,180 |
| 5,001 – 10,000 | 229 | 1,845,755 |
| 10,001 – 100,000 | 859 | 32,594,204 |
| 100,001 and over | 209 | 258,795,456 |
| Total | 1,726 | 294,153,227 |

Number of holdings less than a marketable parcel of shares – 145 (1,316 shares)

## Top Twenty Shareholders

| Name | Number of Shares | % of Issued Shares |
|---|---|---|
| WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED | 55,526,491 | 18.88 |
| ANKLA PTY LTD | 22,104,631 | 7.51 |
| BKI INVESTMENT COMPANY LIMITED | 16,783,130 | 5.71 |
| SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C> | 15,901,694 | 5.41 |
| MILTON CORPORATION LIMITED | 12,843,330 | 4.37 |
| MULAWA HOLDINGS PTY LTD | 12,687,412 | 4.31 |
| MR THOMAS KELSALL LINDSAY + MR THOMAS GLEN LINDSAY <LINDSAY BROTHERS S/F A/C> | 10,604,402 | 3.61 |
| POLTICK PTY LTD | 10,108,181 | 3.44 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 7,325,996 | 2.49 |
| LINDSAY SUPER CO PTY LTD <LINDSAY FAMILY S/F A/C> | 6,219,739 | 2.11 |
| SKYLEVI PTY LTD <SUPERFUN SUPER FUND A/C> | 3,613,067 | 1.23 |
| K & D LINDSAY PTY LTD <D LINDSAY FAMILY A/C> | 3,222,148 | 1.1 |
| RM & DM PELL PTY LTD <PELL FAMILY SUPER FUND A/C> | 3,104,592 | 1.06 |
| HEADING EAST PTY LTD <HEADING EAST 2012 S/F A/C> | 2,549,506 | 0.87 |
| MS GRETA MARJORIE LINDSAY <THE GRETA LINDSAY NO 2 A/C> | 2,328,551 | 0.79 |
| CAROLINE HOUSE SUPERANNUATION FUND PTY LTD <THE CAROLINE HOUSE S/F A/C> | 2,100,108 | 0.71 |
| PROCO PTY LTD <THE COSOFF SUPER FUND A/C> | 2,100,000 | 0.71 |
| MR FRED SALOME | 2,000,000 | 0.68 |
| MR MATTHEW SINGLETON | 2,000,000 | 0.68 |
| YESOR PTY LTD <ORR SUPERANNUATION FUND A/C> | 2,000,000 | 0.68 |
| Totals: Top 20 holders | 195,122,978 | 66.35 |

# Substantial Shareholders

The names of substantial shareholders who have notified the company in accordance with section 671B of the Corporations Act 2001 are:

| Name | Number of Shares | % of Issued Shares |
|---|---|---|
| WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED | 55,526,491 | 18.88 |
| MIZIKOVSKY GROUP | 35,862,199 | 12.3 |
| BKI INVESTMENT COMPANY LIMITED | 16,783,130 | 5.71 |
| ENDEAVOR ASSET MANAGEMENT PTY LTD | 14,795,482 | 5.03 |

## Voting Rights of Ordinary Shares

The holders of ordinary shares in the Group are entitled at any general meeting, either in person or by proxy, on a show of hands, to one vote, and on a poll to one vote for each fully paid share.

## On-market Buy Back of Shares

There is no current on-market buyback of shares.

## Other Equity Instruments

| Details | Quantity | Exercise Price |
|---|---|---|
| M K Lindsay: Unlisted share options over ordinary shares – Not vested | 400,000 | $nil |
| W T Lorenz: Unlisted performance rights granted over ordinary shares – Not Vested | 137,827 | $nil |