Delecta Limited
ABN 92 009 147 924

ANNUAL FINANCIAL REPORT

for the year ended 30 June 2016

Directors	Bradley Moore - Non-Executive Chairman Malcolm Day - Managing Director Hans-Rudolf Moser - Non-Executive Director
Company Secretary	John Burness
Registered Office	170-180 Buckhurst Street South Melbourne, Victoria, 3205 Telephone: (61 3) 9695 5858 Facsimile: (61 3) 9686 0644
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Quoted on: Australian Stock Exchange	Code: DLC
German Stock Exchanges	WKN 873083

Delecta Limited – Annual Report
Contents Page

Directors' Report	**4**
Auditor’s Independence Declaration	**14**
Consolidated Statement of Comprehensive Income	**15**
Consolidated Statement of Financial Position	**16**
Consolidated Statement of Cash Flow	**17**
Consolidated Statement of Changes in Equity	**18**
Notes to the Financial Statements	**19**
Directors’ Declaration	**57**
Independent Audit Report	**58**
Corporate Governance Policy	**60**
Additional Shareholder Information	**64**

The directors of Delecta Limited ("the Company") submit their report for the year ended 30 June 2016.

DIRECTORS

The directors in office at the date of this report and at any time during the financial year are as follows. Directors were in office for the entire year unless otherwise stated.

Bradley Moore
Malcolm Day
Hans-Rudolf Moser

INFORMATION ON DIRECTORS

Bradley Moore (Non-Executive Chairman)

Mr Moore was appointed as the Company's Non-Executive Chairman on 5 August 2010.

Mr Moore holds a Bachelor of Commerce in accounting and corporate administration and has in excess of 20 years accounting, strategic analysis, financial management, general management and corporate experience.

Mr Moore spent seven years at News Limited's Western Australian newspaper, "The Sunday Times", following which he played an integral role in the management of several listed public companies for the next 10 years. Currently Mr Moore is the Western Australian State Manager for one of Australia's largest privately owned transport and logistics organisations. He is a director of Ontel Communications Pty Ltd and has acted as a non-executive director and chairman of numerous listed entities, and their subsidiaries.

Malcolm Day (Managing Director)

Mr Day worked in the civil construction industry for approximately ten years, six of which were spent in senior management roles, as a Licensed Surveyor and then later as a Civil Engineer.

In January 1996, Mr Day joined the Barbarellas group of companies as an executive director. At the same time he co-founded Adult Communication Services Pty Ltd ("ACS"), which grew to be one of Australia's largest providers of adult telephone services. Since November 2011, Mr Day has privately owned 100% of adultshop.com which is one of Australia's largest retailers of adult products and Calvista Australia Pty Ltd's largest customer.

Mr Day is a Member of the Australian Institute of Company Directors.

In July 2012, Mr Day was appointed as a non-executive director of Paynes Find Gold Limited (subsequently renamed European Lithium Limited).

Hans-Rudolf Moser (Non-Executive Director)

Mr Moser is a resident of Switzerland with over 20 years' experience in the Swiss banking and finance industry. He is currently a principal of a European portfolio manager.

COMPANY SECRETARY

John Burness, B.Compt. (Hons), C.A.

Mr Burness is the Group's Chief Financial Officer and was appointed Company Secretary in November 2004. He is a Chartered Accountant with 29 years post qualification experience in public practice and commerce and industry. He has a total of 16 years' experience acting as company secretary for publicly listed companies.

DIRECTORS' INTERESTS IN SHARES

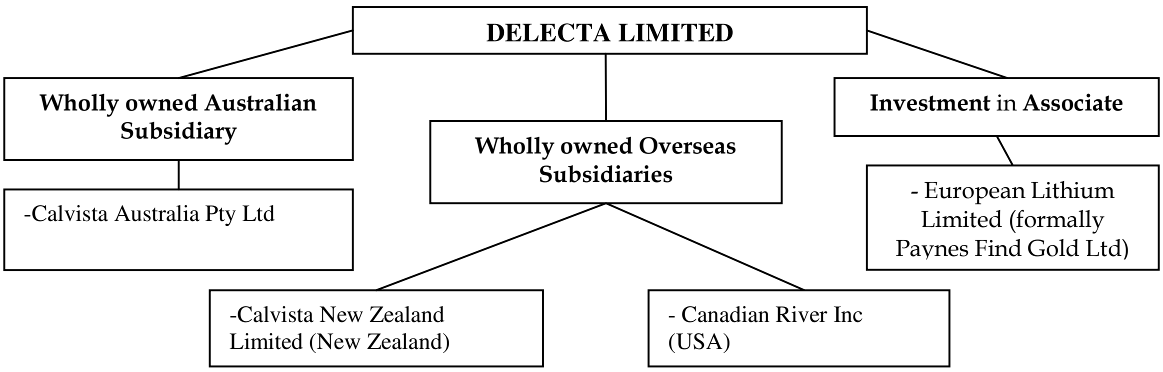
As at the date of this report, the interests of the directors in shares of the Company were:

	Ordinary Shares -Indirect
M Day	171,139,768
H Moser	53,794,943
B Moore	50,794,943

CORPORATE INFORMATION

Corporate structure

Delecta Limited is a company limited by shares that is incorporated and domiciled in Australia. Delecta Limited has prepared a consolidated financial report incorporating the entities that it controlled or had significant influence over during the financial year (the "Group" or the "Consolidated Entity"). The principal subsidiaries are outlined in the following illustration of the Group's corporate structure:



Employees

The consolidated entity employed 30 employees as at 30 June 2016 (2015: 30 employees).

Nature of operations and principal activities

The principal activities during the year of entities within the consolidated entity were:

- The wholesale distribution of adult products
- Investment in gold exploration company
- Investment in oil and gas operation

GROUP OVERVIEW

Wholesale

In September 2000, the Company entered the adult products wholesale market with the acquisition of Calvista Australia Pty Ltd. Calvista, the largest wholesaler of adult products in Australia, has been in operation for over 20 years, operates with its head office and warehouse in Melbourne and a showroom in Sydney.

The acquisition in May 2005 of Video Wholesalers in New Zealand included a wholesale operation which the group continues to operate under the name Calvista New Zealand Limited.

Mining Investment

In June 2012, the Group acquired a 24.91% interest in Paynes Find Gold Limited (PNE). At 1 July 2015 this interest had increased to 46.6% as a result of the Company exercising its rights in two successive rights issues. This interest had however reduced to 15.1% by 30 June 2016 due to a further rights issue not taken up by the Company.

Subsequent to the year end, PNE changed its name to European Lithium Limited. After completing the acquisition of 100% of European Lithium AT (Investments) Limited (the owner and holder of Wolfsberg Lithium Project in Austria) and a successful capital raising, the company was relisted on the Australian Stock Exchange.

Oil and Gas Operations

On 25 September 2014, the Group acquired an 80% working interest and a 58% net revenue interest in an oil and gas project, the Wise I-25 Well, situated within the Canadian River Project area, in Okfuskee County, Oklahoma.

To date the Wilcox Sandstone formation has still not been perforated and thus full commercial production has not commenced whilst economic quantities of oil and gas continue to be drawn from the Viola Limestone formation. As such until the commercial target formation is perforated, the well is considered to still be in the testing and evaluation phase.

Net oil and gas revenue totalled $246,000 for the period and has been set off against the cost of the investment.

REVIEW OF OPERATIONS AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The consolidated entity recorded a net loss of $172,000 from continuing and total operations (2015: loss $2,041,000). The total loss per share for the year was 0.03 cents (2015: loss 0.32 cents).

Group revenues from continuing operations for the year increased by 2% to $17,279,000, with the Group recording a net loss of $72,000 from operations before accounting for its share of its associate Paynes Find Gold Limited's loss of $100,000.

The following segment information is non-IFRS information that has been disclosed to assist users in understanding the Group's operations:

Year ended 30 June 2016 (unaudited)

Operating Segment	Sales and services revenues to external customers $'000	Other income $'000	Earnings before interest, tax, depreciation, amortisation and impairment $'000	Depreciation and amortisation $'000	Net interest received $'000	Profit / (loss) before income tax $'000
Wholesale	17,273	369	800	(189)	-	611
Unallocated	-	-	(689)	-	6	(683)
Total	17,273	369	111	(189)	6	(72)
Share of loss of associate						(100)
						(172)

Year ended 30 June 2015 (unaudited)

Operating Segment	Sales and services revenues to external customers $'000	Other income $'000	Earnings before interest, tax, depreciation, amortisation and impairment $'000	Depreciation and amortisation $'000	Net interest received $'000	Profit / (loss) before income tax $'000
Wholesale	16,946	501	33	(204)	-	(171)
Unallocated	-	-	(879)	-	34	(845)
Total	16,946	501	(846)	(204)	34	(1,016)
Impairment of goodwill & other financial assets						(491)
Canberra warehouse lease costs provision						(184)
Share of loss of associate						(350)
						(2,041)

Wholesale

A renewed focus on the division's major suppliers and customers, after the loss of some exclusivity and distribution rights in the prior year, saw the wholesale division record a 2% increase in wholesale revenues for the period.

The continuing focus on cost savings, including the move to a new distribution centre in Melbourne in July 2015 and the closure of the New Zealand warehouse at the end of the prior financial year, has resulted in the division recording a net profit of $611,000 for the year, up from a net loss of $171,000 in the prior year.

The division's profitability in the 2016-2017 financial year is expected to continue to increase.

Unallocated expenditure

Head office / corporate expenditure for the year decreased from $879,000 to $689,000 while the net interest received decreased by $34,000 to $6,000 on lower cash balances and interest rates.

REVIEW OF FINANCIAL CONDITION

Capital Structure

No ordinary shares were issued during the current financial year and no ordinary shares have been issued between the year end and the date of this report.

Cash from Operations

The Group recorded a net operating cash inflow of $17,000 (2015: outflow $532,000) for the year.

Liquidity and Funding

The Group has sufficient cash resources and forecast cash flows to fund its current and anticipated level of operations.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue to focus on increasing profitability by concentrating on its core operations.

DIVIDENDS

No dividends have been paid or recommended during or since the end of the current financial year (2015: Nil).

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matter or circumstance has arisen since the end of the financial year to the date of this report which 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.

TAX CONSOLIDATION LEGISLATION

For the purposes of income tax in Australia, Delecta Limited and its 100% owned Australian subsidiaries have formed a tax consolidated group from 1 July 2003. The head entity of the tax consolidated group is Delecta Limited.

CORPORATE GOVERNANCE

In recognising the need for the highest standard of corporate behaviour and accountability, the directors of Delecta Limited support and have endeavoured to adhere to the principles of corporate governance.

The Company's corporate governance statement is set out on page 62 of this annual report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company indemnifies all directors and officers of the Company against liability for costs and expenses incurred in defending proceedings brought against them in their role as a director or officer of the Company to the extent permitted under the law. In the current and prior year insurance policies were taken out to cover these costs.

DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Company's directors during the year ended 30 June 2016 and the number of meetings attended by each director.

	Maximum Possible	Number Attended
Mr M Day	11	11
Mr H R Moser	11	3
Mr B Moore	11	11

Audit and Remuneration Committees

With the board consisting of only three directors, it is considered to be neither beneficial nor practical to maintain separate audit and remuneration committees.

SHARE OPTIONS

Unissued shares

At the date of this report, there were no options over unissued ordinary shares in the company.

Shares issued as a result of the exercise of options

No shares were issued on the exercise of options during the current year and between the year end and the date of this report.

ENVIRONMENTAL REGULATIONS

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst and Young during or since the financial year.

ROUNDING

The amounts contained in this report and the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Instrument 2016/191. The Company is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Auditor Independence

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Delecta Limited with an Independence Declaration in relation to the audit of the full year financial report. The Independence Declaration is attached to and forms part of this Directors' Report (see page 14).

Non Audit Services

No non audit services were provided by the entity's auditor, Ernst & Young, during the year under review or up until the date of this report

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent company.

For the purposes of this report, the term 'executive' encompasses the Chief Executive, senior executives, general managers and secretaries of the Parent and the Group.

Details of Key Management Personnel

(i) Directors

B Moore	Chairman (non-executive)
M R Day	Managing Director
H R Moser	Director (non-executive)

(ii) *Executives*

R Sheldon-Collins	General Manager- Calvista Australia Limited
J Burness	Chief Financial Officer and Company Secretary – Delecta Limited Financial Controller – Calvista Australia Pty Ltd

There were no changes in directors or key executives during the financial year or after reporting date and before the date the financial report was authorised for issue.

Remuneration Policy

The performance of the Company and the Group depends upon the quality of its directors and executives. To prosper, the consolidated entity must attract, motivate and retain appropriately skilled directors and executives. To this end, the consolidated entity embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre directors and executives;
- Establish appropriate performance hurdles against which performance is measured in arriving at executive's remuneration levels;
- Align the interests of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

There is a link between variable remuneration of executives and Group performance. The Group performance over the past 5 years is as follows:

Year ended 30 June:	2016	2015	2014	2013	2012
Net (loss) / profit '000	(172)	(2,041)	(2,651)	(1,109)	664
Closing share price	$0.006	$0.003	$0.008	$0.003	$0.005

Remuneration Committee

The Board of Directors is responsible for reviewing and recommending compensation arrangements of directors, the managing director and the executive team and no separate remuneration committee has been appointed.

The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Non-Executive Director Remuneration

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 28 November 2006 when shareholders approved an aggregate remuneration of $300,000 per annum.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed from time to time. The board considers the time commitment and expertise of the individual directors and fees paid to non-executive directors of comparable companies when undertaking the review process.

Non-executive directors are not required to hold shares in the Company, nor are they encouraged or precluded from doing so. Non-executive directors may also be issued options from time to time as approved by shareholders in general meeting.

Executive Remuneration

It is the Board's policy that employment contracts are entered into with the Managing Director and key executives. Employment contracts have no set termination dates and require six months notice in the case of the Managing Director and three months for the other executives. The employment contracts allow for payments in lieu of notice equal to the entitlements that the executive would have been entitled to had they remained employed for the notice period.

Remuneration of executives consists of fixed remuneration and variable remuneration.

Variable Remuneration – Short Term Incentives
Short term incentives (STI) paid in the form of cash bonuses link the achievement of the consolidated entity's operational targets with the remuneration received by executives, other than the executive director, charged with meeting these targets. The potential incentive available is set at a level so as to provide sufficient incentive to the executive to achieve and then exceed operational targets and such that the cost to the Group is reasonable in the circumstances. These measures are chosen as they represent the key drivers for short term success of the business and provide a framework for delivering long term value.

Actual incentive payments granted to executives depends on the extent to which specific operating targets set at the beginning of the year are met. The operational target consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial performance such as contribution to financial results, utilisation of the Group resources and contribution to the development of new business units. The Group has predetermined benchmarks which must be met in order to trigger payments under the short term incentive scheme, with due allowance to be made for unforseen events, or events outside of the executives control as approved by the Board.

A bonus of 5% of net profit over budget was payable to the General Manager and accrued for at year end. No other KMP was entitled to a bonus in the current year.

Remuneration of Key Management Personnel

The remuneration report details the remuneration arrangements for key management personnel (KMP)who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent.

Emoluments of Directors of Delecta Limited

Name	Office during the year	Short-term Salary / Dir. Fees $	Short-term Consultancy Fees $	Post Employment Super-annuation $	Total $
30 June 2016					
M R Day	Managing Director	80,000	240,000	7,600	327,600
H R Moser	Non-Executive Director	22,000	-	-	22,000
B Moore	Non-Executive Chairman	80,000	120,000	7,600	207,600
		182,000	360,000	15,200	557,200
30 June 2015					
M R Day	Managing Director	80,000	240,000	7,600	327,600
H R Moser	Non-Executive Director	22,000	-	-	22,000
B Moore	Non-Executive Chairman	80,000	120,000	7,600	207,600
		182,000	360,000	15,200	557,200

No emoluments paid or payable to directors in respect of the 2016 year (2015: nil) were performance related and no short term incentive scheme is or was in place for directors.

Emoluments of other Key Management Personnel of the consolidated entity

Name	Office during the year	Short-term Salary / Fees $	Cash Bonus $	Post Employ-ment Super-annuation $	Long-term Benefits Long Service Leave $	Total $	% Perform-ance related
30 June 2016							
R Sheldon-Collins	General Manager – Calvista Australia	206,548	6,237	19,622	-	232,407	2.7%
J Burness	CFO / Company Sec. (Delecta) & Financial Controller (Calvista)	165,699	-	15,741	2,557	183,997	-
		372,247	6,237	35,363	2,557	416,404	
30 June 2015							
M Bassett*	CEO – Calvista Australia	54,976	-	5,222	1,232	61,430	-
R Sheldon-Collins	General Manager – Calvista Australia	155,857	-	14,779	-	170,636	-
J Burness	CFO / Company Sec. (Delecta) & Financial Controller (Calvista)	153,425	-	14,545	2,557	170,527	-
		364,258	-	34,546	3,789	402,593	

* M Bassett ceased employment with the company on 7 August 2014.

Shareholdings of Key Management Personnel

Shares held in Delecta Limited (number)

	Balance 1 July 2015	Net change	Balance 30 June 2016
Directors			
M Day	**170,639,768**	**377,500***	**171,017,268**
H Moser	**53,794,943**	**-**	**53,794,943**
B Moore	**50,794,943**	**-**	**50,794,943**
Total	**275,229,654**	**377,500**	**275,607,154**

	Balance 1 July 2014	Net change	Balance 30 June 2015
Directors			
M Day	**170,639,768**	**-**	**170,639,768**
H Moser	**53,794,943**	**-**	**53,794,943**
B Moore	**50,794,943**	**-**	**50,794,943**
Total	**275,229,654**	**-**	**275,229,654**

* All shares were acquired on market

Messrs Burness and Sheldon-Collins did not hold any shares in Delecta Limited during the period. As at 30 June 2016 there are nil (2015: nil) options held by KMP's.

Other transactions with Key Management Personnel

Adultshop.com Pty Ltd, a company related to Mr Day, purchased goods and services to the value of $2,880,000 (2015: $2,042,000) from the Group. At year end $257,000 (2015:$248,000) was owing by Adultshop.com Pty Ltd to the group.

Sales and services provided to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

End of audited Remuneration report.

Signed in accordance with a resolution of the directors.

M R Day
Director
Perth, Western Australia
28 September 2016

Building a better working world

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Auditor's Independence Declaration to the Directors of Delecta Limited

As lead auditor for the audit of Delecta Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Delecta Limited and the entities it controlled during the financial year.

Ernst & Young

D A Hall
Partner
28 September 2016

Delecta Limited – Annual Report
Consolidated Statement of Comprehensive Income
for the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Continuing operations			
Revenue	**4(a)**	**17,273**	16,946
Cost of sales		**(12,934)**	(12,584)
Gross profit		**4,339**	4,362
Other income	**4(b)**	**487**	551
Distribution expenses		**(220)**	(142)
Marketing expenses		**(222)**	(178)
Administrative expenses		**(3,377)**	(4,064)
Occupancy expenses		**(456)**	(1,022)
Other expenses		**(623)**	(1,198)
Share of loss of associate	**12(b)**	**(100)**	(350)
Loss from continuing operations before tax and finance costs		**(172)**	(2,041)
Finance costs		**-**	-
Loss from continuing operations before income tax		**(172)**	(2,041)
Income tax expense	**5**	**-**	-
Loss for the period		**(172)**	(2,041)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation		**68**	613
Other comprehensive income for the period		**68**	613
Total comprehensive loss for the period		**(104)**	(1,428)
Loss per share attributable to ordinary equity holders of the company:			
Basic loss per share	**6**	**(0.03) cents**	(0.32) cents
Diluted loss per share	**6**	**(0.03) cents**	(0.32) cents

Delecta Limited – Annual Report
Consolidated Statement of Financial Position
as at 30 June 2016

	Note	2016 $'000	2015 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	**7**	**701**	515
Trade and other receivables	**8**	**2,022**	2,681
Inventories	**9**	**3,020**	3,280
Prepayments and deposits		**801**	632
Total Current Assets		**6,544**	7,108
Non-current Assets			
Property, plant and equipment	**10**	**276**	306
Goodwill	**11**	**-**	-
Investment in associate	**12**	**-**	100
Exploration and Evaluation	**13**	**3,729**	3,836
Other financial assets	**14**	**-**	-
Total Non-current Assets		**4,005**	4,242
TOTAL ASSETS		**10,549**	11,350
LIABILITIES			
Current Liabilities			
Trade and other payables	**16**	**887**	1,579
Provisions	**17**	**128**	129
Total Current Liabilities		**1,015**	1,708
Non-current Liabilities			
Provisions	**17**	**152**	156
Total Non-current Liabilities		**152**	156
TOTAL LIABILITIES		**1,167**	1,864
NET ASSETS		**9,382**	9,486
EQUITY			
Equity attributable to equity holders of the Parent			
Contributed equity	**18(a)**	**69,493**	69,493
Accumulated losses	**18(b)**	**(60,899)**	(60,727)
Reserves	**18(c)**	**788**	720
TOTAL EQUITY		**9,382**	9,486

Delecta Limited – Annual Report
Consolidated Statement of Cash Flow
for the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		**20,109**	19,350
Payments to suppliers and employees		**(20,097)**	(19,916)
Interest received		**5**	34
Net cash flows from /(used in) operating activities	**7**	**17**	(532)
Cash flows from investing activities			
Payment for the purchase of property, plant and equipment		**(208)**	(71)
Proceeds from disposal of fixed assets		**23**	42
Loan to associate repaid		**-**	250
Investment in associate		**-**	(450)
Acquisition of working interest in oil and gas project		**334**	(3,387)
Security deposit refunded / (paid)		**12**	(101)
Net cash flows from /(used in) investing activities		**161**	(3,717)
Net increase / (decrease) in cash and cash equivalents		**178**	(4,249)
Net foreign exchange differences		**8**	-
Cash and cash equivalents at beginning of period		**515**	4,764
Cash and cash equivalents at end of period	**7**	**701**	515

Delecta Limited – Annual Report
Consolidated Statement of Changes in Equity
for the year ended 30 June 2016

	Attributable to equity holders of the Company			
	Issued capital $'000	**Accumulated losses $'000**	**Other reserves $'000**	**Total $'000**
CONSOLIDATED				
At 1 July 2014	69,493	(58,686)	107	10,914
Other comprehensive income				
- Foreign currency translation	-	-	613	613
Loss for the year	-	(2,041)	-	(2,041)
Total comprehensive income for the year	-	(2,041)	613	(1,428)
At 30 June 2015	**69,493**	**(60,727)**	**720**	**9,486**
Other comprehensive income				
- Foreign currency translation	**-**	**-**	**68**	**68**
Loss for the year	**-**	**(172)**	**-**	**(172)**
Total comprehensive income for the year	**-**	**(172)**	**68**	**(104)**
At 30 June 2016	**69,493**	**(60,899)**	**788**	**9,382**

1. CORPORATE INFORMATION

The financial report of Delecta Limited (the Company) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 27 September 2016. Delecta Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian and German stock exchanges.

The nature of the operations and principal activities of the Group are described at page 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis. Except as disclosed below, the financial report has been prepared using the same accounting policies as used in the previous year. For the purpose of preparing the financial report the company is a for profit entity.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC ASIC Instrument 2016/191. The Company is an entity to which the class order applies.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) Adoption of new Accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2015.

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by Delecta Limited for the annual reporting period ending 30 June 2016. The standards that are effective from 1 July 2016 for the Consolidated Entity are not expected to materially impact the Consolidated Entity. Standards impacting the Consolidated Entity in future periods are still currently being assessed. These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9	Financial Instruments	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting.	1 January 2018	1 July 2018

(c) Adoption of new Accounting standards (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
		AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. *Classification and measurement* AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. *Financial assets* a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. *Financial liabilities* Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.		

(c) Adoption of new Accounting standards (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
		Impairment The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. Hedge accounting Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.		
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	AASB 2014-3 amends AASB 11 Joint Arrangements to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11 (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations This Standard also makes an editorial correction to AASB 11.	1 January 2018	1 July 2018
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.	1 January 2016	1 July 2016

(c) Adoption of new Accounting standards (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
		The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.		
AASB 15	Revenue from Contracts with Customers	AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.	1 January 2018	1 July 2018

(c) Adoption of new Accounting standards (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 16	Leases	The key features of AASB 16 are as follows: Lessee accounting • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. Lessor accounting • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. AASB 16 supersedes: (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases—Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.	1 January 2019	1 July 2019

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Delecta Limited and its subsidiaries as at 30 June each year (the "Group").

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

(e) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the appropriate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in the host contracts by the acquiree. Prior to 1 July 2009 the group applied the purchase method to account for the business combinations.

(f) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

(f) Operating segments (continued)

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

(g) Foreign currency translation

Both the functional and presentation currency of Delecta Limited and its Australian subsidiaries is Australian dollars ($). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences arising from the above stated procedures are taken to profit or loss.

The functional currencies of the foreign operations Calvista New Zealand Ltd (New Zealand) and Canadian River Inc. are New Zealand Dollars (NZD$) and United States Dollars (US$) respectively.

As at the reporting date the assets and liabilities of the subsidiary are translated into the presentation currency of Delecta Limited at the rate of exchange ruling at the reporting date and the profit and loss is translated at the average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(h) Cash and cash equivalents

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

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

(i) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to estimated future cash flows.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value.

Inventory consists of finished goods and includes the direct cost of each product and the costs incurred in bringing the product to its present location and condition, calculated as follows:

- purchase cost on a weighted average basis, after deducting any settlement discount and including logistics expenses incurred in bringing the inventories to their present location and condition.

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

(k) Investments and other financial assets

Initial recognition and measurement
Financial assets are classified as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value held for trading, directly attributable transactions costs. The Group determines the classification of its financial assets on initial recognition.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

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

Subsequent Measurement
(i) Financial assets at fair value through profit and loss
Financial assets at fair value through profit and loss include derivative and other financial assets determined as held for trading where they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit and loss are recorded in the Statement of Financial Position at their values with changes in fair value recognised in profit or loss.
(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(l) Joint arrangements

Joint arrangements are arrangements where two or more parties have joint control. Joint control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as ether a joint operation or a joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

(l) Joint arrangements (continued)

To the extent the joint arrangement provides the Group with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation and as such, the Consolidated Entity recognises its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly

To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method. Under the equity method, the cost of the investment is adjusted by the post-acquisition changes in the Group's share of the net assets of the joint venture.

(m) Investment in an associate

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of profit of an associate" in the profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the profit and loss.

(n) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – 3 to 10 years
Leasehold improvements – over the lease term

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

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

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

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the profit and loss.

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

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

(o) Leases

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

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

(o) Leases (continued)

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

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

(p) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets 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. 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 that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(q) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment.

(q) Goodwill (continued)

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

Impairment losses recognised for goodwill are not subsequently reversed.

(r) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Financial Guarantees
Financial Guarantees are initially recognised and measured at fair value. Subsequent to initial recognition they are measured at the higher of a provision, determined in accordance with AASB 137 Provisions, Contingent liabilities and Contingent Assets, and the initial amount less accumulated amortisation recognised in accordance with AASB 118 Revenue.

(s) Provisions

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

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(t) Employee leave benefits

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

(t) Employee leave benefits (continued)

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(u) 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

(v) Significant accounting estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions.

Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgments

Impairment of non-financial assets other than goodwill
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Assessment of Joint Arrangements
Judgement is required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. Judgement is also required to classify a joint arrangement as either a joint operation or joint venture. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement.

(ii) Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives
The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. No impairment loss was recorded in the current year (2015:441,000). The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 15.

(v) Significant accounting estimates and assumptions (continued)

Make good provisions
Provision is made for the anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with returning the premises to their original condition, fair wear and tear excepted. These future cost estimates are discounted to their present value. The calculation of this provision requires assumptions such as cost estimates and vacation dates. The related carrying amounts are disclosed in note 17.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related area interest itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

(w) Revenue recognition

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

(i) Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Risks and rewards of ownership are considered passed to the buyer on the receipt of payment in respect of cash sales and on the delivery of goods in the case of credit sales.

(ii) Interest income
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Revenue in the testing phase
Revenue recorded prior to commercial levels of production being recorded (during the testing phase) is capitalised against the relevant asset, as it is considered a necessary part of the development process to bring the asset to its intended use.

(x) Income tax

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

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

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

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

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

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

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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

Tax balances in the tax consolidated group are allocated using the group allocation method.

(y) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

• when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

• receivables and payables, which are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(z) Earnings per share

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

Diluted earnings per share is calculated as net profit attributable to members of the Parent, adjusted for:

• costs of servicing equity (other than dividends);

• the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

• other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(aa) Exploration and evaluation expenditure

The consolidated entity has a policy of writing off all exploration expenditure in the financial year in which it is incurred, unless its recoupment out of revenue to be derived from the successful development of the prospect, or from sale of that prospect, is assured beyond reasonable doubt.

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and;

i) it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or;
ii) exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

(aa) Exploration and evaluation expenditure (continued)

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off to the profit and loss or provided against.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment regularly and if after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely or that the Consolidated Entity no longer holds tenure, the relevant capitalised amount is written off to the profit or loss in the period when the new information becomes available.

3. OPERATING SEGMENTS

Identification of Reportable Segments

The Group has identified its operating segments based on its internal reports used by the executive team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold, whether retail or wholesale, and the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the executive management team on a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the manner in which the products or services are sold or provided as these are the sources of the Group's major risks and have the most effect on the rates of return.

Types of Products and Services

Wholesale
The wholesale segment divisions are those divisions that sell adult products directly to wholesale customers in Australia and New Zealand.

Oil and Gas Operations
On 25 September 2014, the Group entered the Oil & Gas industry through the acquisition of an interest in an oil and gas field development project in the United States of America.

3. OPERATING SEGMENTS (continued)

Accounting Policies and Inter-segment Transactions

The accounting policies used by the Group in reporting segments are the same as those contained in note 2 to the financial statements and in prior periods except as detailed below:

Inter-entity sales
Wholesale sales to the Group's New Zealand operation are recorded at cost (including transport & other costs where applicable).

Corporate Charges
Non-segmental expenses, such as head office expenses and expenses that are not directly attributable to a segment and not considered part of the core operations of any segment, are not allocated to operating segments by way of corporate charges.

These non-segment charges include:

- Head office expenses (group secretarial, insurances, audit fees, listing fees etc)
- Head office staff and directors salaries
- Group legal fees

Operating segments

The following tables present revenue and profit and loss information, and certain asset and liability information regarding operating segments for the years ended 30 June 2016 and 30 June 2015:

	Total Operations		
Year ended 30 June 2016	**Wholesale $'000**	**Oil and Gas $'000**	**Total $'000**
Revenue			
Sales to external customers	**17,273**	**-**	**17,273**
Total segment revenue	**17,273**	**-**	**17,273**
Unallocated finance income			**6**
Total consolidated revenue			**17,279**
Result			
Segment results	**611**	**-**	**611**
Unallocated expenses			
- Corporate expenses			**(689)**
- Net finance income			**6**
- Share of loss of associate			**(100)**
Net profit for year			**(172)**

3. OPERATING SEGMENTS (continued)

Year ended 30 June 2016	Total Operations		
	Wholesale $'000	**Oil and Gas $'000**	**Total $'000**
Assets and liabilities			
Segment assets	**5,966**	**3,797**	**9,763**
Unallocated assets			
- Cash and cash equivalents			**701**
- Other			**85**
Total assets			**10,549**
Segment liabilities	**1,149**	**-**	**1,149**
Unallocated liabilities			**18**
Total liabilities			**1,167**
Other segment information			
Capital expenditure	**208**	**-**	**208**
Depreciation	**189**	**-**	**189**

Year ended 30 June 2015	Total Operations		
	Wholesale $'000	**Oil and Gas $'000**	**Total $'000**
Revenue			
Sales to external customers	16,946	-	16,946
Total segment revenue	16,946	-	16,946
Unallocated finance income			34
Total consolidated revenue			16,980
Result			
Segment results	(171)	-	(171)
Unallocated expenses			
- Corporate expenses			(879)
- Net finance income			34
- Impairment of goodwill & other financial assets			(491)
- Canberra lease costs provision			(184)
- Share of loss of associate			(350)
Net profit for year			(2,041)

3. OPERATING SEGMENTS (continued)

Year ended 30 June 2015	Total Operations		
	Wholesale $'000	**Oil and Gas $'000**	**Total $'000**
Assets and liabilities			
Segment assets	6,677	3,971	10,648
Unallocated assets			
- Investment in associate			100
- Cash and cash equivalents			515
- Other			87
Total assets			11,350
Segment liabilities	1,742	38	1780
Unallocated liabilities			84
Total liabilities			1,864
Other segment information			
Capital expenditure	26	-	26
Depreciation	204	-	204

Geographical areas

The Group's geographical areas are determined based on the location of the Group's assets.

The following tables present revenue, expenditure and certain asset information regarding geographical areas for the years ended 30 June 2016 and 30 June 2015.

Year ended 30 June 2016	Total Operations			
	Australia $'000	**New Zealand $'000**	**United States $'000**	**Total $'000**
Revenue				
Sales to external customers	**15,834**	**1,439**	**-**	**17,273**
Finance income	**6**	**-**	**-**	**6**
Total segment revenue	**15,840**	**1,439**	**-**	**17,279**
Other segment information				
Segment non-current assets	**276**	**-**	**3,729**	**4,005**

3. OPERATING SEGMENTS (continued)

Geographical areas (continued)

Year ended 30 June 2015	Total Operations			
	Australia $'000	New Zealand $'000	United States $'000	Total $'000
Revenue				
Sales to external customers	15,282	1,664	-	16,946
Finance income	34	-	-	34
Total segment revenue	15,316	1,664	-	16,980
Other segment information				
Segment non-current assets	406	-	3,836	4,242

Sales are made to numerous customers. However, revenue from one customer amounted to 12% (2015: 12%) of total revenue recorded in the current period.

4. REVENUE AND EXPENSES

Revenue and expenses from continuing operations

	2016 $'000	2015 $'000
(a) Revenue		
Sale of goods	**17,273**	16,946
	17,273	16,946
(b) Other Income		
Finance income	**6**	34
Foreign exchange gain	**112**	-
Profit on sale of fixed assets	**-**	16
Sundry income	**369**	501
	487	551
(c) Depreciation, impairment, and amortisation of fixed assets included in income statement:		
Depreciation (note 10)	**189**	204
(d) Lease payments and other expenses included in income statement		
Included in occupancy expenses:		
Operating lease payments	**378**	888
(e) Employee benefit expense		
Included in administration expenses:		
Wages and salaries	**2,175**	2,499
Workers compensation costs	**27**	65
Superannuation expense	**213**	205
Provision for annual and long service leave	**(5)**	(180)
	2,410	2,589

4. REVENUE AND EXPENSES (continued)

	2016 $'000	2015 $'000
(f) Other		
Impairment charge for doubtful debts	**(40)**	(8)
Fair value adjustment of Other Financial Assets	**-**	50
Provision for inventory obsolescence	**64**	1,110
Provision for Canberra lease costs	**-**	184
Impairment of goodwill	**-**	441
Foreign exchange loss	**-**	119

5. INCOME TAX

	2016 $'000	2015 $'000
(a) Income tax expense / (benefit)		
The major components of income tax expense are:		
Current income tax expense / (benefit)	**(140)**	(1,094)
Deferred tax (expense) / credit arising from origination and reversal of temporary differences	**96**	814
Tax loss utilised	**(78)**	-
Deferred tax assets not brought to account	**122**	280
	-	-

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2016 $'000	2015 $'000
Accounting (loss)/ profit before tax from continuing operations	**(172)**	(2,041)
Accounting (loss) / profit before tax from discontinued operations	**-**	-
Total accounting loss before tax	**(172)**	(2,041)
At the Group's statutory income tax rate of 30% (2015: 30%)	**(52)**	(612)
Other non-deductible items	**-**	25
Share of loss of associate	**30**	105
Utilisation of tax losses	**(78)**	-
Impairment of goodwill and other financial assets	**-**	147
Net deferred tax assets not booked	**100**	335
Income tax expenses / (credit) reported in the statement of comprehensive income	**-**	-

The Group has tax losses arising in Australia of $16,853,000 (2015: $16,471,000) that are available for offset against future taxable profits.

Potential future income tax benefits attributable to tax losses carried forward have not been brought to account at 30 June 2016 because directors do not believe it is appropriate to regard realisation of the future tax benefit as probable. These benefits will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;

5. INCOME TAX (continued)

(ii) the consolidated entity continues to comply with the conditions for the deductibility imposed by law; and
(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deduction for the loss.

	Statement of Financial Position		Statement of Comprehensive Income	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
(b) Deferred Income tax				
Deferred income tax at 30 June relates to:				
Deferred tax assets				
Employee entitlements	**66**	67	**(1)**	(61)
Allowance for inventory obsolescence	**157**	187	**(30)**	(1,059)
Trade and other receivables	**84**	96	**(12)**	(2)
Provisions	**49**	53	**(4)**	(16)
Carried forward tax losses	**5,056**	4,941	**115**	1,037
	5,412	5,344		
Net (unrecognised)/ utilised deferred tax assets	**(5,412)**	(5,344)	**(68)**	101
Net deferred tax asset /(liability)	**-**	-		
Deferred tax expense			**-**	-

Tax Consolidation Legislation

Delecta Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2003. Delecta Limited is the head entity of the tax consolidated group. Members of the Group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis based on the taxable income of each entity. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

Members of the tax consolidation group have entered into a tax funding arrangement. Tax balances are allocated to members of the tax consolidation group using the group allocation method. No amounts have been recognised during the period (2015: nil) as tax consolidation contributions by, or distributions to, equity participants.

6. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

6. LOSS PER SHARE (continued)

	2016 $'000	2015 $'000
Net loss attributable to ordinary equity holders of the Parent from continuing operations	**(172)**	**(2,041)**
Loss attributable to discontinued operations	**-**	**-**
Net loss attributable to ordinary equity holders of the Parent	**(172)**	**(2,041)**

	2016 Number of shares	2015 Number of shares
Weighted average number of ordinary shares for basic earnings / loss per share	**633,496,205**	633,496,205

There were no options to acquire ordinary shares in the company on issue at year end in both the current and prior year to take into account in calculating diluted earnings per share.

7. CASH AND CASH EQUIVALENTS

	2016 $'000	2015 $'000
Cash at bank and in hand	**698**	512
Short-term deposits	**3**	3
	701	515

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

Short-term deposits are made for periods of between 1 and 3 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents is $701,000 (2015: $515,000).

Reconciliation of net loss after tax to net cash flows used in operations

Net loss	**(172)**	(2,041)
Adjustments for:		
Depreciation	**189**	204
Loss / (profit) on disposal of fixed assets	**26**	(16)
Share of loss of associate	**100**	350
Fair value adjustment of other financial assets	**-**	50
Impairment of goodwill	**-**	441
Changes in assets and liabilities		
Decrease in inventories	**358**	1,107
Decrease / (increase) in trade and other receivables	**539**	(534)
Decrease in prepayments	**(180)**	76
Decrease in trade and other payables	**(700)**	(110)
Decrease in reserves	**-**	164
Decrease in provisions	**(143)**	(223)
Net cash from operating activities	**17**	(532)

8. TRADE AND OTHER RECEIVABLES

	2016 $'000	2015 $'000
Current		
Trade receivables (i) (ii)	**2,192**	2,563
Allowance account for doubtful debts	**(280)**	(320)
	1,912	2,243
Other debtors (ii) (iii)	**110**	438
	2,022	2,681

(i) Receivables are non-interest bearing and are generally on 30-60 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

(ii) Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the carrying value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities

(iii) For terms and conditions relating to related party receivables refer to note 21.

Details regarding the effective interest rate and credit risk of current receivables are disclosed in note 19.

At 30 June, the ageing of trade receivables was as follows:

	0-30 days IT*	31-60 days IT*	61-90 days PDNI*	+91 days PDNI*	+91 days CI*	Total
30 June 2016	**1,377**	**542**	**103**	**-**	**280**	**2,302**
30 June 2015	1,255	716	155	117	320	2,563

* PDNI = Past due not impaired CI = Considered Impaired IT = Inside terms

Movement in allowance account for doubtful debts

	2016 $'000	2015 $'000
Opening balance 1 July	**320**	328
(Decrease) / increase in provision	**(40)**	(8)
Closing balance 30 June	**280**	320

9. INVENTORIES

	2016 $'000	2015 $'000
Finished goods (at net realisable value)	**3,020**	3,280

Inventory write-downs recognised as an expense totalled $64,000 (2015: $1,110,000) for the Group. This expense is included in the cost of sales.

10. PROPERTY, PLANT AND EQUIPMENT

	2016 **$'000**	2015 $'000
Plant and Equipment		
At beginning of the year net of accumulated depreciation and impairment	**306**	517
Additions	**208**	26
Disposals and writedowns	**(49)**	(33)
Depreciation charge for the year	**(189)**	(204)
At end of the year net of accumulated depreciation and impairment	**276**	306
At cost	**2,680**	2,715
Accumulated depreciation and impairment	**(2,404)**	(2,409)
Net carrying amount	**276**	306

11. GOODWILL

	2016 **$'000**	2015 $'000
Goodwill		
At cost (gross carrying amount)	**-**	2,026
Accumulated impairment at beginning of the year	**-**	(1,585)
Impairment current year	**-**	(441)
Accumulated impairment at end of year	**-**	(2,026)
Total net carrying value of intangible assets and goodwill	**-**	-

Goodwill is not amortised but is subject to annual impairment testing (see note 15). An impairment loss of $441,000 on goodwill was recognised in the 2015 financial year.

12. INVESTMENT IN ASSOCIATE

	2016 **$'000**	2015 $'000
a) Investment details		
Listed		
Paynes Find Gold Limited	**-**	100

As at 30 June 2016 the Group held a 15.1% (2015: 46.6%) interest in Paynes Find Gold Limited.

b) Movements in carrying value of the Groups investment in associate

At opening written down value	**100**	-
Rights issues – 29 August 2014	**-**	250
Rights issues – 29 June 2015	**-**	200
Share of loss after income tax	**(100)**	(350)
At 30 June 2016	**-**	100

12. INVESTMENT IN ASSOCIATE (continued)

c) Fair value of investment in listed associate

Trading in the shares of Paynes Find Gold were suspended on Australian Stock Exchange on 5 May 2016 and remained suspended at 30 June 2016. The Group's share of the net asset value of Paynes Find Gold Limited at 30 June 2016 was $214,000 (2015: $50,000).

d) Summarised financial information

The following table illustrates summarised financial information relating to the associate:

Extract from the associates statement of financial position:

	2016 $'000	2015 $'000
Current assets	**784**	348
Non- current assets	**791**	-
	1,575	348
Current liabilities	**(152)**	(307)
Non-current liabilities	**-**	-
	1,423	41

Extract from the associate's statement of comprehensive income:

	2016 $'000	2015 $'000
Revenue	**5**	7
Net loss	**(513)**	(982)

e) Contingency liabilities relating to the associates:

The Group has no contingent liabilities relating to the associate.

13. EXPLORATION AND EVALUATION

	2016 $'000	2015 $'000
Exploration and evaluation		
- Cost at beginning of year / acquisition	**3,836**	3,388
- Foreign exchange gain on conversion	**140**	564
- Net revenue receipts	**(246)**	(116)
	3,730	3,836

On 25 September 2014, the Group acquired an 80% working interest and a 58% net revenue interest in an oil and gas field development project, the Wise I-25 Well, situated within the Canadian River Project area, in Okfuskee County, Oklahoma. The Group accounts for this interest as a joint arrangement. At 30 June 2016, there were no commitments relating to this joint operation

As at 30 June 2016 the well has not commenced full production and as such is still in the testing phase with net revenues being applied to the cost of the project in line with the Group's accounting policies, until such time as the project is operating at the commercial quantities the business intends.

14. OTHER FINANCIAL ASSETS

	2016 $'000	2015 $'000
50,000,000 Listed Options in Paynes Find Gold Limited	**-**	**50**
Fair value adjustment to market value	**-**	**(50)**
	-	**-**

15. IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations has been allocated to the individual cash generating units to which the goodwill relates for impairment testing.

The recoverable amount of the goodwill has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management for the next financial year and applying a flat growth rate of 4% over 5 years.

There were no impairment losses recognised in the current financial year. During the prior year the carrying value of the CGU exceeded its recoverable amount and an impairment of $441,000 was recognised in respect of its goodwill in 'impairment expenses'. The decrease in the recoverable amount largely reflected a financial performance in 2015 below expectations as a result of difficult trading conditions.

The pre tax discount rate applied to cash flow projections in 2015 was 10%.

	2016 $'000	2015 $'000
Carrying amount of goodwill allocated to cash generating units		
Wholesale division	**-**	441
Impairment	**-**	(441)
	-	-

The following describes each key assumption on which management has based its cash flow projections when determining the value in use:

- Budgeted gross margins – the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year and as such reflect past experience.

16. TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
Current		
Trade payables (i)	**618**	1,278
Goods and services tax	**79**	101
Other creditors and accruals	**190**	200
	887	1,579

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

Information regarding the credit risk of current payables is set out in note 19.

17. PROVISIONS

	Employee entitlements $'000	Make good provisions $'000	Total $'000
Current 2016	**128**	**-**	**128**
Non-current 2016	**90**	**62**	**152**
	218	**62**	**280**
Current 2015	129	-	129
Non-current 2015	94	62	156
	223	62	285

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

Make good provisions	**2016 $'000**	2015 $'000
At 1 July	**62**	73
Utilised	**-**	(11)
At 30 June	**62**	62

Nature and timing of provisions

Make good provision
In accordance with the various lease agreements for office and warehouse premises, the Group must restore the leased premises to their original condition on vacating such premises. Provision for make good is made at the commencement of the lease based on the estimated current cost of the make good, and is reviewed biannually and adjusted where necessary.

Because of the long term nature of the liability, the greatest uncertainty in estimating the provision is in estimating the costs that will ultimately be incurred.

18. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary shares	**2016 $'000**	2015 $'000
Ordinary shares - issued and fully paid	**69,493**	69,493

	Number	**$'000**
At 1 July 2014	633,496,205	69,493
Movements during the year	-	-
At 30 June 2015	**633,496,205**	**69,493**
Movements during the year	**-**	**-**
At 30 June 2016	**633,496,205**	**69,493**

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

18. CONTRIBUTED EQUITY AND RESERVES (continued)

(b) Accumulated losses

	2016 $'000	2015 $'000
Movements in accumulated losses were as follows:		
Balance 1 July	**(60,727)**	(58,686)
Net loss for the year	**(172)**	(2,041)
Balance 30 June	**(60,899)**	(60,727)

(c) Reserves

Reserves	Option premium reserve $'000	Foreign currency translation $'000	Share based payments $'000	Total $'000
At 30 June 2014	115	(218)	210	107
Currency translation differences for continuing operations	-	613	-	613
At 30 June 2015	**115**	**395**	**210**	**720**
Currency translation differences for continuing operations	**-**	**68**	**-**	**68**
At 30 June 2016	**115**	**463**	**210**	**788**

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Share based payments reserve
The share based payments reserve was used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration.

Option premium reserve
The option premium reserve is used to accumulate proceeds received from the issue of options.

d) Capital management

Capital managed by the board includes shareholder equity, which is $9,382,000 at 30 June 2016 (2015: $9,486,000). The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future operations of the business. There were no external borrowings (2015: nil) at balance date. There were no changes in the Group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk, while liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Managing Director and Chief Financial Officer under the authority of the Board.

Risk Exposures and Responses

Interest rate risk
The Group's exposure to market interest rates relates primarily to the Group's cash and cash deposits.

At balance date, the Group had the following financial assets exposed to Australian variable interest rate risks:

	2016	2015
	$’000	$’000
Financial assets		
Cash	**701**	515
Security deposits	**238**	250

At balance date, the Group did not have any financial liabilities exposed to Australian variable interest rate risks.

At 30 June 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonable possible movements:	**Post Tax Profit /Equity Higher / (Lower)**	
	2016	2015
	$’000	$’000
+1% (100 basis points)	**9**	**8**
-0.5% (50 basis points)	**(5)**	**(4)**

The movements in profit are due to higher interest income from variable rate cash and deposit balances. The sensitivity is higher in 2016 than in 2015 because of a increase in cash balances.

Foreign currency risk
As a result of cash held in United States Dollar and New Zealand Dollar bank accounts, and the purchases of inventory (some of which is paid for in advance) denominated in United States Dollars, Euros and British Pounds, the Group's balance sheet can be affected by movements in the United States Dollar, the New Zealand Dollar, the Euro and the British Pound to Australian Dollar exchange rates.

It is the Group’s policy not to enter into forward currency contracts to eliminate the currency exposures on any individual transactions, as the majority of imported product is either pre paid or paid for on delivery, and no product is pre-sold prior to receipt, so the majority of the price fluctuations can be passed on to the Group’s customers.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Risk Exposures and Responses (continued)

At 30 June 2016, the Group had the following exposure to foreign currencies:

	USD	**Euro**	**GBP**	**2016 $'000 Total**	USD	Euro	GBP	2015 $'000 Total
Financial Assets								
Cash and cash equivalents	**164**	**-**	**-**	**164**	21	-	-	21
Trade and other receivables	**305**	**54**	**4**	**363**	177	10	68	255
	469	**54**	**4**	**527**	198	10	68	276
Financial Liabilities								
Trade and other payables	**(54)**	**-**	**-**	**(54)**	(475)	(44)	(18)	(537)
Net exposure	**415**	**54**	**4**	**473**	(277)	(34)	50	(261)

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date:

At 30 June 2016, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonable possible movements:	**Post Tax Profit Higher / (Lower)**		**Equity Higher / (Lower)**	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
AUD/USD +10%	**(42)**	27	**(42)**	27
AUD/USD -10%	**42**	(27)	**42**	(27)
AUD/EURO +10%	**(5)**	3	**(5)**	3
AUD/EURO -10%	**5**	(3)	**5**	(3)
AUD/GBP +10%		(5)	**-**	(5)
AUD/GBP -10%	**-**	5	**-**	5
	-			

The movements in profit in 2016 are more sensitive than in 2015 due to the higher level of foreign currency exposure at the current year balance date.

Management believes the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Credit risk

The Group does not hold any credit derivatives to offset its credit exposure.

The Group only extends credit to creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Risk Exposures and Responses (continued)

Credit risk (continued)
It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with set parameters. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group except for cash which is only deposited with one of the major financial institutions in Australia, New Zealand and the United States.

Liquidity risk
The Group's objective is to maintain sufficient cash resources to fund its ongoing operations and capital expenditure, although from time to time use is made of hire purchase loans / finance leases for the acquisition of motor vehicles and other assets.

The table below reflects the undiscounted cash flows for the respective upcoming fiscal years for all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2016.

The remaining contractual maturities of the Group's financial liabilities are:

30 June 2016	**Trade & Other Payables $'000**	**Total $'000**
6 months or less	**887**	**887**
	887	**887**

30 June 2015	**Trade & Other Payables $'000**	**Total $'000**
6 months or less	1,579	1,579
	1,579	1,579

Maturity analysis of financial assets and liability based on management's expectation.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital eg inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. The Group monitors existing financial assets and liabilities to enable an effective controlling of future risks.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Risk Exposures and Responses (continued)

Year ended 30 June 2016	**< 6 months $'000**	**6-12months $'000**	**1-5 years $'000**	**Total $000**
FINANCIAL ASSETS				
Cash and cash equivalents	**701**	**-**	**-**	**701**
Trade and other receivables	**2,584**	**-**	**-**	**2,584**
Security deposits	**-**	**-**	**238**	**238**
FINANCIAL LIABILITIES				
Trade and other payables	**(887)**	**-**	**-**	**(887)**
Net maturity	**2,398**	**-**	**238**	**2,636**

Year ended 30 June 2015	**< 6 months $'000**	**6-12months $'000**	**1-5 years $'000**	**Total $000**
FINANCIAL ASSETS				
Cash and cash equivalents	515	-	-	515
Trade and other receivables	2,681	-	-	2,681
Security deposits	-	-	250	250
FINANCIAL LIABILITIES				
Trade and other payables	(1,579)	-	-	(1,579)
Net maturity	1,617	-	250	1,867

The Group monitors rolling forecasts of liquidity reserves on the basis of expected cash flow.

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

20. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has entered into commercial property leases. The property leases have a life of between 18 months and 48 months and the majority have renewal options. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under operating leases contracts are as follows:

	2016 Minimum lease payments $'000	2015 Minimum lease payments $'000
Within 1 year	**331**	259
After 1 year but not more than 5	**940**	1,210
Total minimum lease payments	**1,271**	1,469

Capital commitments

At the reporting date the Group had no capital commitments contracted for but not recognised as liabilities.

20. COMMITMENTS AND CONTINGENCIES (continued)

Contingent liabilities and contingent assets

No known contingent liabilities or contingent assets which have not been provided for exist at year end nor have any arisen between the year end and the date of this report.

Guarantees

Cross guarantees given by Delecta Limited, Today's Success Pty Ltd, Calvista Australia Pty Ltd and Stell Bay Pty Ltd are described in note 21.

21. RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Delecta Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	% Equity interest 2016	2015
Calvista Australia Pty Ltd	Australia	**100**	100
Calvista New Zealand Limited	New Zealand	**100**	100
Canadian River Inc.	United States	**100**	100
Stell Bay Pty Ltd (1)	Australia	**100**	100
Today's Success Pty Ltd (1)	Australia	**100**	100

Delecta Limited is the ultimate Australian Parent entity and ultimate Parent of the Group.

(1) Dormant companies

Entities subject to class order

Pursuant to Class Order 98/1418, relief has been granted to Today's Success Pty Ltd, Calvista Australia Pty Ltd and Stell Bay Pty Ltd from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Delecta Limited, Today's Success Pty Ltd, Calvista Australia Pty Ltd and Stell Bay Pty Ltd (the "Closed Group") entered into a Deed of Cross Guarantee on 27 March 2002. The effect of the deed is that Delecta Limited has guaranteed to pay any deficiency in the event of winding up of either controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Delecta Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The consolidated statement of comprehensive income and statement of financial position of the entities that are members of the "Closed Group" are as follows:

21. RELATED PARTY DISCLOSURE (continued)

	CLOSED GROUP	
	2016	2015
Consolidated Statement of Comprehensive Income	**$'000**	$'000
Loss from continuing operations before income tax	**(434)**	(1,940)
Income tax expense	**-**	-
Loss after tax from continuing operations	**(434)**	(1,940)
Loss after tax from discontinued operations	**-**	-
Loss for the period	**(434)**	(1,940)
Accumulated loss at the beginning of the period	**(59,933)**	(57,993)
Accumulated loss at the end of the period	**(60,367)**	(59,933)

Consolidated Statement of Financial Position

ASSETS		
Current Assets		
Cash and cash equivalents	**517**	466
Trade and other receivables	**1,677**	1,893
Inventories	**3,023**	3,253
Prepayments and deposits	**801**	632
Total Current Assets	**6,018**	6,244
Non-current Assets		
Other financial assets	**4,267**	5,129
Property, plant and equipment	**276**	306
Total Non-current assets	**4,543**	5,435
TOTAL ASSETS	**10,561**	11,679
LIABILITIES		
Current Liabilities		
Trade and other payables	**830**	1,509
Provisions	**128**	129
Total Current Liabilities	**958**	1,638
Non-current Liabilities		
Provisions	**152**	156
Total non-current Liabilities	**152**	156
TOTAL LIABILITIES	**1,110**	1,794
NET ASSETS	**9,451**	9,885
EQUITY		
Equity attributable to equity holders of the Parent		
Issued capital	**69,493**	69,493
Retained earnings	**(60,367)**	(59,933)
Other reserves	**325**	325
TOTAL EQUITY	**9,451**	9,885

21. RELATED PARTY DISCLOSURE (continued)

The total amount of transactions that were entered into with related parties for the relevant financial year is as follows:

Wholly-owned group transactions
Loans have been made to and from wholly owned entities during the year at no interest charge (2015: nil). The loans have no fixed date for repayment and although repayment of the loans can be called upon, this is not expected to take place within the foreseeable future.

Calvista Australia Pty Ltd charged Calvista New Zealand Pty Ltd $93,000 (2015: $74,000) in management fees for work done on their behalf.

Sales and purchases between entities within the wholly owned group are at cost.

Key management personnel:

Details of Key Management Personnel

(i) Directors	
B Moore	Chairman (non-executive)
M R Day	Managing Director
H R Moser	Director (non-executive)
(ii) *Executives*	
M Bassett (to 7 August 2014)	Chief Executive Officer - Calvista Australia Pty Ltd
R Sheldon-Collins	General Manager- Calvista Australia Limited
J Burness	Chief Financial Officer and Company Secretary – Delecta Limited Financial Controller – Calvista Australia Pty Ltd

There were no changes in directors or key executives during the financial year or after reporting date and before the date the financial report was authorised for issue.

	2016	2015
	$	$
Compensation by Category: Key management personnel		
Short-term employee benefits	**920,484**	906,258
Post-employment benefits	**50,563**	49,746
Long-term benefits	**2,557**	3,789
	973,604	959,793

Other transactions with Key Management Personnel

Adultshop.com Pty Ltd, a company related to Mr Day, purchased goods and services to the value of $2,880,000 (2015: $2,042,000) from the Group. At year end $257,000 (2015:$248,000) was owing by Adultshop.com Pty Ltd to the group.

Sales and services provided to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

22. PARENT ENTITY INFORMATION

Information relating to Delecta Limited:	**2016 $'000**	2015 $'000
Current assets	**169**	119
Non-current assets	**6,789**	7,803
Total assets	**6,958**	7,922
Current liabilities	**(17)**	(83)
Total Liabilities	**(17)**	(83)
	6,941	7,839
Issued capital	**69,493**	69,493
Option premium reserve	**115**	115
Share based payments reserve	**210**	210
Accumulated losses	**(62,878)**	(61,979)
TOTAL SHAREHOLDERS EQUITY	**6,941**	7,839
(Loss) / profit after tax of the Parent Entity	**(899)**	2,104
Other comprehensive income of the Parent Entity	**-**	-
Total comprehensive (loss) / income of the Parent Entity	**(899)**	2,104

23. EVENTS AFTER THE REPORTING PERIOD

No material fact or circumstance has occurred between the financial year end and the date of this report which has significantly effected or may affect the operations of the consolidated entity or Parent entity, the results of operations, or the state of affairs of the consolidated entity or Parent entity in future years.

24. AUDITORS' REMUNERATION

The auditor of Delecta Limited is Ernst & Young.

	2016 $	2015 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• an audit or review of the financial report of the entity and any other entity in the consolidated group	**85,000**	85,000
	85,000	85,000

Directors' Declaration

In accordance with a resolution of the directors of Delecta Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in note 2(b).

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(d) This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ending 30 June 2016.

(e) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 21 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

On behalf of the Board

M R Day
Director
Perth, Western Australia
28 September 2016

Ernst & Young
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Independent auditor's report to the members of Delecta Limited

Report on the financial report

We have audited the accompanying financial report of Delecta Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Delecta Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date;

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Delecta Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

D A Hall
Partner
Perth
28 September 2016

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

In accordance with the Australian Stock Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations with 2010 Amendments" the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed together with the reasons for the departure.

Delecta Limited's corporate governance practices were in place throughout the financial year ended 30 June 2016 and were compliant, unless otherwise stated, with the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1.	Lay a solid foundation for management and oversight
Principle 2.	Structure the board to add value
Principle 3.	Promote ethical and responsible decision making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

Structure and Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 directors, increasing where additional expertise is considered desirable in certain areas.
- The Board should comprise a majority of independent non-executive directors.
- The Chairperson should be a non-executive director.
- Directors should bring characteristics, which allow a mix of qualifications, skills and experience both nationally and internationally.

The Board reviews its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

The Australian Stock Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations with 2010 Amendments" recommends the appointment of a Nomination Committee for prospective Board appointments. The Board considers that the Company and the Board are currently not of sufficient size to warrant the establishment of a Nomination Committee.

The terms and conditions of the appointment and retirement of directors is set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The performance of all directors is reviewed by the Chairman each year. Directors whose performance is unsatisfactory will be asked to retire.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Director's Report. Directors of Delecta Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with - the exercise of their unfettered judgement.

The following directors of Delecta Limited are considered to be independent:

Name	*Position*
H R Moser	Non-Executive Director
B Moore	Non-Executive Director (Chairman)

Each director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman will be required, which will not be unreasonably withheld.

The term in office of each director in office at the date of this report is as follows:

Name	*Term in Office*
M Day	18 years
H R Moser	18 years
B Moore	13 years

Responsibilities of the Board

The Board is responsible for:

- Overseeing the Company, including its control and accountability systems.
- Appointing and removing the Managing Director and Company Secretary.
- Ratifying the appointment or removal of the Chief Financial Officer.
- Input into and approving the Group strategy, ensuring sufficient resources are available to implement the strategy and assessing managements performance against the strategy.
- Reviewing and ratifying systems of risk management and internal compliance and controls, codes of conduct and legal compliance.
- Approving and monitoring the progress of major capital expenditure, capital management, business acquisitions and disposals.
- Approving and monitoring financial and other reporting.

Code of Conduct and Trading Policy for Directors and Executives

The Company has introduced a Code of Conduct and a Trading Policy to guide the directors and key executives to the practices necessary to maintain confidence in the Company's integrity.

The principles of the Code of Conduct are:

- To act honestly, in good faith and in the best interest of the Company.
- Not use property, information or position, or opportunities arising from these, for personal gain or to compete with the Company.

- To keep confidential non-public information except where disclosure is authorised or legally mandated.
- To deal fairly with all Company's customers, suppliers, competitors and employees.
- Protect and ensure the proper and efficient use of the Company's assets for legitimate business purposes.
- To actively comply with and promote compliance with laws and regulations.
- Encourage the reporting of unlawful or unethical behaviour.

Directors, key management and employees are prohibited from trading in the Company's securities at any time if the person possesses Inside Information.

Directors and Key Management Personnel are, in addition to the general prohibition above, prohibited from trading in the Company's securities during the following blackout periods:

- The period commencing on the last day of the financial half year and ending 24 hours after the release of the Company's half year results; and
- The period commencing on the last day of the financial year and ending 24 hours after the release of the Company's full year results.

At any other time, any Director or Key Management Personnel wishing to trade in the Company's securities shall consult with, and obtain written clearance from, either the Chief Executive Officer or the Chief Financial Officer of the Company, and the Chairman of the Board (or one other non-executive member of the board in the case of the Chairman himself), prior to transacting.

This notification requirement is not mandatory for other employees; however they are encouraged to adopt it.

The Company expects all employees to act appropriately at work and has introduced "Standards of Conduct' which provides guidelines aimed at attaining high ethical standards and appropriate corporate behaviour.

Audit Committee

The operation of a separate Audit Committee is considered to be impractical and of little benefit given that the Board consists of only three Director's, two of which were independent, and that the matters previously dealt with by an Audit Committee are better dealt with by the full Board.

Continuous Disclosure and Communication with Shareholders

The Chief Executive Officer is responsible, in consultation with the Board, for interpreting and monitoring the Company's compliance with the continuous disclosure requirements of the Australian Stock Exchange whilst the Company Secretary is responsible for all communications with Australian Stock Exchange.

Communication with shareholders is conducted through the following mechanisms:

- Announcements lodged with Australian Stock Exchange
- Australian Stock Exchange Quarterly Cashflow Reports
- Half Yearly and Preliminary Final Reports
- Annual Reports
- Annual general meetings

Diversity

The Company (and its subsidiaries) does not have a formal diversity policy in place. The Company is an equal opportunity employer and does not discriminate on the basis of gender, race, religion, nationality, age or sexual persuasion, and is focused on employing the best possible candidate for any available position.

The Board does not currently believe that the adoption of a formal gender diversity policy would be of benefit to the Company, its shareholders or employees, given the current small number of directors (3) and senior executives (2) employed by the group.

As the Company does not have a formal gender diversity polity there are no measurable objectives against which to measure progress and the information indicated in the guide to reporting on Principle 3 is not provided.

The consolidated entity currently has 23 full time employees of which 12 are women. None of the 3 board members and 2 senior executives are women. However, 2 of the 4 employees in the next level of management are women.

Remuneration

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Chief Executive Officer and the executive team. The operation of a Remuneration Committee is not considered practical given the size and composition of the Board, and that the matters previously dealt with by a Remuneration Committee are considered to be better dealt with by the Board.

It is the Company's objective to provide maximum stakeholder 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 Board links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives.
- Attraction of quality management to the Company.
- Performance incentives which allow executives to share the rewards of the success of the Company.

Details on the amount of remuneration and all monetary and non-monetary components for each of the directors and executives are provided in the Directors' Report. In relation to the payments of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of Delecta Limited and the performance of the individual during the period.

There were no loans made to directors or executives during the period and there are no amounts owing by directors and executives at the year end.

Risk Management

The Board monitors and receives advice on areas of operational and financial risk and the control framework, and considers strategies for appropriate risk management arrangements.

Specific areas of risk identified initially and which are regularly considered at Board Meetings include compliance with regulations covering the Company's operating activities, foreign currency fluctuations, performance of activities, human resources, the environment and continuous disclosure obligations.

The shareholder information set out below was applicable as at 20 September 2016.

FULLY PAID ORDINARY SHARES

1. Distribution of shareholders

(a) Analysis of number of shareholders by size of holding.

Category of Holding	Number
1 - 1,000 shares	617
1,001 - 5,000 shares	667
5,001 - 10,000 shares	311
10,001 - 100,000 shares	552
100,001 shares and over	176
	2,323

(b) There were 2,120 shareholders with less than a marketable parcel of ordinary shares.

2. Twenty Largest Shareholders

The names of the twenty largest shareholders are:

	Name	**Number of Shares Held**	**% of Fully Paid Shares Held**
1	Goldshore Investments Pty Ltd <MR Day Superfund A/A>	171,139,768	27.02
2	JP Morgan Nominees Australia Limited	80,251,411	12.67
3	Zero Nominees Pty Ltd	57,991,425	9.15
4	S & H Immo Investment AG	32,730,522	5.17
5	Mr Bradley Moore & Ms Tanya Endicott <Tanbrad Super A/C>	24,794,943	3.91
6	Bradley Moore & Tanya Endicott <Tanbrad Superannuation A/C>	15,000,000	2.37
7	Mr Carl Philip Magnus Coward	14,262,000	2.25
8	United & Pacific Shirt Co Pty Ltd	13,510,360	2.13
9	Mr Jeffrey Robert Moulds	10,584,500	1.67
10	NEFCO Nominees Pty Ltd	10,281,852	1.62
11	Margadh Stoc Pty Ltd	9,732,350	1.54
12	HSBC Custody Nominees (Australia) Ltd <Euroclear Bank SA NV A/C>	9,570,139	1.51
13	Mr Paul Bleasdale	9,300,000	1.47
14	Mr Matthew Blumberg	9,160,660	1.45
15	Buelow Nominees Pty Ltd <Buelow Family Superfund A/C>	7,500,000	1.18
16	Noble Investments Superannuation Fund Pty Ltd <Noble Invest. S/F A/C>	6,999,999	1.11
17	Dor Nominees Pty Ltd	6,718,049	1.06
18	Mr Andrew William Spencer <Spencer Super Fund A/C>	6,374,874	1.01
19	AA Lam Pty Limited	6,281,414	0.99
20	Ms Svetlana Amelichkina	5,474,585	0.86
		507,658,851	80.14
	Total Shares on Issue	633,496,205	

3. Voting Rights

At a general meeting of shareholders:
(a) On a show of hands, each person who is a member or sole proxy has one vote.
(b) On a poll, each shareholder is entitled to one vote for each fully paid share.

4. Substantial Shareholders

There were three substantial shareholders in the Company as disclosed in the substantial shareholder notices given to the Company as follows:

Name	**Shares Entitlement**
Malcolm Raymond Day and Goldshore Investments Pty Ltd	171,139,768
Hans Rudolf Moser	53,794,943
B Moore & T Endicott	50,794,943