

VEALLS LIMITED

ACN 004 288 000

Registered Office
1st Floor 484 Toorak Road
Toorak Vic 3142
Postal Address
1st Floor 484 Toorak Road
Toorak Vic 3142
PH: (03) 9827-4110
FAX: (03) 9827-4112

21 February 2017

The Manager
Australian Stock Exchange
E-Lodgements

Dear Sir / Madam,

HALF-YEAR FINANCIAL REPORT

A copy of the company's Half-Year Financial Report for the period ended 31 December 2016 follows.

Yours faithfully



Duncan Veall
Company Secretary

Appendix 4D

Half yearly report

Rule 4.2 A.3

Name of entity:

ABN Reference:

VEALLS LIMITED	39 004 288 000
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Current period

Previous corresponding period

Half year 31 December 2016

Half year 31 December 2015

Results for announcement to the market

Key Information	Current period	Previous corresponding period		% Change		Amount of change
	\$A'000	\$A'000				\$A'000
Revenues from ordinary activities	1,651	1,810		(8.8)		(159)
Profit (loss) from continuing operations after tax attributable to members	450	927		(51.5)		(477)
Net profit (loss) for the period attributable to members	450	927		(51.5)		(477)

Dividends		Amount per security	Franked amount per security at 30% tax
	Record Date: 17 April 2017		
Interim dividend	Payable: 28 April 2017		
Preference shares		0.35c	0.35c
Income shares		5.60c	5.60c

There is no conduit foreign income (CFI) component of dividends

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary (Capital) security	\$14.72	\$14.07

Compliance Statement

This report should be read in conjunction with the annual financial report for the year ended 30 June 2016.



..... Date: 20 February 2017
Duncan Reginald Veall (Director)

Vealls Limited

ABN 39 004 288 000



Half-Year Financial Report

For the half-year ended 31 December 2016

Vealls Limited

ABN 39 004 288 000

Corporate Information

Capital Issued and Paid Up

\$ 1,235,388

Consisting of:

8,873,860

Capital shares

2,775,108

Income shares

40,474

7% cumulative non-participating non-redeemable Preference shares

Controlled Entities

(Incorporated in Victoria)

V.L. Investments Pty Ltd

(Incorporated in New Zealand)

Cardrona Ski Resort Ltd

(Incorporated in Singapore)

Vealls (Singapore) Pte Ltd

Directors

Duncan Reginald Veall (Executive Chairman)

Martin Charles Veall (Executive Director)

Robert Sidney Righetti (Non-Executive Director)

Company Secretary

Duncan Reginald Veall

Registered Office

1st Floor

484 Toorak Road

Toorak Vic 3142

Telephone +61 3 9827 4110

Facsimile +61 3 9827 4112

Share Register

Security Transfer Registrars Pty Ltd

770 Canning Highway

Applecross WA 6153

Telephone 61 8 9315 2333

Facsimile 61 8 9315 2233

Auditors

BDO

Collins Square | Tower 4

Level 18, 727 Collins Street

Melbourne VIC 3008

Stock Exchange Listing

Australian Stock Exchange Limited

(Home Exchange: Melbourne, Vic)

Director's Report

Your directors present their report for the half-year ended 31 December 2016.

DIRECTORS

The names of each person who was a director of the company during the period 1 July 2016 to the date of this report are as shown below. Each director was in office for the whole period.

<u>Name</u>	<u>Designation</u>	
Duncan Reginald Veall	Executive (Chairman)	director since 1999
Martin Charles Veall	Executive	director since 1989
Robert Sidney Righetti	Non-Executive	director since 1996

Principal Activities

During the half-year the principal activities of the consolidated entity continued to be our agricultural investment in forestry and the investment in real estate and negotiable securities.

Review and results of operations

Operating Results

Revenue

Total revenue from continuing operations for the half-year was \$1.651m.

Profit

Consolidated net profit after income tax expense for the half-year was \$0.450m. The profit was significantly affected by other expenses with further comment at note 7.

Cash flows

Net cash flows were \$(0.007)m. Cash increased by \$0.618m due to the impact of changes in exchange rates on bank deposits held in currencies other than Australian dollars.

Review

The progression of the sale of the oak forest at Moulins, France has further advanced with some final details in France to be resolved. The property at Mt Martha, Victoria, has been the subject of continuing discussions with council noting that the council has recently been re-elected. It is therefore not possible to put a timeframe on the outcome of these discussions.

The New Zealand subsidiaries, Cardrona Ski Resort Ltd and Vealls (Singapore) Pte Ltd – New Zealand branch are intended to be shut down at an appropriate time. A dispute has arisen with the purchaser of the ski field (which was sold in 2013) in relation to GST and this is currently being monitored by the Company. The amount in dispute is approximately NZD \$473,000.

The main feature of the half-year was the continued investment of funds in short term securities with the result of an increase in cash and cash equivalents. It is noted that the NZD / AUD exchange rate has had significant effects on the company's results and financial position and, so long as substantial NZD funds are held, will continue to do so.

The review of the company's operations that was previously announced has progressed with an update expected at the conclusion of the review.

Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached.

Rounding

The amounts contained in this report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

A handwritten signature in dark ink, appearing to read 'Duncan Reginald Veall', with a stylized, flowing script.

Duncan Reginald Veall
Executive Chairman

Melbourne, 20 February 2017

DECLARATION OF INDEPENDENCE BY RICHARD DEAN TO THE DIRECTORS OF VALLS LIMITED

As lead auditor for the review of Valls Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Richard Dean
Partner

BDO East Coast Partnership

Melbourne, 20 February 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	31.12.2016 \$000	31.12.2015 \$000
Revenue			
Interest		1,430	1,708
Other Income		221	102
Total Revenue		1,651	1,810
Less Expenses:			
Employee benefits expense		(98)	(123)
Rates and taxes		(76)	(11)
Light, power and telephone		(3)	(3)
Professional costs		(211)	(174)
Listing & share registry fees		(25)	(26)
Other expenses	7	(492)	(42)
Total Expenses		(905)	(379)
Profit before income tax expense		746	1,431
Income tax expense		(296)	(504)
Net Profit for the period		450	927
 Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Fair value Gains / (Losses)			
Available for Sale Financial Assets		(1)	(54)
Foreign Currency Translation		476	3,503
Total other comprehensive income for the period		475	3,449
Total comprehensive income for the period		925	4,376
 Basic and Diluted earnings per share from continuing activities		3.31c	8.72c
Basic and Diluted earnings per share attributed to members		3.31c	8.72c

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	NOTE	31.12.2016 \$'000	30.06.2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	3	106,250	105,639
Trade and other receivables		57	28
Income tax receivable		-	279
Total Current Assets		106,307	105,946
Non-current assets			
Investment properties		21,894	21,894
Available-for-sale financial assets		198	199
Deferred tax assets	6	1,188	1,233
Agricultural & biological assets		5,047	5,047
Total non-current assets		28,327	28,373
TOTAL ASSETS		134,634	134,319
LIABILITIES			
Current Liabilities			
Trade and other payables		593	117
Income tax payable		515	1,131
Provisions		79	220
Total current liabilities		1,187	1,468
Non-current liabilities			
Deferred tax liabilities		1,413	1,545
Total non-current liabilities		1,413	1,545
TOTAL LIABILITIES		2,600	3,013
NET ASSETS		132,034	131,306
EQUITY			
Contributed equity		1,235	1,235
Reserves		4,663	4,188
Retained earnings		126,136	125,883
TOTAL EQUITY		132,034	131,306

The accompanying notes form part of these financial statements

Vealls Limited

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Share Capital \$'000	Retained Profits \$'000	Asset Revaluation Reserve \$'000	Asset Realisation Reserve \$'000	Foreign Currency Translation \$'000	Total \$'000
Balance at 1 July 2015	1,235	95,053	11,791	14,539	(538)	122,080
Profit for the half-year	-	927	-	-	-	927
Other comprehensive income	-	-	(54)	-	3,503	3,449
Total comprehensive income for the half-year	-	927	(54)	-	3,503	4,376
<i>Transactions with owners in their capacity as owners</i>						
Dividends paid (Note 2)	-	(194)	-	-	-	(194)
Balance at 31 December 2015	1,235	95,786	11,737	14,539	2,965	126,262
Balance at 1 July 2016	1,235	125,883	30	-	4,158	131,306
Profit for the half-year	-	450	-	-	-	450
Other comprehensive income	-	-	(1)	-	476	475
Total comprehensive income for the half-year	-	450	(1)	-	476	925
<i>Transactions with owners in their capacity as owners</i>						
Dividends paid (Note 2)	-	(197)	-	-	-	(197)
Balance at 31 December 2016	1,235	126,136	29	-	4,634	132,034

The accompanying notes form part of these financial statements

Vealls Limited

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	31.12.2016	31.12.2015
	\$'000	\$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of GST)	(608)	(509)
Receipts from other income	81	-
Interest received	1,438	1,708
Income tax paid	(722)	(388)
Net cash provided by operating activities	189	811
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	1	2
Net cash provided by investing activities	1	2
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(197)	(194)
Net cash (used in) financing activities	(197)	(194)
Net (decrease)/increase in cash held	(7)	619
Cash and cash equivalents at beginning of period	105,639	99,330
Effects of exchange rate changes on cash	618	3,709
Cash and cash equivalents at end of year	106,250	103,658

The accompanying notes form part of these financial statements

Vealls Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Note 1: Basis of preparation and accounting policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001 as appropriate for profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The half-year financial report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year report be read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by Vealls Limited during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

31.12.2016	31.12.2015
\$'000	\$'000

Note 2: Dividends

Previous year dividends paid on 31 October 2016:

i) Fully franked dividend on preference shares of 0.35 cents per share (2015: franked 0.35 cents per share)	1	1
ii) Fully franked dividend on income shares of 5.50 cents per share (2015: franked 5.40 cents per share)	152	149
iii) Fully franked dividend on capital shares of 0.50 cents per share (2015: franked 0.50 cents per share)	44	44
	<hr/> 197	<hr/> 194

Dividends proposed but not recognised as a liability payable 28

April 2017:

i) Fully franked dividend on preference shares of 0.35 cents per share (2016: franked 0.35 cents per share)	1	1
ii) Fully franked dividend on income shares of 5.60 cents per share (2016: franked 5.50 cents per share)	155	153
	<hr/> 156	<hr/> 154

Vealls Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	31.12.2016 \$'000	30.06.2016 \$'000
Note 3: Cash and cash equivalents		
Cash at bank and in hand	642	317
Short-term bank deposits	105,608	105,322
Total	106,250	105,639

Note 4: Segment Information

Identification of reportable segments.

The Group has identified its operating segments based on internal reports used by management and the Board of Directors in assessing performance and in determining the allocation of resources. The reportable segments are based on aggregated operating segments determined by the nature of the principle activities being undertaken.

Description of each segment.

Investment.

The investment business comprises interest bearing deposits, listed shares and freehold land at Mt Martha Vic.

Agriculture.

Forestry is conducted at Foret de Leyde near Moulins, France.

Accounting Policies

Segment revenue and expenses are those directly attributable to the segment. Segment assets include all assets used by a segment and consist principally of cash, receivables, term deposits and property.

The tables below represent revenue and profit information for reportable segments for the half-year ended 31 December 2016 and 2015.

31 December 2016

	Investments \$'000	Agriculture \$'000	Total \$'000
Segment Revenue:			
Interest revenue	1,430	-	1,430
Other revenue	221	-	221
Total segment revenue	1,651	-	1,651
Result:			
Segment result (net profit before tax)	746	-	746
Assets:			
Segment assets	127,793	6,841	134,634
Liabilities:			
Segment liabilities	1,253	1,347	2,600

Vealls Limited

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

Note 4: Segment Information (cont'd)**31 December 2015**

	Investments \$'000	Agriculture \$'000	Total \$'000
Segment Revenue:			
Interest revenue	1,708	-	1,708
Other revenue	102	-	102
Total segment revenue	1,810	-	1,810
Result:			
Segment result (net profit before tax)	1,431	-	1,431
Assets at 30 June 2016:			
Segment assets	127,478	6,841	134,319
Liabilities at 30 June 2016:			
Segment liabilities	1,666	1,347	3,013

Vealls Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Note 5. Fair value measurement

The Group uses various methods in estimating the fair value of assets designated or measured at fair value. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The assets carried at fair value as well as the methods used to estimate the fair value is summarised in the table below:

Fair value measurement

	Level 1	Level 2	Level 3	Total
As at 31 December 2016	\$'000	\$'000	\$'000	\$'000
<i>Assets</i>				
Listed ordinary shares at fair value	198	-	-	198
Investment properties	-	-	21,894	21,894
Agricultural & Biological Assets	-	-	5,047	5,047
Total assets	198	-	26,941	27,139

	Level 1	Level 2	Level 3	Total
As at 30 June 2016	\$'000	\$'000	\$'000	\$'000
<i>Assets</i>				
Listed ordinary shares at fair value	199	-	-	199
Investment properties	-	-	21,894	21,894
Agricultural & Biological Assets	-	-	5,047	5,047
Total assets	199	-	26,941	27,140

There were no transfers between levels during the half- year.

Level 3 assets and liabilities

There were no movements in the fair value of the Level 3 assets during the half-year.

Vealls Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Note 5. Fair value measurement (cont'd)

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Valuation method	Unobservable inputs	Sensitivity	
Freehold Land- Mt Martha	Valuation has been based on direct comparison approach, whereby similar sales at market value have been analysed to determine value.	The price per hectare has been valued by an independent valuation expert as at 30 June 2016. The price per hectare was estimated at \$698,000.	The variance between the previous valuation carried out in June 2015 and the latest valuation was 7% over a year. The previous uplift in value was 5% over 4 years.	A 5% change would increase/decrease fair value by \$1,005,000
Freehold land- France	Valuation has been based on direct comparison approach, whereby similar sales at market value have been analysed to determine value.	The valuation completed by a local independent valuer was based on the component parts of the property. Land values per hectare amounted to \$1,033,000. Valuations relating to the lodge, ponds and hunting capital amounted to \$761,000.	The variance between the previous valuation provided by the independent valuer and the latest valuation was a 30% increase.	A 3% change in the hectare valuation would have an impact of \$54,000 on the carrying value of the asset.
		The valuation was completed in Euros and translated at \$1=€0.6699, the exchange rate at the date of the valuation.	Since 30 June 2016 the Euro has depreciated against the Australian Dollar by 3%.	At 30 December 2016 the foreign exchange rate was \$1=€0.6872. Translating the asset value at this rate would decrease the carrying value by \$45,000.
Agricultural & Biological Assets- Trees France	The estimation of the woods is based on the value of inventory taken in 2016.	The independent valuation was based on estimated cubic metres using current value per cubic metre.	The value of the woods increased by 37% between June 2015 and June 2016.	A 10% change would increase or decrease fair value by \$504,700.
		The valuation was completed in Euros and translated at \$1=€0.6699, the exchange rate at the date of the valuation.	Since 30 June 2016 the Euro has depreciated against the Australian Dollar by 3%.	At 30 December 2016 the foreign exchange rate was \$1=€0.6872. Translating the asset value at this rate would decrease the carrying value by \$127,000

Vealls Limited

ABN 39 004 288 000

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Note 6. Deferred Tax Assets

The recognition of deferred tax assets arising from Foreign Tax Credits is dependent upon the Group generating sufficient foreign tax income to utilise the credits. The directors believe the group will generate sufficient foreign tax income to enable utilisation of the foreign tax credits.

Note 7: Other Expenses

Included in other expenses is an amount provided in relation to a dispute that has arisen with the purchaser of the ski field (which was sold in 2013) relating to GST. The amount provided is \$455,081 (NZ\$473,147). However, the directors do not believe the company is liable and are continuing discussions with the purchaser to have the GST amount settled.

Note 8: Contingent Liabilities

In the opinion of the directors there are no contingent liabilities at reporting date or at the date of this report.

Note 9: Subsequent events

In the opinion of the directors there are no matters that may significantly affect the operations of the consolidated entity or the results of those operations or the state of affairs of the consolidated entity in financial years after the half-year ended 31 December 2016.

Vealls Limited
ABN 39 004 288 000

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Duncan Reginald Veall
Executive Chairman

Melbourne, 20 February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Vealls Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Vealls Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Entity Name Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Vealls Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Vealls Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Yours faithfully

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'Richard Dean', is written over a faint, stylized 'BDO' logo.

Richard Dean
Partner

Melbourne, 20 February 2017