

# Appendix 4D

## Half Year Report for the six months to 31 December 2016

Name of entity

Murray River Organics Group Limited

ABN 46 614 651 473

### 1. Reporting period

Report for the half year ended 31 December 2016

Previous corresponding period is the financial year ended 30 June 2016 and half year ended 31 December 2015

### 2. Results for announcement to the market

(All amounts in this report are expressed in \$'000 unless otherwise stated)

Revenues from continuing ordinary activities ( <i>item 2.1</i> )	Up	389%	to	16,699
Profit from continuing ordinary activities after tax ( <i>item 2.2</i> )	Down	138%	to	(1,169)
Profit from continuing ordinary activities after tax attributable to members ( <i>item 2.3</i> )	Down	138%	to	(1,169)
<b>Dividends</b> ( <i>item 2.4</i> )				
Murray River Organics Group Limited did not declare a dividend during the half-year, the prior financial year or the corresponding half-year. It is not proposed to pay dividends in FY17.				
<b>Results</b>				
Brief explanation of any of the figures reported above necessary to enable the figures to be understood ( <i>item 2.6</i> ):				
Please refer to the attached financial report and results announcement.				

### 3. Net tangible assets per security (*item 3*)

	Current period (31 December 2016)	Previous corresponding period (30 June 2016)
Net tangible asset backing per ordinary security	\$0.69	\$1.76

**4. Details of entities over which control has been gained or lost during the period: (item 4)**

**Control gained over entities**

Name of entities (item 4.1)	Date of control gain (item 4.2)	Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 4.3)	Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)
Murray River Organics Group Limited	6 September 2016	Nil	Nil
Murray River Organics Property 2 Pty Ltd (ATF Murray River Organics Property Trust 2)	10 November 2016	Nil	Nil
Sornem Group Pty Ltd	10 November 2016	Nil	Nil
Sornem Capital Pty Ltd	10 November 2016	Nil	Nil

**5. Dividends (item 5)**

Murray River Organics Group Limited did not declare a dividend during the half-year, the prior financial year or the corresponding half-year. It is not proposed to pay dividends in FY17.

**6. Details of dividend or distribution reinvestment plans in operation are described below (item 6)**

Murray River Organics Group Limited does not have a dividend or distribution reinvestment plan in operation.

**7. Details of associates and joint venture entities (item 7)**

Murray River Organics Group Limited does not have any associates or joint venture entities

**8. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached), which has been prepared in accordance with Australian accounting standards.**

**9. Independent review of the financial report (item 9)**

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

**10. Matters relating to a qualified independent review statement**

The financial report does not contain a modified opinion, emphasis of matter, or other matter paragraph.

# **Murray River Organics Group Limited**

**Interim report for the half-year ended 31 December 2016**

## Consolidated interim report for the half-year ended 31 December 2016

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This interim financial report does not include all the notes of the type normally included in an annual financial report. As outlined in Note 1 to the Financial Statements, the Group undertook a corporate reorganisation during the period. Accordingly, this report should be read in conjunction with the annual report of Murray River Organics Limited for the year ended 30 June 2016 and any public announcements made by Murray River Organics Group Limited during the interim financial reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## Directors' Report

The directors of Murray River Organics Group Limited submit herewith the interim report of Murray River Organics Group Limited and its subsidiaries (the Group) for the half-year ended 31 December 2016. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' Report as follows:

### Information about the Directors

The names of the Directors of the company during or since the end of the half-year are:

#### Name

Mr C. Farrow (Chair) - appointed 26 August 2016

Mr E. Sorensen (Managing Director)

Mr J. Nemtsas

Ms L. Hennessy - appointed 19 August 2016

Mr D. Brumley - appointed 19 August 2016

Ms J. Bessler - resigned 8 August 2016

Mr J. Czyzewski - resigned 3 August 2016

Mr N. Kearney - resigned 8 August 2016

### Review of operations

Murray River Organics is an Australian producer, manufacturer, marketer, and seller of certified organic, natural and better-for-you food products. It has a growing portfolio of certified organic products, which are sold into 26 countries. Its products include dried vine fruit, table grapes, nuts, seeds, dried berries, chia seeds, prunes, dried ginger, dried mango, quinoa, coconut products and rice. The Group's product range is targeted at the rising consumer demand globally for natural, healthy and organic foods, and is an important part of the Group's strategy. The Group's customers include industrial customers (such as cereal manufacturers, bakeries and confectionary manufacturers), retail customers (such as supermarkets, organic food stores, mass-market, e-commerce retailers and convenience stores) and food service channels (such as speciality and natural food distributors).

Following an initial public offering ("IPO"), the Group was admitted to the official list of the Australian Securities Exchange on 16 December 2016.

### Business acquisitions

During the half-year, the Group completed two significant business acquisitions - the business assets of Food Source International and Australian Organic Holdings (including its brands Pacific Organics and Nutritious Foods).

Food Source International was a well-known customer of the Group. Its key products are in the natural, healthy, snacking categories and includes various nuts, dried fruits and grains. Its key distribution relationship is with a major Australian supermarket.

Australian Organic Holdings is a supplier of high quality organic food products to the Australian wholesale and industrial markets, as well as to the retail sector. Australian Organic Holdings was also an existing customer of the Group. Its key products are certified organic food products ranging from grains and seeds through a variety of snacking products. Its key distribution relationships include a major Australian supermarket, independent supermarkets and several wholesale businesses.

In accordance with its strategy, the Group is well progressed in integrating these businesses and their key personnel, assets and brands under the existing management team, and implementing uniform operational, marketing, sales and distribution strategies across the entire Group. These acquisitions provide the Group with a broader range of healthy products with which to service its existing global customer base, and strengthens its relationships with Australian domestic retailers.

### Vineyard acquisition

In addition to these business acquisitions, during the half-year the Group acquired a significant property asset, identified as the Fifth Street vineyard, located in the Sunraysia region of Australia. This 279 acre vineyard is

planted with 179 acres of table grapes and has an additional 80 acres suitable for expansion. Included in the acquisition is an export accredited pack-out facility, with chill and cool rooms installed.

Following this acquisition, the Group owns or controls over 4,700 acres of farmland in the Sunraysia region of Australia. Of this farmland 2,069 acres are planted with a focus on dried vine fruit production, 215 acres are planted with a focus on clusters, 179 acres are planted with table grapes and 149 acres are planted with citrus.

#### *Dandenong packing facility*

In September 2016, the Group commenced the establishment of a new organically certified consumer goods packaging, value-add and pick-pack facility in Dandenong, Victoria.

The facility is now operational. This 4,219 sqm facility has been fitted with more than 2,500 pallet spaces and has multiple differentiated packaging and value-add capabilities, designed to service the industrial, retail and foodservice markets globally. The corporate office of the Group has also been relocated to this location.

#### *Sunraysia facilities*

During the half year ended 31 December 2016, the Group invested approximately \$2.5 million upgrading the processing facility including installing additional metal detection units, an additional digital laser sorter, elevated walk ways, cat walks, and several other pieces of processing equipment.

The Group has commenced consolidating its Sunraysia processing facilities related to its dried vine fruit and its clusters at the Mourquong facility. Consolidation of the sites will allow for dried vine fruit, after having been harvested at a vineyard, to be processed and stored at a single location. The consolidation of the Group's facilities in the Sunraysia region from four sites to one is expected to deliver operational synergies.

The Group's processing facility is located centrally to its vineyards in Mourquong, NSW. At the processing facility, dried vine fruit is sorted, stored and prepared for processing. The processing involves the fruit passing through magnets, several visual inspection points, two functional laser sorters and metal detectors, before being packed into cartons with sealed plastic liners with modified atmosphere treatment. The facility has the capacity to process approx. 15,000 tons of dried vine fruit in bulk and approx. 1,000 ton of Clusters per year. This site is equipped with solar panels, servicing the operations with low cost renewable energy.

#### *Group restructure*

The Group recently undertook a restructure to simplify its corporate structure and to facilitate the IPO (Restructure). The Restructure was a mechanism by which existing securityholders of the Group exchanged their Existing Securities in Murray River Organics Limited and the Murray River Organics Property Trust, for Shares in Murray River Organics Group Limited (MROGL). The Restructure completed on 10 November 2016.

Sornem Group Pty Ltd, Sornem Capital Pty Ltd and MRO Property 2 (formerly Sornem Asset Management Advisors Pty Ltd), (collectively "The Sornem Entities") are non-operating entities, and were acquired by Murray River Organics Group Limited from entities associated with founding directors Erling Sorensen and Jamie Nemtsas (the Founders) as part of the Restructure. As part of the Restructure, the Founders agreed to indemnify Murray River Organics Group Limited for any liabilities of the Sornem Entities prior to the Restructure and for any tax liability or obligation of the Sornem Entities to the extent that such tax liability or obligation relates to any period prior to the completion of the Restructure or relates to (or results from) the Restructure.

#### *Financial results*

The statutory consolidated loss before tax of the group for the half-year ended 31 December 2016 was \$0.9m (2015: profit before tax of \$4.1m). Revenue for the half year was \$16.7m (2015: \$3.4m), comprised of sales of 1,003t of loose berries (2015: 566t), 52t of clusters (2015: 31t), and contributions from acquisition businesses of \$11.3m (2015: nil).

Group profitability is naturally skewed to the second half of each financial year due to crop production cycles, noting that growth in distribution businesses should aid somewhat smoothing this over coming years.

Results for the half year were impacted by one-off acquisition, restructure and IPO costs, totalling \$2.9m, of which \$1.3m has been recognised in equity net of tax (2015: nil). The result in the comparative period was impacted by insurance proceeds of \$1.4m relating to fire damage at the Mourquong processing facility.

Inventory levels were impacted by this event resulting in lower than anticipated sales in the 6 months to 31 December 2015.

Fair value of agricultural produce at half year reporting date represents the fair value gain recognised in relation to unharvested biological assets. Biological asset are calculated with reference to 2017 expected yields. This is then discounted by a time factor to take into account the growth stage of the particular crop.

The Group has 126 FTE's as at 31 December 2016 (2015: 65 FTE's) which has led to the increase in employee related expenses.

Operating cash flows before financing and investing activities in the half year were negative \$7.3m, down from positive cash flows of \$0.6m from the previous corresponding period. This is largely driven by the Group's investment in inventories for the new distribution businesses and the costs associated with growing the 2017 vine fruit and citrus crops.

The Group completed the acquisitions of Food Source International and Pacific Organics resulting in recognising goodwill of \$10.7m.

During the half year, property, plant and equipment increased in progressing other significant capital expenditure projects:

- \$10,424,432 – Acquisition of table grape vineyard (referred to as Fifth Street) of which \$1,738,044 has been allocated to biological assets
- \$8,082,806 - Conversion and development of existing vineyards (including vineyard infrastructure and equipment)
- \$2,909,422 - Establishment of Dandenong packing facility
- \$2,579,758 - Upgrade of Sunraysia processing facility.

**Subsequent events**

There have been no events subsequent to balance date which would have a material effect on the Group's consolidated financial statements as at 31 December 2016.

**Dividend**

No dividends were paid or declared during the half-year (2015: nil).

**Trust Distributions**

No Trust distributions were paid or declared during the half-year (2015: nil).

**Auditor's independence declaration**

The auditor's independence declaration is included on page 6 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

Director



C. Farrow

Melbourne, 21 February 2017

The Board of Directors  
Murray River Organics Group Limited  
32 Crompton Way  
DANDENONG SOUTH VIC 3175

21 February 2017

Dear Board Members

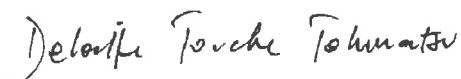
## **Murray River Organics Group Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Murray River Organics Group Limited.

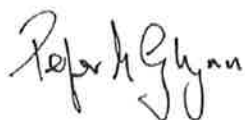
As lead audit partner for the review of the financial statements of Murray River Organics Group Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Peter Glynn  
Partner  
Chartered Accountant



## **Independent Auditor's Review Report to the members of Murray River Organics Group Limited**

We have reviewed the accompanying half-year financial report of Murray River Organics Group Limited, which comprises the condensed statement of financial position as at 31 December 2016, and the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, 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 end of the half-year or from time to time during the half-year as set out on pages 9 to 24.

### *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 gives a true and fair view and 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 Murray River Organics Group 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.

# Deloitte.

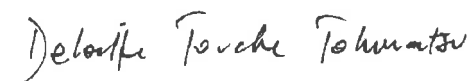
## *Auditor's Independence Declaration*

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 Murray River Organics Group 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 Murray River Organics Group 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 the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Peter Glynn  
Partner  
Chartered Accountants  
Melbourne, 21 February 2017

## Directors' Declaration

In the directors' opinion:

- a) the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- b) the attached financial statements and notes 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
- 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.

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

On behalf of the directors



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Mr Craig Farrow  
Non-Executive Chairman

Melbourne, 21 February 2017

# Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2016

		Half-year ended 31 December 2016 \$	Half-year ended 31 December 2015 \$
Revenue		16,699,176	3,412,431
Other income	4	572,307	1,826,536
Fair value of agricultural produce		6,941,024	5,303,375
Change in finished goods and work in progress		5,203,697	(257,708)
Raw materials and consumables used		(21,912,244)	(2,931,649)
Administration expense		(398,622)	(98,862)
Selling expenses		(213,662)	(78,873)
Employee benefits expense		(2,235,543)	(1,258,363)
Depreciation expense		(1,738,389)	(695,077)
Professional fees	5	(1,829,364)	(183,489)
Other expense		(1,009,743)	(593,799)
Finance costs		(941,616)	(394,480)
(Loss) / profit before tax		(862,979)	4,050,042
Income tax expense	8	(306,567)	(980,224)
<b>(Loss) / profit for the half-year</b>		<b>(1,169,546)</b>	<b>3,069,818</b>
Attributed to:			
Equity holders of the parent		(780,566)	5,685,017
Murray River Organics Property Trust (non-controlling interests) (i)		(388,980)	(2,615,199)
		<b>(1,169,546)</b>	<b>3,069,818</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Recognition of deferred tax liability on revaluation of assets	8	(2,289,013)	-
Total other comprehensive (loss) / income		(2,289,013)	-
<b>Total comprehensive (loss) / income for the half-year</b>		<b>(3,458,559)</b>	<b>3,069,818</b>
Attributed to:			
Equity holders of the parent		(3,069,579)	5,685,017
Murray River Organics Property Trust (non-controlling interests) (i)		(388,980)	(2,615,199)
		<b>(3,458,559)</b>	<b>3,069,818</b>
Basic earnings per share		(0.03)	0.25
Diluted earnings per share		(0.03)	0.25

Notes to the financial statements are included on pages 15 to 24.

(i) Non-controlling interest represents the interests of the unitholders in MROPT in the period prior to the group restructure undertaken on 9 November 2016. Refer to Note 1 'Group reorganisation'.

## Condensed consolidated statement of financial position as at 31 December 2016

	Notes	31 December 2016 \$	30 June 2016 \$
<b>Current assets</b>			
Cash and cash equivalents		10,989,279	2,249,108
Trade and other receivables		10,808,306	4,235,160
Inventories		16,651,316	10,894,400
Agricultural produce		11,664,891	624,108
Assets held for sale		-	411,880
Other assets		1,675,146	1,040,791
<b>Total current assets</b>		<b>51,788,938</b>	<b>19,455,447</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	70,845,657	48,486,749
Intangible assets	6	10,749,272	-
<b>Total non-current assets</b>		<b>81,594,929</b>	<b>48,486,749</b>
<b>Total assets</b>		<b>133,383,867</b>	<b>67,942,196</b>
<b>Current liabilities</b>			
Trade and other payables		13,537,786	4,285,026
Borrowings		8,631,575	3,546,987
Provision for income tax		1,921,233	-
Provisions		3,451,036	177,197
<b>Total current liabilities</b>		<b>27,541,630</b>	<b>8,009,210</b>
<b>Non-current liabilities</b>			
Borrowings		31,357,821	29,096,780
Deferred tax liabilities		2,996,607	940,075
Provisions		601,245	30,663
<b>Total non-current liabilities</b>		<b>34,955,673</b>	<b>30,067,518</b>
<b>Total liabilities</b>		<b>62,497,303</b>	<b>38,076,728</b>
<b>Net assets</b>		<b>70,886,564</b>	<b>29,865,468</b>
<b>Equity</b>			
<i>Equity holders of the parent</i>			
Contributed equity		112,675,300	9,692,878
Reserves		(42,424,004)	-
Retained earnings		635,268	5,071,070
Parent entity interest		70,886,564	14,763,948
<i>Non-controlling interest (i)</i>			
Contributed equity		-	10,737,734
Reserves		-	7,630,042
Accumulated losses		-	(3,266,256)
Non-controlling interest		-	15,101,520
<b>Total equity</b>		<b>70,886,564</b>	<b>29,865,468</b>

(i) Refer to Note 1 'Group reorganisation' for details of non-controlling interest prior to group restructure.

Notes to the financial statements are included on pages 15 to 24.

# Condensed consolidated statement of changes in equity for the half-year ended 31 December 2015

	Contributed equity \$	(Accumulated losses) / retained earnings \$	Reserves	Attributable to owners of the parent \$	Asset revaluation reserve \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2015	12	(789,298)	-	(789,286)	7,994,474	13,713,815	12,924,529
Transactions with security holders in their capacity as security holders							
Contribution of equity:							
Issue of units	-	-	-	-	-	2,822,027	2,822,027
Issue of shares	5,644,053	-	-	5,644,053	-	-	5,644,053
Profit for the half-year	-	5,685,017	-	5,685,017	-	(2,615,199)	3,069,818
<b>Total comprehensive income/(loss) for the half-year</b>	-	5,685,017	-	5,685,017	-	(2,615,199)	3,069,818
<b>Balance at 31 December 2015</b>	<b>5,644,065</b>	<b>4,895,719</b>	<b>-</b>	<b>10,539,784</b>	<b>7,994,474</b>	<b>13,920,643</b>	<b>24,460,427</b>

# Condensed consolidated statement of changes in equity for the half-year ended 31 December 2016

	Contributed equity \$	Retained earnings \$	Asset revaluation reserve \$	Share-based payments reserve	Corporate re-organisation reserve	Attributable to owners of the parent \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2016	9,692,878	5,071,070	-	-	-	14,763,948	15,101,520	29,865,468
Loss for the half year	-	(780,566)	-	-	-	(780,566)	(388,980)	(1,169,546)
Other comprehensive income/(loss)	-	-	(2,289,013)	-	-	(2,289,013)	-	(2,289,013)
<b>Total comprehensive income/(loss) for the half-year</b>	-	(780,566)	(2,289,013)	-	-	(3,069,579)	(388,980)	(3,458,559)
Transactions with security holders in their capacity as security holders								
Contribution of equity:								
Issue of units	-	-	-	-	-	-	6,705,487	6,705,487
Reclassification of non-controlling interest (refer Note 1)	29,333,305	(3,655,236)	7,630,042	-	(11,890,084)	21,418,027	(21,418,027)	-
Issue of shares	74,360,060	-	-	-	(35,949,086)	38,410,974	-	38,410,974
Equity raising costs (net of tax)	(923,541)	-	-	-	-	(923,541)	-	(923,541)
Share-based payments	212,598	-	-	74,137	-	286,735	-	286,735
<b>Balance at 31 December 2016</b>	<b>112,675,300</b>	<b>635,268</b>	<b>5,341,029</b>	<b>74,137</b>	<b>(47,839,170)</b>	<b>70,886,564</b>	<b>-</b>	<b>70,886,564</b>

Notes to the financial statements are included on pages 15 to 24.

## Condensed consolidated statement of cash flows for the half-year ended 31 December 2016

	Notes	Half-year ended 31 December 2016 \$	Half-year ended 31 December 2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		12,514,284	5,675,606
Receipts from insurance proceeds		-	1,394,749
Payments to suppliers and employees		(18,559,994)	(6,040,945)
Interest received		36,171	5,960
Tax paid		(23,306)	-
Interest paid		(1,279,779)	(394,480)
Net cash (used) / generated by operating activities		(7,312,624)	640,890
<b>Cash flows from investing activities</b>			
Payments for property, plant & equipment	7	(18,718,758)	(4,464,094)
Payment for business acquisitions	6	(15,235,296)	-
Proceeds from sale of water rights		435,875	377,186
Proceeds from sale of property, plant & equipment		-	-
Net cash used in investing activities		(33,518,179)	(4,086,908)
<b>Cash flows from financing activities</b>			
Payments to related parties		(5,770)	(31,141)
Net proceeds from borrowings		5,176,060	106,328
Net proceeds from hire purchase liabilities		603,560	163,305
Proceeds from issue of share capital and trust units		45,116,468	8,466,080
Transaction costs on issue of securities		(1,319,344)	-
Net cash generated by financing activities		49,570,974	8,704,572
<b>Net increase in cash and cash equivalents</b>		<b>8,740,171</b>	<b>5,258,554</b>
<b>Cash and cash equivalents at the beginning of the half-year</b>		<b>2,249,108</b>	<b>66,583</b>
<b>Cash and cash equivalents at the end of the half-year</b>		<b>10,989,279</b>	<b>5,325,137</b>

Notes to the financial statements are included on pages 15 to 24.



## Notes to the consolidated financial statements

### 1. General information and group reorganisation

These are the half year condensed consolidated financial statements of Murray River Organics Group Limited (the “Group” or the “Company”).

#### Stapling transaction in comparative period

In the comparative period and effective 18 December 2015, the units in Murray River Organics Property Trust were stapled to the shares in Murray River Organics Limited. The stapled securities were on a one-to-one basis so that one Murray River Organics Property Trust unit and one Murray River Organics Limited share formed a single stapled security.

Australian Accounting Standards required one of the stapled entities to be identified as the parent entity for the purposes of preparing a consolidated financial report. In accordance with this requirement, Murray River Organics Limited was deemed to be the parent entity. The results and equity attributable to the Murray River Organics Property Trust, being the other stapled entity which was not directly or indirectly held by Murray River Organics Limited have been shown separately in the financial statements as non-controlling interests.

The stapling transaction was accounted for as a common-control transaction by contract alone on the basis that the combined entity was ultimately controlled by the same parties both before and after the stapling transaction and common-control was not transitory. Murray River Organics Limited was at this time identified as the parent entity. No purchase consideration was transferred. This common-control transaction was accounted for via the ‘pooling of interests-type’ method which required:

- assets and liabilities of the Trust were measured at book value using consistent accounting policies to that of the Parent
- the comparative figures included both the Company and the Trust from the date on which the combining entities first came under common control
- non-controlling interests were shown as a separate item in the consolidated financial statements
- any expenses incurred on the combination were expensed in profit or loss when incurred.

The results and equity of Murray River Organics Property Trust (which was not directly owned by Murray River Organics Limited) was treated and disclosed as a non-controlling interest. Whilst the results and equity of Murray River Organics Property Trust were disclosed as a non-controlling interest, the stapled securities holdings of Murray River Organics Limited were the same as the stapled security holders of Murray River Organics Property Trust.

#### Group reorganisation

Murray River Organics Group Limited was incorporated on 6 September 2016. On 9 November 2016, the shareholders of the Company, the Directors and management undertook a group reorganisation whereby the stapled securities were unstapled via resolutions in accordance with the relevant Company constitution and Trust Deed at which time Murray River Organics Group Limited became the legal parent following the acquisition of all units in the Murray River Organics Property Trust and all the shares in Murray River Organics Limited held by each existing shareholder.

The reorganisation was made in connection with the initial public offering which was successfully completed on 16 December 2016.

The Directors have elected to account for the restructure as a capital reorganisation, whereby Murray River Organics Group Limited was imposed above the existing stapled structure with the same shareholders having the same relative interests, rather than a business combination. In the Director’s judgment, the continuation of existing accounting values is consistent with the accounting which would have occurred if the assets and liabilities had already been in a structure suitable for the IPO and most appropriately reflects the substance of the internal restructure.

Accordingly the consolidated financial report of Murray River Organics Group Limited for the half year ended 31 December 2016 has been presented as a continuation of the pre-existing accounting values of assets and liabilities in the Murray River Organics Limited consolidated financial statements and includes the financial

results for the consolidated group under Murray River Organics Limited for the period from 1 July 2016 to 9 November 2016 and the consolidated group under Murray River Organics Group Limited from 10 November 2016 to 31 December 2016. The comparative information presented in the financial report represents the financial position and financial performance of Murray River Organics Limited and Murray River Organics Property Trust. The difference between the cost of the investment and the pre-existing contributed equity of Murray River Organics Limited and Murray River Organics Property Trust at the date of the restructure of \$47,839,170 has been accounted for as a Corporate Reorganisation Reserve. Due to the unstapling of the existing securities, and the transfer of all units in the Murray River Organics Property Trust to the parent, all non-controlling interests have been reclassified to the parent within shareholders equity.

The Australian Securities and Investments Commission (ASIC) has granted relief (ASIC Instrument No. 17-0140) under section 340 of the Corporations Act 2001 (Cth) (Corporations Act) to Murray River Organics Group Limited from the requirements under section 323D(5) of the Corporations Act so that its first half year end date is 31 December 2016, rather than 6 February 2017 in order to align its half year reporting dates and to avoid the need to prepare two sets of half year accounts.

## **2. Significant accounting policies**

### **Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report of Murray River Organics Limited for the year ended 30 June 2016. This financial report is available on the ASX website.

### **Basis of preparation**

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the annual financial report for the financial year ended 30 June 2016. The following accounting policies are applicable for the current half year and were not included in the 2016 report. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### **Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of amounts paid or payable to the former owners. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that for deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements that are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Contingent consideration (liability) is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

## Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## Share-based payments arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

## 3. Application of new and revised accounting standards

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 their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*

**Impact of the application of AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle***

The Group has applied these amendments for the first time in the half current year. The *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle* include a number of amendments to various Accounting Standards, which are summarised below:

- The amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* introduce specific guidance in AASB 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in AASB 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued
- The amendments to AASB 7 *Financial Instruments: Disclosures* remove the requirement to provide disclosures relating to offsetting financial assets and financial liabilities in interim financial reports and provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets
- The amendments to AASB 134 *Interim Financial Reporting* make provision for disclosures required by the Standard to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The application of these amendments has had no effect on the Group's consolidated financial statements.

**Impact of the application of AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101***

The Group has applied these amendments for the first time in the current half year. The amendments clarify that an entity need not provide a specific disclosure required by an AASB if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in AASB is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

The application of these amendments has not had a material presentation impact on the financial performance or financial position of the Group.

## **2. Seasonality of interim operations**

The Group has seasonality throughout the business due to the growing cycle of the dried fruit and table grape vineyards. These annual crops are usually harvested from January to June, leading to greater revenues in the second half of the financial year. Additionally, crop farming and preparation costs are incurred in the first half of the financial year and harvest costs are incurred in the second half of the financial year.

## **3. Segment information**

The Group operates in one industry being the production of food and food products within Australia. All of the Group's revenue is attributable to this group of products.

The chief operating decision maker (being the Managing Director) regularly reviews entity wide information that is compliant with Australian Accounting Standards. There is only one segment for segment reporting purposes and the information reviewed by the chief operating decision maker is the same as the information presented in the statement of financial position, statement of profit and loss and other comprehensive income and statement of cash flows.

**4. Other income**

	Half-year ended 31 December 2016	Half-year ended 31 December 2015
	\$	\$
Insurance proceeds	19,513	1,394,749
Net foreign exchange gains	378,103	-
Gain on sale of non-current assets	23,995	374,738
Government grants	106,222	38,820
Interest income	36,055	5,960
Other	8,419	12,269
<b>Total</b>	<b>572,307</b>	<b>1,826,536</b>

**5. Professional fees**

IPO and acquisition related costs (not included in equity)	1,640,661	-
Other	188,703	183,489
<b>Total</b>	<b>1,829,364</b>	<b>183,489</b>

**6. Business combinations****a) Acquisition of the Food Source International business**

On 12 September 2016, the Group acquired the Food Source International ("FSI") business assets.

Consideration transferred

The following table summarises the acquisition date fair value of consideration transferred.

	\$
Cash	4,651,783
Contingent consideration (a)	900,000
<b>Total consideration transferred</b>	<b>5,551,783</b>

*a) Contingent consideration*

The Group has agreed to pay the sellers additional consideration of \$900,000 (maximum) if the trading income of FSI is at least \$22,000,000 for the year ending 30 June 2017 (inclusive of pre-acquisition revenue). If the trading income is less than \$22,000,000 a discount is applied to the contingent consideration. Management anticipate that the full contingent consideration will be payable.

Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of FSI as at the date of acquisition were:

	Fair value \$
Inventory	2,926,142
Deferred tax asset	39,612
Employee liabilities	(7,407)
Foreign currency contracts	(124,633)
<b>Total fair value</b>	<b>2,833,714</b>

Goodwill arising on acquisition

	\$
Consideration transferred	5,551,783
Less: fair value of identifiable net assets	(2,833,714)
<b>Goodwill arising on acquisition</b>	<b>2,718,069</b>

Transaction costs of \$136,032 have been expensed and are included in Professional fees in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

**b) Acquisition of Australian Organic Holdings Pty Ltd business assets**

On 16 November 2016, the Group completed the acquisition of the business assets of Australian Organic Holdings Pty Ltd ("Australian Organic Holdings").

Consideration transferred

The following table summarises the acquisition date fair value of consideration transferred.

	\$
Cash	10,300,000
Contingent consideration (a)	2,200,000
<b>Total consideration transferred</b>	<b>12,500,000</b>

**a) Contingent consideration**

The Group has agreed to pay the sellers additional consideration of \$2,200,000 (maximum) if the trading income of Australian Organic Holdings is at least \$25,000,000 for the year ending 30 June 2017 (inclusive of pre-acquisition revenue). If the trading income is less than \$25,000,000 a discount is applied to the contingent consideration. Management anticipate that the full contingent consideration will be payable.

Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

	<b>Fair value</b>
	\$
Inventory	4,373,298
Plant and equipment	321,504
Deferred tax asset	96,859
Employee liabilities	(44,676)
Foreign currency contracts	(278,188)
<b>Total fair value</b>	<b>4,468,797</b>

Goodwill arising on acquisition

	\$
Consideration transferred	12,500,000
Less: fair value of identifiable net assets	(4,468,797)
<b>Goodwill arising on acquisition</b>	<b>8,031,203</b>

Transaction costs of \$147,481 have been expensed and are included in Professional fees in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

**c) Goodwill**

Goodwill arose in these acquisitions because the cost of the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the workforce of Australian Organic Holdings and Food Source International.

Goodwill will be allocated and assessed against the single cash generating unit being Food Products. The synergies expected from these business combinations will benefit the consolidated business. Goodwill is not deductible for income tax purposes.

**7. Significant transactions**

On 16 December 2016, the Group acquired 279 acres of land, which includes 179 acres of mature table grape on fresh fruit trellis, in Victoria, for \$10,424,432 cash consideration.

The consideration has been allocated to the assets acquired as follows:

	<b>Carrying value \$</b>
Land	676,960
Irrigation infrastructure	817,687
Vineyard infrastructure	1,087,408
Bearer plants	3,469,407
Biological assets - growing crop	1,738,044
Buildings	1,863,303
Equipment	771,623
<b>Total fair value</b>	<b>10,424,432</b>

In addition, during the half year, property, plant and equipment increased in progressing other significant capital expenditure projects:

- \$8,082,806 - Conversion and development of existing vineyards (including vineyard infrastructure and equipment)
- \$2,909,422 - Establishment of Dandenong packing facility
- \$2,579,758 - Upgrade of Sunraysia processing facility

**8. Income tax**

The prima facie income tax expense on pre-tax accounting (loss) / profit from operations of the Group reconciles to the income tax expense in the financial statements as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
(Loss) / profit for the half year before tax	(862,979)	4,050,042
Less: (loss) attributable to the beneficiaries of Murray River Organics Property Trust	-	(2,615,199)
(Loss) / profit attributable to Murray River Organics Group Limited	(862,979)	6,665,241
Income tax (benefit) / expense calculated at 30%	(258,894)	1,999,573
<i>Tax effect of:</i>		
Non-deductible transaction costs	492,198	-
Non-assessable loan forgiveness	-	(993,680)
Other permanent adjustments	73,263	(25,669)

**Net income tax expense****306,567****980,224**

Prior to the reorganisation as outlined in Note 1, no income tax was payable by the Murray River Organics Property Trust, nor by the Trustee of the Trust provided the unitholders were presently entitled to the income of the trust as determined in accordance with the Trust Deed. As a result of the reorganisation, all units are held by Murray River Organics Group Limited and all income of the Trust will be taxed in Murray River Organics Group Limited. Consequently, the deferred tax impact in respect of prior period gains on the revaluation of property, plant & equipment is required to be recognised in accordance with AASB 112 Income Tax. The deferred tax impact of \$2,289,013 on prior period revaluation gains has therefore been recognised in Other Comprehensive Income in the current half year.

**9. Equity securities issued**

	<b>Half-year ended 31 December 2016</b>		<b>Half-year ended 31 December 2015</b>	
	<b>Number</b>	<b>\$</b>	<b>Number</b>	<b>\$</b>
<b>Opening balance (1 July)</b>	<b>16,976,170</b>	<b>9,692,878</b>	<b>12</b>	<b>12</b>
Share split	-	-	11,999,988	-
Issue of shares before group reorganisation	5,587,921	13,410,974	-	-
Issue of shares to acquire Non-controlling interest (Murray River Organics Property Trust)	22,564,076	29,333,305	-	-
Issue of shares as part of the group reorganisation (Murray River Organics Limited)	22,564,076	35,949,086	2,822,027	5,644,053
Issue of shares at initial public offering	19,230,769	25,000,000	-	-
Issue of shares to non-executive directors	163,537	212,598	-	-
Equity raising costs (net of tax)	-	(923,541)	-	-
<b>Closing balance (31 December)</b>	<b>87,086,550</b>	<b>112,675,300</b>	<b>14,822,027</b>	<b>5,644,065</b>

\* Murray River Organics Group Limited (ASX: MRG) was admitted to the ASX official list effective 16 December 2016, following the issue of 19,230,769 ordinary shares at \$1.30 each pursuant to a Prospectus and Initial Public Offer document. The net proceeds from the share issue for the half year was \$24,076,459 after taking into account capital raising costs recorded in equity of \$923,541 (net of tax) for the half year.

**10. Fair value of financial instruments**

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

***Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis***



Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (the valuation techniques and inputs used).

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31/12/16	30/06/16		
1) Foreign currency forward contracts	Liabilities - \$32,929	Nil	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risks of various counterparties.
2) Contingent consideration in a business combination	Liabilities - \$3,100,000	Nil	Level 3	Discounted cashflow. Contingent consideration is dependent on Food Source International and Pacific Organics meeting revenue targets (refer Note 5). An assessment of the probability that these revenue targets will be achieved has determined the carrying value of the contingent consideration, which is the maximum amount payable, as management expect the revenue targets to be achieved. A significant unobservable input is the actual future revenues from these two businesses. If the revenues from these businesses are lower than the revenue targets, the contingent consideration is reduced by a factor of an agreed discount. If the revenue targets are exceeded, the contingent consideration will not exceed the carrying value of the liability as at 31 December 2016.

#### 11. Events subsequent to reporting date

There have been no events subsequent to balance date which would have a material effect on the Group's consolidated financial statements as at 31 December 2016.

#### 12. Related party transactions

The following balances were outstanding at the end of the half-year:

		31 December 2016 \$	30 June 2016 \$	31 December 2016 \$	30 June 2016 \$
Note		Amounts owed by related parties		Amounts owed to related parties	
	Sorensen Family Trust	1	968,878	-	-
	Jamel Family Trust	1	968,878	-	-

Sornem Asset Management Pty Ltd	2	2,824	-	-	-
Sornem Private Wealth Pty Ltd	2	2,833	-	-	-
Sornem Finco Pty Ltd	2	-	-	200	-
Sornem Group Pty Ltd		-	84,555	-	-

**Notes**

- 1) The Sorensen Family Trust and the Jamel Family Trust are entities associated with the Directors, Erling Sorensen and Jamie Nemtsas respectively. Amounts owed by these Trusts relate to pre-acquisition tax liabilities of the Sornem Group for which they have indemnified.
- 2) Sornem Asset Management Pty Ltd, and Sornem Private Wealth Pty Ltd are Director related entities that are outside of the Murray River Organics Group.

The Sornem Entities are non-operating entities, and were acquired by Murray River Organics Group Limited from entities associated with founding directors Erling Sorensen and Jamie Nemtsas (the Founders) as part of the Restructure as outlined in Note 1. As part of the Restructure, the Founders agreed to indemnify the Murray River Organics Group Limited for any liabilities of the Sornem Entities prior to the Restructure and for any tax liability or obligation of the Sornem Entities to the extent that such tax liability or obligation relates to any period prior to the completion of the Restructure or relates to (or results from) the Restructure.

During the half-year, the Group received \$1,452,768 from Arrow Primary Infrastructure Fund as funding for capital expenditure incurred on the Colignan vineyard (2015: nil) which will be repaid in full by the Group by way of higher finance lease repayments as required under the lease agreement. Arrow Primary Infrastructure Fund is the lessor of the Colignan vineyard. During the half-year, the Group paid \$998,651 (2015: \$503,171) in relation to lease payments as lessee of the Colignan vineyard. The Directors, Erling Sorensen and Jamie Nemtsas, hold approximately 2.62% and 1.40% respectively, of the units currently on issue in the Arrow Primary Infrastructure Fund. The lease has been entered into on an arm's length terms and neither interest held represents a controlling interest in Arrow Primary Infrastructure Fund.

**13. Controlled entities**

	Country of incorporation	Percentage owned (%)	
		31 December 2016	30 June 2016
<b>Parent entity:</b>			
Murray River Organics Group Limited	Australia	100	-
<b>Subsidiaries of Murray River Organics Limited</b>			
Murray River Organics Limited	Australia	100	100
Murray River Organics Property Trust	Australia	100	-
Murray River Organics Property Trust 2	Australia	100	-
Murray River Organics Property Pty Ltd (ATF	Australia	100	100
Murray River Organics Property Trust)			
Murray River Organics Property 2 Pty Ltd (ATF	Australia	100	-
Murray River Organics Property Trust 2)			
Sornem Group Pty Ltd	Australia	100	-
Sornem Capital Pty Ltd	Australia	100	-