# 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

17 October 2017

Company Announcements Office
Australian Stock Exchange
E-Lodgements

Dear Sir / Madam,

**ANNUAL FINANCIAL REPORT**

A copy of the company's Annual Financial Report for the period ended 30 June 2017 follows.

Yours faithfully

Duncan Veall
Company Secretary

# Vealls Limited

**ABN 39 004 288 000**

## Annual Financial Report

**for the year ended 30 June 2017**

# 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 and Principal Place of Business
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
Chartered Accountants
Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008

## Stock Exchange Listing
Australian Stock Exchange Limited
(Home Exchange: Melbourne, Vic)

# Notice of Annual General Meeting

Notice is hereby given that the 67th Annual General Meeting of members of Vealls Limited (the **Company**) will be held at Level 7, 500 Collins Street, Melbourne, Victoria, on Thursday 30 November 2017 at 10.30 a.m.

**Items of Business**

1. Financial statements and reports

   ‘To receive and consider the Financial Report, the Auditor’s Report and the Directors’ Report for the year ended 30 June 2017.’

   **Note:** no vote is required on this Item.

2. Re-election of Director

   To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

   ‘That Duncan Reginald Veall, who retires in accordance with article 99 of the Company’s Constitution, be re-elected as a Director.’

3. Remuneration Report

   To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

   ‘That the Remuneration Report for the year ended 30 June 2017 be adopted.’

   **Note:** the vote on this resolution is advisory only and does not bind the Directors or the Company. A voting exclusion applies to this resolution as set out below.

By Order of the Board

Duncan R Veall
Company Secretary

16 October 2017

**Explanatory Notes:**

These Explanatory Notes form part of the Notice of Meeting.

**Item 1.**

As required by the Corporations Act 2001 (Cth) (**Corporations Act**), the Financial Report and the reports of the Auditor and the Directors for the financial year ended 30 June 2017 will be laid before the Annual General Meeting.

Members as a whole will be given a reasonable opportunity to ask questions and make comments on the reports and the business and management of the Company, and to ask the Auditor questions relevant to:

(i) the conduct of the audit;
(ii) the preparation and content of the Auditor's report;
(iii) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
(iv) the independence of the Auditor in relation to the conduct of the audit.

**Item 2.**

Article 99 of the Company's Constitution provides that at every Annual General Meeting, one third of the Directors or if their number is not a multiple of three then the number nearest to but not exceeding one third, shall retire from office and be eligible for re-election. In addition, no Director shall retain office after the third annual general meeting after such Director's appointment without submitting himself for election even though such submission results in more than one-third retiring from office. Accordingly, the following Director will retire and, being eligible, offer himself for re-election:

Mr Duncan R Veall

**Duncan Reginald Veall**, B.Ec. (Monash) – Executive Chairman.
Age 61, Director since 1999, 28 years' experience with the company. Special responsibilities: New Zealand subsidiaries.

The Board (with Mr Duncan R Veall abstaining) recommends that members vote **in favour** of the re-election of Mr Duncan R Veall.

**Item 3.**

The Remuneration Report is set out on pages 7 to 10 of the Directors' Report and details the remuneration practices and policies followed by the Board in determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of the key management personnel (**KMP**) for the Company and its subsidiaries.

The aggregate remuneration received by KMP for the year ended 30 June 2017 was $196,373 and in the previous year $248,212, as detailed on page 9 of the Directors' Report.

The Remuneration Report also discusses the relationship between such policies, the Company's earnings, and consequences of the Company's performance on shareholder wealth.

Members as a whole will be given a reasonable opportunity to ask questions about and make comments on the Remuneration Report.

A voting exclusion applies to this resolution. Please see 'Voting Exclusions' below.

The Board recommends that members vote **in favour** of this resolution.

**Voting Exclusions**

The Corporations Act restricts members of the KMP and their closely related parties from voting in relation to Item 3 in certain circumstances.

'**Closely related party**' is defined in the Corporations Act and includes a spouse, dependent and certain other close family members, as well as any companies controlled by a member of the KMP.

Vealls Limited will disregard any votes cast on the proposed resolution in Item 3:

- by or on behalf of members of the KMP (being the Directors and the other KMP as disclosed in the FY2017 Remuneration Report) and closely related parties of those persons (regardless of the capacity in which the vote is cast); or
- as a proxy on this Item by members of the KMP at the date of the meeting and their closely related parties,

unless the vote is cast:

- as proxy for a person entitled to vote in accordance with a direction on the proxy form; or
- by the Chairman of the meeting as proxy for a person entitled to vote in accordance with an express authorisation in the proxy form to exercise the proxy even though the resolution is directly or indirectly connected with the remuneration of a member of the KMP of the Company.

The Chairman of the meeting intends to vote all available proxies **in favour** of Items 2 and 3.

**Proxy voting**

A member entitled to attend and vote at the meeting is entitled to appoint a proxy. A proxy need not be a member of the Company.

A member entitled to cast two or more votes may appoint not more than two proxies. If two proxies are appointed, the member should specify the proportion or number of votes each proxy is appointed to exercise and if no proportion or number is specified, each proxy may exercise half of the votes.

A proxy may be an individual or a body corporate. In accordance with section 250D of the Corporations Act, a member or a proxy who is a body corporate may appoint a corporate representative to exercise its powers at the meeting. If the corporate representative attends the meeting, the representative will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission.

If a member appoints only one proxy, that proxy shall be entitled to vote on a show of hands. If a member appoints two proxies, only the first named proxy shall be entitled to vote on a show of hands.

Proxies will only be valid and accepted by the Company if the enclosed proxy form is signed and forwarded to the Company at the address or facsimile number set out below not less than 48 hours before the time for holding the meeting, being 10:30am on Tuesday, 28 November 2017.

The completed proxy form may be:

- Mailed or delivered to the registered office of the Company:
  Vealls Limited
  1st Floor
  484 Toorak Road
  Toorak, Vic, 3142

- Sent by facsimile to:
  (03) 9827 4112 or
  international +613 9827 4112

**Voting Entitlement**

The Directors have determined that, for the purposes of voting at the meeting, shares will be taken to be held by the registered holder at 7:00pm AEDT, on Tuesday, 28 November 2017. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

# Directors' Report

The directors present this report on the consolidated entity of Vealls Limited in respect of the year ended 30 June 2017.

## DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows:

**Duncan Reginald Veall**, B.Ec. (Monash) – Executive Chairman.
Age 61, Director since 1999, 28 years' experience with the company. Special responsibilities: New Zealand subsidiaries.
*Interests in Shares:* 748,329 fully paid capital shares
30,058 fully paid preference shares

**Martin Charles Veall**, Diploma of Farm Management (Marcus Oldham College) – Executive Director.
Age 64; Director since 1989, 46 years' experience in farm management. Special responsibilities: Agriculture and Forestry. Audit Committee.
*Interests in Shares:* 749,800 fully paid capital shares
589,879 fully paid income shares

**Robert Sidney Righetti**, Chartered Accountant – Non-executive Director.
Age 67, Director since 1996, Formerly Partner, Pannell Kerr Forster (Melbourne Partnership) Chartered Accountants, 46 years' experience in accounting and auditing. Special responsibilities: Audit Committee.
*Interests in Shares:* 500 fully paid capital shares

No directors are currently or have in the past three years held directorships in other listed companies.

## COMPANY SECRETARY

**Duncan Reginald Veall**, B.Ec. (Monash)
Appointed 2000. 28 years' experience with the company.

### DIRECTOR'S MEETINGS

The number of meetings of the board of directors and committees of the board and the number of meetings attended by each of the directors during the financial year were as follows:

| | Directors' | | Audit Committee | |
|---|---|---|---|---|
| | **Number of meetings held** | **Meetings attended** | **Number of meetings held** | **Meetings attended** |
| Martin Charles Veall | 6 | 6 | 2 | 2 |
| Robert Sidney Righetti | 6 | 6 | 2 | 2 |
| Duncan Reginald Veall | 6 | 6 | - | - |

### PRINCIPAL ACTIVITIES

The principal activities during the year of the consolidated entity were agriculture, real estate, investment and negotiable securities.

## Directors' Report continued

### REVIEW OF OPERATIONS

1. **Revenue & Other Income**
   Total revenue for the year was $2.613m (2016: $3.311m), comprising for the most part interest income earned from NZD and AUD deposits. Other income of $0.599m (2016: $3.182m) was recorded, relating mainly to foreign exchange gains of $0.367m (2016: $0.136m) and fair value gains of $0.150m (2016: $3.046m).

2. **Profit**
   Consolidated net profit was $0.966m (2016: $4.850m) after income tax expense of $0.826m (2016: $0.802m). Other comprehensive expense totalled $0.065m (2016: $4.723m income) comprising net losses principally arising from the NZD/AUD exchange rate, resulting in losses of $0.085m (2016: $4.696m gains).

3. **Cash Flows**
   Net cash flows from all activities was $5.901m (2016: $1.603m), including operating activities cash inflows of $1.112m (2016: $1.940m).

4. **Financial Position**
   Total assets decreased by $1.562m, while total liabilities decreased by $2.110m. Shareholders' funds increased as a result by $0.548m. The value of the Australian Dollar in relation to other currencies continued to be a major factor in this regard.

5. **Dividends**
   Final dividends of 0.35c on preference shares, 5.60c on income shares and 0.50c on capital shares have been declared payable on 29 September 2017. The dividends are unfranked as a result of the review that is being finalised.

6. **Review of Operations**
   (a) In furtherance of the actions to be taken under the Group's restructure of its operations, disposal of the Group's remaining non-current assets continues.

   (b) Having previously disposed of assets within the Group's operations, the cash position remains strong, with cash deposits of $112m (2016: $106m) yielding returns of between 1.71% and 3.60% during the year. The NZD/AUD exchange rate continues to be a significant factor in determining the Group's financial position.

   (c) During the year the Group completed the sale of its French assets.

   (d) Steps continued to be taken in relation to the ultimate disposal of the property at Mt Martha, Victoria. Options are being developed and a consultant has been engaged to advance the process.

7. **Significant features of Operating Performance**
   The Group's performance is largely impacted by interest rates, which are reducing in Australia and New Zealand. The directors continue to monitor rates to achieve the best outcomes for the Group. The sale of the French assets and tax considerations were a significant feature of the Group's operating performance.

8. **Other Financial Information**

   (a) Basic and diluted earnings per ordinary share was 7.41c compared with 51.23c in the previous year.

   (b) Net tangible asset backing per ordinary share was $14.70 compared with $14.64 in the previous year.

   (c) Returns to shareholders (cents per-share)

   - Preference share dividends 0.70c
   - Income share dividends 11.10c
   - Capital share dividends 0.50c

   (d) Statement of Retained Earnings (Consolidated)

| | $000's |
|---|---|
| Balance at beginning of year | 125,883 |
| Add - profit after tax | 966 |
| Less – dividends paid | (353) |
| Balance at end of year | 126,496 |

## Directors' Report continued

**9. Subsequent events**
In the opinion of the directors there are no events subsequent to reporting date that would have a material financial effect on the financial statements for the year ended 30 June 2017.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As previously noted by the directors, the long-term plan is to acquire interests in securities listed on stock exchanges, primarily in the Asian region, utilizing the Singapore based subsidiary as a hub for such transactions. The timing of such activities is dependent on market conditions with the directors looking to ensure the timing of investing is appropriate.

An important consideration in the timing of this process will be the foreign exchange rates at the time funds are transferred from their existing currencies to the investment currencies.

It is not feasible at this juncture to indicate expected results from such operations other than to observe that investment policy is intended to be directed to both income and capital growth over the longer term from a spread of securities.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### REMUNERATION REPORT - AUDITED

Pursuant to Section 300A Corporations Act 2001 the directors state:

**Remuneration policy**

(a) There is no remunerations or appointments committee of the board, and the directors and other officers' emoluments are determined in accordance with a policy that encompasses the relevant criteria and procedures to be followed.

(b) A director of the company, including an executive officer, is usually appointed by invitation of the board, but may be appointed otherwise by the company's shareholders in general meeting. All directors are in any case ultimately either confirmed or not confirmed to hold office by vote of the shareholders.

(c) The board is responsible for setting the direction taken by the company in its operations and the nature of such operations; and is responsible thereafter for monitoring the results that flow from its decisions.

(d) An executive director (officer) is additionally responsible for the management of the company's operations in accordance with the board's directives in that regard.

(e) A non-executive director receives an emolument for serving as a director of the company and/or its subsidiaries. The emolument consists of fees, superannuation and such other benefits as may firstly be agreed between that director and the board's chairman and secondly be approved by the remaining directors. The maximum amount of directors' fees payable is limited to the amount approved by the company's shareholders.

(f) An executive director does not receive an emolument for serving as a director, but receives an emolument for serving as an executive officer with management responsibilities. The emolument consists of salary, superannuation and such other benefits as are agreed between that director and the remaining directors.

(g) The emolument of a director is determined by reference to the particular service to be provided to the company and/or its subsidiaries, the nature of that service, the knowledge and skill required and the time and application to the position expected of that director.

(h) Information from external consultants will usually be sought about current market remuneration levels and conditions over a range of positions relevant to the company's operations and the particular circumstances, and this guide will also be used in determination of an emolument where required. No advice has been sought during the current year.

(i) The board measures the company's performance by reference to the movement over time in the value of Shareholders' Equity as shown by the consolidated statement of financial position and expressed as a dollar value per issued share; and the amounts distributed to shareholders in dividends or by other means and expressed as a dollar value per issued share.

(j) Maintenance of such values per share would be rated an "average" performance; reductions would be rated "below average"; and an increase would be rated "above average" performances.

(k) The performance of a non-executive director in the role of director is the determining factor in the emolument of that director.

## Directors' Report continued

(l) The performance of an executive director in the dual role of director and executive officer is the determining factor in the emolument of that director.

(m) There is no direct relationship between the emolument of a director or executive officer and the performance of the company, except over time. For example, no director or executive officer receives payment in relation to profits of the company and/or its subsidiaries; or receives the issue of shares or options to acquire shares except by entitlement thereto as a shareholder.

(n) The company's performance in the short term at or "below average" rating may, but not necessarily will, lead to a reduction in the emolument of a director or executive officer because there are several factors that can materially affect the company's operations that are beyond the immediate control of a director or executive officer. For instance, global economic conditions, particularly interest and exchange rate movements, and weather conditions. Conversely, an "above average" rating may, but not necessarily will, lead to an increase in the emolument of a director or executive officer.

(o) On the other hand, a "below average" rating in the longer term is bound to affect the emolument of a director or executive officer in one way or another, because, unless persuasive reasons can be given to and accepted by shareholders for such a rating, it is highly likely shareholders will use their voting power to reject the directors. Conversely, an "above average" rating is highly likely to lead to an increase in the emolument of a director or executive officer.

**Service agreements**

There are no formal agreements in place with Key Management Personnel as at 30 June 2017. Termination is governed by the appropriate legal framework.

**Voting and comments made at the Company's 2016 Annual General Meeting ('AGM')**

At the 25 November 2016 AGM, 93.45% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

The following table sets out the company's earnings and the consequences of the company's performance on shareholder wealth as defined by subsections 300A (1AA) and (1AB) of the Corporations Act 2001.

### (a) Earnings

| Year ended 30 June: | 2013<br>$000 | 2014<br>$000 | 2015<br>$000 | 2016<br>$000 | 2017<br>$000 |
|---|---|---|---|---|---|
| Net Profit ('000's) | | | | | |
| Before tax | 4,172 | 5,905 | 4,927 | 5,652 | 1,792 |
| After tax | 3,440 | 12,812 | 5,034 | 4,850 | 966 |

### (b) Shareholder Wealth

| Year ended 30 June: | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| (1) Dividends - | | | | | |
| Preference shares | 0.70c | 0.70c | 0.70c | 0.70c | 0.70c |
| Income shares | 10.30c | 10.50c | 10.70c | 10.90c | 11.10c |
| Capital shares | 0.50c | 0.50c | 0.50c | 0.50c | 0.50c |
| | | | | | |
| (2) Share Price * | | | | | |
| Preference shares | 0 | 0 | 0 | 0 | 0 |
| Income shares | +60c | - 65c | - 9c | - 2c | + 1c |
| Capital shares | +70c | +125c | +60c | -20c | +220c |

* Change in the price between beginning and end of year

## Directors' Report continued

### Remuneration of Key Management Personnel

Details of the nature and amount of each element of the emolument of the key management personnel of the company and the consolidated entity are as follows:

**2017**

| DIRECTORS | Short- term benefits | | Post – employment benefits | | | Total |
|---|---|---|---|---|---|---|
| | Cash, salary and fees [1] | Non-cash benefits | Super-annuation | Long – term benefits | Other benefits | |
| | $ | $ | $ | $ | $ | $ |
| Martin Charles Veall (Executive director) | 43,076 | - | 3,800 | 667 | - | 47,543 |
| Robert Sidney Righetti (Non-executive director) | 35,000 | - | 4,375 | - | - | 39,375 |
| Duncan Reginald Veall (Executive director) | 98,008 | - | 9,919 | 1,528 | - | 109,455 |
| | **176,084** | **-** | **18,094** | **2,195** | **-** | **196,373** |

[1] Included in "Cash, salary and fees" are movements in the Annual Leave provision. There has been no change in the base cash salary for each Key Management Personnel in the current year.

**2016**

| DIRECTORS | Short- term benefits | | Post – employment benefits | | | Total |
|---|---|---|---|---|---|---|
| | Cash, salary and fees [1] | Non-cash benefits | Super-annuation | Long – term benefits | Other benefits | |
| | $ | $ | $ | $ | $ | $ |
| Ian Raymond Veall (Chairman) | 49,992 | - | - | 774 | - | 50,766 |
| Martin Charles Veall (Executive director) | 43,077 | - | 3,600 | 667 | - | 47,344 |
| Robert Sidney Righetti (Non-executive director) [2] | 36,280 | - | 4,375 | - | - | 40,655 |
| Duncan Reginald Veall (Executive director) | 98,008 | - | 9,919 | 1,520 | - | 109,447 |
| | **227,357** | **-** | **17,894** | **2,961** | **-** | **248,212** |

[1] Included in "Cash, salary and fees" are movements in the Annual Leave provision. There has been no change in the base cash salary for each Key Management Personnel in the current year.

[2] Included in the cash, salary and fees of Mr Righetti is $1,280 paid for consulting services rendered during the year for advising on the establishment of new accounting systems for the group.

# Directors' Report continued

## Additional disclosures relating to Key Management Personnel

*Shareholding*

The number of shares in the company held during the financial year by key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| ***Fully paid capital shares*** | | | | | |
| Martin Charles Veall | 749,800 | - | - | - | 749,800 |
| Robert Sidney Righetti | 500 | - | - | - | 500 |
| Duncan Reginald Veall | 748,329 | - | - | - | 748,329 |
| | 1,498,629 | - | - | - | 1,498,629 |

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| ***Fully paid income shares*** | | | | | |
| Martin Charles Veall | 589,879 | - | - | - | 589,879 |
| Robert Sidney Righetti | - | - | - | - | - |
| Duncan Reginald Veall | - | - | - | - | - |
| | 589,879 | - | - | - | 589,879 |

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| ***Fully paid preference shares*** | | | | | |
| Martin Charles Veall | - | - | - | - | - |
| Robert Sidney Righetti | - | - | - | - | - |
| Duncan Reginald Veall | 30,058 | - | - | - | 30,058 |
| | 30,058 | - | - | - | 30,058 |

***This concludes the remuneration report, which has been audited.***

## Directors' Report continued

### NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

BDO East Coast Partnership continues in office in accordance with the *Corporations Act 2001*.

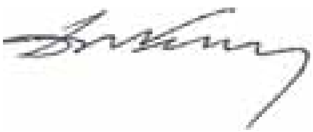
### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 can be found on the following page.

### 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.

Signed in accordance with a resolution of the directors.



Duncan Veall
Executive Chairman
Melbourne, 29 August 2017

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

**DECLARATION OF INDEPENDENCE BY RICHARD DEAN TO THE DIRECTORS OF VEALLS LIMITED**

As lead auditor of Vealls Limited for the year ended 30 June 2017, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

Richard Dean
Partner

**BDO East Coast Partnership**

Melbourne, 29 August 2017

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

| | Note | Consolidated | |
|---|---|---|---|
| | | **2017** | **2016** |
| | | **$000** | **$000** |
| Revenue | 2 | 2,613 | 3,311 |
| Other income | 3 | 599 | 3,182 |
| Loss on disposal of French assets | 4(a) | (401) | - |
| Employee benefits expense | | (196) | (247) |
| Rates and taxes | | (82) | (148) |
| Insurance | | - | (1) |
| Light, power and telephone | | (5) | (6) |
| Professional costs | | (503) | (353) |
| Listing & share registry fees | | (49) | (51) |
| Merchant & bank fees | | (1) | (1) |
| Other expenses | | (183) | (34) |
| **Profit before income tax expense** | | **1,792** | **5,652** |
| Income tax expense | 5 | (826) | (802) |
| **Profit after tax attributable to owners of Vealls Ltd** | | **966** | **4,850** |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Fair value gains/(losses) | | | |
| - Available-for-sale financial assets, net of tax | | 20 | 27 |
| - Foreign currency translation | | (85) | 4,696 |
| **Other comprehensive (loss)/income for the year, net of tax** | | **(65)** | **4,723** |
| **Total comprehensive income for the year attributable to owners of Vealls Ltd** | | **901** | **9,573** |
| Basic earnings per share | 19 | 7.41 cents | 51.23 cents |
| Diluted earnings per share | 19 | 7.41 cents | 51.23 cents |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2017

| | Note | Consolidated 2017 $000 | Consolidated 2016 $000 |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 8 | 111,829 | 105,639 |
| Trade and other receivables | 9 | 37 | 28 |
| Income tax receivable | 5(c) | 104 | 279 |
| **TOTAL CURRENT ASSETS** | | **111,970** | **105,946** |
| **NON-CURRENT ASSETS** | | | |
| Investment properties | 11 | 20,250 | 21,894 |
| Available for sale financial assets | 12 | 223 | 199 |
| Deferred tax assets | 15(a) | 64 | 1,233 |
| Trade and other receivables | 4(b) | 250 | - |
| Agricultural & biological assets | 10 | - | 5,047 |
| **TOTAL NON-CURRENT ASSETS** | | **20,787** | **28,373** |
| **TOTAL ASSETS** | | **132,757** | **134,319** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 14 | 715 | 117 |
| Income tax payable | 5(c) | 24 | 1,131 |
| Provisions | 16 | 85 | 220 |
| **TOTAL CURRENT LIABILITIES** | | **824** | **1,468** |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | 15(b) | 79 | 1,545 |
| **TOTAL NON-CURRENT LIABILITIES** | | **79** | **1,545** |
| **TOTAL LIABILITIES** | | **903** | **3,013** |
| **NET ASSETS** | | **131,854** | **131,306** |
| **EQUITY** | | | |
| Issued capital | 17 | 1,235 | 1,235 |
| Reserves | 18 | 4,123 | 4,188 |
| Retained earnings | | 126,496 | 125,883 |
| **TOTAL EQUITY** | | **131,854** | **131,306** |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2017

| | Share Capital | Retained Earnings | Asset Revaluation Reserve | Asset Realisation Reserve | Foreign Currency Translation Reserve | Total |
|---|---|---|---|---|---|---|
| | **$000** | **$000** | **$000** | **$000** | **$000** | **$000** |
| **At *1 July 2015*** | 1,235 | 95,053 | 11,791 | 14,539 | (538) | 122,080 |
| Profit for the year | - | 4,850 | - | - | - | 4,850 |
| Other comprehensive income | - | - | 27 | - | 4,696 | 4,723 |
| **Total Comprehensive Income for the year** | **-** | **4,850** | **27** | **-** | **4,696** | **9,573** |
| Transfers to and from Reserves | - | 26,327 | (11,788) | (14,539) | - | - |
| *Transactions with owners in their capacity as owners* | | | | | | |
| Dividends paid | - | (347) | - | - | - | (347) |
| **Balance at *30 June 2016*** | **1,235** | **125,883** | **30** | **-** | **4,158** | **131,306** |
| **At *1 July 2016*** | 1,235 | 125,883 | 30 | - | 4,158 | 131,306 |
| Profit for the year | - | 966 | - | - | - | 966 |
| Other comprehensive income | - | - | 20 | - | (85) | (65) |
| **Total Comprehensive Income for the year** | **-** | **966** | **20** | **-** | **(85)** | **901** |
| *Transactions with owners in their capacity as owners* | | | | | | |
| Dividends paid | - | (353) | - | - | - | (353) |
| **Balance at *30 June 2017*** | **1,235** | **126,496** | **50** | **-** | **4,073** | **131,854** |

The accompanying notes form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED 30 JUNE 2017

| | | Consolidated | |
|---|---|---|---|
| | | **2017** | **2016** |
| | | **$000** | **$000** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | Note | | |
| Receipt from legal settlement | | 82 | - |
| Payments to suppliers and employees (inclusive of GST) | | (578) | (860) |
| Interest received | | 2,621 | 3,304 |
| Income tax paid | | (1,319) | (504) |
| Income tax refunded | | 306 | - |
| Net cash flows from operating activities | 22 | **1,112** | **1,940** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Dividends received | | 1 | 5 |
| Proceeds from sale of property, plant and equipment | | - | (10) |
| Proceeds from sale of French assets | | 5,391 | - |
| Deposit with French notary | | (250) | - |
| Net cash from/(used in) investing activities | | **5,142** | **(5)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividends paid | | (353) | (332) |
| Net cash flows used in financing activities | | **(353)** | **(332)** |
| **Net increase in cash and cash equivalents** | | **5,901** | **1,603** |
| Cash and cash equivalents at beginning of year | | 105,639 | 99,330 |
| Effects of exchange rate changes on cash | | 289 | 4,706 |
| **Cash and cash equivalents at end of period** | 8 | **111,829** | **105,639** |

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001, as appropriate for for-profit oriented entities.

The financial report covers the consolidated entity of Vealls Limited and the entities it controlled during the year. Vealls Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Vealls Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated. The financial statements were authorised for issue on 29 August 2017.

### Basis of Preparation

*Reporting Basis and Conventions*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets and financial assets for which the fair value basis of accounting has been applied.

*New and Revised Accounting Standards and Interpretations*

The consolidated entity has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The directors have reviewed the impact the adoption of all new standards and interpretations has had on the accounting policies and results of the Group and determined there has been no material impact to results or disclosures.

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

### Accounting Policies

**a. Principles of Consolidation**

A controlled entity is any entity where Vealls Limited is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

A list of controlled entities is contained in Note 13 to the financial statements. All controlled entities have a 30 June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

**b. Foreign Currency Translation**

**Functional and presentation currency**

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

**Foreign Operations**

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

The assets and liabilities of foreign operations are translated at year-end exchange rates prevailing at that reporting date. The revenues and expenses of foreign operations are translated into Australian dollars at average exchange rates, which approximate the rate at the date of the transaction.

Exchange differences arising on translation of foreign operations are recognised directly in the group's foreign currency translation reserve in other comprehensive income. These differences are recognised in profit or loss in the period when an operation is disposed.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017

**c. Rounding of Amounts**

The parent entity has applied the relief available to it under Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $1,000.

**d. Classification of assets and liabilities**

Assessment is made of the appropriate classification of each group of assets and liabilities into current and non-current and the appropriate descriptions of the items in each such classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**e. Critical Accounting Estimates and Judgements**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

These significant judgements and estimates are as follows:

**(a) <u>Significant accounting judgements</u>**

In the process of applying accounting policies the directors and management make various judgements that can significantly affect the amounts recognised in the financial report.

**(1) Fair value measurement hierarchy:**

See note 25

**(2) Taxation:**

See notes 5 and 15

**(b) <u>Significant accounting estimates and assumptions</u>**

**Valuation of Investments:**

See note 12

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

| NOTE 2: REVENUE | 2017<br>$000 | 2016<br>$000 |
|---|---|---|
| Interest | 2,612 | 3,304 |
| Dividends | 1 | 7 |
| **Total Revenue** | **2,613** | **3,311** |

***Accounting policy - Revenue recognition***
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

| NOTE 3: OTHER INCOME | Note | 2017<br>$000 | 2016<br>$000 |
|---|---|---|---|
| Foreign currency translation gains | | 367 | 136 |
| Fair value gains | | | |
| - Investment properties | 10 | 150 | 1,781 |
| - Agricultural & biological assets | 9 | - | 1,265 |
| Legal settlement | | 82 | - |
| **Total Other Income** | | **599** | **3,182** |

***Accounting policy - Foreign currency translation***
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the date of the transaction. Exchange differences arising on settlement of transactions and on the translation of monetary items at year end are recognised in either profit or loss. When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, the exchange component of that gain or loss shall be recognised directly in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

**NOTE 4: LOSS ON DISPOSAL OF FRENCH ASSETS**

| (a) Disposal | 2017<br>€000 | 2017<br>$000 | 2016<br>$000 |
|---|---|---|---|
| Proceeds from disposal | 4,600 | 6,468 | - |
| Assets disposed of: | | | |
| - Investment properties | (1,202) | (1,794) | - |
| - Agricultural & biological assets | (3,381) | (5,047) | - |
| Disposal costs | (18) | (28) | - |
| **Loss on disposal** | **(1)** | **(401)** | **-** |

During the year the Group completed the sale of the French forest assets described in notes 10 and 11. The assets were valued at 30 June 2016 using an exchange rate of $1 = €0.6699.

At the date of settlement the exchange rate used by the Group to translate the Euro proceeds was $1 = €0.7112, and as a result of foreign exchange movements the Group recorded a loss of $401,000 on the disposal of the assets.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

Subsequent to settlement, the Group converted €3.6 million to AUD, translating to $5.385 million. The conversion resulted in a gain of $0.333 million. This amount is included in the foreign exchange gain recorded in note 3.

(b) **Amounts withheld**
Upon completion of the transaction, an amount was withheld by the notary in France in lieu of any further tax assessed in France. The amount withheld is as follows: -

| | 2017<br>€000 | 2017<br>$000 | 2016<br>$000 |
|---|---|---|---|
| Amount withheld | 176 | 250 | - |

The Directors do not expect any further charges and are seeking to recover the funds immediately. However, the Notary has advised that the amount withheld under local tax legislation can be held up to 3 years after the sale. Accordingly the amount is recorded as a non-current receivable.

| | | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|---|
| **NOTE 5: INCOME TAX EXPENSE** | | | |
| **(a)** | Income tax expense | | |
| | - Current income tax | 9 | 709 |
| | - Deferred income tax | 913 | 51 |
| | - Tax (over) / under provided in prior years | (96) | 42 |
| | Income tax expense | **826** | **802** |
| **(b)** | Reconciliation between tax expense and accounting profit before tax multiplied by applicable tax rates | | |
| | Profit before income tax | 1,792 | 5,652 |
| | Income tax at 27.5% (2016: 30%) | 493 | 1,695 |
| | - Taxable foreign exchange gain | 363 | - |
| | - Non-taxable fair value | (41) | (420) |
| | - Other | - | 1 |
| | - Foreign tax adjustment | - | (3) |
| | - Tax losses (recognised)/not recognised | (3) | 4 |
| | - Additional taxation of foreign investment property | 110 | 540 |
| | - Recognition of foreign tax credits | - | (1,062) |
| | - Foreign exchange and other translation adjustments | - | 5 |
| | (Over) / Under provision in prior years | (96) | 42 |
| | Income tax expense | **826** | **802** |

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017

| | | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **(c)** | Income tax receivable | | |
| | - Current income tax receivable Australia | 104 | - |
| | - Current income tax receivable Overseas | - | 279 |
| | Income tax receivable | 104 | 279 |
| | | | |
| | - Current income tax payable Australia | - | 1,131 |
| | - Current income tax payable Overseas | 24 | - |
| | Income tax payable | **24** | **1,131** |

***Accounting policy - Income Tax***

Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in other comprehensive income and not in the profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

***Critical accounting assumptions and estimates***

Assessment is made of the types of arrangement considered to be a tax on income and whether deferred tax assets and deferred tax liabilities are correctly recognised in the statement of financial position, with movements therein reflected in income tax expense for the reporting period.

| **NOTE 6: COMPENSATION FOR KEY MANAGEMENT PERSONNEL** | **2017 $** | **2016 $** |
|---|---|---|
| Short-term benefits | 176,084 | 227,357 |
| Long-term benefits | 20,289 | 20,855 |
| **Total Compensation** | **196,373** | **248,212** |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

| NOTE 7: DIVIDENDS | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Distributions paid | | |
| **Previous year final dividend paid on 31 October 2016** | | |
| i) Fully franked dividend on preference shares of 0.35 cents per share (2016: 0.35 cents per share) | 1 | 1 |
| ii) Fully franked dividend on income shares of 5.50 cents per share (2016: 5.40 cents per share) | 152 | 149 |
| iii) Fully franked dividend on capital shares of 0.50 cents per share (2016: 0.50 cents per share) | 44 | 44 |
| | 197 | 194 |
| **Current year interim dividend paid on 28 April 2017:** | | |
| i) Fully franked dividend on preference shares of 0.35 cents per share (2016: 0.35 cents per share) | 1 | 1 |
| ii) Fully franked dividend on income shares of 5.60 cents per share (2016: 5.50 cents per share) | 155 | 152 |
| | 156 | 153 |
| Total dividends | 353 | 347 |
| **Dividends proposed but not recognised as a liability payable on 29 September 2017:** | | |
| i) Unfranked dividend on preference shares of 0.35 cents per share (2016: 0.35 cents per share) | 1 | 1 |
| ii) Unfranked dividend on income shares of 5.60 cents per share (2016: 5.50 cents per share) | 155 | 152 |
| iii) Unfranked dividend on capital shares of 0.50 cents per share (2016: 0.50 cents per share) | 44 | 44 |
| | 200 | 197 |

| **Franking credit balance** | **Parent 2017 $'000** | **Parent 2016 $'000** |
|---|---|---|
| The amount of franking credits available for the subsequent financial year | 3,720 | 4,178 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date;
- Franking debits that will arise from the payment of dividends recognized as a liability at the reporting date; and
- Franking credits that will arise from the receipt of dividends recognized as receivables at the reporting date.

**Tax rates:** Tax rates at which the paid dividends have been franked is 27.5% (2016: 30%)

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **NOTE 8: CASH AND CASH EQUIVALENTS** | | |
| Cash at bank and in hand | 1,357 | 317 |
| Short-term bank deposits | 110,472 | 105,322 |
| **Total** | **111,829** | **105,639** |

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

***Financial Risks***

The main risks the group is exposed to through its financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk. The risk is predominantly related to its cash and cash equivalents due to the magnitude of the bank deposits.

***Market Risks***

***(i) Foreign currency exposures***
The Group holds significant amounts of foreign currency in its bank and deposit accounts. The amounts are as follows: -

| | 2017 LOCAL ('000) | 2017 $'000 | 2016 LOCAL (000) | 2016 $'000 |
|---|---|---|---|---|
| Australian Dollars | 59,324 | 59,324 | 37,150 | 37,150 |
| New Zealand Dollars | 52,272 | 49,784 | 68,944 | 65,722 |
| Singapore Dollars | 723 | 682 | 759 | 757 |
| US Dollars | 1,502 | 1,951 | 1,493 | 2,010 |
| Euros | 59 | 88 | - | - |
| **Total** | | **111,829** | | **105,639** |

The translation of the statement of profit or loss and other comprehensive income of foreign subsidiary companies directly affects their operating results in AUD terms. Similarly, the translation of the assets and liabilities of such companies is reflected in Equity (Foreign Currency Translation Reserve).

The consolidated entity had net assets denominated in foreign currencies of $51.813 million, incorporating cash, other assets and liabilities as at 30 June 2017 (2016: $68.455 million).

Had the Australian dollar strengthened by 10% (2016: 10%) against these foreign currencies with all other variables held constant, the consolidated entity's profit after tax for the year would have reduced by $217,000 (2016: $229,000), and equity would have been $5.181 million lower (2016: $6.846 million). Had the Australian dollar weakened, the impact would have been equal but positive.

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date.

***(ii) Interest Rate Risk***
Interest rate risk arises from the consolidated entity's short term bank deposits at variable interest rates denominated in AUD, NZD, USD and SGD.

No hedging or derivatives are used and all movements are reflected directly in profit or loss.
During the year deposit interest rates per cent per annum varied between:

| AUD | NZD | USD | SGD |
|---|---|---|---|
| 2.94% - 1.71% | 3.60% - 1.88% | 0.01% - 0.00% | 0.01% - 0.00% |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

At 30 June 2017 short term bank deposits totalled $110.472m. A movement of +/- 1% in deposit interest rates throughout the year would result in a $1.105m per annum variation in Interest Revenue for the year.

***(iii) Credit Risk***

Credit risk arises from the potential default of the counter parties to the consolidated entity's deposits and trade and other receivables.

All deposits are placed with major trading banks of high rating. All receivables relate primarily to tax balances from GST and equivalent returns. Accordingly, the consolidated entity is not exposed to significant credit risk.

***(iv) Liquidity Risk***

The Group holds significant cash balances, and manages its cash flows according to its requirements. Accordingly the Group is not subject to significant liquidity risk.

| | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|
| **NOTE 9: TRADE AND OTHER RECEIVABLES** | | |
| **Current Assets** | | |
| Goods and services tax | 23 | 13 |
| Prepayments | 14 | 15 |
| **Total** | **37** | **28** |

***Accounting policy – GST***

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

***Financial Risks***

The Group is not exposed to significant financial risks in relation to current trade and other receivables. The short term nature of the balances mean that the carrying balances are assumed to equate to fair values.

**NOTE 10: AGRICULTURAL AND BIOLOGICAL ASSETS**

| | 2017 | 2016 |
|---|---|---|
| **Non-Current Assets** | | |
| Standing timber – at fair value<br>(Foret de Leyde – Moulins, France) | - | 5,047 |
| | | |
| Opening Balance at 1 July | 5,047 | 3,690 |
| Foreign Exchange Movement | - | 92 |
| Net gain on revaluation | - | 1,265 |
| Disposal | (5,047) | - |
| Closing Balance at 30 June | - | 5,047 |

***Accounting policy – Agricultural and biological assets***

Agricultural assets are measured at their fair value less point-of-sale costs on initial recognition and at each reporting date. Fair value of mixed age forest timber is determined at current market price. The aggregate gain or loss arising on initial recognition and from changes in fair value less estimated point of sale costs is recognised as income or expense of the period.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017

***Fair value - Valuation method***
The value of the Agricultural & biological assets at 30 June 2016 was based on a count and valuation of the inventory in March 2016 carried out by an Independent Expert Forestier. The valuation was completed in Euros and translated into Australian Dollars at balance date.

***Disposal***
The assets were disposed of during the year, and details of the disposal are noted in note 4.

**NOTE 11: INVESTMENT PROPERTIES**

| | 2017 | 2016 |
|---|---|---|
| **Non-Current Assets** | **$'000** | **$'000** |
| (a) Freehold Land (Mt Martha, Vic) – at fair value | | |
| Opening Balance at 1 July | 20,100 | 18,700 |
| Net gain on revaluation | 150 | 1,400 |
| Closing Balance at 30 June | 20,250 | 20,100 |
| (b) Freehold land and buildings (France) – at fair value | | |
| Opening Balance at 1 July | 1,794 | 1,378 |
| Foreign Exchange Movement | - | 35 |
| Net gain/(loss) on revaluation | - | 381 |
| Disposal | (1,794) | - |
| Closing Balance at 30 June | - | 1,794 |
| **Totals** | **20,250** | **21,894** |

***Accounting policy – Investment Properties***
Investment properties comprise interests in land and buildings, held for the purpose of long term capital growth. Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the investment properties are stated at fair value. Fair value is determined by reference to valuations carried out at each reporting date. These valuations take the form of either a director's valuation or independent valuation (which are carried out at least every 3 years). The fair value model is determined as the amount the investment properties would be sold in an arm's length transaction between willing and knowledgeable parties. Gains and losses arising from changes in fair value are recognised in profit or loss in the period they arise.

***Valuation of investment properties***
The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The Mt Martha property valuation is based on an independent assessment by a member of the Australian Property Institute. The French property was valued in March 2016 by an independent Expert Forestier, with the valuation completed in Euros and translated into Australian Dollars at the balance date. Refer to note 25 for further information on fair value measurement.

***Disposal***
The French assets were disposed of during the year, and details of the disposal are noted in note 4.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **NOTE 12: AVAILABLE-FOR-SALE FINANCIAL ASSETS** | | |
| Listed ordinary shares | 223 | 199 |
| *Reconciliation* | | |
| Reconciliation of the fair values at the beginning and end of the current financial year are set out below: | | |
| Opening fair value at 1 July | 199 | 187 |
| Foreign exchange movement | (2) | 1 |
| Revaluation increment | 26 | 11 |
| Closing fair value at 30 June | 223 | 199 |

Refer to note 25 for further information on fair value measurement.

***Accounting policy – Available for sale financial assets***
*Recognition*
Financial instruments are initially measured at fair value on trade date, net of transaction costs, other than financial assets measured at fair value through profit or loss, which are measured at fair value, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

*Measurement*
Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

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

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 13: CONTROLLED ENTITIES

| | Country of Incorporation | Percentage Owned (%)* | |
|---|---|---|---|
| *Parent Entity*: | | **2017** | **2016** |
| Vealls Limited | Australia | - | - |
| Subsidiaries of ***Vealls Limited***: | | | |
| VL Investments Pty Ltd | Australia | 100 | 100 |
| Cardrona Ski Resort Ltd | New Zealand | 100 | 100 |
| Vealls (Singapore) Pte Ltd | Singapore | 100 | 100 |

* Percentage of voting power in proportion to ownership

### NOTE 14: TRADE AND OTHER PAYABLES

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Current Liabilities** | | |
| Trade payables | 94 | 45 |
| GST payable | 450 | - |
| Other payables | 171 | 72 |
| **Total** | **715** | **117** |

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

***GST Payable***

The GST payable amount refers to the GST dispute with the purchaser of the ski field in 2013. The dispute was settled during the current year. There has been an additional amount provided ($103,000) at 30 June 2017 for any IRD penalties that may arise.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 15: DEFERRED TAX

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **(a) Deferred Tax Assets** | | |
| Foreign tax credits | - | 1,062 |
| Annual leave | 11 | 27 |
| Long service leave | 12 | 39 |
| Other | 41 | 7 |
| Losses carried forward | - | 98 |
| **Total** | **64** | **1,233** |
| **Movements** | | |
| Balance 1 July | 1,233 | 75 |
| (Debited)/Credited to income tax expense | (1,169) | 1,158 |
| **Balance 30 June** | **64** | **1,233** |
| **(b) Deferred Tax Liabilities** | | |
| Investments | 19 | 13 |
| Agricultural & biological assets | - | 1,347 |
| Accrued interest | 13 | 148 |
| Unrealised foreign exchange gains | 47 | 37 |
| **Total** | **79** | **1,545** |
| **Movements** | | |
| Balance 1 July | 1,545 | 352 |
| (Credited)/Charged to income tax expense | (1,472) | 1,209 |
| Debited/(Credited) to equity | 6 | (16) |
| **Balance 30 June** | **79** | **1,545** |

***Accounting policy – Deferred Tax***

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

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

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interest in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred 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.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2017

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting 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 tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 reporting date.

Deferred tax related to items outside profit or loss is recognised outside profit or loss.

Deferred tax items recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

***Critical Accounting estimates and assumptions***
Recognition of deferred tax assets is dependent upon future income against which such assets can be used.

| **NOTE 16: PROVISIONS** | **2017 $'000** | **2016 $'000** |
|---|---|---|
| **Current Liabilities** | | |
| Annual leave | 42 | 91 |
| Long service leave | 43 | 129 |
| **Total** | **85** | **220** |

***Accounting policy – Employee benefits***
Provision is made for the company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits that are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

**NOTE 17: ISSUED CAPITAL**

| | | |
|---|---|---|
| 40,474 (2016: 40,474) fully paid preference shares | 4 | 4 |
| 2,775,108 (2016: 2,775,108) fully paid income shares | 344 | 344 |
| 8,873,860 (2016: 8,873,860) fully paid capital shares | 887 | 887 |
| | 1,235 | 1,235 |

| (a) **Preference shares** | **2017 No.** | **2016 No.** |
|---|---|---|
| At the beginning and end of period | 40,474 | 40,474 |

Dividends: Preference shareholders are entitled to receive a fixed cumulative preferential dividend of 7% p.a. on paid up capital.

Winding-up: Preference shareholders are entitled to repayment of the capital paid up on preference shares in priority to all other shareholders.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

| | 2017 No. | 2016 No. |
|---|---|---|
| **(b) Income shares** | | |
| At the beginning and end of period | 2,775,108 | 2,775,108 |

Dividends: Income shareholders are entitled to receive dividends as declared in priority to dividends being paid on Capital shares.

Winding-up: Income shareholders are entitled to repayment of the capital paid up on income shares and an additional amount of 40c per share in priority to any repayment of capital shares.

| | 2017 No. | 2016 No. |
|---|---|---|
| **(c) Capital shares** | | |
| At the beginning and end of period | 8,873,860 | 8,873,860 |

Dividends: Capital shareholders are entitled to receive dividends as declared.

Winding-up: Capital shareholders are entitled to repayment of the capital paid up on capital shares and all surplus assets.

**(d) Capital Management**

Management's objective is to ensure that the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

There was no gearing ratio as at 30 June 2017 and 2016 as there were no external loans or borrowings.

**NOTE 18: RESERVES**

**(a) Asset Revaluation Reserve**

The asset revaluation reserve records increases and decreases in the fair value of non-current assets to the extent they offset one another. The reserve can only be used to pay dividends in limited circumstances.

**(b) Asset Realisation Reserve**

The asset realisation reserve records realised gains on the sale of non-current assets. All balances relate to historic asset disposals and have now been transferred to Retained Earnings.

**(c) Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of the financial statements of foreign subsidiaries.

| **NOTE 19: EARNINGS PER SHARE** | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Reconciliation of earnings to profit | | |
| Profit after tax | 966 | 4,850 |
| Preference & Income share dividends | (309) | (303) |
| **Earnings used to calculate basic and diluted earnings per share** | **657** | **4,547** |

| | 2017 No. of shares | 2016 No. of shares |
|---|---|---|
| Weighted average numbers of shares used in calculating basic and diluted earnings per share (capital shares) | 8,873,860 | 8,873,860 |
| | 8,873,860 | 8,873,860 |
| Earnings per share | 7.41 cents | 51.23 cents |
| Earnings per capital share | 7.41 cents | 51.23 cents |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 20: CAPITAL AND LEASING COMMITMENTS**

**Operating Lease Commitments**

The Company has no existing operating lease obligations.

| **NOTE 21: AUDITORS' REMUNERATION** | **2017 $** | **2016 $** |
|---|---|---|
| Remuneration of the auditor of the parent entity for: | | |
| • auditing or reviewing the financial report | 39,250 | 40,020 |
| • tax compliance services | 13,900 | 9,500 |
| Remuneration of other BDO auditors of overseas subsidiaries for: | | |
| • auditing or reviewing the financial report of subsidiaries and other services | 10,000 | 34,258 |
| | **63,150** | **83,778** |

| **NOTE 22: CASH FLOW INFORMATION** | **2017 $'000** | **2016 $'000** |
|---|---|---|
| **Reconciliation of Cash Flow from Operations with Profit after Income Tax** | | |
| Profit after Income tax | 966 | 4,850 |
| Non-cash flows in profit | | |
| Fair value gains | (150) | (3,052) |
| Net loss on disposal of assets | 401 | - |
| French tax deducted from proceeds of sale of French assets | 1,050 | - |
| Foreign exchange gains | (366) | (127) |
| Dividend income classified as investing activities | (1) | (5) |
| Changes in assets and liabilities: | | |
| (Increase) in trade and other receivables | (9) | (9) |
| Increase / (decrease) in trade payables and other payables | 594 | (33) |
| (Decrease) / increase in tax balances | (1,238) | 300 |
| (Decrease) / increase in provisions | (135) | 16 |
| **Net cash from operating activities** | **1,112** | **1,940** |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 23: 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 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.

**Major Customers**

The Group did not have any one customer to which it provided products and services amounting to more than 10% of the Group revenue in 2017 or 2016.

**Segment information**

The table below represents revenue and profit information for reportable segments for the year ended 30 June 2017 and 2016.

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, plant and equipment, net of allowances and accumulated depreciation. Segment liabilities consist principally of payables and employee benefits.

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of the assets.

| **Revenue by geographic locations** | **2017 $'000** | **2016 $'000** |
|---|---|---|
| From outside Australia | 2,082 | 1,143 |
| From inside Australia | 531 | 2,168 |
| | **2,613** | **3,311** |

| **Non-current assets by geographic locations** | **2017 $'000** | **2016 $'000** |
|---|---|---|
| Australia | 20,250 | 20,100 |
| France | - | 6,841 |
| | **20,250** | **26,941** |

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

**30 June 2017**

| | Investments $'000 | Agriculture $'000 | Total $'000 |
|---|---|---|---|
| **Segment Revenue** | | | |
| Interest revenue | 2,612 | - | 2,612 |
| Other revenue | 1 | - | 1 |
| **Total segment revenue** | **2,613** | **-** | **2,613** |
| **Segment net operating profit before tax** | **2,193** | **(401)** | **1,792** |
| **ASSETS** | **132,757** | **-** | **132,757** |
| **LIABILITIES** | **903** | **-** | **903** |

**30 June 2016**

| | Investments $'000 | Agriculture $'000 | Total $'000 |
|---|---|---|---|
| **Segment Revenue** | | | |
| Interest revenue | 3,304 | - | 3,304 |
| Other revenue | 7 | - | 7 |
| **Total segment revenue** | **3,311** | **-** | **3,311** |
| **Segment net operating profit before tax** | **3,879** | **1,773** | **5,652** |
| **ASSETS** | **127,478** | **6,841** | **134,319** |
| **LIABILITIES** | **1,666** | **1,347** | **3,013** |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 24: RELATED PARTY TRANSACTIONS

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

| **Transactions with related parties** | **2017 $'000** | **2016 $'000** |
|---|---|---|
| - Advances from parent entity to subsidiary | 32,500 | - |
| - Advances from subsidiary to parent entity | 12 | 91 |
| - Payment made by parent entity on behalf of Vealls (Singapore) Pte Ltd | 9 | - |
| **Balances outstanding at the reporting date in relation to loans with related parties**: | | |
| - Loans from V.L. Investments Pty Ltd to parent entity | 31,752 | 31,752 |
| - Loan from parent entity to Vealls (Singapore) Pte Ltd | 32,412 | 96 |

**Ultimate parent entity**
The ultimate parent entity is St Columb Limited.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 25: 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**

| **Consolidated – 2017** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| *Assets* | | | | |
| Listed ordinary shares at fair value | 223 | - | - | 223 |
| Investment properties | - | - | 20,250 | 20,250 |
| Total assets | 223 | - | 20,250 | 20,473 |

| **Consolidated – 2016** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| *Assets* | | | | |
| 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 |

Assets held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

*Level 3 assets and liabilities*

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

| Consolidated | Investment Properties Mt Martha $'000 | Investment Properties France $'000 | Agricultural & Biological assets Trees France $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 2015 | 18,700 | 1,378 | 3,690 | 23,768 |
| Gains recognised in profit or loss | 1,400 | 381 | 1,265 | 3,046 |
| Foreign exchange movement | - | 35 | 92 | 127 |
| Disposals | - | - | - | - |
| Balance at 30 June 2016 | 20,100 | 1,794 | 5,047 | 26,941 |
| Gains recognised in profit or loss | 150 | - | - | 150 |
| Foreign exchange movement | - | - | - | - |
| Disposals | - | (1,794) | (5,047) | (6,841) |
| Balance at 30 June 2017 | 20,250 | - | - | 20,250 |

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

| Description | Unobservable inputs | Average | Sensitivity |
|---|---|---|---|
| Freehold Land- Mt Martha | $20,250,000 | 5.0% | 5% change would increase/decrease fair value by $1,012,500. |

The freehold land valuation at Mt Martha has been valued by an independent valuation expert as at 30 June 2017 based on direct comparison approach, whereby similar sales at market value have been analysed to determine value.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 26: PARENT ENTITY INFORMATION**

| Information relating to Vealls Limited: | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Current Assets | 7,907 | 37,151 |
| Total Assets | 84,207 | 88,568 |
| Current Liabilities | 209 | 1,410 |
| Total Liabilities | 32,036 | 34,707 |
| Issued Capital | 1,235 | 1,235 |
| Assets Revaluation Reserve | 50 | 30 |
| Foreign Currency Translation Reserve | (1,621) | (1,621) |
| Retained Earnings | 52,507 | 54,217 |
| Total Shareholders' equity | 52,171 | 53,861 |
| Profit/(Loss) of the parent entity | (1,357) | 10,268 |
| Total comprehensive income of the parent entity | (1,357) | 10,295 |

**NOTE 27: SUBSEQUENT EVENTS**

In the opinion of the directors there has not arisen since the end of the financial year any matter or circumstance that has significantly affected or 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 financial year ended 30 June 2017 except as referred to and to be inferred from the Financial Report.

**NOTE 28: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED**

Australian accounting standards and interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

*AASB 9 Financial Instruments and its consequential amendments*

(i) This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018. The consolidated entity will adopt this standard and the amendments from 1 July 2018. It is not expected that adoption of the standard will have a significant impact upon the Group's financial statements.

(ii) *AASB 15 Revenue from Contracts with Customers*

Applicable to annual reporting periods beginning on or after 1 January 2017. As the Group does not generate revenue other than interest, the adoption of this standard is not expected to impact the Group's financial statements.

(iii) *AASB 16 Leases*

Applicable to annual reporting periods beginning on or after 1 January 2019. As the Group has not entered into any material lease agreements, it is not expected that adoption of this standard will have a material impact on the Group's financial statements.

## DIRECTORS' DECLARATION

(1) In the opinion of the directors of Vealls Limited -

(a) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) The attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements.

(c) The attached financial statements and notes that comply with International Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements.

(d) The attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the financial year ended on that date.

(2) The directors have been given the declarations required by section 295A of the Corporations Act 2001 for the year ended 30 June 2017.

This report is made in accordance with a resolution of directors, pursuant to section 298(a) of the Corporations Act 2001.

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

Duncan Reginald Veall
Executive Chairman

Melbourne, 29 August 2017

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

**INDEPENDENT AUDITOR'S REPORT**

To the members of Vealls Ltd

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Vealls Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement in the financial report for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO

*Disposal of Foreign Assets*

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| Refer to note 4 of the financial report.<br><br>During the financial year the Group disposed of its French Forest assets held in Moulin, France which had a carrying value in the statement of financial position of $6.8 million.<br><br>The sale of these significant group assets results in a number of potential tax and accounting treatment matters concerning the calculation of the losses on disposals, treatment of the related foreign exchange movements, income tax implications and financial reporting disclosures. | Our procedures to address this key audit matter included, but were not limited to:<br><br>• Review of the calculation of the loss on the disposal of the foreign assets and verification of the inputs to external supporting documentation.<br>• Re-performance of the calculation of the French capital gains tax withheld to ensure that this is complete and in line with applicable tax law.<br>• Review of the signed contract to ensure all elements of the sale transaction have been accounted for accurately.<br>• Review of the the income tax implications related to the disposal to ensure they have been accounted for accurately.<br>• Consideration of the disclosures included in the financial statements in respect of the disposal. |

*Calculation of Current and Deferred Tax Balances*

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| Refer to note 5 of the financial report.<br><br>There is a material risk that the Group's tax balances are not recognised accurately given the complexity associated in determining assessable tax income, the use of foreign tax credits generated by the sale of the French Forest assets and the availability of deductions across the Group's multiple foreign tax jurisdictions.<br><br>In particular, we noted there are tax balances arising from foreign tax paid in the overseas entities and the additional foreign tax paid on the disposal of the French assets. | Our procedures to address this key audit matter included, but were not limited to:<br><br>• Reviewing income tax calculations to ensure they are in accordance with applicable tax law for each jurisdiction within the Group.<br>• Assessing the ability of the Company to utilise the foreign tax credits generated by the sale of the French Forest assets and reviewing the availability of Australian assessable income used to offset the foreign tax credits. |

### Other information

The directors are responsible for the other information. The other information comprises the information contained in the director's report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

**Responsibilities of the directors for the Financial Report**

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 7 to 10 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Vealls Ltd, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

## Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO East Coast Partnership**

BDO

**Richard Dean**
Partner

Melbourne, 29 August 2017

# ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 29 September 2017.

### (a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

| | Capital shares | | Income shares | | Preference shares | |
|---|---|---|---|---|---|---|
| | Number of holders | Number of shares | Number of holders | Number of shares | Number of holders | Number of shares |
| 1 - 1,000 | 37 | 17,067 | 30 | 14,849 | 9 | 2,466 |
| 1,001 - 5,000 | 21 | 46,452 | 23 | 54,932 | 4 | 11,600 |
| 5,001 - 10,000 | 9 | 75,527 | 7 | 56,467 | - | - |
| 10,001 - 100,000 | 17 | 492,059 | 22 | 578,596 | 1 | 26,408 |
| 100,001 - and over | 5 | 8,242,755 | 3 | 2,070,264 | - | - |
| | 89 | 8,873,860 | 85 | 2,775,108 | 14 | 40,474 |
| The number of shareholders holding less than a marketable parcel of shares are: | - | - | 8 | 1,416 | 4 | 316 |

### (b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

| | Listed Capital shares | |
|---|---|---|
| | Number of shares | Percentage (%) |
| 1. Ijack Pty Ltd | 7,000,000 | 78.88 |
| 2. Winmardun Pty Ltd | 748,000 | 8.43 |
| 3. Josseck Pty Ltd | 190,160 | 2.14 |
| 4. Estate Veall I R | 155,890 | 1.76 |
| 5. J P Morgan Nominees Aust Ltd | 148,705 | 1.68 |
| 6. Laurence G + Morrison J R | 95,000 | 1.07 |
| 7. HSBC Custody Nom Aust Ltd | 85,556 | 0.96 |
| 8. Hayman P J | 50,000 | 0.56 |
| 9. Angueline Inv Pty Ltd | 34,992 | 0.39 |
| 10. Ryan C & J | 30,000 | 0.34 |
| 11. Carrington Avenue Pty Ltd | 27,356 | 0.31 |
| 12. Zandane Pty Ltd | 25,000 | 0.28 |
| 13. Williams F | 24,750 | 0.28 |
| 14. Anberton Pty Ltd | 19,000 | 0.21 |
| 15. Stiletto Inv Pty Ltd | 19,000 | 0.21 |
| 16. Brown A J | 17,000 | 0.19 |
| 17. Laurence J & Stanton C W | 15,000 | 0.17 |
| 18. Armstrong M A | 14,000 | 0.16 |
| 19. Freiman H J | 13,047 | 0.15 |
| 20. Murray M | 11,550 | 0.13 |
| | 8,724,006 | 98.30 |

# ASX Additional Information - continued

| | Listed Income shares | |
|---|---|---|
| | Number of shares | Percentage (%) |
| 1. Shirvell Pty Ltd | 1,364,820 | 49.18 |
| 2. Farex Pty Ltd | 589,879 | 21.26 |
| 3. Moffatt J G M | 115,565 | 4.16 |
| 4. Angueline Inv Pty Ltd | 74,031 | 2.67 |
| 5. Kylenet Pty Ltd | 70,000 | 2.52 |
| 6. Balcombe Griffiths Pty Ltd | 36,315 | 1.31 |
| 7. Veall K L | 36,000 | 1.30 |
| 8. Forsyth Barr Custodians Ltd | 29,333 | 1.06 |
| 9. Tink Y L | 28,750 | 1.04 |
| 10. Helms D N | 28,750 | 1.04 |
| 11. Colman L P | 27,500 | 0.99 |
| 12. 334 Capital Pty Ltd | 27,000 | 0.97 |
| 13. Batt K J | 23,000 | 0.83 |
| 14. Miller T W | 22,000 | 0.79 |
| 15. Barry-Scott U J | 22,000 | 0.79 |
| 16. Common Sense Inv Pty Ltd | 20,000 | 0.72 |
| 17. Dare J V | 20,000 | 0.72 |
| 18. Rohde A L | 19,500 | 0.70 |
| 19. Cobb A J | 18,667 | 0.67 |
| 20. Emmerson J P | 15,000 | 0.54 |
| | 2,588,110 | 93.26 |

| | Listed Preference shares | |
|---|---|---|
| | Number of shares | Percentage (%) |
| 1. Veall D R | 26,408 | 65.25 |
| 2. Ryan C & J | 4,350 | 10.75 |
| 3. DRV Superannuation Fund | 3,650 | 9.01 |
| 4. Common Sense Inv Pty Ltd | 2,150 | 5.31 |
| 5. Leaver A M | 1,450 | 3.58 |
| 6. Batoka Pty Ltd | 600 | 1.48 |
| 7. Leaver G A | 500 | 1.24 |
| 8. XYZ Nominees Pty Ltd | 500 | 1.24 |
| 9. Albrecht G E | 300 | 0.74 |
| 10. Cameron K V M | 250 | 0.62 |
| 11. Estate Dinneen M E | 100 | 0.25 |
| 12. Currie A M | 100 | 0.25 |
| 13. Pasamonte G A | 66 | 0.16 |
| 14. Tweed D | 50 | 0.12 |
| | 40,474 | 100.00 |

# ASX Additional Information - continued

### (c) Substantial shareholders

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

| Name | | Number of Capital shares | Number of Income Shares |
|---|---|---|---|
| Ijack Pty Ltd | | 7,906,019 | 1,954,699 |
| Shirvell Pty Ltd | | 7,906,019 | 1,954,699 |
| St Columb Ltd | | 7,906,019 | 1,954,699 |
| Shirley Margaret Veall | | 7,906,019 | 1,954,699 |
| Winmardun Pty Ltd | | 7,906,019 | 1,954,699 |
| Farex Pty Ltd | | 7,906,019 | 1,954,699 |
| Estate I R Veall | | 7,906,019 | 1,954,699 |
| Martin Charles Veall | | 7,906,019 | 1,954,699 |
| Winton Arthur Veall | | 7,906,019 | 1,954,699 |
| Duncan Reginald Veall | | 7,906,019 | 1,954,699 |

### (d) Voting Rights

Below is an extract from the Articles of association detailing voting rights

72 (a) SUBJECT to Article 28 and to any rights or restrictions for the time being attached to any class or classes of shares every member present in person or represented by proxy or Representative shall on a show of hands have one vote and on a poll every member who is present in person or by proxy or Representative shall have two votes for every Capital share held by him, one vote for every five Income shares held by him and (in such cases as the holders of Preference shares are entitled to vote) four votes for every Preference share held by him.

(b) If at any time upon a poll the votes exercised for or those exercised against a motion by or on behalf of any twenty members would in aggregate and but for the provisions of this paragraph exceed 66 per centum of the votes exercisable by or on behalf of all the members of the Company then and in every such case the votes so exercised by or on behalf of such twenty members shall be deemed to amount in the aggregate to such 66 per centum only and all the other members shall be deemed entitled between them to exercise the remaining 34 per centum. The votes exercised as aforesaid by or on behalf of such twenty members shall be deemed to have been exercised as between themselves in proportion to the number of votes which but for this paragraph would have been exercisable by them or on their behalf as the case may be and the votes which the other members of the Company shall be deemed exercisable as between those members in proportion to the number of votes which but for this paragraph each would have been entitled to exercise.

### (e) On-market buy back

There is no current on-market buy back.

# Corporate Governance Statement

Pursuant to Listing Rule 4.10.3, the directors state that the corporate governance framework established by the board in respect to the ASX Corporate Governance Council's Principles and Recommendations (3rd edition) (**Recommendations**) is as described below. The Corporate Governance Statement is current as at 29 September 2017 and has been approved by the Board of Vealls Limited.

| | |
|---|---|
| **PRINCIPLE 1:** | **"Lay foundations for management and oversight".** |
| Recommendation 1.1: | Disclose the respective roles and responsibilities of the board and management.<br><br>Disclose those matters expressly reserved to the board and those delegated to management. |
| Compliance: | Yes. |
| Comment: | The primary function of the board is to determine the strategic direction and objectives of the company's operations and the means by which those objectives can best be realised in the short and longer term.<br><br>This involves in particular the timely review of actual results against the objectives (financial and otherwise) and taking action(s) as appropriate in all the circumstances.<br><br>Day to day management of the company's operations are delegated to management.<br><br>The directors and their responsibilities at 30 June 2017 were as under:<br><br>Duncan Reginald Veall — Executive Chairman, with primary responsibility for the New Zealand subsidiary companies.<br><br>Martin Charles Veall — Executive Director, with primary responsibility for the management of Agricultural and Forestry Activities.<br><br>Robert Sidney Righetti — Non-Executive Director, with primary responsibility to act as an Independent Director.<br><br>It is noted that each of the Veall named individuals has a dual function; firstly, in his role as a director, and secondly, in his role as an executive with management responsibilities. |
| Recommendation 1.2: | Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director.<br><br>Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. |
| Compliance: | Yes. |
| Comment: | No new directors have been appointed since the Recommendations were released. If and when a new director is appointed, the board intends to have appropriate checks undertaken.<br><br>The notice of meeting for each AGM contains a biography of those directors standing for election or re-election at the AGM and whether the board recommends for or against the director's election or re-election. |
| Recommendation 1.3: | Have a written agreement with each director and senior executive setting out the terms of their appointment. |
| Compliance: | No. |
| Comment: | There are no written agreements with each director and senior executive setting out the terms of their appointment. Refer to page 8 of the Remuneration Report. The board has determined that the legal framework regarding employment and termination are sufficient. |

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| Recommendation 1.4: | The company secretary should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. |
| Compliance: | Yes. |
| Comment: | Mr D R Veall is both chair of the board and company secretary. This ensures that the company secretary is accountable directly to the board on all matters to do with the proper functioning of the board. In his role as company secretary, Mr D R Veall has various responsibilities including attending meetings, taking minutes and is readily accessible to all board members. |
| Recommendation 1.5: | (a) Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the company's progress in achieving them.<br>(b) Disclose that policy or a summary of it.<br>(c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the company's diversity policy and its progress towards achieving them, and either:<br>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the company has defined "senior executive" for these purposes); or<br>(2) if the company is a "relevant employer" under the Workplace Gender Equality Act, the company's most recent "Gender Equality Indicators", as defined in and published under that Act. |
| Compliance: | No. |
| Comment: | The company has not adopted an objective of achieving gender diversity.<br>The company has a policy of non-discrimination against the people it employs on the criterion of age, creed, gender, political views, race or social mores.<br>It would therefore be inconsistent with that policy to also adopt an objective to decide the composition of the company's workforce on the basis of gender. |
| Recommendation 1.6: | Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors.<br>Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. |
| Compliance: | Yes. |
| Comment: | A performance evaluation of the board, its committees and the directors has taken place in the reporting period that was in accordance with the process disclosed. This process involves periodically measuring the performance of the board, its committee and directors against the company's performance as further described on pages 7-8 of the Remuneration Report. |
| Recommendation 1.7: | Have and disclose a process for periodically evaluating the performance of its senior executives.<br>Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. |
| Compliance: | Yes. |
| Comment: | The only senior executives of the company and the consolidated entity are the two Veall named individuals. Their performance is periodically evaluated by reference to the criteria set out in the Remuneration Report at pages 7-8.<br>A performance evaluation for the senior executives has taken place in the reporting period that was in accordance with the process disclosed. |

| | |
|---|---|
| **PRINCIPLE 2:** | **“Structure the board to add value”.** |
| Recommendation 2.1: | Have a nomination committee which:<br>(1) has at least three members, a majority of whom are independent directors; and<br>(2) is chaired by an independent director;<br>and disclose:<br>(3) the charter of the committee;<br>(4) the members of the committee; and<br>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br>if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. |
| Compliance: | No. |
| Comment: | Refer to comment at the end of Principle 2 below. |
| Recommendation 2.2: | Have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. |
| Compliance: | No. |
| Comment: | The company has regard for its current and future operations and measures its performance through set criteria. The Board considers this process sufficient and does not believe a board skills matrix would better assist this process. The qualifications and experience of the board are set out in the Directors’ Report. |
| Recommendation 2.3: | (a) Disclose the names of the directors considered by the board to be independent directors.<br>(b) Disclose if a director has an interest, position, association or relationship of the type described in Box 2.3 of the Corporate Governance Principles and Recommendation 3rd Edition but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion.<br>(c) Disclose the length of service of each director. |
| Compliance: | Yes. |
| Comment: | (a) Mr Robert Sidney Righetti is considered to be an independent director.<br>(b) Although Mr Robert Sidney Righetti has been a director of the company since 1996, the board makes a regular assessment of his independent status as a director and considers him to be an independent director.<br>(c) Martin Charles Veall, 1989 to current; Robert Sidney Righetti, 1996 to current; Duncan Reginald Veall, 1999 to current. |
| Recommendation 2.4: | A majority of the board should be independent directors. |
| Compliance: | No. |
| Comment: | The board is comprised of two executive directors and one independent director. Refer to comment at the end of Principle 2 below. |
| Recommendation 2.5: | The chair should be an independent director and, in particular, should not be the same person as the CEO. |
| Compliance: | No. |
| Comment: | Refer to comment at the end of Principle 2 below. |

Recommendation 2.6: Have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Compliance: Yes.

Comment: No new directors have been appointed since the Recommendations were released. If and when a new director is appointed the board intends to implement an induction process and provide appropriate professional development opportunities.

Closing Comment: The Veall family is the principal shareholder group and has been so since 1951 when the company was listed on the ASX. It holds 74.26% of Preference shares, 70.44% of Income shares and 89.09% of Capital shares and is therefore in effective control of the appointment, election and in certain circumstances retirement of directors.

The reason why Recommendations 2.1, 2.4 and 2.5 have not been complied with is that St Columb Ltd has endorsed the existing composition of the board and how it functions as being in the best interests of all shareholders.

**PRINCIPLE 3:** **"Act ethically and responsibly".**

Recommendation 3.1: Have a code of conduct for its directors, senior executives and employees and disclose the code or a summary of the code.

Compliance: No.

Comment: The board believes it is unnecessary for a specific code of conduct to be established to govern the actions of its directors and senior executives, as high moral standards are conscientiously maintained and applied by them to their own actions and in supervision of the company's employees so far as this is practicable.

The board further believes that moral and ethical behavior basically rests on an individual's recognition of the distinction between right and wrong conduct in any given situation and to them taking the correct action.

What constitutes right and wrong is a complex matter in itself and uncertain even in the prescriptive conditions of the law, let alone in many diverse situations.

**PRINCIPLE 4:** **"Safeguard integrity in corporate reporting".**

Recommendation 4.1: Have an audit committee which:

(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
(2) is chaired by an independent director, who is not the chair of the board; and disclose,
(3) the charter of the committee;
(4) the relevant qualifications and experience of the members of the committee; and
(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

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

Compliance: No – in relation to (1) and (3) above.
Yes – in relation to (2), (4) and (5) above.

Comment: There is an audit committee of Mr R S Righetti as chairman and Mr M C Veall that has direct access to the company's external auditor in relation to all audit matters. It is responsible for the integrity of the company's financial reporting through review of its financial statements and ensuring the independence of the external auditor.

The committee is chaired by an independent director who is not chair of the board.

The names and qualifications of the audit committee are as follows. R S Righetti is a Chartered Accountant with 46 years' experience in accounting and auditing and has been an independent director since 1996. Mr M C Veall holds a diploma of Farm Management (Marcus Oldham College) with 46 years' experience in farm management and has been an executive director since 1989.

The audit committee meets twice yearly to review the company's financial statements and reports issued in relation to its half year 31 December and the full year ending 30 June reporting periods and oversees the independence of the external auditor. Refer to page 5 of the Directors' Report for the number of times the committee met and individual attendances.

The structure of the board, comprising two executive directors and one independent director precludes the adoption of the remaining Recommendations.

The nature and in particular the scale of the company's operations makes a formal audit committee charter inappropriate in such circumstances.

| | |
|---|---|
| <u>Recommendation 4.2:</u> | Before it approves the company's financial statements for a financial period, the board should receive from its CEO and CFO a declaration that, in their opinion, the financial records of the company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. |
| Compliance: | Yes. |
| Comment: | The board has received a written declaration from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that, in their opinion, the financial records of the company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. |
| <u>Recommendation 4.3:</u> | Ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit. |
| Compliance: | Yes. |
| Comment: | The external auditor attends each AGM and is available to answer questions from security holders relevant to the audit. |
| **PRINCIPLE 5:** | "**Make timely and balanced disclosure".** |
| <u>Recommendation 5.1:</u> | Have a written policy for complying with its continuous disclosure obligations under the ASX Listing Rules and disclose the policy or a summary of the policy. |
| Compliance: | No. |
| Comment: | Although there is no written policy, the company secretary and chair, Mr D R Veall, is primarily responsible for the company's compliance with ASX Listing Rules, in particular company announcements and the requirements of Continuous Disclosure and Periodic Disclosure under Listing Rules 3–4. The board's responsibility is to approve the content of all information and the time of its lodgment with the ASX. |
| **PRINCIPLE 6:** | **"Respect the rights of security holders".** |
| <u>Recommendation 6.1:</u> | Provide information about the company and its governance to investors via its website. |

| | |
|---|---|
| Compliance: | No. |
| Comment: | It is noted that the number of shareholders has contracted over the years and the maintenance of a website is not considered to be warranted. Information in relation the company and its governance is provided on request by email, facsimile, post or telephone to shareholders. |
| Recommendation 6.2: | Design and implement an investor relations program to facilitate effective two-way communication with investors. |
| Compliance: | Yes. |
| Comment: | The company communicates directly with shareholders through its Annual Report and its meetings (usually the AGM) and indirectly through its periodic reports to the ASX.<br><br>It is noted that the number of shareholders has contracted over the years and the maintenance of a website is not considered to be warranted. Information however is provided on request by email, facsimile, post or telephone to shareholders about matters relevant to them. |
| Recommendation 6.3: | Disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders. |
| Compliance: | Yes. |
| Comment: | The rights of shareholders under the company's Articles of Association to attend and vote at meetings or appoint a proxy to do so ensures that shareholders can participate in meetings to the extent they may wish. The board welcomes such shareholder participation. |
| Recommendation 6.4: | Give security holders the option to receive communications from, and send communications to, the company and its security registry electronically. |
| Compliance: | Yes. |
| Comment: | On request, the company will provide electronic communication information for both the company and security registry. |
| **PRINCIPLE 7:** | **"Recognise and manage risk".** |
| Recommendation 7.1: | Have a committee or committees to oversee risk, each of which:<br>(1) has at least three members, a majority of whom are independent directors; and<br>(2) is chaired by an independent director,<br>and disclose:<br>(3) the charter of the committee;<br>(4) the members of the committee; and<br>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or<br>if it does not have a risk committee or committees that satisfy the above description, disclose that fact and the processes it employs for overseeing the company's risk management framework. |
| Compliance: | Yes. |
| Comment: | Although the company does not have a specific risk committee, the board is responsible for the oversight and management of material business risks – the latter through the executive director in the specified business area and generally through a regular review of extant risks and the on-going process of their management.<br><br>The board has identified and assessed the company's material business risks and distinguished those risks that can be insured against and those that cannot.<br><br>The board assesses risks that can be appropriately insured against and considers this on a regular basis. |

Specific risks that have been identified concern the company's financial instruments (refer to note 8 of the financial statements) and market related events that could materially impact on the company's operations, such as price fluctuations over a range of activities.

Recommendation 7.2: Review the company's risk management framework at least annually to satisfy itself that it continues to be sound.

Disclose, in relation to each reporting period, whether such a review has taken place.

Compliance: Yes.

Comment: The company's risk management framework is reviewed at least annually to satisfy itself that it continues to be sound. During the reporting period a review has taken place.

Recommendation 7.3: If the company has an internal audit function, how the function is structured and what role it performs or, if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Compliance: Yes.

Comment: The board does have the effective management of material business risks reported to it on a regular basis. In the circumstances additional internal control, such as an audit, is not considered to be necessary.

Recommendation 7.4: Disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

Compliance: Yes.

Comment: The board has identified and assessed the company's material exposure to economic, environmental and social sustainability risks and distinguished those risks that can be insured against and those that cannot.

The board assesses risks that can be appropriately insured against and considers this on a regular basis.

Other specific risks that have been identified concern the company's financial instruments (refer to note 8 of the financial statements) and market related events that could materially impact on the company's operations, such as price fluctuations over a range of activities. The company regularly assesses these risks on a periodic basis.

**PRINCIPLE 8:** **"Remunerate fairly and responsibly".**

Recommendation 8.1: Establish a remuneration committee which:

(1) has at least three members, a majority of whom are independent directors; and
(2) is chaired by an independent director,
and disclose:
(3) the charter of the committee;
(4) the members of the committee; and
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

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

Compliance: Yes.

Comment: The size and nature of the company's operations and the board precludes the formation of such a committee.

The processes employed for setting the level and composition of remuneration received by board members as directors and / or executives is set out in the Remuneration Report at pages 7-9.

No director's fees are paid to executive directors and no bonus payment or other performance payment or incentive is received by any director. No director is involved in determining his own remuneration. Refer also to the Remuneration Report at pages 7-8.

| | |
|---|---|
| Recommendation 8.2: | Disclose policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives. |
| Compliance: | Yes. |
| Comment: | The sole non-executive independent director's remuneration is determined by reference to the particular service to be provided to the company and / or its subsidiaries, the nature of that service, the knowledge and skill required and the time and application to the position expected of that director. The executive directors' and other senior executives' remuneration policies and practices are set out in the Remuneration Report at pages 7-8. |
| Recommendation 8.3: | Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.<br><br>Disclose that policy or a summary of it. |
| Compliance: | No. |
| Comment: | Directors and senior executives do not participate in any share based scheme of the company and do not receive any share based compensation. Therefore, it is not necessary for the company to have any such policy. |

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**Vealls Limited**
ABN 39 004 288 000

# Proxy Form

**Member's Name:**

**Address:**

## STEP 1: Appoint a Proxy to Vote on Your Behalf

**I/We** ........................................................................................................................................................................
being a member(s) of Vealls Limited (the **Company**) and entitled to attend and vote, hereby appoint

| | | | | |
|---|---|---|---|---|
| ☐ | **the Chairman of the meeting** <br><br> **(mark box)** | **OR** | ☐ | If you are not appointing the Chairman of the meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy here |

or failing the individual or body corporate named, or if no person / body corporate is named, the Chairman of the meeting, as my / our proxy to act generally at the meeting and to vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held at Level 7, 500 Collins Street, Melbourne, Victoria on Thursday, 30 November 2017, at 10.30am and at any adjournment or postponement of that meeting.

If the Chairman is acting as my / our proxy, and I / we did not mark a voting box for an Item, then by completing and returning this proxy form, I / we expressly authorise the Chairman to exercise my / our proxy to vote on an Item, even though the Item is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company.

**The Board recommends shareholders vote in favour of Items 2 and 3. The Chairman of the meeting intends to vote all available proxies in FAVOUR of the resolutions in Items 2 and 3.**

## STEP 2: Items of Business

| | | For | Against | Abstain |
|---|---|---|---|---|
| **Item 2:** | Re-election of Mr Duncan Veall as a Director | ☐ | ☐ | ☐ |
| **Item 3:** | Adoption of the Remuneration Report for the year ended 30 June 2017 | ☐ | ☐ | ☐ |

**Note: Voting exclusions apply to Item 3**

**If you mark the Abstain box for an Item, you are directing your proxy not to vote on your behalf and your votes will not be counted in computing the required majority**

## SIGN: Signature of member(s)

| | Member 1 (Individual) | Member 2 (Joint) | Member 3 (Corporate) |
|---|---|---|---|
| *sign here* ► | | | |
| *Date* | | | |

**Vealls Limited**
**ABN 39 004 288 000**

# Proxy Form

## For your proxy appointment to be effective it must be received by Vealls Limited no later than 10.30 am on Tuesday, 28 November 2017

**How to Vote on Items of Business**

All your shares will be voted in accordance with your directions.

**Appointment of Proxy**

If a member's proxy does not attend or vote at the meeting, if you leave Step 1 blank, or no proxy is named on the instrument appointing a proxy, the proxy appointment will automatically default to the Chairman of the meeting. In addition, any directed proxies that are not voted on a poll at the meeting will automatically default to the Chairman of the meeting, who is required to vote the proxies as directed.

The Chairman of the meeting intends to vote all available proxies in favour of Items 2 and 3.

A proxy need not be a member of the Company.

If you wish to direct your proxy how to vote, then you need to mark the appropriate box opposite each Item in Step 2 of the proxy form. If you do not mark a box your proxy may vote as they choose subject to any voting restrictions that apply to the proxy. If you mark more than one box on an Item your vote will be invalid on that Item.

**Voting 100% of your shareholding:** If you wish to direct your proxy to vote 100% of your shareholding, then please mark the appropriate box opposite each Item in Step 2.

**Voting a portion of your shareholding:** If you wish to direct your proxy to vote a portion of your shareholding, then please indicate the portion of your voting rights by inserting a percentage or number of votes in the appropriate box opposite each Item in Step 2.

**Appointing a second proxy:** A member entitled to attend and cast 2 or more votes is entitled to appoint not more than 2 proxies to attend and vote instead of the member. If you wish to appoint a second proxy, you will need to complete a second proxy form and return them together. Please copy this proxy form or contact the Company for an additional proxy form. Where 2 proxies are appointed, both forms should be completed with the nominated proportion or number of votes each proxy may exercise. Otherwise each proxy may exercise half of the votes.

If a member appoints one proxy only, that proxy shall be entitled to vote on a show of hands. If a member appoints two proxies, only the first named proxy shall be entitled to vote on a show of hands.

**Voting Exclusions**

The key management personnel of the Company (which includes each of the Directors and their closely related parties) will not be able to vote your proxy on Item 3, unless you direct them how to vote. If you intend to appoint such a person as your proxy, please ensure that you direct them how to vote on Item 3 by marking the voting boxes in Step 2 of the proxy form.

If the Chairman of the meeting is your proxy and you do not mark a voting box for Item 3, then by completing and returning the proxy form you will be expressly authorising the Chairman of the meeting to exercise your proxy in respect of the relevant Item even though the Item is connected with the remuneration of the Company's key management personnel. The Chairman of the meeting intends to vote all available proxies in favour of each Item of Business.

**Signing Instructions**

**Individual:** Where the shareholding is in one name, the member or the member's attorney must sign.

**Joint Holding:** Where the shareholding is in more than one name, any one of the joint holders may sign but if more than one holder submits a proxy form, the proxy form of the senior shall be accepted to the exclusion of the other joint holders. Seniority is determined by the order in which the names stand in the Company's share register.

**Power of Attorney:** Where a proxy form is executed under a power of attorney and you have not already lodged the Power of Attorney with the share registry, please attach a certified photocopy of the power of attorney to the proxy form when you return it.

**Companies:** Where the member is a company it must execute the form under its common seal, or if it does not have one, by 2 directors or by a director and a secretary, or if it is a proprietary company that has a sole director who is also the sole secretary (or has no secretary), by that director, or under hand of its attorney or duly authorised officer. If the proxy form is signed by a person who is not the registered holder of shares in the Company, then the relevant authority must either have been exhibited previously to the Company or be enclosed with the proxy form.

**Corporate Representative**

If a representative of a corporate member or proxy is to attend the meeting, they will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission.

**Attending the meeting**

Bring this form to assist registration.

**Lodge your vote:** The proxy form and authority (if any) under which it is signed must be received at the registered office of the Company, Vealls Limited, 1st Floor, 484 Toorak Road, Toorak, Vic, 3142 or sent by facsimile to (03) 9827 4112 or international +613 9827 4112 not less than 48 hours before the time for holding the meeting, being 10:30am on Tuesday, 28 November 2017. Proxies received after this time will be treated as invalid.