

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

7 February 2018

The Manager
Australian Stock Exchange
E-Lodgements

Dear Sir / Madam,

HALF-YEAR FINANCIAL REPORT

A copy of the company's Half-Year Financial Report for the period ended 31 December 2017 follows.

Yours faithfully



Duncan Veall
Company Secretary

Appendix 4D

Half yearly report

Rule 4.2 A.3

Name of entity:

ABN Reference:

VEALLS LIMITED	39 004 288 000
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Current period

Previous corresponding period

Half year 31 December 2017

Half year 31 December 2016

Results for announcement to the market

Key Information	Current period \$A'000	Previous corresponding period \$A'000	% Change	Amount of change \$A'000
Revenues from ordinary activities	1,538	1,651	(6.8)	(113)
Profit (loss) from continuing operations after tax attributable to members	(1,229)	450	(373)	(1,679)
Net profit (loss) for the period attributable to members	(1,229)	450	(373)	(1,679)

Dividends	Amount per security	Unfranked amount per security at 0% tax
Record Date: 18 April 2018		
Interim dividend Payable: 30 April 2018		
Preference shares	0.35c	0.35c
Income shares	-	-

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

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary (Capital) security	\$14.26	\$14.72

Compliance Statement

This report should be read in conjunction with the annual financial report for the year ended 30 June 2017.



..... Date: 7 February 2018
Duncan Reginald Veall (Director)

Vealls Limited

ABN 39 004 288 000



Half-Year Financial Report

For the half-year ended 31 December 2017

Vealls Limited

ABN 39 004 288 000

Corporate Information

Capital Issued and Paid Up	\$1,149,888
Consisting of:	
8,018,858	Capital shares
2,775,108	Income shares
40,474	7% cumulative non-participating non-redeemable Preference shares
Controlled Entities	(Incorporated in Victoria) V.L. Investments Pty Ltd
	(Incorporated in New Zealand) Cardrona Ski Resort Ltd
	(Incorporated in Singapore) Vealls (Singapore) Pte Ltd

Directors

Duncan Reginald Veall (Executive Chairman)
Martin Charles Veall (Executive Director)
Robert Sidney Righetti (Non-Executive Director)

Company Secretary

Duncan Reginald Veall

Registered Office

1st Floor
484 Toorak Road
Toorak Vic 3142
Telephone +61 3 9827 4110
Facsimile +61 3 9827 4112

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone 61 8 9315 2333
Facsimile 61 8 9315 2233

Auditors

BDO
Collins Square | Tower 4
Level 18, 727 Collins Street
Melbourne VIC 3008

Stock Exchange Listing

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

Vealls Limited

ABN 39 004 288 000

Director's Report

Your directors present their report for the half-year ended 31 December 2017.

DIRECTORS

The names of each person who was a director of the company during the period 1 July 2017 to the date of this report are as shown below. Each director was in office for the whole period.

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

Principal Activities

During the half-year the principal activities of the consolidated entity were investment in real estate and negotiable securities.

Review and results of operations

Operating Results

Revenue

Total revenue from continuing operations for the half-year was \$1.538m.

Result

Consolidated net loss after income tax expense for the half-year was \$1.229m. The loss was significantly affected by a decrease in the fair value of investment properties of \$1.750m.

Cash flows

Net cash outflows were \$12.407m, due mainly to payments made as part of the Company's share buy-back. Cash decreased by \$14.640m and was affected by changes in exchange rates on bank deposits held in currencies other than Australian dollars.

Share buy-back

During the half-year the Company completed a share buy-back programme, expending \$12.448m for the purchase of 855,002 capital shares at \$14.56 per share. Brokerage fees of \$0.099m, plus a management fee of \$0.050m were incurred in the share buy-back.

Dividends

As announced to the ASX on 29 November 2017, the Company has been advised that the Veall family intends to commence the process of compulsorily acquiring all the shares (including preference shares) that are not held or controlled by the family. If the compulsory acquisition proceeds, shareholders whose shares are acquired will be paid an amount for their shares that represents the value of the Company taking account of no dividend having been paid on the income or capital shares. The value of the Company will be the subject of a report prepared by an independent expert nominated by ASIC. In light of the compulsory acquisition process and the half-year loss, no dividends have been declared on the income shares.

Review

The New Zealand subsidiaries, Cardrona Ski Resort Ltd and Vealls (Singapore) Pte Ltd – New Zealand branch are intended to be shut down at an appropriate time.

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

The review of the company's operations that was previously announced has been completed.

Vealls Limited

ABN 39 004 288 000

Auditor's Independence Declaration

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

Rounding

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

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



Duncan Reginald Veall
Executive Chairman

Melbourne, 7 February 2018

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

As lead auditor for the review of Vealls Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Richard Dean
Partner

BDO East Coast Partnership

Melbourne, 7 February 2018

Vealls Limited

ABN 39 004 288 000

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	31.12.2017 \$000	31.12.2016 \$000
Revenue			
Interest		1,535	1,430
Other Income		3	221
Total Revenue		1,538	1,651
Less Expenses:			
Fair value losses	5	(1,750)	-
Employee benefits expense		(98)	(98)
Rates and taxes		(73)	(76)
Light, power and telephone		(3)	(3)
Professional costs		(392)	(211)
Listing & share registry fees		(29)	(25)
Other expenses		(142)	(492)
Total Expenses		(2,487)	(905)
(Loss)/Profit before income tax expense		(949)	746
Income tax expense		(280)	(296)
Net (Loss)/Profit for the period		(1,229)	450
 Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Fair value Gains / (Losses)			
Available for Sale Financial Assets		18	(1)
Foreign Currency Translation		(2,170)	476
Total other comprehensive income for the period		(2,152)	475
Total comprehensive income for the period		(3,381)	925
Basic and Diluted earnings per share from continuing activities		(14.12)c	3.31c
Basic and Diluted earnings per share attributed to members		(14.12)c	3.31c

The accompanying notes form part of these financial statements

Vealls Limited

ABN 39 004 288 000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	NOTE	31.12.2017 \$'000	30.06.2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	3	97,189	111,829
Trade and other receivables		92	37
Income tax receivable		-	104
Total Current Assets		97,281	111,970
Non-current assets			
Investment properties	5	18,500	20,250
Available for sale financial assets		248	223
Deferred tax assets		51	64
Trade and other receivables		296	250
Total non-current assets		19,095	20,787
TOTAL ASSETS		116,376	132,757
LIABILITIES			
Current Liabilities			
Trade and other payables		109	715
Income tax payable		98	24
Provisions		91	85
Total current liabilities		298	824
Non-current liabilities			
Deferred tax liabilities		253	79
Total non-current liabilities		253	79
TOTAL LIABILITIES		551	903
NET ASSETS		115,825	131,854
EQUITY			
Contributed equity	6	1,150	1,235
Reserves		1,971	4,123
Retained earnings		112,704	126,496
TOTAL EQUITY		115,825	131,854

The accompanying notes form part of these financial statements

Vealls Limited

ABN 39 004 288 000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Contributed Equity \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Foreign Currency Translation \$'000	Total \$'000
Balance at 1 July 2016	1,235	125,883	30	4,158	131,306
Profit for the half-year	-	450	-	-	450
Other comprehensive income	-	-	(1)	476	475
Total comprehensive income for the half-year	-	450	(1)	476	925
<i>Transactions with owners in their capacity as owners</i>					
Dividends paid (Note 2)	-	(197)	-	-	(197)
Balance at 31 December 2016	1,235	126,136	29	4,634	132,034
Balance at 1 July 2017	1,235	126,496	50	4,073	131,854
Loss for the half-year	-	(1,229)	-	-	(1,229)
Other comprehensive income	-	-	18	(2,170)	(2,152)
Total comprehensive income for the half-year	-	(1,229)	18	(2,170)	(3,381)
<i>Transactions with owners in their capacity as owners</i>					
Dividends paid (Note 2)	-	(200)	-	-	(200)
Share buy-back (Note 6)	(85)	(12,363)	-	-	(12,448)
Balance at 31 December 2017	1,150	112,704	68	1,903	115,825

The accompanying notes form part of these financial statements

Vealls Limited

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	31.12.2017	31.12.2016
	\$'000	\$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Payments to suppliers and employees (inclusive of GST)	(1,373)	(608)
Receipts from other income	-	81
Interest received	1,535	1,438
Income tax refunded	116	-
Income tax paid	(38)	(722)
Net cash provided by operating activities	<u>240</u>	<u>189</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	<u>1</u>	<u>1</u>
Net cash provided by investing activities	<u>1</u>	<u>1</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(200)	(197)
Payments for share buy-back	(12,448)	-
Net cash (used in) financing activities	<u>(12,648)</u>	<u>(197)</u>
Net (decrease) in cash held	(12,407)	(7)
Cash and cash equivalents at beginning of period	111,829	105,639
Effects of exchange rate changes on cash	(2,233)	618
Cash and cash equivalents at end of year	3 <u><u>97,189</u></u>	<u><u>106,250</u></u>

The accompanying notes form part of these financial statements

Vealls Limited

ABN 39 004 288 000

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Note 1: Basis of preparation and accounting policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2017 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001 as appropriate for profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

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

It is recommended that the half-year report be read in conjunction with the annual report for the year ended 30 June 2017 and considered together with any public announcements made by Vealls Limited during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

	31.12.2017	31.12.2016
	\$'000	\$'000

Note 2: Dividends

Previous year dividends paid on 29 September 2017:

i) Unfranked dividend on preference shares of 0.35 cents per share (2016: franked 0.35 cents per share)	1	1
ii) Unfranked dividend on income shares of 5.60 cents per share (2016: franked 5.50 cents per share)	155	152
iii) Unfranked dividend on capital shares of 0.50 cents per share (2016: franked 0.50 cents per share)	44	44
	<hr/>	<hr/>
	200	197

Dividends proposed but not recognised as a liability payable 30 April 2018:

i) Unfranked dividend on preference shares of 0.35 cents per share (2017: franked 0.35 cents per share)	1	1
ii) Unfranked dividend on income shares of 0.00 cents per share (2017: franked 5.60 cents per share)	-	155
	<hr/>	<hr/>
	1	156

Vealls Limited

ABN 39 004 288 000

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31.12.2017 \$'000	30.06.2017 \$'000
Note 3: Cash and cash equivalents		
Cash at bank and in hand	49	1,357
Short-term bank deposits	97,140	110,472
Total	97,189	111,829

Note 4: Segment Information

Identification of reportable segments.

The Group has identified its operating segments based on internal reports used by management and the Board of Directors in assessing performance and in determining the allocation of resources. Having disposed of the Group's French agricultural assets during the year ended 30 June 2017 the Group's operations are all now designated as Investments. Consequently, no segment analysis is provided for the current period.

Note 5. Fair value measurement

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

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

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

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

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

Fair value measurement

	Level 1	Level 2	Level 3	Total
As at 31 December 2017	\$'000	\$'000	\$'000	\$'000
<i>Assets</i>				
Listed ordinary shares at fair value	248	-	-	248
Investment properties	-	-	18,500	18,500
Total assets	248	-	18,500	18,748

	Level 1	Level 2	Level 3	Total
As at 30 June 2017	\$'000	\$'000	\$'000	\$'000
<i>Assets</i>				
Listed ordinary shares at fair value	223	-	-	223
Investment properties	-	-	20,250	20,250
Total assets	223	-	20,250	20,473

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

Vealls Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Note 5. Fair value measurement (cont'd)

Level 3 assets and liabilities

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

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

Description	Unobservable inputs	Average	Sensitivity
Freehold Land – Mt Martha	\$18,500,000	5.0%	5% change would increase/decrease fair value by \$925,000

The freehold land valuation at Mt Martha has been valued by an independent valuation expert as at 23 October 2017 based on a direct comparison approach, whereby similar sales at market value have been analysed to determine value.

During the period a loss of \$1.750m was recognised in relation to the carrying value of the investment property.

Note 6: Issued Capital

	31.12.2017 \$'000	30.6.2017 \$'000
40,474 (2016: 40,474) fully paid preference shares	4	4
2,775,108 (2016: 2,775,108) fully paid income shares	344	344
8,018,858 (2016: 8,873,860) fully paid capital shares	802	887
	<u>1,150</u>	<u>1,235</u>

Reconciliation of issued capital – fully paid capital shares

	Number	Paid up (\$)	\$000
Opening balance	8,873,860		887
Share buy back	(855,002)	0.10	(85)
Closing balance	<u>8,018,858</u>		<u>802</u>

The Company has determined that the share buy-back be allocated to issued capital to the extent of 10 cents per share with the remainder allocated to Retained Earnings.

Note 8: Contingent Liabilities

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

Note 9: Subsequent events

In the opinion of the directors there are no matters that may significantly affect the operations of the consolidated entity or the results of those operations or the state of affairs of the consolidated entity in financial years after the half-year ended 31 December 2017.

Vealls Limited
ABN 39 004 288 000

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Duncan Reginald Veall
Executive Chairman

Melbourne, 7 February 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Vealls Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Vealls Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

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

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'Richard Dean'. Above the signature, the letters 'BDO' are written in a cursive, handwritten style.

Richard Dean
Partner

Melbourne, 7 February 2018