



PITCHER PARTNERS

Vitalharvest Limited

ABN 18 140 954 874

Financial report
For the year ended 30 June 2015

Pitcher Partners
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VITALHARVEST LIMITED
ABN 18 140 954 874

DIRECTORS' REPORT

The directors present their report together with the financial report of Vitalharvest Limited for the year ended 30 June 2015 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors names

The names of the directors in office at any time during or since the end of the year are:

Robert Costa - appointed 29 January 2010

Gary Meadows - appointed 2 January 2013

Margaret Splatt - resigned 11 December 2015

Rhonda Arnott - appointed 12 July 2013

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Results

The profit of the company for the year after providing for income tax amounted to \$13,740,813 (2014 profit: \$8,304,260).

Review of operations

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant changes in state of affairs

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

Principal activities

The principal activity of the company during the year was investment in agribusiness property.

No significant change in the nature of these activities occurred during the year.

VITALHARVEST LIMITED
ABN 18 140 954 874

DIRECTORS' REPORT

After balance date events

Subsequent to year end Vitalharvest Limited have refinanced with the National Australia Bank (NAB). The new finance facility has been used to repay the current BankWest and convertible debt. The NAB finance agreement has provided \$54,000,000 and holds security over the investment properties, the agreement is due to expire 31 December 2018. As a result of refinancing the NAB has imposed debt covenants which include; interest cover ratio that must not be less than 3:1 and loan to value ratio that must not exceed 48.5%.

No further matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely developments

The company expects to maintain the present status and level of operations.

Environmental regulation

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

Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

Options

No options over unissued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the end of the year.

Indemnification of officers

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an officer of the company.

Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the company.

Auditor's independence declaration

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.


VITALHARVEST LIMITED
ABN 18 140 954 874

DIRECTORS' REPORT

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed on behalf of the board of directors,

Director: 
Robert Costa

Director: 
Gary Meadows

Dated this 22 day of December 2015.



PITCHER PARTNERS

VITALHARVEST LIMITED
ABN 18 140 954 874

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF VITALHARVEST LIMITED

In relation to the independent audit for the year ended 30 June 2015, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.



P A JOSE

Partner



PITCHER PARTNERS

Melbourne

Date: 23 December 2015

VITALHARVEST LIMITED
ABN 18 140 954 874

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

| | Note | 2015 \$ | 2014 \$ |
|--|------|---------------------|--------------------|
| Revenue and other income | | | |
| Rental income | 2 | 17,039,555 | 15,576,654 |
| Other income | 2 | <u>16,244,850</u> | <u>2,336,290</u> |
| | 2 | <u>33,284,405</u> | <u>17,912,944</u> |
| Less: expenses | | | |
| Impairment and fair value losses on non-current assets | 3 | (8,479,610) | (1,271,049) |
| Depreciation expense | 3 | (88,200) | (84,558) |
| Employee benefits expense | 3 | (30,010) | (67,185) |
| Finance costs | 3 | (4,451,852) | (4,702,252) |
| Other expenses | | <u>(711,209)</u> | <u>(605,288)</u> |
| | | <u>(13,760,881)</u> | <u>(6,730,332)</u> |
| Profit before income tax expense | | 19,523,524 | 11,182,612 |
| Income tax expense | 4 | <u>(5,782,711)</u> | <u>(2,878,352)</u> |
| Net profit from continuing operations | | <u>13,740,813</u> | <u>8,304,260</u> |
| Other comprehensive income for the year | | <u>-</u> | <u>-</u> |
| Total comprehensive income | | <u>13,740,813</u> | <u>8,304,260</u> |

The accompanying notes form part of these financial statements.

VITALHARVEST LIMITED
ABN 18 140 954 874

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

| | Note | 2015 \$ | 2014 \$ |
|--------------------------------------|------|--------------------|--------------------|
| Current assets | | | |
| Cash and cash equivalents | 5 | 8,145,988 | 4,180,896 |
| Receivables | 6 | 1,093,968 | 696,187 |
| Other assets | 9 | <u>5,024,374</u> | <u>5,049,122</u> |
| Total current assets | | <u>14,264,330</u> | <u>9,926,205</u> |
| Non-current assets | | | |
| Biological assets | 10 | 42,723,895 | 28,993,116 |
| Other financial assets | 7 | 25,167 | 25,167 |
| Intangible assets | 11 | 17,829,415 | 17,503,275 |
| Investment properties | 12 | 51,381,269 | 52,815,284 |
| Property, plant and equipment | 8 | <u>1,529,245</u> | <u>1,617,445</u> |
| Total non-current assets | | <u>113,488,991</u> | <u>100,954,287</u> |
| Total assets | | <u>127,753,321</u> | <u>110,880,492</u> |
| Current liabilities | | | |
| Payables | 13 | 2,972,214 | 2,211,677 |
| Borrowings | 14 | 71,255,000 | 42,255,000 |
| Current tax liabilities | 4 | <u>2,070,548</u> | <u>2,084,207</u> |
| Total current liabilities | | <u>76,297,762</u> | <u>46,550,884</u> |
| Non-current liabilities | | | |
| Borrowings | 14 | - | 29,000,000 |
| Deferred tax liabilities | 4 | <u>3,966,667</u> | <u>1,581,529</u> |
| Total non-current liabilities | | <u>3,966,667</u> | <u>30,581,529</u> |
| Total liabilities | | <u>80,264,429</u> | <u>77,132,413</u> |
| Net assets | | <u>47,488,892</u> | <u>33,748,079</u> |
| Equity | | | |
| Share capital | 15 | 19,418,651 | 19,418,651 |
| Retained earnings | 16 | <u>28,070,241</u> | <u>14,329,428</u> |
| Total equity | | <u>47,488,892</u> | <u>33,748,079</u> |

The accompanying notes form part of these financial statements.

VITALHARVEST LIMITED
ABN 18 140 954 874

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

| | Contributed equity \$ | Retained earnings \$ | Total equity \$ |
|--|-----------------------------|----------------------------|--------------------|
| Balance as at 1 July 2013 | 19,418,651 | 6,025,168 | 25,443,819 |
| Profit for the year | <u>-</u> | <u>8,304,260</u> | <u>8,304,260</u> |
| Total comprehensive income for the year | <u>-</u> | <u>8,304,260</u> | <u>8,304,260</u> |
| Balance as at 1 July 2014 | 19,418,651 | 14,329,428 | 33,748,079 |
| Profit for the year | <u>-</u> | <u>13,740,813</u> | <u>13,740,813</u> |
| Total comprehensive income for the year | <u>-</u> | <u>13,740,813</u> | <u>13,740,813</u> |
| Balance as at 30 June 2015 | <u>19,418,651</u> | <u>28,070,241</u> | <u>47,488,892</u> |

The accompanying notes form part of these financial statements.

VITALHARVEST LIMITED
ABN 18 140 954 874

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

| | Note | 2015 \$ | 2014 \$ |
|---|-------|--------------------|--------------------|
| Cash flow from operating activities | | | |
| Receipts from customers | | 18,965,356 | 17,338,848 |
| Payments to suppliers and employees | | (1,697,068) | (3,993,520) |
| Finance costs | | (4,451,852) | (4,702,252) |
| Income tax paid | | (3,411,232) | (2,048,674) |
| Interest received | | <u>120,934</u> | <u>85,391</u> |
| Net cash provided by operating activities | 17(b) | <u>9,526,138</u> | <u>6,679,793</u> |
| Cash flow from investing activities | | | |
| Proceeds from grant income received for investment properties | | 2,192,020 | 563,930 |
| Proceeds from sale of investment property | | - | 182,201 |
| Payments for investment property | | (6,322,935) | (4,921,424) |
| Payments for biological assets | | (381,331) | (102,544) |
| Payments for intangibles | | (1,048,800) | (36,000) |
| Payments for property, plant and equipment | | <u>-</u> | <u>(364,166)</u> |
| Net cash used in investing activities | | <u>(5,561,046)</u> | <u>(4,678,003)</u> |
| Cash flow from financing activities | | | |
| Net proceeds from borrowings | | <u>-</u> | <u>757,275</u> |
| Net cash provided by financing activities | | <u>-</u> | <u>757,275</u> |
| Reconciliation of cash | | | |
| Cash at beginning of the financial year | | 4,180,896 | 1,421,831 |
| Net increase in cash held | | <u>3,965,092</u> | <u>2,759,065</u> |
| Cash at end of financial year | 17(a) | <u>8,145,988</u> | <u>4,180,896</u> |

The accompanying notes form part of these financial statements.

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared in order to satisfy the financial report preparation requirements of the *Corporations Act 2001*. The directors have determined that the company is not a reporting entity.

The financial report was approved by the directors as at the date of the directors' report.

The financial report is for the entity Vitalharvest Limited as an individual entity. Vitalharvest Limited is a company limited by shares, incorporated and domiciled in Australia. Vitalharvest Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and all applicable measurement and recognition requirements of Australian Accounting Standards. The directors have chosen not to comply with the disclosure requirements of the following Accounting Standards:

| | |
|-----------|-------------------------------------|
| AASB 7: | Financial Instruments: Disclosures |
| AASB 124: | Related Party Disclosures |
| AASB 132: | Financial Instruments: Presentation |
| AASB 136: | Impairments of Assets |
| AASB 140: | Investment Property |
| AASB 141: | Agriculture |

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

(a) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Going concern

The financial report has been prepared on a going concern basis.

At 30 June 2015 the company's total current liabilities exceeded total current assets by \$62,033,432. This is due to borrowings of \$71,255,000 being classified as current as at 30 June 2015. As disclosed in Note 14 Borrowings, subsequent to year end Vitalharvest Limited have refinanced with the NAB. The new finance facility has been used to repay the current BankWest and convertible debt.

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

Rent revenue is recognised on a straight-line basis over the rental term.

Grant income is recognised in the profit and loss over the period necessary to match it to the costs that they are intended to compensate.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Borrowing costs

Borrowing costs can including interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred.

(f) Intangibles

Water Rights

Water rights are measured at their cost of acquisition. Water rights are indefinite life intangible assets, and are therefore tested for impairment annually.

VITALHARVEST LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment property

The investment property comprises land and buildings held for the purpose of earning rental income or for capital appreciation, or both.

Investment property is initially recorded at cost. After initial recognition, investment property is measured at fair value with any changes in the fair value recognised in profit or loss.

Fair values at 30 June 2015 have been determined in accordance an independent valuation undertaken by CBRE. In the prior year, fair values were determined based on a Director's valuation.

(h) Biological assets

Biological assets are measured at their fair value at each reporting date.

Net increments and decrements in the fair value of the growing assets are recognised as revenues or expenses in the profit and loss, determined as:

The difference between the total fair value of the biological assets at the beginning of the financial period and the total fair value of the biological assets recognised at reporting date is the net of capital expenditure incurred on the underlying assets.

Fair values at 30 June 2015 have been determined in accordance an independent valuation undertaken by CBRE. In the prior year, fair values were determined based on a Director's valuation.

(i) Property, plant and equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Plant and equipment

Plant and equipment is measured on a cost basis.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land and the land component of any class of property, plant and equipment is not depreciated.

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of non-financial assets

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

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(k) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(l) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. 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 statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 \$ | 2014 \$ |
|--|-------------------|-------------------|
| NOTE 2: REVENUE AND OTHER INCOME | | |
| Rental revenue | 17,039,555 | 15,576,654 |
| Net gain on fair value adjustments: | | |
| Biological assets | 13,349,448 | 159,456 |
| Reversal of impairment losses previously recognised - Water rights | - | 1,128,300 |
| Profit/(Loss) on sale of investment property | 88,675 | 182,201 |
| Other income: | | |
| Interest income | 120,934 | 85,391 |
| Recoveries - outgoings | 279,419 | 218,012 |
| Grant income | 2,192,020 | 562,930 |
| Other income | <u>214,354</u> | <u>-</u> |
| | <u>2,806,727</u> | <u>866,333</u> |
| | <u>16,244,850</u> | <u>2,336,290</u> |
| | <u>33,284,405</u> | <u>17,912,944</u> |
| NOTE 3: OPERATING PROFIT | | |
| Profit before income tax has been determined after: | | |
| - Profit on sale of investment properties | 88,675 | 182,201 |
| Finance costs | | |
| Interest | 4,451,852 | 4,702,252 |
| Depreciation | | |
| - plant and equipment - tunnels | 88,092 | 84,352 |
| - office equipment | <u>108</u> | <u>206</u> |
| | <u>88,200</u> | <u>84,558</u> |
| Impairment movement on water rights | | |
| - Impairment losses on intangible assets | (1,503,940) | - |
| - Water entitlements forgone | <u>2,226,600</u> | <u>-</u> |
| | <u>722,660</u> | <u>-</u> |
| Loss on fair value adjustments | | |
| - Investment properties | <u>7,756,950</u> | <u>1,271,049</u> |
| | <u>8,479,610</u> | <u>1,271,049</u> |
| Employee benefits: | | |
| - Directors fees | 30,010 | 67,185 |

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 \$ | 2014 \$ |
|---|-------------------------|-------------------------|
| NOTE 4: INCOME TAX | | |
| (a) Components of tax expense | | |
| Current tax | 3,482,293 | 2,594,244 |
| Deferred tax | 2,385,138 | 284,108 |
| Over provision in prior year | <u>(84,720)</u> | <u>-</u> |
| | <u>5,782,711</u> | <u>2,878,352</u> |
| (b) Prima facie tax payable | | |
| The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows: | | |
| Prima facie income tax payable on profit before income tax at 30% | 5,857,057 | 3,354,784 |
| Add tax effect of: | | |
| Forgone water entitlements | 641,378 | - |
| Stamp duty | - | 2,043 |
| Gain on land acquisition | <u>26,602</u> | <u>-</u> |
| | 667,980 | 2,043 |
| Less tax effect of: | | |
| Non-assessable non exempt income - grant income | 657,606 | 168,879 |
| Non-assessable non exempt income - prior year grant income | - | 304,995 |
| Correction of opening deferred tax balances | - | 4,601 |
| Over provision in prior year | <u>84,720</u> | <u>-</u> |
| | <u>742,326</u> | <u>478,475</u> |
| Income tax expense attributable to profit | <u>5,782,711</u> | <u>2,878,352</u> |
| (c) Current tax | | |
| Current tax relates to the following: | | |
| <i>Current tax liabilities</i> | | |
| Opening balance | 2,084,207 | 1,538,637 |
| Income tax | 3,482,293 | 2,594,244 |
| Tax payments | (3,411,232) | (2,048,674) |
| Over provision in prior year | <u>(84,720)</u> | <u>-</u> |
| Current tax liabilities | <u>2,070,548</u> | <u>2,084,207</u> |

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 \$ | 2014 \$ |
|---|------------------|------------------|
| NOTE 4: INCOME TAX (CONTINUED) | | |
| (d) Deferred tax | | |
| Deferred tax relates to the following: | | |
| <i>Deferred tax assets</i> | | |
| The balance comprises: | | |
| Accrued expenses | 14,100 | 9,492 |
| Borrowing costs and blackhole expenditure | 32,326 | 76,092 |
| Investment properties at fair value | 4,219,304 | 1,892,219 |
| Intangible assets - water rights | <u>513,666</u> | <u>964,848</u> |
| | <u>4,779,396</u> | <u>2,942,651</u> |
| <i>Deferred tax liabilities</i> | | |
| The balance comprises: | | |
| Biological assets at fair value | 8,073,324 | 4,068,490 |
| Plant and equipment | <u>672,739</u> | <u>455,690</u> |
| | <u>8,746,063</u> | <u>4,524,180</u> |
| Net deferred tax liabilities | <u>3,966,667</u> | <u>1,581,529</u> |
| (e) Deferred income tax (revenue)/expense included in income tax expense comprises | | |
| Increase in deferred tax assets | (1,836,745) | (4,452) |
| Increase in deferred tax liabilities | <u>4,221,883</u> | <u>288,560</u> |
| | <u>2,385,138</u> | <u>284,108</u> |
| NOTE 5: CASH AND CASH EQUIVALENTS | | |
| Cash at bank | 6,378,380 | 2,464,309 |
| Cash on deposit | <u>1,767,608</u> | <u>1,716,587</u> |
| | <u>8,145,988</u> | <u>4,180,896</u> |
| NOTE 6: RECEIVABLES | | |
| CURRENT | | |
| Trade debtors | 994,736 | 691,032 |
| GST receivable | <u>99,232</u> | <u>5,155</u> |
| | <u>1,093,968</u> | <u>696,187</u> |

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 \$ | 2014 \$ |
|---|---------------|---------------|
| NOTE 7: OTHER FINANCIAL ASSETS | | |
| NON CURRENT | | |
| <i>Available-for-sale financial assets</i> | | |
| At cost | | |
| Shares in other corporations - Kathleen Drive Pty Ltd | <u>25,167</u> | <u>25,167</u> |

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Plant and equipment

| | | |
|---|-------------------------|-------------------------|
| Plant and equipment - 9 Mile tunnels, at cost | 1,761,880 | 1,761,880 |
| Accumulated depreciation | <u>(232,733)</u> | <u>(144,641)</u> |
| | 1,529,147 | 1,617,239 |
| Office equipment at cost | 1,825 | 1,825 |
| Accumulated depreciation | <u>(1,727)</u> | <u>(1,619)</u> |
| | <u>98</u> | <u>206</u> |
| Total property, plant and equipment | <u><u>1,529,245</u></u> | <u><u>1,617,445</u></u> |

(a) Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

Plant and equipment

| | | |
|-------------------------|-------------------------|-------------------------|
| Opening carrying amount | 1,617,239 | 1,337,425 |
| Additions | - | 364,167 |
| Depreciation expense | <u>(88,092)</u> | <u>(84,353)</u> |
| Closing carrying amount | <u><u>1,529,147</u></u> | <u><u>1,617,239</u></u> |

Office equipment

| | | |
|-------------------------|------------------|-------------------|
| Opening carrying amount | 206 | 412 |
| Depreciation expense | <u>(108)</u> | <u>(206)</u> |
| Closing carrying amount | <u><u>98</u></u> | <u><u>206</u></u> |

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 \$ | 2014 \$ |
|--|--------------------|--------------------|
| NOTE 9: OTHER ASSETS | | |
| CURRENT | | |
| Prepayments | 3,949 | 12,662 |
| Accrued rental income | 5,018,159 | 5,033,902 |
| Accrued interest income | <u>2,266</u> | <u>2,558</u> |
| | <u>5,024,374</u> | <u>5,049,122</u> |
| NOTE 10: BIOLOGICAL ASSETS | | |
| NON CURRENT | | |
| <i>At fair value</i> | | |
| Biological assets - Trees and plants | <u>42,723,895</u> | <u>28,993,116</u> |
| (a) Reconciliation of changes in carrying amount of biological assets | | |
| Opening balance | 28,993,116 | 28,731,116 |
| Gain arising from changes in fair value | 13,349,448 | 159,456 |
| Increases due to capital expenditure | <u>381,331</u> | <u>102,544</u> |
| Closing balance | <u>42,723,895</u> | <u>28,993,116</u> |
| NOTE 11: INTANGIBLE ASSETS | | |
| Water rights at cost | 19,806,836 | 20,719,436 |
| Accumulated impairment losses | <u>(1,977,421)</u> | <u>(3,216,161)</u> |
| | <u>17,829,415</u> | <u>17,503,275</u> |
| (a) Reconciliations | | |
| Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year | | |
| <i>Water rights at cost</i> | | |
| Opening balance | 17,503,275 | 16,338,975 |
| Additions | 1,048,800 | 36,000 |
| Rights acquired at nil consideration | 265,200 | - |
| Water rights forgone | (2,226,600) | - |
| Impairment reversal | <u>1,238,740</u> | <u>1,128,300</u> |
| Closing balance | <u>17,829,415</u> | <u>17,503,275</u> |

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 | 2014 |
|--|--------------------|--------------------|
| | \$ | \$ |
| NOTE 12: INVESTMENT PROPERTIES | | |
| <i>Investment property at fair value</i> | | |
| Opening carrying amount | 52,815,284 | 49,164,909 |
| Additions during the year | 6,322,935 | 4,921,424 |
| Net loss from fair value adjustments | <u>(7,756,950)</u> | <u>(1,271,049)</u> |
| Closing carrying amount | <u>51,381,269</u> | <u>52,815,284</u> |

(a) Contractual obligations

Vitalharvest has committed as at 30 June 2015 to a capital expenditure program for asset upgrades and additions at berry and citrus properties for a total value of \$10,778,491 (2014: \$7,835,327).

(b) Leasing arrangements

Investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

| | | |
|--|-------------------|-------------------|
| Within one year | 8,192,927 | 7,645,495 |
| Later than one year but not later than 5 years | 32,671,896 | 30,443,881 |
| Later than 5 years | <u>43,274,556</u> | <u>47,996,171</u> |
| | <u>84,139,379</u> | <u>86,085,547</u> |

As at 30 June 2015, all properties were subject to 15 year leases, expiring 30 June 2026, with the rent due summarised above. The properties are leased to CostaExchange Ltd and AgriExchange Pty Ltd, a subsidiary of Costa Exchange Holdings Pty Ltd, and include an option to extend for a further 10 years. Costa Exchange Holdings Pty Ltd, a subsidiary of Costa Group Holdings Ltd, guarantees the rent payments.

(c) Contingent rent

As at 30 June 2015, contingent or variable rent was applicable or earned during the year on property leases. For the 2015 financial year and future years the Company will be entitled to a fixed and variable component of rent with the variable component based on the earnings before interest and tax of the tenants management and crop sale activities.

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ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 \$ | 2014 \$ |
|--|-------------------|-------------------|
| NOTE 13: PAYABLES | | |
| CURRENT | | |
| <i>Unsecured liabilities</i> | | |
| Trade creditors | 763,318 | 12,429 |
| Sundry creditors and accruals | <u>2,208,896</u> | <u>2,199,248</u> |
| | <u>2,972,214</u> | <u>2,211,677</u> |
| NOTE 14: BORROWINGS | | |
| CURRENT | | |
| <i>Secured liabilities</i> | | |
| Bank loans | 42,255,000 | 42,255,000 |
| Convertible notes from related parties | <u>29,000,000</u> | <u>-</u> |
| | <u>71,255,000</u> | <u>42,255,000</u> |
| NON CURRENT | | |
| <i>Secured liabilities</i> | | |
| Convertible notes from related parties | <u>-</u> | <u>29,000,000</u> |

(a) Terms and conditions and assets pledging as security relating to the above financial instruments

Bank loans

Bank loans are secured by a first registered fixed and floating charge over the assets of the Company and first ranking real property mortgage over the properties and water assets held by the Company. The Company's current facility agreement, dated 7th October 2013, was made to extend the facilities to the 30th September 2016. As part of the new agreement, the total facilities limit was extended to \$44,000,000.

Convertible Notes

The terms of the Convertible Notes were amended on the 7th October 2013 to extend the Convertible Notes to the 7th October 2016. The Convertible Note debt ranks second to the bank loans security as executed in a Deed of priority and subordination agreement dated the 12th September 2012.

Subsequent to year end Vitalharvest Limited have refinanced with the NAB. The new finance facility has been used to repay the current BankWest and convertible debt. The NAB finance agreement has provided \$54,000,000 and holds security over the investment properties, the agreement is due to expire 31 December 2018. As a result of refinancing the NAB has imposed debt covenants which include; interest cover ratio that must not be less than 3:1 and loan to value ratio that must not exceed 48.5%.

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 \$ | 2014 \$ |
|--|-------------------|-------------------|
| NOTE 15: SHARE CAPITAL | | |
| Issued and paid-up capital | | |
| 9,211,759 (2014: 9,211,759) Ordinary | 9,862,920 | 9,862,920 |
| 9,497,434 (2014: 9,497,434) Redeemable Preference Shares | <u>9,555,731</u> | <u>9,555,731</u> |
| | <u>19,418,651</u> | <u>19,418,651</u> |

Rights of each type of share

Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Redeemable preference shares

Redeemable preference shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held, *pari passu* with the other holders of ordinary shares.

At shareholders meetings each redeemable preference share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Redeemable preference shares are redeemable at the option of the company upon resolution of the Board and by payment to the holders of the aggregate issue price together with any declared but unpaid dividends.

NOTE 16: RETAINED EARNINGS

| | | |
|--|-------------------|-------------------|
| Retained earnings at beginning of year | 14,329,428 | 6,025,168 |
| Net profit | <u>13,740,813</u> | <u>8,304,260</u> |
| | <u>28,070,241</u> | <u>14,329,428</u> |

NOTE 17: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:

| | | |
|--|------------------|------------------|
| Cash at bank | 6,378,380 | 2,464,309 |
| At call deposits with financial institutions | <u>1,767,608</u> | <u>1,716,587</u> |
| | <u>8,145,988</u> | <u>4,180,896</u> |

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

| | 2015 \$ | 2014 \$ |
|---|--------------------|--------------------|
| NOTE 17: CASH FLOW INFORMATION (CONTINUED) | | |
| (b) Reconciliation of cash flow from operations with profit after income tax | | |
| Profit from ordinary activities after income tax | 13,740,813 | 8,304,260 |
| Adjustments and non-cash items | | |
| Depreciation | 88,200 | 84,558 |
| Gain on fair value adjustment of biological assets | (13,349,448) | (159,456) |
| Government grant income recognised as investing activity | (2,192,020) | (563,930) |
| Water rights forgone | 2,226,600 | - |
| Impairment reversal | (1,503,940) | (1,128,300) |
| Fair value loss on investment property | 7,756,950 | 1,271,049 |
| Profit on sale on investment property | - | (182,201) |
| Changes in assets and liabilities | | |
| (Increase) / decrease in receivables | (397,781) | (12,483) |
| (Increase) / decrease in other assets | 24,748 | (2,823,899) |
| Increase in accrued expenses | 760,537 | 1,060,517 |
| Increase / (decrease) in income tax payable | (13,659) | 545,570 |
| Decrease in deferred taxes | <u>2,385,138</u> | <u>284,108</u> |
| | <u>(4,214,675)</u> | <u>(1,624,467)</u> |
| Cash flows from operating activities | <u>9,526,138</u> | <u>6,679,793</u> |

NOTE 18: CAPITAL AND LEASING COMMITMENTS

| | | |
|--|-------------------|------------------|
| (a) Capital expenditure commitments contracted for: | | |
| - capital expenditure projects | 10,778,491 | 7,835,327 |
| Payable | | |
| - not later than one year | <u>10,778,491</u> | <u>7,835,327</u> |
| | <u>10,778,491</u> | <u>7,835,327</u> |

Vitalharvest has committed to a capital expenditure program for asset upgrade and additions at its Berry properties for total value \$8,511,705 (2014: \$6,078,327) and at its Citrus properties for a total value of \$2,266,786 (2014: \$1,757,000).

VITALHARVEST LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 19: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to year end Vitalharvest Limited have refinanced with the NAB. The new finance facility has been used to repay the current BankWest and convertible debt. The NAB finance agreement has provided \$54,000,000 and holds security over the investment properties, the agreement is due to expire 31 December 2018.

In addition to the event noted above there have been no matters or circumstances, which have arisen since 30 June 2015 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2015, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2015, of the company.

VITALHARVEST LIMITED
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DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 - 22, are in accordance with the *Corporations Act 2001*: and
 - (a) comply with Accounting Standards in Australia as detailed in Note 1 to the financial statements and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 30 June 2015 and performance for the year ended on that date of the company in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director: _____


Robert Costa

Director: _____


Gary Meadows

Dated this 22 day of December 2015.

VITALHARVEST LIMITED
ABN 18 140 954 874

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VITALHARVEST LIMITED

We have audited the accompanying financial report, being a special purpose financial report of Vitalharvest Limited, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and to meet the needs of the members.

The directors' responsibility also includes 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

VITALHARVEST LIMITED
ABN 18 140 954 874

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VITALHARVEST LIMITED

Opinion

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

- (a) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.



P A JOSE

Partner



PITCHER PARTNERS

Melbourne

Date 23 December 2015