

VitalHarvest Pty Ltd

ABN 18 140 954 874

Financial report

For the year ended 30 June 2017

Pitcher Partners

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VITALHARVEST PTY LTD
ABN 18 140 954 874

DIRECTORS' REPORT

The directors present their report together with the financial report of VitalHarvest Pty Ltd for the year ended 30 June 2017 and auditor's report thereon.

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

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 \$18,074,919 (2016 profit: \$10,377,777).

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.

After balance date events

No 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.

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DIRECTORS' REPORT

Likely developments

The likely developments in the operations of the company and the expected results of those operations in subsequent financial years are as follows:

VitalHarvest Pty Ltd is in the preliminary stages of a potential initial public offering (IPO) which is expected to be complete before 30 June 2018.

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

Dividends paid or declared since the start of the financial year are as follows:

16 January 2017 - A dividend of \$7,000,000 was declared and paid to shareholders. The dividend was franked at 30 per cent.

1 June 2017 - A dividend of \$2,200,000 was declared and paid to shareholders. The dividend was franked at 30 per cent.

30 June 2017 - A dividend of \$3,500,000 was declared and paid to shareholders. The dividend was franked at 30 per cent.

No other recommendation have been made for the declaration or payment of a dividend as at the date of this report.

Information on directors and company secretary

Robert Costa	Director
Experience	Robert Costa is a Director of the Costa Group. He has held a number of directorships in investment and joint venture companies associated with the group over many years. Robert has over 30 years' experience in produce and investments in the food industry in production, processing, marketing and logistics.
Term of office	Appointed 29 January 2010

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DIRECTORS' REPORT

Information on directors and company secretary (Continued)

Gary Meadows

Director

Experience

Gary Meadows has over 30+ years' experience in the agriculture sector where he has held senior positions such as Operations and General Manager of the Costa Group. In this time Gary has been at the forefront of establishing new operations for the Costa Group in particular the setup of the largest tomato glasshouse in the southern hemisphere. Gary has also held directorships for the Costa Group.

Term of office

Appointed 2 January 2013

Rhonda Arnott

Director

Experience

Rhonda Arnott has over 15 years as a partner at B2B Lawyers a boutique commercial law firm and during that time headed up the Corporate Commercial Division. Rhonda has extensive knowledge and experience in the areas of corporate governance and compliance, general commercial advisory work and worked with ASX Listed companies, large private companies and SME's across a broad range of industries. Rhonda is a qualified mediator and is the current Chair of the Christina Noble Children's Foundation an international not for profit.

Term of office

Appointed 12 July 2013

Meetings of directors

Directors	Directors' meetings	
	Number eligible to attend	Number attended
Robert Costa	6	6
Gary Meadows	6	6
Rhonda Arnott	6	5

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.

DIRECTORS' REPORT

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.

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: _____
Rhonda Arnott

Dated this 14 day of June 2018

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF VITALHARVEST PTY LTD**

In relation to the independent audit for the year ended 30 June 2017, 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 APES 110 *Code of Ethics for Professional Accountants*.



P A JOSE
Partner



PITCHER PARTNERS
Melbourne

Date: 21 June 2018

VITALHARVEST PTY LTD
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Revenue and other income			
Rental income	2	16,288,008	17,530,321
Other income	2	<u>17,674,503</u>	<u>1,428,298</u>
	2	<u>33,962,511</u>	<u>18,958,619</u>
Less: expenses			
Depreciation expense	3	(4,344,011)	(117,376)
Employee benefits expense	3	-	(35,038)
Finance costs	3	(1,732,684)	(3,225,181)
Administration Fees		(336,780)	(403,512)
Rates and taxes		(242,904)	(215,863)
Other expenses		<u>(274,559)</u>	<u>(297,582)</u>
		<u>(6,930,938)</u>	<u>(4,294,552)</u>
Profit before income tax expense		27,031,573	14,664,067
Income tax expense	13	<u>(8,956,654)</u>	<u>(4,286,290)</u>
Net profit from continuing operations		<u>18,074,919</u>	<u>10,377,777</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Revaluation of bearer plants		52,221,271	-
Tax effect at 30% of revaluation of bearer plants		<u>(15,666,381)</u>	<u>-</u>
Other comprehensive income for the year		<u>36,554,890</u>	<u>-</u>
Total comprehensive income		<u>54,629,809</u>	<u>10,377,777</u>

The accompanying notes form part of these financial statements.

VITALHARVEST PTY LTD
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
Current assets			
Cash and cash equivalents	4	4,868,028	5,605,486
Receivables	5	3,593,098	7,078,486
Other assets	6	<u>3,461,980</u>	<u>4,808,529</u>
Total current assets		<u>11,923,106</u>	<u>17,492,501</u>
Non-current assets			
Biological assets	7	-	43,181,592
Other financial assets	8	25,967	25,967
Intangible assets	9	17,829,415	17,960,893
Investment properties	10	76,035,023	56,479,343
Property, plant and equipment	11	<u>93,398,082</u>	<u>1,441,052</u>
Total non-current assets		<u>187,288,487</u>	<u>119,088,847</u>
Total assets		<u>199,211,593</u>	<u>136,581,348</u>
Current liabilities			
Payables	12	956,960	1,206,517
Current tax liabilities	13	<u>1,514,690</u>	<u>1,564,761</u>
Total current liabilities		<u>2,471,650</u>	<u>2,771,278</u>
Non-current liabilities			
Borrowings	14	54,000,000	54,000,000
Deferred tax liabilities	13	<u>25,228,823</u>	<u>4,228,759</u>
Total non-current liabilities		<u>79,228,823</u>	<u>58,228,759</u>
Total liabilities		<u>81,700,473</u>	<u>61,000,037</u>
Net assets		<u>117,511,120</u>	<u>75,581,311</u>
Equity			
Share capital	15	56,073,293	56,073,293
Reserves	16	36,554,890	-
Retained earnings	17	<u>24,882,937</u>	<u>19,508,018</u>
Total equity		<u>117,511,120</u>	<u>75,581,311</u>

The accompanying notes form part of these financial statements.

VITALHARVEST PTY LTD
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Contributed equity \$	Reserves \$	Retained earnings \$	Total equity \$
Balance as at 1 July 2015	19,418,651	-	28,070,241	47,488,892
Profit for the year	<u>-</u>	<u>-</u>	<u>10,377,777</u>	<u>10,377,777</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>10,377,777</u>	<u>10,377,777</u>
Transactions with owners in their capacity as owners:				
Contributions	36,654,642	-	-	36,654,642
Dividends	<u>-</u>	<u>-</u>	<u>(18,940,000)</u>	<u>(18,940,000)</u>
Total transactions with owners in their capacity as owners	<u>36,654,642</u>	<u>-</u>	<u>(18,940,000)</u>	<u>17,714,642</u>
Balance as at 30 June 2016	<u>56,073,293</u>	<u>-</u>	<u>19,508,018</u>	<u>75,581,311</u>
Balance as at 1 July 2016	56,073,293	-	19,508,018	75,581,311
Profit for the year	-	-	18,074,919	18,074,919
Revaluation of bearer plants	-	52,221,271	-	52,221,271
Tax effect at 30% of revaluation of bearer plants	<u>-</u>	<u>(15,666,381)</u>	<u>-</u>	<u>(15,666,381)</u>
Total comprehensive income for the year	<u>-</u>	<u>36,554,890</u>	<u>18,074,919</u>	<u>54,629,809</u>
Transactions with owners in their capacity as owners:				
Dividends	<u>-</u>	<u>-</u>	<u>(12,700,000)</u>	<u>(12,700,000)</u>
Total transactions with owners in their capacity as owners	<u>-</u>	<u>-</u>	<u>(12,700,000)</u>	<u>(12,700,000)</u>
Balance as at 30 June 2017	<u>56,073,293</u>	<u>36,554,890</u>	<u>24,882,937</u>	<u>117,511,120</u>

The accompanying notes form part of these financial statements.

VITALHARVEST PTY LTD
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Cash flow from operating activities			
Receipts from customers		19,584,830	21,090,312
Payments to suppliers and employees		(2,601,124)	(4,464,510)
Finance costs		(1,732,684)	(3,225,181)
Income tax paid		(3,673,041)	(4,529,985)
Interest received		<u>86,771</u>	<u>142,114</u>
Net cash provided by operating activities	18(b)	<u>11,664,752</u>	<u>9,012,750</u>
Cash flow from investing activities			
Proceeds from grant income received for investment properties		2,078,018	270,000
Payments for investment property		(4,403,433)	(5,098,074)
Payments for biological assets		(898,178)	(457,697)
Payments for intangibles		<u>-</u>	<u>(160,660)</u>
Net cash used in investing activities		<u>(3,223,593)</u>	<u>(5,446,431)</u>
Cash flow from financing activities			
Repayment of borrowings		-	(17,255,000)
Dividends paid		(12,700,000)	(18,940,000)
Shares issued		-	36,654,642
Payment of loans to associates		<u>3,521,383</u>	<u>(6,566,463)</u>
Net cash provided by / (used in) financing activities		<u>(9,178,617)</u>	<u>(6,106,821)</u>
Reconciliation of cash			
Cash at beginning of the financial year		5,605,486	8,145,988
Net increase in cash held		<u>(737,458)</u>	<u>(2,540,502)</u>
Cash at end of financial year	18(a)	<u>4,868,028</u>	<u>5,605,486</u>

The accompanying notes form part of these financial statements.

VITALHARVEST PTY LTD
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NOTES TO 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 the *Corporations Act 2001* and Australian Accounting Standards - Reduced Disclosure Requirements, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board.

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

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

The following are the significant accounting policies adopted by the company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(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 and liabilities as described in the accounting policies.

Operating Segment

The Company comprises of one operating segment which is involved maintaining a large scale, high performing agribusiness portfolio of productive land, water and associated assets across Australia and generates revenues from the rental received from their tenant (Costa Group).

Fair value measurement

For financial reporting purposes, 'fair value' is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants (under current market conditions) at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

When estimating the fair value of an asset or liability, the entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Revenue

Interest revenue is measured in accordance with the effective interest method.

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 measured net of the amount of goods and services tax (GST).

(c) 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.

(d) Borrowing costs

Borrowing costs 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.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangibles

Intangible assets

Except for indefinite useful life intangible assets, which are not amortised but are tested annually for impairment, intangible assets are amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated consumption of economic benefits of the asset.

Water Rights

Water rights are measured initially at their cost of acquisition. Water rights are an indefinite life intangible asset and are therefore tested for impairment annually.

(f) Investment properties

Investment properties 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 2017 have been determined based on a Director's valuation as supported by an independent valuation undertaken by CBRE. In the prior year, fair values were determined based on a Director's valuation.

(g) Biological assets

Biological assets are measured at their fair value at each reporting date (other than assets relating to bearer plants - see property, plant and equipment).

In the prior year, 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 was the net of capital expenditure incurred on the underlying assets as determined based on a Director's valuation.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Adoption of new and amended accounting standards that are first operative

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the group. The company's assessment of the new and amended pronouncements that are relevant to the group and applicable in the current reporting period is set out below.

AASB 2014-6: Amendments to Australian Accounting Standards - Agriculture: Bearer Plants (applicable for annual reporting periods commencing on or after 1 January 2016).

This Amending Standard defines bearer plants and clarifies that bearer plants are required to be accounted for as property, plant and equipment in accordance with AASB 116: Property, Plant and Equipment rather than under AASB 141: Agriculture.

VitalHarvest Pty Ltd have elected to adopt the amendments relating to the Australian Accounting Standards under AASB 116 from 1 July 2016 and therefore in accordance with the standard have elected to measure the fair value as its deemed cost at that date. As such any further revaluations during the period are adjusted through the revaluation reserve (in accordance with AASB 116) as opposed to the profit and loss as outlined by the preceding standard.

(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.

Bearer plants

Bearer plants are measured on a cost basis (see accounting policy note - Adoption of new and amended accounting standards that are first operative).

At each balance date the carrying amount of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value. Increases in the carrying amounts arising on revaluation of bearer plants are recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve. To the extent that the increase reverses a decrease of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. Decreases that offset previous increases of the same asset are recognised in other comprehensive income under the heading of revaluation reserve; all other decreases are charged to profit and loss.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (Continued)

Depreciation

Land is not depreciated. The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Class of fixed asset	Depreciation rates	Depreciation basis
Bearer plants at cost	3% to 25%	Straight line
Plant and equipment at cost	5%	Straight line

(j) 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.

(k) Comparatives

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

VITALHARVEST PTY LTD
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 2: REVENUE AND OTHER INCOME		
Other revenue		
Fixed rental income	8,634,027	8,328,477
Variable rental income	7,642,704	9,190,679
Other rental income	<u>11,277</u>	<u>11,165</u>
	<u>16,288,008</u>	<u>17,530,321</u>
Net gain on fair value adjustments:		
Investments properties	15,152,247	-
Other income:		
Interest income	86,771	142,114
Recoveries - outgoings	312,817	299,647
Grant income	2,078,018	270,000
Other income	<u>44,650</u>	<u>716,537</u>
	<u>17,674,503</u>	<u>1,428,298</u>
	<u>33,962,511</u>	<u>18,958,619</u>
NOTE 3: OPERATING PROFIT		
Profit before income tax has been determined after:		
Finance costs		
Interest	1,578,727	3,225,181
Borrowing costs	<u>153,957</u>	<u>-</u>
	<u>1,732,684</u>	<u>3,225,181</u>
Depreciation		
- plant and equipment - tunnels	88,094	88,194
- plant and equipment - bearer plants	<u>4,255,917</u>	<u>-</u>
	<u>4,344,011</u>	<u>88,194</u>
Amortisation of non-current assets		
- borrowing and formation costs	<u>-</u>	<u>29,182</u>
Employee benefits:		
- Directors fees	<u>-</u>	<u>35,038</u>
NOTE 4: CASH AND CASH EQUIVALENTS		
Cash at bank	<u>4,868,028</u>	<u>5,605,486</u>

VITALHARVEST PTY LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
NOTE 5: RECEIVABLES		
CURRENT		
Trade debtors	513,418	510,879
GST receivable	35,400	1,944
Loans to associates		
- Costa Asset Management	3,003,763	6,503,763
- Kangara Community Water	<u>40,517</u>	<u>61,900</u>
	<u>3,044,280</u>	<u>6,565,663</u>
	<u><u>3,593,098</u></u>	<u><u>7,078,486</u></u>

Trade receivables

Trade receivables are non interest bearing with 30 day terms. An impairment loss is recognised when there is evidence that an individual trade receivable is impaired. Financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit terms.

Aged analysis

Trade receivables ageing analysis at 30 June is:

	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
	\$	\$	\$	\$
Not past due	505,211	-	481,379	-
Past due 61-90 days	1,510	-	-	-
Past due more than 90 days	<u>6,697</u>	<u>-</u>	<u>29,500</u>	<u>-</u>
	<u><u>513,418</u></u>	<u><u>-</u></u>	<u><u>510,879</u></u>	<u><u>-</u></u>

NOTE 6: OTHER ASSETS

CURRENT		
Accrued rental income	<u>3,461,980</u>	<u>4,808,529</u>

NOTE 7: BIOLOGICAL ASSETS

NON CURRENT		
<i>At fair value</i>		
Biological assets - Trees and plants	<u>-</u>	<u>43,181,592</u>

VITALHARVEST PTY LTD
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 7: BIOLOGICAL ASSETS (CONTINUED)		
(a) Reconciliation of changes in carrying amount of biological assets		
Opening balance	43,181,592	42,723,895
Transfer to plant and equipment	(43,181,592)	-
Increases due to capital expenditure	<u>-</u>	<u>457,697</u>
Closing balance	<u><u>-</u></u>	<u><u>43,181,592</u></u>
NOTE 8: OTHER FINANCIAL ASSETS		
NON CURRENT		
<i>Available-for-sale financial assets</i>		
At cost		
Shares in other corporations - Kathleen Drive Pty Ltd	25,167	25,167
Shares in other corporations - Kangara Community Water Pty Ltd	<u>800</u>	<u>800</u>
Total available-for-sale financial assets at cost	<u><u>25,967</u></u>	<u><u>25,967</u></u>
NOTE 9: INTANGIBLE ASSETS		
Water rights at cost	19,806,836	19,806,836
Accumulated impairment losses	<u>(1,977,421)</u>	<u>(1,977,421)</u>
	17,829,415	17,829,415
Borrowing costs	-	155,299
Accumulated amortisation	<u>-</u>	<u>(28,110)</u>
	-	127,189
Formation costs	-	5,361
Accumulated amortisation	<u>-</u>	<u>(1,072)</u>
	<u>-</u>	<u>4,289</u>
Total intangible assets	<u><u>17,829,415</u></u>	<u><u>17,960,893</u></u>

(a) Reconciliations

VITALHARVEST PTY LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 9: INTANGIBLE ASSETS (CONTINUED)		
(a) Reconciliations (Continued)		
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	<u>17,829,415</u>	<u>17,829,415</u>
Closing balance	<u>17,829,415</u>	<u>17,829,415</u>
<i>Borrowing costs</i>		
Opening balance	127,189	-
Additions	-	155,299
Amortisation expense	-	(28,110)
Write off capitalised borrowing costs	<u>(127,189)</u>	<u>-</u>
Closing balance	<u>-</u>	<u>127,189</u>
<i>Formation costs</i>		
Opening balance	4,289	-
Additions	-	5,361
Amortisation expense	-	(1,072)
Write off capitalised formation costs	<u>(4,289)</u>	<u>-</u>
Closing balance	<u>-</u>	<u>4,289</u>
<i>Total Intangible assets reconciliation</i>		
Opening balance	17,960,893	17,829,415
Additions	-	160,660
Amortisation expense	-	(29,182)
Write off capitalised borrowing and formation costs	<u>(131,478)</u>	<u>-</u>
Closing balance	<u>17,829,415</u>	<u>17,960,893</u>

VITALHARVEST PTY LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
NOTE 10: INVESTMENT PROPERTIES		
<i>Investment property at fair value</i>		
Opening carrying amount	56,479,343	51,381,269
Additions during the year	4,403,433	5,098,074
Net gain from fair value adjustments	<u>15,152,247</u>	<u>-</u>
Closing carrying amount	<u>76,035,023</u>	<u>56,479,343</u>

(a) Contractual obligations

Vitalharvest has committed as at 30 June 2017 to a capital expenditure program for asset upgrades and additions at berry and citrus properties for a total value of \$8,837,424 (2016: \$6,160,963).

(b) Leasing arrangements

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

Within one year	8,708,102	8,470,171
Later than one year but not later than 5 years	34,692,408	33,740,683
Later than 5 years	<u>28,652,687</u>	<u>36,307,561</u>
	<u>72,053,197</u>	<u>78,518,415</u>

As at 30 June 2017, all properties were subject to 15 year leases, expiring 30 June 2026, with the rent due summarised above (based on the last fixed rent invoice from September 2017). 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 2017, contingent or variable rent was applicable or earned during the year on property leases. For the 2017 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.

VITALHARVEST PTY LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 11: PROPERTY, PLANT AND EQUIPMENT		
Bearer plants		
Bearer plants at fair value	96,301,041	-
Accumulated depreciation	<u>(4,255,917)</u>	<u>-</u>
	<u>92,045,124</u>	<u>-</u>
Plant and equipment		
Plant and equipment at cost	1,761,880	1,761,880
Accumulated depreciation	<u>(408,922)</u>	<u>(320,828)</u>
	1,352,958	1,441,052
Office equipment at cost	1,825	1,825
Accumulated depreciation	<u>(1,825)</u>	<u>(1,825)</u>
	-	-
Total property, plant and equipment	<u>93,398,082</u>	<u>1,441,052</u>
(a) Reconciliations		
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year		
<i>Bearer plants</i>		
Opening carrying amount	-	-
Transfer from biological assets – Bearer plants	43,181,592	-
Additions	898,178	-
Net amount of revaluation increments	52,221,271	-
Depreciation expense	<u>(4,255,917)</u>	<u>-</u>
Closing carrying amount	<u>92,045,124</u>	<u>-</u>
<i>Plant and equipment</i>		
Opening carrying amount	1,441,052	1,529,147
Depreciation expense	<u>(88,094)</u>	<u>(88,095)</u>
Closing carrying amount	<u>1,352,958</u>	<u>1,441,052</u>

VITALHARVEST PTY LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 12: PAYABLES		
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	10,692	334,158
Sundry creditors and accruals	<u>946,268</u>	<u>872,359</u>
	<u>956,960</u>	<u>1,206,517</u>
NOTE 13: INCOME TAX		
(a) Components of tax expense		
Current tax	4,327,268	4,024,198
Deferred tax	3,839,407	262,092
Timing difference not previously brought into account	1,494,276	-
Over provision in prior year	<u>(704,297)</u>	<u>-</u>
	<u>8,956,654</u>	<u>4,286,290</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%	8,109,472	4,399,220
Add tax effect of:		
Less tax effect of:		
- Other non-assessable items	-	(396)
Non-assessable non exempt income - grant income	-	81,000
Blackhole expenditure - equity raising	(26,835)	32,326
Amortisation - borrowing costs	(30,368)	-
Over provision in prior year	704,297	-
Timing difference not previously brought into account	<u>(1,494,276)</u>	<u>-</u>
Income tax expense attributable to profit	<u>8,956,654</u>	<u>4,286,290</u>
(c) Current tax		
Current tax relates to the following:		
<i>Current tax liabilities</i>		
Opening balance	1,564,761	2,070,548
Income tax	4,327,267	4,024,198
Tax payments	(3,673,041)	(4,529,985)
Over provision in prior year	<u>(704,297)</u>	<u>-</u>
Current tax liabilities	<u>1,514,690</u>	<u>1,564,761</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 13: INCOME TAX (CONTINUED)		
(d) Deferred tax		
Deferred tax relates to the following:		
The balance comprises:		
Biological assets at fair value	-	(8,073,324)
Accrued expenses	11,250	9,750
Plant and equipment	(8,266,712)	(930,481)
Borrowing costs and blackhole expenditure	-	32,326
Investment properties at fair value	(326,370)	4,219,304
Intangible assets - water rights	<u>513,666</u>	<u>513,666</u>
	<u>(8,068,166)</u>	<u>(4,228,759)</u>
<i>Deferred tax liabilities</i>		
The balance comprises:		
Revaluation reserve	15,666,381	-
Timing difference not previously brought into account	<u>1,494,276</u>	<u>-</u>
	<u>17,160,657</u>	<u>-</u>
Net deferred tax liabilities	<u>25,228,823</u>	<u>4,228,759</u>
(e) Deferred income tax (revenue)/expense included in income tax expense comprises		
Increase in deferred tax assets / liabilities	21,000,064	262,092
Increase in deferred tax liabilities from revaluation reserve	(15,666,381)	-
Increase in deferred tax liabilities from timing difference not previously brought into account	<u>(1,494,276)</u>	<u>-</u>
	<u>3,839,407</u>	<u>262,092</u>
NOTE 14: BORROWINGS		
NON CURRENT		
<i>Secured liabilities</i>		
Bank loans	<u>54,000,000</u>	<u>54,000,000</u>

VITALHARVEST PTY LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

2017 **2016**
\$ **\$**

NOTE 14: BORROWINGS (CONTINUED)

(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 NAB finance agreement has provided \$54,000,000 and holds security over the investment properties, the agreement is due to expire 31 December 2018.

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%.

NOTE 15: SHARE CAPITAL

Issued and paid-up capital

30,773,313 (2016: 30,773,313) Ordinary	(a)	46,517,562	46,517,562
9,497,434 (2016: 9,497,434) Redeemable Preference Shares	(b)	<u>9,555,731</u>	<u>9,555,731</u>
		<u>56,073,293</u>	<u>56,073,293</u>

	2017		2016	
	Number	\$	Number	\$
(a) Ordinary				
Opening balance	30,773,313	46,517,562	9,211,759	9,862,920
Shares issued:				
15 December 2015	<u>-</u>	<u>-</u>	<u>21,561,554</u>	<u>36,654,642</u>
	<u>-</u>	<u>-</u>	<u>21,561,554</u>	<u>36,654,642</u>
Shares bought back:				
At reporting date	<u>30,773,313</u>	<u>46,517,562</u>	<u>30,773,313</u>	<u>46,517,562</u>
(b) Redeemable Preference Shares				
Opening balance	9,497,434	9,555,731	9,497,434	9,555,731
Shares issued:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At reporting date	<u>9,497,434</u>	<u>9,555,731</u>	<u>9,497,434</u>	<u>9,555,731</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.

VITALHARVEST PTY LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15: SHARE CAPITAL (CONTINUED)

Rights of each type of share (Continued)

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: RESERVES

Asset revaluation reserve	16(a)	<u>36,554,890</u>	<u>-</u>
		<u>36,554,890</u>	<u>-</u>

(a) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

Movements in reserve

Revaluation of bearer plants	52,221,271	-
Tax effect at 30% of revaluation of bearer plants	<u>(15,666,381)</u>	<u>-</u>
Closing balance	<u>36,554,890</u>	<u>-</u>

NOTE 17: RETAINED EARNINGS

Retained earnings at beginning of year	19,508,018	28,070,241
Net profit	18,074,919	10,377,777
Dividends provided for or paid	<u>(12,700,000)</u>	<u>(18,940,000)</u>
	<u>24,882,937</u>	<u>19,508,018</u>

NOTE 18: 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	<u>4,868,028</u>	<u>5,605,486</u>
	<u>4,868,028</u>	<u>5,605,486</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 18: CASH FLOW INFORMATION (CONTINUED)		
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit from ordinary activities after income tax	18,074,919	10,377,777
Adjustments and non-cash items		
Amortisation	-	29,182
Depreciation	4,344,011	88,193
Adjust capitalised borrowing and formation costs	131,478	-
Government grant income recognised as investing activity	(2,078,018)	(270,000)
Fair value surplus on investment property	(15,152,247)	-
Changes in assets and liabilities		
(Increase) / decrease in receivables	(35,995)	580,345
(Increase) / decrease in other assets	1,346,548	216,645
Increase / (decrease) in payables	(323,466)	(429,160)
Increase in accrued expenses	73,909	(1,336,537)
Increase / (decrease) in income tax payable	(50,071)	(505,787)
Decrease in deferred taxes	<u>5,333,684</u>	<u>262,092</u>
	<u>(6,410,167)</u>	<u>(1,365,027)</u>
Cash flows from operating activities	<u><u>11,664,752</u></u>	<u><u>9,012,750</u></u>

NOTE 19: CAPITAL AND LEASING COMMITMENTS

(a) Capital expenditure commitments contracted for:		
- capital expenditure projects	8,837,424	6,160,963
Payable		
- not later than one year	<u>8,837,424</u>	<u>6,160,963</u>
	<u><u>8,837,424</u></u>	<u><u>6,160,963</u></u>

Vitalharvest has committed to a capital expenditure program for asset upgrade and additions at its Berry properties for total value \$8,830,698 (2016: \$3,189,102) and at its Citrus properties for a total value of \$6,726 (2016: \$2,971,862).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstances, which have arisen since 30 June 2017 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2017, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2017, of the company.

NOTE 21: RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel of the entity or its parent and their personally related entities

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of the company, is considered key management personnel. For the Company, only the Directors as listed in Note 19 are considered key management personnel.

(b) Transactions with other related parties

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

(c) Transactions with related parties

	2017	2016
	\$	\$
Property rental income received from CostaExchange Ltd a director related entity of Robert Costa.	<u>16,288,008</u>	<u>17,530,321</u>

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

30 June 2017

During the 2017 financial year, Costa Group undertook approved capital expenditure on the various properties owned by Vitalharvest. Vitalharvest reimbursed the Costa Group for the the cost of the capital expenditure without any mark up.

30 June 2016

Approved capital expenditure on various properties as stated above.

VITALHARVEST PTY LTD
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 21: RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Trade and other receivables

	2017	2016
	\$	\$
Trade receivables due from CostaExchange Ltd a director related entity of Robert Costa for rental and rental outgoings to be re-imbursed.	507,281	481,379
Rental income due from Costa Exchange Ltd a director related entity of Robert Costa for variable rent.	<u>3,461,980</u>	<u>4,808,529</u>
	<u>3,969,261</u>	<u>5,289,908</u>

(e) Trade and other payables

Other payable due to CostaExchange Ltd a director related entity of Robert Costa in relation to capital works performed on an investment property.	-	303,023
Accrued rental income from Costa Exchange Ltd a director related entity of Robert Costa for rental of premises.	<u>728,097</u>	<u>704,120</u>
	<u>728,097</u>	<u>1,007,143</u>

NOTE 22: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the company		
- short-term employee benefits	<u>-</u>	<u>35,038</u>
	<u>-</u>	<u>35,038</u>

The names of directors who have held office during the year are:

Name	Appointment / resignation details
Robert Costa	Appointed 29 January 2010
Gary Meadows	Appointed 2 January 2013
Rhonda Arnott	Appointed 19 October 2012

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DIRECTORS' DECLARATION

The directors of the company declare that:

1. In the directors opinion, the financial statements and notes thereto, as set out on pages 6 - 27, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the financial position as at 30 June 2017 and performance for the year ended on that date of the company.
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: _____

Rhonda Arnott

Dated this 14 day of June 2018.

VITALHARVEST PTY LTD
ABN 18 140 954 874

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VITALHARVEST PTY LTD**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of VitalHarvest Pty Ltd, "the Company", which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of VitalHarvest Pty Ltd, 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 2017 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements 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 Company in accordance with the auditor independence requirements of 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.

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 - Reduced Disclosure Requirements 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 Company's ability to

VITALHARVEST PTY LTD
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VITALHARVEST PTY LTD

Responsibilities of the Directors for the Financial Report (Continued)

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 Company or to cease operations, or have 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

VITALHARVEST PTY LTD
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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VITALHARVEST PTY LTD**

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



P A JOSE

Partner



PITCHER PARTNERS

Melbourne

Date 21 June 2018