

VITALHARVEST PTY LTD
ABN: 18 140 954 874

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2017

This half-year financial report is to
be read in conjunction with the
financial report for the year ended
30 June 2017

VITALHARVEST PTY LTD
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2017

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DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

The directors present their report together with the condensed financial report of Vitalharvest Pty Ltd for the half-year ended 31 December 2017 and independent review report thereon.

Directors

The names of directors in office at any time during or since the end of the half-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 financial period to the date of this report unless otherwise stated.

Results

The profit of the company for the half year ended 31 December 2017 after providing for income tax amounted to \$10,666,765 (2016 profit: \$5,715,118).

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.

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 in mid 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

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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.

Signed on behalf of the board of directors.

Director.....

Robert Costa

Director:.....

Rhonda Arnott

Dated this 18 day of June 2018

AUDITOR'S INDEPENDENCE DECLARATION**To the Directors of Vitalharvest Pty Ltd**

In relation to the independent auditor's review for the half-year ended 31 December 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

Melbourne



PITCHER PARTNERS

Dated 21 June 2018

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

		Half-year	
		Reviewed	Unaudited
		31 Dec 2017	31 Dec 2016
Continuing Operations			
Revenue and Other Income			
Rental Income	3	15,318,469	10,557,201
Other income	3	1,193,469	1,011,747
	3	<u>16,511,938</u>	<u>11,568,948</u>
Less: Expenses			
Depreciation and amortisation expense	4	(4,301,332)	(2,174,616)
Occupancy expense		(206,216)	(184,033)
Finance costs		(771,769)	(819,577)
Other expenses		(288,913)	(226,268)
		<u>(5,568,231)</u>	<u>(3,404,494)</u>
Profit/(loss) before income tax expense		10,943,707	8,164,454
Income tax expense/(income tax benefit)		<u>(3,269,447)</u>	<u>(2,449,336)</u>
Net profit/(loss) from continuing operations		7,674,260	5,715,118
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of bearer plants		4,275,004	-
Tax effect at 30% of revaluation of bearer plants		<u>(1,282,500)</u>	<u>-</u>
Total other comprehensive income for the half-year		<u>2,992,504</u>	<u>-</u>
Total comprehensive income for the half-year		<u>10,666,764</u>	<u>5,715,118</u>

The accompanying notes form part of these condensed financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		31 Dec 2017	30 June 2017
Current assets			
Cash and cash equivalents		640,571	4,868,028
Receivables		8,694,726	3,593,098
Other assets		10,906,462	3,461,980
Total current assets		20,241,759	11,923,106
Non-current assets			
Other financial assets		25,967	25,967
Intangible assets	5	17,829,415	17,829,415
Investment properties	6	82,472,449	76,035,023
Property, plant and equipment	4	94,272,812	93,398,082
Total non-current assets		194,600,643	187,288,487
Total assets		214,842,402	199,211,593
Current liabilities			
Payables		4,253,270	956,960
Current tax liabilities		2,878,813	1,514,690
Total current liabilities		7,132,083	2,471,650
Non-current liabilities			
Borrowings		54,000,000	54,000,000
Deferred tax liabilities		25,532,434	25,228,823
Total non-current liabilities		79,532,434	79,228,823
Total liabilities		86,664,517	81,700,473
Net assets		128,177,885	117,511,120
Equity			
Share Capital	7	56,073,293	56,073,293
Reserves	8	39,547,394	36,554,890
Retained earnings		32,557,198	24,882,937
Total equity		128,177,885	117,511,120

The accompanying notes form part of these condensed financial statements.

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

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total Equity \$'000
Balance as at 1 July 2016	56,073,293	-	19,508,018	75,581,311
Total profit for the half-year	-	-	5,715,118	5,715,118
Total profit and other comprehensive income for the half-year	-	-	-	-
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	-	-
Balance as at 31 December 2016	56,073,293		25,223,136	81,296,429

	Contributed equity \$	Reserves \$	Retained earnings \$	Total Equity \$
Balance as at 1 July 2017	56,073,293	36,554,890	24,882,938	117,511,121
Total profit for the half-year	-	-	7,674,260	7,674,260
Revaluation of bearer plants	-	4,275,004	-	4,275,004
Tax effect at 30% of revaluation of bearer plants	-	(1,282,500)	-	(1,282,500)
Total profit and other comprehensive income for the half-year	-	2,992,504	7,674,260	10,666,764
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	-	-
Balance as at 31 December 2017	56,073,293	39,547,394	32,557,198	128,177,885

The accompanying notes form part of these condensed financial statements.

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

	Half-year 31 Dec 2017
Cash flow from operating activities	
Receipts from customers	8,689,237
Payments to suppliers and employees	(268,308)
Interest received	22,407
Finance costs	(771,769)
Income tax paid	(2,883,716)
Net cash provided by / (used in) operating activities	<u>4,787,851</u>
Payments for purchase of property, plant and equipment	(1,432,630)
Payments for capital expenditure on investment properties	(4,900,282)
Proceeds on sale of property, plant and equipment	531,572
Proceeds from Grant income received for investment properties	736,032
Payments for investment property	-
Payments for biological assets	-
Net cash provided by / (used in) investing activities	<u>(5,065,308)</u>
Repayment/proceeds of related party loans	(3,950,000)
Payment of loans to associates	-
Dividends paid	-
Net cash provided by / (used in) financing activities	<u>(3,950,000)</u>
Net increase / (decrease) in cash and cash equivalents	-
Foreign exchange differences on cash holdings	-
Cash and cash equivalents at beginning of half-year	4,868,028
Net increase / (decrease) in cash held	(2,690,313)
Cash and cash equivalents at end of the half-year	<u>2,177,715</u>

The accompanying notes form part of these condensed financial statements.

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 of Vitalharvest Pty Ltd during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

This condensed half-year financial report covers Vitalharvest Pty Ltd. 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 half-year financial report was authorised for issue by the directors on 14 June 2018.

(a) Basis of preparation

This condensed half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, as appropriate for for-profit entities, and the *Corporations Act 2001*. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year 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.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2017.

(b) Accounting standards issued but not yet effective

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.

NOTE 2: COMPARATIVE INFORMATION

The comparative information for the half year period to 31 December 2016 has not been subject to audit review as the entity was not required to have an audit review performed. Where comparative information is provided for the year ended 30 June 2017 these numbers have been subject to audit.

NOTE 3: REVENUE

	Half-year	
	Audited	Unaudited
	31 Dec	31 Dec
	2017	2016
	\$	\$
<u>Other revenue</u>		
Fixed rental Income	4,448,596	4,286,960
Variable Rental Income	10,869,873	6,270,241
	<u>15,318,469</u>	<u>10,557,201</u>
<u>Other income</u>		
Interest income	22,406	42,344
Recoveries - outgoings	206,359	187,317
Grant income	736,032	737,436
Other income	228,672	44,650
	<u>1,193,469</u>	<u>1,011,747</u>
	<u>16,511,938</u>	<u>11,568,948</u>

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2017	30 June 2017
Bearer plants at fair value	102,008,675	96,301,041
Less: Accumulated depreciation	(8,530,921)	(4,255,917)
Plant and equipment – at cost	1,053,117	1,761,880
Less: Accumulated depreciation	(258,059)	(408,922)
Office Equipment – at cost	1,825	1,825
Less: Accumulated depreciation	(1,825)	(1,825)
Total property, plant and equipment	<u>94,272,812</u>	<u>93,398,082</u>

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Reconciliations of the carrying amounts at the beginning and end of the half-year ending 31 December 2017 are provided below.

	Bearer plants	Plant and equipment	Total
Balance at 1 July 2017	92,045,124	1,352,958	93,398,082
Additions	1,432,630	-	1,432,630
Disposals		(531,572)	(531,572)
Net revaluation increments/decrements	4,275,004	-	4,275,004
Depreciation expense	(4,275,004)	(26,328)	(4,301,332)
Balance at 31 December 2017	<u>93,477,754</u>	<u>795,058</u>	<u>94,272,812</u>

NOTE 5: Intangible assets

	31 Dec 2017	30 June 2017
Water rights at cost	19,806,836	19,806,836
Less: Impairment losses amortisation	(1,977,421)	(1,977,421)
	<u>17,829,415</u>	<u>17,829,415</u>

NOTE 6: INVESTMENT PROPERTIES

	31 Dec 2017	30 June 2017
	\$	\$
Investment property at fair value	-	-
Opening carrying amount	77,572,167	56,479,343
Additions during the year	4,900,282	4,403,433
Net gain from fair value adjustments	-	15,152,247
Closing carrying amount	<u>82,472,449</u>	<u>76,035,023</u>

NOTE 7: SHARE CAPITAL

	31 Dec 2017	30 Jun 2017
	\$	\$
Issued and paid-up capital		
30,773,313 (2016: 30,773,313) Ordinary	46,517,562	46,517,562
9,497,434 (2016: 9,497,434) Redeemable Preference Shares	9,555,731	9,555,731
	<u>56,073,293</u>	<u>56,073,293</u>

The accompanying notes form part of these condensed financial statements.

NOTE 8: RESERVES

	31 Dec 2017	30 June 2017
	\$	\$
Asset revaluation reserve	39,547,394	36,554,890
	<u>39,547,394</u>	<u>36,554,890</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

Opening balance 1 July 2017	36,554,890
Revaluation of bearer plants	4,275,004
Tax effect at 30% of revaluation of bear plants	(1,282,500)
Closing balance 31 December 2017	<u>39,547,394</u>

NOTE 9: CAPITAL AND LEASING COMMITMENTS

	31 Dec 2017	30 June 2017
	\$	\$
a) Capital expenditure commitments contracted for:		
- capital expenditure projects	2,570,082	8,837,424
Payable		
- not later than one year	<u>2,570,082</u>	<u>8,837,424</u>
	<u>2,570,082</u>	<u>8,837,424</u>

Vitalharvest has committed to a capital expenditure program for asset upgrade and additions at its properties for total value \$2,570,082

In addition to the above commitments, the company has applied to receive \$3.4 million under the The Irrigation Industry Improvement Program Round 4 grant program. At the date of this report the company has been advised its application will be successful however formal paperwork is still to be completed. As a result of this successful application, the company has committed to spend \$3.4 million dollars on further capital expenditure projects at its properties and to purchase 479ML of water entitlements to the value of \$1.7 million.

DIRECTORS' DECLARATION

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 10 to 13, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the financial position of the entity as at 31 December 2017 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, 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 directors.



.....
Robert Costa

Director
Melbourne



.....
Rhonda Arnott

Director
Melbourne

Date 14 June 2018.

VITALHARVEST PTY LTD
ABN 18 140 954 874

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE DIRECTORS OF VITALHARVEST PTY LTD

We have reviewed the accompanying half-year financial report of Vitalharvest Pty Ltd "the Company", which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Vitalharvest Pty Ltd's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, 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 Company, would be in the same terms if given to the directors as at the time of this auditor's report.

VITALHARVEST PTY LTD
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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE DIRECTORS OF VITALHARVEST PTY LTD

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Vitalharvest Pty Ltd is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Vitalharvest Pty Ltd's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



P A JOSE
Partner



PITCHER PARTNERS
Melbourne

21 June 2018