

Murray River Organics Group Limited
ABN 46 614 651 473

Financial report for the year ended 30 June 2018

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Chairman's Review

On behalf of the Directors of Murray River Organics Group Limited, I present the 2018 Financial Report.

“... The turnaround is underway ...”

Following extensive and intensive review and restructuring of Murray River Organics Group (“MRG”) by your new board, executives and our advisors since the appointment of the new Board on 24 January 2018, we have implemented a pragmatic and achievable plan to deliver value for our shareholders. Our goal is to deliver operational performance to allow the latent value in our assets to be realised.

We have worked hard to ensure a committed alignment of the share register, board and executive, during a very trying time in MRG's history.

Under the leadership of our new CEO, Valentina Tripp, we now have a highly motivated, experienced and competent management team, with the appropriate mix of skills, for our unique Australian agri-food business. Our goal is to realise the value of our long dated agricultural assets, and our significant organic and better-for-you product range.

Having assessed various options for shareholders, we are moving ahead with a plan to restructure the balance sheet through a \$30 million equity raising. This equity raising will be used to support the needs for this growing business. We are also reporting proactively and frankly to our shareholders and the market, and attracting the capability needed to execute the plan, whilst establishing new systems of accountability and performance monitoring.

FY18, like FY17 has not been a good year for shareholders of MRG, but the turnaround is underway with early benefits being realised.

Our focus is now on completing the equity raising and securing long term debt support from our financier, which will allow the team to fully execute the plan. We expect to have more to announce on this matter in the short term.

We thank and acknowledge our shareholders, staff, suppliers and customers for their support, patience and investment as we execute the turnaround and return the business to sustainable growth.



Andrew Monk
Chairman

Directors' Report

The Directors of Murray River Organics Group Limited (the "Company") and its controlled subsidiaries (the "Group") submit herewith the annual financial report of the Company for the year ended 30 June 2018. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Information about the Directors

The names and particulars of the Directors of Murray River Organics Group Limited during or since the end of the financial year are:

Name & Qualifications	Experience and Responsibilities
<p>Andrew Monk Non-Executive Independent Chairman BSc, PhD, GAICD</p>	<p>Andrew has owned and/or managed organic SMEs in horticulture, food processing and waste management. He also has extensive technical experience in organic regulations and intimate working knowledge of this multi-sector industry domestically and internationally. Chairman of Australian Organic Ltd, a not for profit industry services group with over 2,000 organic businesses. Chairman of Australian renewable energy company Enervest Pty Ltd.</p> <p>Appointed Director and Chairperson on 24 January 2018. Appointed Chairperson of the Audit and Risk Committee on 11 June 2018. Member of Remuneration and Nomination Committee.</p>
<p>Keith Mentiplay Non-Executive Independent Director MBA, Dip Dairy Tech, AICD</p>	<p>Keith has worked at Murray Goulburn, National Foods / Lion, Nestle and other global names, with responsibility for markets in Australia, New Zealand, Indonesia, Malaysia, Singapore, Hong Kong and Philippines. With over 40 years in the food industry, he has taken on diverse roles including General & Executive management, operations & supply chain, international business, operational excellence, business transformation and business expansion. Keith has also held multiple food industry board positions such as Canberra Milk, Queensland Butter Board, Danone / Murray Goulburn and Vitasoy.</p> <p>Appointed Director on 24 January 2018. Chairperson of Remuneration and Nomination Committee and Member of the Audit and Risk Committee.</p>
<p>Michael Porter Non-Executive Independent Director BBS (Enterprise Development), Grad Cert (Change Management), GAICD</p>	<p>Michael has extensive experience in the Agricultural sector where he was the CEO of SQP Co-operative for almost four years. He owns dry land farming interests in Victoria's Western District near Ballarat. He has particular interest in soil re-generation and making the best use of our limited resources, such as water. Other Board positions include being a past Chairman and current Non-Executive Director of ASX listed Angel Seafood Holdings Ltd, Board Member of the Wimmera Catchment Management Authority (a Victorian State Government appointment), Chairman of the Audit Advisory Committee for the City of Ballarat. Michael is also an Active Reservist where he holds the rank of Commander in the Royal Australian Naval Reserve.</p> <p>Appointed Director on 2 April 2018. Member of the Audit and Risk Committee and Member of the Remuneration and Nomination Committee.</p>

Name & Qualifications	Experience and Responsibilities
Steven Si Non-Executive Independent Director	<p>Steven is Chairman and Managing Director of the Shanghai Yi Yuan Group of companies, established in 1994. Based in Shanghai, the group has various companies specialising in manufacturing and distribution. Steven is also the Managing Director of Moran Furniture and a Director of Kadam food distribution business. He is member of the China General Chamber of Commerce. Steven brings a wealth of knowledge and connections into the Chinese market.</p> <p>Appointed Director on 24 January 2018. Member of the Remuneration and Nomination Committee and Chairperson of the Audit and Risk Committee until 8 May 2018. Mr Si resigned as a Director on 10 August 2018.</p>
Valentina Tripp CEO and Managing Director Bachelor of Commerce (Melb), MBA, CPA, AICD	<p>Valentina has extensive experience in FMCG, agribusiness and retail across Asia and global markets; most recently working for Simplot as Executive Director – Transformation and Top Cut Group. Prior to Simplot, Valentina was Senior Director with KPMG leading transformation, strategy, customer growth, supply chain, operational and financial turnarounds. Valentina is a Non-Executive Director at Capilano Honey Limited, is the Non-Executive Chairman of Fairtrade Australia & New Zealand and Non-Executive Director of Fairtrade International based in Bonn, Germany.</p> <p>Appointed Managing Director and Chief Executive Officer on 16 April 2018.</p>

The following Directors held office during the financial year until their removal or resignation:

Name & Qualifications	Experience and Responsibilities
Alan Fisher Non-Executive Independent Director FICA, AICD	<p>Alan was with a world-leading accounting firm Coopers & Lybrand where he spent 24 years and headed up and grew the Melbourne Corporate Finance Division. Following this tenure Alan developed his own corporate advisory business. He is also managing Director of DMC Corporate and Fisher Corporate Advisory. Alan has previously held the position of CEO of Pental Limited where he was instrumental in its successful restructuring. Alan is currently a non-executive Director and chair of IDT Australia Limited (ASX: IDT), and is a Non-executive Director and chair of the audit and risk committee of Thorney Technologies Ltd (ASX: TEK) and Bionomics Limited (ASX: BNO)</p> <p>Appointed Director on 8 May 2018. Chairperson of the Audit and Risk Committee and member of the Remuneration and Nomination Committee until his resignation on 31 May 2018.</p>
Craig Farrow Non-Executive Independent Director B. Ec, FCA, FAICD	<p>Craig has 25 years' experience in the accounting and advisory services with deep knowledge of the agribusiness sector. He currently sits on several farm advisory boards and is currently Chair of Australian Independent Rural Retailers. Craig also serves on a number of boards and is currently Deputy Chair of Vocus Communications Ltd, Chair / Partner of Brentnalls SA Chartered Accountants, Chair of Tonkin Consulting Pty Ltd, Doctors Health SA Limited, General Practice SA and Non-Executive Director of Bulletproof Group Ltd, Centre State Exports Pty Ltd, Petrosys Pty Ltd.</p> <p>Appointed as Director and Board Chair on 6 September 2016. Member of the Audit and Risk Committee and Remuneration and Nomination Committee until his resignation on 24 January 2018.</p>

Name & Qualifications	Experience and Responsibilities
<p>Donald Brumley Non-Executive Independent Director FCA, AICD</p>	<p>Donald was a former senior partner of Ernst & Young with 29 years' experience in IPO's, transactions and audit. Donald was the Oceania IPO Leader at Ernst & Young and worked with clients listing on the Australian, US, UK and key Asian stock exchanges. Donald has also held positions as Biotech Markets Leader and National Leader of Strategic Growth Markets of Ernst & Young.</p> <p>Appointed as Director on 6 September 2016. Chair of the Audit and Risk Committee and Member of the Remuneration and Nomination Committee until his resignation on 22 November 2017.</p>
<p>Lisa Hennessy Non-Executive Independent Director MBA (Harvard) Bachelor of Sci. Elec. Eng. (Hons), AICD</p>	<p>Lisa has over 25 years of experience in complex international organisations, with significant experience in areas of corporate strategy, acquisitions, and operations. Lisa has held executive roles within Del Monte Foods, General Electric, and Bain & Co. Lisa is currently a Non-Executive Director of The Gawler Cancer Foundation and FirstStep Financial Investments Pty Ltd.</p> <p>Appointed as Director on 6 September 2016. Chair of the Remuneration and Nomination Committee and Member of the Audit and Risk Committee until her resignation on 24 January 2018.</p>
<p>Kenneth Carr Non-Executive Independent Director MBA, FAICD</p>	<p>Kenneth has been CEO/MD of five ASX listed companies primarily in the banking, health, and technology industries. He is currently Chair of Field Solutions Holdings Limited (ASX: FSG) and on the boards of Bulletproof Limited (ASX:BPF) Automotive Solutions Group Limited (ASX:4WD) and Wakenby Limited (ASX:WAK). His previous executive roles were primarily in recovery positions of public companies.</p> <p>Appointed as Director on 23 November 2017. Member of Remuneration and Nomination Committee and Member of the Audit and Risk Committee until his resignation on 24 January 2018.</p>
<p>Erling Sorensen Executive Director FAICD</p>	<p>Erling is a co-founder of Murray River Organics. Erling has a diverse skillset with significant international experience in management, sales, operations, corporate finance, strategy, mergers & acquisitions, commodity trading, risk management, investing and transport. He has worked for and managed international industrial and transport companies in Oslo, Singapore, Melbourne and London. Erling was previously the Chief Commercial Officer of Nyrstar Nv, operating out of London and has held a number of non-executive directorships for publicly listed companies both in Australia and the United Kingdom.</p> <p>Appointed as Managing Director on 6 September 2016. Member of the Audit and Risk Committee and Member of the Remuneration and Nomination Committee until his resignation on 9 November 2017.</p>
<p>Jamie Nemtsas Executive Director Bachelor of Business</p>	<p>Jamie has significant experience in farming operations, having been involved in such operations for the most of his life and also has significant experience in wealth and asset management, predominately with high net worth individuals, families and corporations. Jamie currently serves on a number of private company Boards and also has a strong interest in serving the community and is the pro bono Director of the Greenlight Foundation and the Willow Foundation. Jamie is also is a Certified Financial Planner and is a fellow of the Securities Institute of Australasia.</p> <p>Appointed as Director and on 6 September 2016. Member of the Audit and Risk Committee and Member of the Remuneration and Nomination Committee until his resignation on 28 August 2017.</p>

Company Secretary

Ms Carlie Hodges is a lawyer with Coghlan Duffy & Co, who is experienced in corporate and commercial law, property law and mergers and acquisitions. Ms Hodges was appointed the secretary of the Group on 14 May 2018.

Ian Sinclair was appointed the secretary of the Group on 6 September 2016 and remained in the role until his resignation on 14 May 2018.

Directors' meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director.

Directors	Directors' Meetings		Remuneration and Nomination Committee		Audit and Risk Committee	
	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
Andrew Monk	7	7	2	2	1	1
Keith Mentiplay	7	7	2	2	1	1
Michael Porter	6	5	-	-	-	-
Steven Si	7	7	2	2	1	1
Valentina Tripp	5	5	-	-	-	-
Alan Fisher	1	1	-	-	-	-
Erling Sorensen	8	8	-	-	-	-
Jamie Nemtsas	3	2	-	-	-	-
Craig Farrow	11	10	-	-	2	1
Lisa Hennessy	11	11	-	-	2	2
Kenneth Carr	2	2	-	-	-	-
Donald Brumley	9	9	-	-	2	2

Directors' shareholdings

The following table sets out each Director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

Name	Fully paid ordinary shares number	Share Option Number
Andrew Monk	30,000	-
Keith Mentiplay	125,000	-
Michael Porter	-	-
Steven Si	-	-
Valentina Tripp	-	-

Principal activities

Murray River Organics is an Australian producer, manufacturer, marketer, and seller of certified organic, natural and better-for-you food products.

Company Overview

Murray River Organics is a leading Australian grower, processor, manufacturer and seller of organic and better-for-you food products. Our aim is to make organic, healthy and sustainable food choices a reality for our consumers in Australia and around the world.

Murray River Organics began in 2010 on a single 28-hectare farm in Merbein, Victoria. It now operates over 4,900 hectares of farmland in the Sunraysia region, including the largest organic dried vine fruit properties in Australia.

In addition to our farming assets and processing plant in Mourquong NSW, Murray River Organics operates a food manufacturing and distribution facility in Dandenong South, Victoria. From this site it packs and distributes an extensive range of organic and better-for-you food products under its own brands and for other retailers.

The Group's customers include domestic retail (sold in supermarkets and specialty retail under both Murray River Organics own brands and private label), wholesale and industrial (bulk product to wholesalers providing supply to other third parties (including retailers) and customers who use dried vine fruit in their products (for example bakery products, cereal products, confectionery), export to a variety of export channels across Asia, the US and Europe, and fresh fruit (citrus, wine grape and table grapes to processors and wine makers).

Review of operations

Financial Performance

	FY18 ⁽ⁱ⁾	FY17 ⁽ⁱ⁾	Change	
	\$'000	\$'000	\$'000	%
Net sales revenue	68,539	48,522	20,017	41.3%
Underlying EBITDA excluding SGARA ⁽ⁱⁱ⁾	(14,280)	(11,185)	(3,095)	27.7%
Underlying EBITDA excl. SGARA ⁽ⁱⁱ⁾ to Sales	-20.83%	-23.05%		2.2%
Depreciation	(6,198)	(4,276)	(1,922)	44.9%
Underlying EBIT excluding SGARA ⁽ⁱⁱⁱ⁾	(20,478)	(15,461)	(5,017)	32.4%
Underlying EBIT excl. SGARA ⁽ⁱⁱ⁾ to Sales	-29.88%	-31.86%		2.0%
<i>Finance Costs</i>	(3,337)	(2,296)	(1,041)	45.3%
Reported loss after tax	(59,607)	(5,927)	(53,680)	NMF
Net Tangible Assets per share	0.16	0.65	(0.49)	-75.5%
Net bank debt ^(iv)	44,868	28,607	16,261	56.8%
Gearing - Bank Debt ^(v)	224.6%	43.2%		

⁽ⁱ⁾ Unaudited non-IFRS financial table

⁽ⁱⁱ⁾ EBITDA (Earnings Before Interest, Tax, Depreciation and Impairment)

⁽ⁱⁱⁱ⁾ EBIT (Earnings Before Interest and Tax)

^(iv) Net borrowings less Colignan vineyard finance lease

^(v) Net bank debt divided by total equity

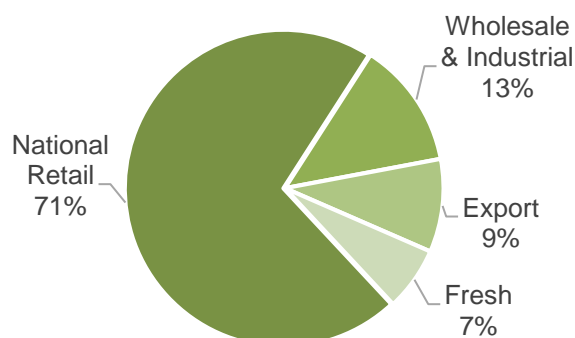
NMF means Not a Meaningful Figure

SGARA means fair value revaluation of Self-Generating and Regenerating Assets (agricultural produce)

Reconciliation of Underlying EBIT and EBITA provided on next page.

- Net sales of \$68.539 million were up 41.3% or \$20.017 million on last year, mainly due to the prior year acquisitions of the business assets of Food Source International on 12 September 2016 and Australian Organic Holdings on 26 November 2016. The Group serves customers via four key channels - National Retail; Wholesale and Industrial; Export; and Fresh Fruit (table grapes and citrus).

Sales by Channel



- Sales with major retailers continue to be healthy, albeit affected by inconsistent fill rates arising from out of stocks and inability to supply sufficient stock due to the delay in delivery of a new high-speed Yeaman snack box packing line. In July 2018, the high-speed line was commissioned and is progressively ramping up to the expected production speed for our various snack box products.
- Wholesale and Industrial sales were below expectation predominately due to poor order fill rates caused by inventory accuracy issues in our systems causing out of stocks and significant staff reductions in the sales team implemented by previous management in early 2018. The Company is in the process of rebuilding its sales team and a number of new team members have joined the business since July 2018 with the right mix of experience. Raw materials and finished goods inventory levels in Dandenong have been reset and more effective working capital management processes have been introduced. These continue to be refined to ensure that our capital is used efficiently whilst customer service is improved and maintained.
- Export sales of dried fruit increased 38.4% on last year, however these sales were affected by quality issues from the 2017 harvest. Demand in this channel continues to be strong. Whilst “Cluster” product sales increased 77% (from 67 tonnes in FY17 to 119 tonnes for FY18) this was significantly less than previous estimates used in the FY17 Profit and Loss as “Fair Value Gain from Agricultural Produce”. The market for the “Cluster” products is relatively new and significant category development work is now underway to develop this category both domestically and internationally.
- Disappointingly, due to poor farm operating practices, fresh table grape yields were both below expectations and last year’s levels, compounded by the business being late in engaging with fresh table grape customers and marketers, and as a result missed critical timeframes within which many of the stronger sales channels for organic and conventional grapes were confirmed.
- Citrus sales of \$3.097 million in FY18 from the Nangiloc, Colligan and Gol Gol farms increased by \$1.778 million from prior financial year, predominately from the additional volume arising following the acquisition of the Nangiloc property in June 2017.

	FY18 ⁽ⁱ⁾	FY17 ⁽ⁱ⁾	Change	
	\$'000	\$'000	\$'000	%
Reported loss after tax	(59,607)	(5,927)	(53,680)	NMF
Income tax benefit	1,896	1,229	667	
Finance costs	(3,337)	(2,296)	(1,041)	
EBIT (loss)	(58,166)	(4,860)	(53,306)	NMF
Significant items				
Impairment of non-current assets	(21,169)	-	(21,169)	
Inventory write down	(8,344)	-	(8,344)	
Revaluation of properties & assets held for sale	(7,030)	-	(7,030)	
Business restructuring costs	(2,343)	-	(2,343)	
Change in contingent consideration	-	474	(474)	
Reversal of provision for group reorganisation	1,040	(1,064)	2,104	
IPO and acquisition related costs	-	(1,994)	1,994	
Underlying EBIT	(20,320)	(2,276)	(18,044)	NMF
Less SGARA gain	158	13,185	(13,027)	-98.8%
Underlying EBIT excluding SGARA	(20,478)	(15,461)	(5,017)	32.4%
Depreciation and amortisation	(6,198)	(4,276)	(1,922)	44.9%
Underlying EBITDA excluding SGARA	(14,280)	(11,185)	(3,095)	27.7%

⁽ⁱ⁾ Unaudited non-IFRS financial table

NMF means Not a Meaningful Figure

- Although sales increased significantly from the acquisitions of business assets, underlying earnings were below last year predominately due to:
 - Lower Wholesale and Industrial sales and reduced margins, as a result of the sales team being significantly reduced by prior management and stock supply issues. Furthermore, due to operational challenges with the third-party storage facility (leased in late 2017) and excess stock purchases, the Group has had to accelerate the exit of some stock lines into lower grade markets at a lower margin;
 - Lower yields and margins from fresh table grapes;
 - Increased freight and distribution costs arising from higher sales volume, and additional logistics costs such as the additional third-party storage facility, and hire of warehouse equipment and pallets to support the new facilities;
 - Slower than anticipated commissioning of the Dandenong manufacturing facility, together with poor integration of the Food Source International and Pacific Organics businesses acquired. The commissioning of the new Yeaman high-speed snack box packing line was commissioned in July 2018, more than nine months behind plan; and
 - Slower than anticipated commissioning of the new Sunraysia processing facility (including dehydrator and biomass equipment) which resulted in the Group incurring additional cost in third party dehydration and dried vine fruit processing services. The Group is currently resolving the issues with the dehydrator and biomass equipment.

On review of the operations in May 2018 by the new management team, a cost reduction program, Project Muscat, commenced with the benefits expected to be realised in FY19. Further cost savings are

expected throughout the supply chain as the business continues to relentlessly review and eliminate poor operational practices as well as, rebuilding relationships with our strategic supply partners and growers.

- As part of the review of its operations and in consideration of the new and changing markets it operates in (such as export and the developing Cluster market) the Group has realigned the valuation of its total dried fruit crop to a fair value less costs to sell based on the farm gate price of loose dried fruit (which reflects the pre-processed third party grower price at the point of harvest) in accordance with “AASB 141 Agriculture” and consistent with other agricultural growers. This approach has also been applied to fresh tables grapes and citrus. As a result of this change in accounting estimate, the fair value gain reported in the Profit and Loss Statement was \$0.158 million (2017: \$13.185 million).

The business has also modified its SAP (B1) reporting systems, whereby internal operational margins will be reported using a “standard costing” methodology, which will significantly enhance how it monitors and drives margin improvement across the supply chain and its operations. As a result, going forward key focus for the business will be on EBIT before SGARA and EBITDA before SGARA (fair value revaluation of Self-Generating and Regenerating Assets).

- Underlying EBITDA loss before SGARA was \$14.280 million compared to last year’s loss of \$11.185 million.
- Underlying EBIT loss before SGARA was \$20.478 million compared to last year’s loss of \$15.461 million. Depreciation increased by \$1.922 million arising from the increased capital investment following the completion of the Group’s new processing facilities in Dandenong and Mourquong, acquisition of the Nangiloc farm in June 2017 and ongoing vineyard development.
- Reported consolidated Net Loss After Tax (NLAT) after SGARA for the year ended 30 June 2018 was \$59.607 million compared to a 2017 NLAT of \$5.927 million. The NLAT includes a number of one off/significant items associated with:
 - The Group’s review of the carrying value of tangible and intangible assets under the Accounting Standards, resulted in an impairment of non-current assets of \$21.169 million, comprising \$10.749 million write down of goodwill and \$10.420 million impairment of leasehold improvements, and plant and equipment. As the operational performance turns around, the impaired tangible assets of \$10.420 million can be written back up in future periods.
 - Inventory write downs of \$8.344 million predominately related to the quality of the 2017 harvest which was affected by a combination of weather events and poor operating practices across its operations. In May/June 2018 the first stage of modifying the warehouse management, planning and production processes was completed, which has enabled more efficient and cost effective operations at our Dandenong and Mourquong facilities. Further processes and systems improvements (including implementation of the warehouse management system) will be undertaken in FY19 as new key middle management positions are filled to support these operational changes.
 - Following the revaluation of the Group’s properties, there has been the following adjustments to property values comprised of:
 - A revaluation loss on property, plant and equipment and assets held for sale through the statement of profit and loss of \$7.030 million, comprising of:
 - Revaluation loss on land, buildings and bearer plants of \$6.383 million (including those transferred to “assets held for sale” during the year ended 30 June 2018), including (but not limited to):
 - Revaluation loss on Fifth Street, Walnut and Pomona properties which are classified as “assets held for sale” at 30 June 2018 of \$2.644 million.
 - Revaluation loss on bearer plants as a result of the performance of the farms being below previous valuation estimations of \$4.386 million.
 - Revaluation loss on assets held for sale from the previous year of \$0.279 million.
 - Revaluation loss on agricultural produce transferred to “assets held for sale” during the year ended 30 June 2018 of \$0.368 million
 - A net revaluation gain on property, plant and equipment and assets held for sale through other comprehensive income (revaluation reserve) of \$2.057 million, comprising of:

- Net revaluation gain on land, buildings and bearer plants of \$2.141 million.
 - Net revaluation loss on assets held for sale from the previous year of \$0.084 million.
 - The net change in farm properties (excluding assets held for sale) was \$1.427 million (from \$34.1 million to \$32.6 million, a change of 4.2%)
- Restructuring costs of \$2.343 million, comprising the costs associated with holding an Extraordinary General Meeting in January 2018 leading to the change of the Board of Directors and consequential changes to the business; redundancy costs of senior executives; consultancy work to reorganise the Group's tax affairs, banking arrangements and activities to undertake the sale of non-core assets of the Group; provisioning for make good costs in relation to previous leased premises of the Australian Organic Holdings (Pacific Organics) business acquired during FY17; and preliminary work undertaken to recapitalise the Group; and
 - Reversal of prior year provision of \$1.040 million for group reorganisation in relation to stamp duty savings.

Working Capital, Cash flow and Net Bank Debt

- Net bank debt, excluding the Coligan finance lease, increased from \$28.607 million to \$44.872 million, with gearing (net bank debt divided by total equity) at 224.6% (2017: 43.2%). During the second half of the FY18 non-core property assets, Walnut Avenue and Benetook Avenue were sold to release proceeds equal to \$1.625 million before selling costs, noting that Walnut Avenue settled in July 2018. The Group's main fresh table grape property (Fifth Street), which is considered by the Board to be a non-core asset, is currently being actively marketed for sale. To support the ongoing funding requirements of the business, the Group intends to undertake a \$30 million capital raising to recapitalise the Group. The Board is continuing to work with its advisers and financier to finalise the terms of the proposed capital raising.

	FY18 ⁽ⁱ⁾	FY17 ⁽ⁱ⁾	Change	
	\$'000	\$'000	\$'000	%
Working Capital				
Trade and other receivables	6,729	8,891	(2,162)	-24.3%
Inventories	16,194	27,069	(10,875)	-40.2%
Trade and other payables ⁽ⁱⁱ⁾	(11,825)	(10,950)	(875)	8.0%
	11,098	25,010	(13,912)	-55.6%

⁽ⁱ⁾ Unaudited non-IFRS financial table

⁽ⁱⁱ⁾ Trade and other payables excludes Nangiloc payable in FY17

- Working capital (receivables, inventories and trade and other payables) decreased by \$13.912 million, principally due to the change in accounting estimate in relation to SGARA fair value. Last year's inventory included a significant portion of Clusters (\$11.054 million) which were accounted for at a post-processing fair value. Approximately 618 tonnes of Clusters (\$9.269 million) were written off (or converted to loose fruit) during FY18 due to poor quality of the stock. In FY18, the Group reviewed its fair value estimation methodology under SGARA to value its crop (as described in Note 9), which has reduced the value of agricultural produce and inventory. Furthermore, stock provisioning has increased as the business continues to exit slow moving lines or product not satisfying Murray River Organics' quality standards.
- At 30 June 2018, cash reserves and funding facilities were substantially utilised, as a result debtors and creditors were both tightly managed – creditors, net of debtors, was \$5.096 million compared to last year (\$2.059 million). As detailed in the going concern basis in Note 2, Murray River Organics' financier (NAB) has provided additional funding of \$6.6 million in July 2018 and the Group is at an advanced stage of renegotiating its debt facilities.
- Cash flows from "operating activities" for the year was negative \$13.248 million, \$1.986 million higher than prior year negative cash flows of \$11.262 million. The increase was driven by increase in interest cost of \$1.591 million and tax payment relating to the pre-IPO restructure (refer to Note 30 for Related Party Transactions).

Quality and Food Safety

Murray River Organics operates a quality management system in line with the SQF program which is recognised by the Global Food Safety Initiative (GFSI). The program meets the needs of our customers around the world, who require their suppliers to operate a rigorous food safety management system. Both Murray River Organics manufacturing sites are certified to the highest level of the SQF program and have maintained good to excellent ratings since initial certification.

Our farming operations are certified to the Freshcare scheme, which is an Australian farm assurance programme. The programs approach assures produce is safe to eat and sustainably grown.

Australian Certified Organic certify Murray River Organics operations against various national and international organic standards. This enables us to service the organic markets with retail and wholesale products around the world.

Food safety is of paramount importance to our business, strict systems are in place to ensure the safety of the products we produce during all stages of our process, from supplier approval to finished goods production. The technical team across both sites implement systems to ensure due diligence is demonstrated at all times.

Health and Safety

Our commitment to improving physical safety and mental health is unparalleled and will continue to be a key focus throughout the year. We have and will continue to invest in programs and systems to improve safety governance, address our critical risks and develop a culture of care across the Murray River Organics business. With support from newly appointed HR Manager and OH&S Coordinator, a heavy focus has been placed on ingraining a safety culture amongst all our employees. The workplace health, well-being and safety of our employees, contractors and visitors and the preservation of the environment in which our farms operate are at the forefront of our transformation strategy and day to day operations. Our objectives include:

- Establishing measurable Workplace Health Safety objectives and targets, and recognising and celebrating their achievement;
- Adopting a proactive approach that will strive to eliminate or reduce the risk to an acceptable level;
- Identifying, implementing, monitoring and reinforcing the safe behaviours we expect in our business to eliminate unsafe acts and practices across the Supply Chain lifecycle
- Consulting and communicating with employees and external stakeholders to continually improve the health, well-being, safety and environmental performance across all our workplaces.

Our safety principles are also underpinned by our policies ensuring that employees and suppliers maintain a high standard of ethics, integrity and professional conduct which does not just meet compliance with the law; but extends to honesty, equity, social and environmental responsibility in all dealings.

Strategic Objective

Following a strategic review completed earlier this year, the Company initiated a transformational turnaround strategy to realise the potential of Murray River Organics' assets and to capitalise on growing demand for its organic and better-for-you products in its target markets. The new leadership team has been successfully instated and the transformation program is well underway, with benefits currently being realised. The Company's mission is to anticipate and exceed consumer expectations globally in healthy food by providing quality, innovation, value and convenience. To this end, the transformation effort can be categorised into four key areas:

- Operational uplift across processing facilities and warehousing, aiming for both a delivered in full on time (DIFOT) of over 90% and increase in output per labour hour of 20%;
- A customer centric approach which involves restructuring the sales team, a full range architecture and pricing review, new product development appealing to shifting consumer trends, and branching out into foreign markets with strong organic demand such as Asia, USA and Europe;
- Farming operation standardisation and centralisation, leveraging expert agronomy partners to improve nutrition, irrigation and pioneering best practice organic farming methods, coupled with building confidence in growers to enhance strategic buying; and
- A growth strategy focused on taking advantage of increasing demand for organic foods, healthy snacking and the Company's own branded products.

Sustainability

Murray River Organics is certified organic by the Australian Organic body across a number of farm sites. This means utilising lower levels of pesticides, not applying manufactured herbicides or artificial fertilisers and operating by environmentally sustainable management of the land and natural environment. Murray River Organics believes in the benefits of certified organic management and food products, and the Group's ability to contribute to a more sustainable future.

Sustainable Farming

Murray River Organics sustainable farming practices utilise organic farming methods combined with scientific knowledge of soil ecology and modern technology. The traditional farming practices employed are based on the naturally occurring biological processes.

The fundamental difference between Murray River Organics certified organic farming and conventional farming practices is that conventional farming use highly soluble synthetic based fertilisers whereas we use organic carbon based and recycled aquaculture waste stream fertilisers. Organic pest and disease programs use certified biological natural pest control methods and products. Conventional farming use synthetic pesticides and fungicides.

Sustainable manufacturing

Food processing is typically the second largest source of environmental impact from food products. It is an area the Group has focused its sustainability efforts on. Solar panels have been installed on some of the Group's facilities in Sunraysia and LED lighting is fitted in all manufacturing areas which continues to provide energy savings compared to traditional energy sources and lighting.

A biomass boiler is used to power the dehydration plant utilised in drying loose berries from the vineyards. The biomass boiler is powered by waste olive pips sourced from other producers in the Sunraysia region.

Murray River Organics' waste streams are recycled where possible, this includes recycling of all cardboard waste across all sites and the segregation of non-recyclable material. The cardboard used as part of our packaging is made using 46% recycled material.

Murray River Organics continues to look at ways to further minimise the impact the business has on the environment and always strive to deliver sustainable, healthy food for current and future generations.

Operational Risks

There are a number of operational risks, both specific to Murray River Organics Group (MRG) and of a general nature, which may impact the future operating and financial performance of the Group. There can be no guarantee that Murray River Organics will achieve its objectives or that forward-looking statements will be realised. The specific material business risks faced by the Group and how the Group manages these risks are set out below.

Turnaround Strategy

Murray River Organics Group announced a strategic review of the MRG business in February 2018 and following the completion of that strategic review, has announced the key areas of focus in its strategy to turnaround the MRG business. The transformation strategy is focused on five key areas, being people; capital; product focus; supply dried vine fruit; and improving balance sheet efficiency. The Company has announced that work has commenced in each of the key areas of the turnaround strategy. However, there is no guarantee as to the benefits that the turnaround strategy will realise, nor the time that may be required to realise these benefits. Delays or failure to efficiently implement the turnaround strategy could have a material adverse effect on MRG's future financial performance.

Customer Risk and Competition

Murray River Organics top ten customers comprised approximately 80% of FY18 sales. The Group's customer contracts are short term (and typical of the sector it operates in), with supply periods typically for one season or one year (which may depend on the product's seasonality), and the prices at which its products are sold are subject to fluctuation depending on the level of supply and demand at the time the products are sold. In addition, a significant proportion of these customer contracts do not have fixed or minimum volume requirements. The Group also operates in highly competitive geographic and product markets with other organic and natural packaged food brands and companies, which may be more innovative and able to bring new products to market faster and better able to quickly exploit and serve niche markets, this could have a material adverse impact on the financial performance and prospects of the Group. Murray River Organics believes it can continue to successfully operate in these markets through strong product innovation and managing its product sourcing and manufacturing costs.

Horticultural Risk

As with any viticultural crop, there are a number of factors that may affect yield. While Murray River Organics takes steps to minimise annual variations in yields and production, yields may vary from vine to vine and from harvest to harvest, which may impact Murray River Organics' performance. For example, as an agricultural producer, weather, diseases and climatic conditions directly affect the business operations of the Group. Climate change or prolonged periods of adverse weather and climatic conditions may have a negative effect on agricultural productivity, which may result in decreased availability or less favourable pricing for certain commodities that are necessary for its products.

If the Group's organic crop is reduced, Murray River Organics may not be able to find sufficient supply sources on favourable terms, which could impact the Group's ability to supply product to customers and adversely affect the Group. Murray River Organics is continually building and refining its third party sourcing arrangements and seeks to reducing this risk where possible.

Water supply

An adequate supply of suitable water is crucial to the success of Murray River Organics' ability to grow crop on its properties. While the irrigation water from both the Murray River and the Darling River is currently suitable for dried vine fruit production, having particular regard to its salinity, there is a risk that Murray River Organics could be exposed to a number of natural events, many of which are beyond Murray River Organics' control. Changes to the availability of water or water quality may impact Murray River Organics' operations. Whilst Murray River Organics has ongoing leases for water entitlements and has an option to extend these rights, unexpected changes in climatic conditions may affect future allocation or availability of permanent water entitlements.

Loss of organic certification

The Group relies on independent certification, such as certifications of some of its products as “organic” to differentiate the Group’s products from others. Quality control issues in respect of raw materials and ingredients may result in the loss of any independent certifications could adversely affect the Group’s market position as a certified organic and natural products company and result in a loss of consumer confidence in the brands of Murray River Organics. The Group is continually monitoring and auditing its operations to minimise such risks.

Access to raw organic ingredients and other product sourcing

Murray River Organics’ ability to ensure a continuing supply of organic ingredients not grown by the Group at competitive prices depends on many factors beyond the Group’s control, such as the number and size of farms that grow organic crops, climate conditions, changes in national and world economic conditions, currency fluctuations and forecasting adequate need of seasonal ingredients. For certain products, Murray River Organics also competes with other manufacturers in the procurement of organic product ingredients, which may be less plentiful in the open market than conventional product ingredients. This could cause the expenses of the Group to increase or could limit the amount of product that Murray River Organics is able to manufacture and sell. The inability of any supplier of raw materials, or other service provider to Murray River Organics to deliver products or perform their obligations in a timely or cost-effective manner could cause the Group’s operating costs to increase and profit margins to decrease. Murray River Organics is continually refining its sourcing arrangements in order to reduce this risk.

Adverse movement in exchange rate

Murray River Organics is exposed to foreign exchange risk from the importation of commodities and export of produce to various customers. Unfavourable movements in the foreign exchange rates between the Australian dollar and other currencies such as the US dollar can have a material adverse impact on the overall financial performance of the Group. The Group hedges a proportion of anticipated purchase commitments and sale commitments denominated in foreign currencies to manage its exposure to foreign currency exchange rate fluctuations.

Loss of key personnel

Murray River Organics’ success depends to a significant extent on its ability to attract and retain suitably qualified key personnel. The loss of key management personnel, or any delay in their replacement could have a significant adverse effect on the management of the Murray River Organics and its financial performance. The Board has reviewed the organisational structure of the business and will continue to do so to ensure the best people are retained, whilst investing in developing other key people in the business.

Access to funding

For the Group to continue as a going concern, the Company must complete the proposed \$30 million equity raise and agree an extension to its debt facility. Completion of the capital raising is contingent on reaching acceptable terms for debt funding which itself is contingent on completion of the capital raising. To date NAB has been supportive of the Company’s efforts to turnaround the business and the Board is working towards finalising both the debt facility and the capital raising.

The Company may require further funding in the future to complete the current turnaround strategy or to fund growth strategies. There is a risk that the Group may be unable to access debt or equity funding from the capital markets or its existing lenders on favourable terms, or at all.

Changes in the state of affairs

During the financial year there were no significant changes in the state of affairs of the Group, other than as referred to in this Annual Report.

Future developments

Information regarding likely developments in the operations of the Group in future financial years is set out in the Review of operations and elsewhere in the Annual Report.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of financial year that has significantly affected, or may affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years, except for:

In July 2018, the Group increased its bank overdraft facility by an additional \$6.6 million. This takes the Group's total bank debt facilities (including bank guarantees) to \$53.913 million.

On completion of the 31 July 2018 annual review, the Group's financier (NAB) has also agreed to extend the maturity date of \$26.130 million of debt facilities (related to the trade facility \$14.000 million, bank overdraft \$10.600 million and bank guarantees \$1.530 million, and other working capital facilities such as foreign exchange, unused leasing facility and letters of credit) to 30 November 2018. This gives the Group time to conduct the proposed equity raising of \$30.000 million, which is currently in progress, to fund the cashflow needs of the business and support the balance sheet. As part of the capital raising, the Group expects to put in place new longer term banking arrangements.

Environmental regulation

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

Murray River Organics is certified by Australian Certified Organic (certificate number 11486).

Company Dividends

No dividends were paid or declared during the period.

Indemnification of directors and officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary, and all executive officers of the Company against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify a Director or officer of the Company or of any related body corporate against a liability incurred as such a Director and officer.

Indemnification of auditors

To the extent permitted by the law, the Company has agreed to indemnify its auditors, Ernst and Young, as part of the terms of its audit engagement agreement against claims by a third party arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst and Young during or since the financial year.

Proceedings on behalf of 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 party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the financial year.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 25 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in Note 25 to the financial report do not compromise the external auditor's independence, based on advice received from the Risk and Audit Management Committee, for the following reasons:

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

Auditor's independence declaration

The auditor's independence declaration is included on page 44 of the financial report.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report (Audited)

This Remuneration Report details the nature and amount of remuneration for each Director and senior management personnel of Murray River Organics Group Limited (“Murray River Organics” or the “Company”) and its controlled subsidiaries (the “Group”).

For the purpose of the Remuneration Report, key management personnel (“KMP”) include all Directors of the Board (executive and non-executive) and other senior executives of the Group.

The KMP of the Group during the year ended 30 June 2018 were as follows:

	Period of Responsibility	KMP Position
Non-Executives		
Andrew Monk	Appointed 24 January 2018	Non-Executive Independent Chairman
Keith Mentiplay	Appointed 24 January 2018	Non-Executive Independent Director
Michael Porter	Appointed 2 April 2018	Non-Executive Independent Director
Steven Si	Appointed 24 January 2018 Resigned 10 August 2018	Non-Executive Independent Director
Alan Fisher	Appointed 8 May 2018 Resigned 31 May 2018	Non-Executive Independent Director
Craig Farrow	Appointed 6 September 2016 Resigned 24 January 2018	Non-Executive Independent Chairman
Kenneth Carr	Appointed 23 November 2017 Resigned 24 January 2018	Non-Executive Independent Director
Lisa Hennessy	Appointed 6 September 2016 Resigned 24 January 2018	Non-Executive Independent Director
Donald Brumley	Appointed 6 September 2016 Resigned 22 November 2017	Non-Executive Independent Director
Executives		
Valentina Tripp	Appointed 16 April 2018	Managing Director and Chief Executive Officer (CEO)
Albert Zago	Appointed 15 January 2018	Chief Financial Officer (CFO)
George Haggart	Appointed 9 November 2017 Resigned as CEO on 16 April 2018 (ceased as KMP)	Chief Executive Officer (CEO)
Erling Sorensen	Appointed as CEO 18 June 2012 Appointed as Director 6 September 2016 Resigned 9 November 2017	Managing Director and Chief Executive Officer (CEO)
Jamie Nemtsas	Appointed as COO 18 June 2012 Appointed as Director 6 September 2016 Resigned 28 August 2017	Executive Director and Chief Operating Officer (COO)
Matthew O'Brien	Appointed March 2016 Resigned as CFO on 15 January 2018 (ceased as KMP)	Chief Financial Officer (CFO)

Role of the Remuneration and Nomination Committee

Composition

In accordance with the Remuneration and Nomination Committee Charter, the Group has established a Remuneration and Nomination Committee consisting of at least three members, a majority of whom must be independent with an independent Chairperson whom is nominated by the Board of Murray River Organics Group Limited. The Remuneration and Nomination Committee is currently comprised solely of Non-executive Directors.

Functions

The role of the Remuneration and Nomination Committee is to assist the Board by ensuring that Murray River Organics:

- Has coherent remuneration policies and practices which enable the company to attract and retain executives and Directors who will create value for shareholders, including succession planning for the Board and executives;
- Fairly and responsibly remunerate Directors and executives, having regard to the performance of the company, the performance of the executives and the general remuneration environment;
- Has policies to evaluate the performance of the Board, individual Directors and executives on (at least) an annual basis;
- Has effective policies and procedures to attract, motivate and retain appropriately skilled and diverse persons to meet the company's needs; and
- Has adequate succession plans for the CEO, senior executives and Executive Directors.

Further information about remuneration structures and the relationship between remuneration policy and company performance is set out below.

The Remuneration and Nomination Committee Charter, which outlines the terms of reference under which it operates, is available online at www.murrayriverorganicsinvestors.com.au.

Remuneration Policy

The remuneration policy of Murray River Organics Group Limited has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term incentives (**STI**) and long-term incentives (**LTI**) based upon key performance areas affecting the Group's financial results. The Board of Murray River Organics Group Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the Group, as well as create goal congruence between Directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive Directors and other senior executives, was developed and approved by the Board. Executive packages have been reviewed by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The performance of executives is measured against agreed criteria and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives are linked to predetermined operational and financial performance criteria.

The Board is currently reviewing both the STI and LTI plans for executives and other employees. The Directors and executives receive a superannuation guarantee contribution required by the law, and do not receive any other retirement benefits.

The Board policy is to remunerate Non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the annual general meeting. The maximum aggregate amount of fees that can be paid to non-executive Directors as per last approval is \$500,000. Fees for Non-executive Directors are not linked to the

performance of the Group. In FY18, no shares or options were issued to Non-executive Directors as remuneration.

Short Term Incentive (“STI”) Plan

Valentina Tripp and Albert Zago

The Board is currently developing new STI plans for executives and other employees, which will become effective for the 2019 financial year. Valentina Tripp is eligible to receive an STI for services provided from 1 July 2018. Albert Zago received an STI for performance during the year ended 30 June 2018 based on project goals and KPIs relevant to his role as part of the broader restructure of the Group.

George Haggar

George Haggar was entitled to a STI amount equal to \$300,000 (50% of the fixed remuneration). In FY18 he was eligible for a pro-rata amount from the date of appointment to 30 June 2018, however no STI was payable following his resignation and under a deed of separation agreement.

Erling Sorensen, Jamie Nemtsas and Matthew O’Brien

The table below outlines the key features of the STI plan for the year ended 30 June 2018, which applied to the previous CEO (Erling Sorensen), COO (Jamie Nemtsas) and CFO (Matthew O’Brien). No STI has been paid to the previous CEO, COO and CFO under this plan.

Objective	To reward participants for achieving goals directly linked with the Company’s business objectives and strategy		
Participants	CEO, CFO, COO and other non-KMP as determined by the Board and CEO		
Performance Period	Financial year ending 30 June 2018		
Opportunity	CEO – Target STI of up to 40% of fixed remuneration COO – Target STI of up to 40% of fixed remuneration CFO – Target STI of up to 40% of fixed remuneration		
Performance Conditions	STI will be assessed against both financial and non-financial measures, and will be weighted as follows:		
	Measure	Weighting	Basis
	Financial	40% CEO, COO 20% CFO	EBITDA, Return on Assets, Sales Revenue, Gross Margin
	Cash Flow	30% CEO, COO 50% CFO	Operating Cash, Working Capital
	Individual	30% CEO, COO, CFO	Project goals and KPIs relevant to the individual’s role as part of the broader performance review process for executives
Payment Method	Cash – 100% will be paid in cash following the end of the performance period		
Conditions	A performance gateway has been set for payment to participants of the STI. Up to 50% of entitlement is weighted on the Group meeting or exceeding the budgeted EBITDA targets and the balance (50%) is based on other internal performance measures detailed above.		

Long-term Incentive (“LTI”) Plan

The Board is currently developing a new LTI plan for executives and other employees.

George Haggar

George Haggar was entitled to performance rights with a total fair value at grant date equal to \$300,000 per annum. The vesting of the performance rights was subject to satisfying three year key performance indicators, which were to be determined by the Board. However, no LTI was implemented following his resignation and under the deed of separation agreement.

Erling Sorensen, Jamie Nemtsas and Matthew O’Brien

Details of the performance rights applicable to previous key management personal (comprising Erling Sorensen, Jamie Nemtsas, Matthew O’Brien), subject to vesting conditions outlined below, were as follows:

Purpose	Reward achievement of long term business objectives and sustain value creation for shareholders																						
Instrument	Performance Rights																						
Eligibility	CEO, COO, CFO																						
Performance Conditions	Continuing service with the Group. 50% Earnings per share growth targets (compounded annual growth of the company’s EPS over a three year period ending 30 June 2019). 50% Share Price growth targets (compounded annual growth of the company’s share price over the period of the listing to 30 June 2019).																						
	<table border="1"><thead><tr><th>Measure</th><th>Rights to Vest</th></tr></thead><tbody><tr><td>EPS</td><td></td></tr><tr><td>Below 10%</td><td>Nil</td></tr><tr><td>10%</td><td>20%</td></tr><tr><td>Above 10% but less than 20%</td><td>Pro-rata vesting from 20% -100%</td></tr><tr><td>At or above 20%</td><td>100%</td></tr><tr><td>Share Price Growth</td><td></td></tr><tr><td>Less than 10%</td><td>Nil</td></tr><tr><td>10%</td><td>20%</td></tr><tr><td>Above 10% but less than 20%</td><td>Pro-rata vesting from 20%-100%</td></tr><tr><td>At or above 20%</td><td>100%</td></tr></tbody></table>	Measure	Rights to Vest	EPS		Below 10%	Nil	10%	20%	Above 10% but less than 20%	Pro-rata vesting from 20% -100%	At or above 20%	100%	Share Price Growth		Less than 10%	Nil	10%	20%	Above 10% but less than 20%	Pro-rata vesting from 20%-100%	At or above 20%	100%
Measure	Rights to Vest																						
EPS																							
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Above 10% but less than 20%	Pro-rata vesting from 20%-100%																						
At or above 20%	100%																						
Why were these chosen	EPS represents a strong measure of overall business performance. Share Price Growth provides a shareholder and market-based perspective of the Company’s performance.																						
Considerations	The Board has discretion to reduce the percentage and number of performance rights that vest (if any) in circumstances where Board-approved budgets have not been achieved throughout the Performance Period.																						

On 24 August 2017, the Board approved a modification to the 1,153,845 one-off retention performance rights issued during the year ended 30 June 2017 to include a share price hurdle performance condition that the volume-weighted average price of the Company’s share on the Australian Securities Exchange, calculated over the 20 day trading period commencing from and including the date which is two weeks after the date on which the Company lodged its preliminary annual report with the Australian Securities Exchange for the year ended 30 June 2019, being equal to or greater than \$1.30. This modification did not result in an increase in fair value of the performance rights. This modification extends the vesting of the date of the performance rights to 4 October 2019. The Company’s share price at the date of modification was \$0.35.

Key Terms of Employment contracts

Prior to the election of a newly constituted Board on 24 January 2018, the previous Board had indicated to shareholders and the market that the Non-Executive Directors' fees were to be increased as outlined in the FY2017 annual report. However, the current Board has resolved that it will maintain the original fees outlined in the FY2017 annual report until 30 June 2018, as detailed below and Directors have been paid accordingly.

Board/Committee	Chairman Fee* (\$)	Director/Member Fee* (\$)
Board based fee	\$75,000 (inclusive of committee work)	\$40,000
Remuneration and Nomination Committee	\$5,000	-
Risk and Audit Committee	\$5,000	-

*The base fees detailed above excluded superannuation.

Valentina Tripp	Managing Director and Chief Executive Officer
Expiry date	Not applicable
Fixed Remuneration	\$500,000 (including superannuation)
Short Term Incentive	Maximum yearly cash bonus of \$300,000, commencing 1 July 2018.
Retention Incentive	Subject to obtaining all necessary shareholder approvals, Ms Tripp will be granted: <ul style="list-style-type: none"> • 2 million options over ordinary shares in MRG ("Options") with an exercise price of \$0.60 cents vesting one (1) year after commencement of Ms Tripp's employment (being 16 April 18) ("Commencement Date") and expiring three (3) years after the Commencement Date. • 2 million Options, with an exercise price of \$0.70 cents vesting two (2) years after the Commencement Date and expiring four (4) years after the Commencement Date. • 2 million Options, with an exercise price of \$0.80 cents vesting three (3) years after the Commencement Date and expiring five (5) years after the Commencement Date
Long Term Incentive	Entitled to participate in the Company's LTI scheme, which is yet to be determined by the Board.
Notice period	6 months
Termination/redundancy payment	Valentina's employment may be terminated by either party by providing six months' notice in writing before the proposed date of termination, or in the company's case, payment in lieu of notice at its discretion.
Restraint of trade period	3 months if termination is less than 1 year from the Commencement Date of the contract, thereafter 6 months.

Albert Zago	Chief Financial Officer
Expiry date	Not applicable
Fixed Remuneration	\$280,000 (including superannuation)
Short Term Incentive	Maximum value of \$28,000 for 2018 financial year, thereafter maximum yearly bonus of 20% of total remuneration (base salary plus superannuation), with potential of the STI rate to increase from 2020 financial year and onwards.
Long Term Incentive	Entitled to participate in the Company's LTI scheme, which is yet to be determined by the Board, with LTI to represent 20% of total remuneration.
Notice period	4 months
Termination/redundancy payment	Albert's employment may be terminated by either party by providing four months' notice in writing before the proposed date of termination, or in the company's case, payment in lieu of notice at its discretion.
Restraint of trade period	Up to 12 months subject to location of employment or trade

Relationship between Remuneration Policy and Group Performance

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Revenue	68,539	48,522	11,958	7,814	2,277
EBITDA (statutory) ⁽ⁱⁱ⁾	(51,968)	(584)	6,945	288	1,085
EBITDA (pro-forma) ⁽ⁱⁱ⁾	N/A	6,487	8,506	500	3200
Net profit/(loss) after tax	(59,607)	(5,927)	2,229	(1,369)	1,005

	2018	2017	2016	2015	2014
Share price at start of year	\$0.32	\$1.30 ⁽ⁱ⁾	N/A	N/A	N/A
Share price at end of year	\$0.31	\$0.32	N/A	N/A	N/A
Basic earnings (cents) per share	(49)	(8)	0.04	N/A	N/A
Diluted earnings (cents) per share	(49)	(8)	0.04	N/A	N/A
Interim and final dividend	-	-	-	-	-

⁽ⁱ⁾ The Company listed on the ASX on 20 December 2016 at an opening share price of \$1.30 per share.

⁽ⁱⁱ⁾ Statutory and pro-forma EBITDA results are non-IFRS financial measures referring to earnings before interest, tax, depreciation and amortisation. The pro-forma results are removing the impact of the Company's listing on the ASX on 20 December 2016.

Details of Key Management Personnel Remuneration

The compensation of each member of the key management personnel of the Group for the current year is set out below:

2018	Short-term		Post-employment	Long-term benefits	Equity-settled share based payments		Termination	Total	Total performance related	Fixed remuneration
	Salary, fees and leave	Bonus	Super-annuation	Long service leave	Share	Performance rights/Options				
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Non – Executive Directors										
Andrew Monk	32,880	-	3,124	-	-	-	-	36,004	-	100%
Keith Mentiplay	19,728	-	1,874	-	-	-	-	21,602	-	100%
Michael Porter	6,508	-	618	-	-	-	-	7,126	-	100%
Steven Si	18,986	-	1,804	-	-	-	-	20,790	-	100%
Alan Fisher	2,935	-	279	-	-	-	-	3,214	-	100%
Craig Farrow	79,909	-	7,591	-	-	-	-	87,500	-	100%
Lisa Hennessy	42,618	-	4,049	-	-	-	-	46,667	-	100%
Kenneth Carr	13,837	-	1,315	-	-	-	-	15,152	-	100%
Donald Brumley	30,441	-	2,892	-	-	-	-	33,333	-	100%
Sub-total	247,842	-	23,546	-	-	-	-	271,388		
Executives										
Valentina Tripp	100,942	-	4,217	-	-	55,575	-	160,734	35%	65%
Erling Sorensen	97,844	-	20,421	-	-	(136,716)	125,000	106,549	-	111%
George Haggart	276,795	-	30,023	-	-	-	182,648	489,467	-	63%
Jamie Nemtsas	41,932	-	15,489	-	-	(136,716)	153,846	74,551	-	77%
Albert Zago	112,820	20,000	8,701	-	-	-	-	141,521	14%	86%
Matthew O'Brien	105,000	-	9,975	-	-	130,371	-	245,346	53%	47%
Sub-total	735,333	20,000	88,826	-	-	(87,486)	461,494	1,218,168		
Total	983,175	20,000	112,372	-	-	(87,486)	461,494	1,489,556		

Details of appointment and resignation of key management personal during the year ended 30 June 2018 are detailed within the Remuneration Report on page 19.

Other transactions with key management personnel

Michael Porter was appointed as the Interim Senior Corporate Farms Manager effective 6 June 2018 at a daily rate of \$1,600 plus GST, travel and accommodation expenses. As at 30 June 2018, \$28,800 (excluding GST) was incurred in relation to consultancy services provided to the Group. This is not included in amounts provided to Mr Porter in his capacity as a KMP. Following the appointment of a full time farms manager, Michael Porter ceased to provide these interim services on 10 September 2018.

The compensation of each member of the key management personnel of the Group for the prior year is set out below:

2017	Short-term		Post-employment	Long-term benefits	Equity-settled share based payments		Termination	Total	Total performance related	Fixed remuneration
	Salary, fees and leave	Bonus	Super-annuation	Long service leave	Shares	Performance rights				
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Non-Executive Directors										
Craig Farrow ⁽ⁱ⁾	47,522	-	4,515	-	85,273	-	-	137,310	-	100%
Lisa Hennessy ⁽ⁱⁱ⁾	29,881	-	2,839	-	51,163	-	-	83,883	-	100%
Donald Brumley ⁽ⁱⁱⁱ⁾	29,881	-	2,851	-	76,162	-	-	108,894	-	100%
Josef Czyzewksi ^(iv)	3,125	-	297	-	-	-	-	3,422	-	100%
Neil Kearney ^(v)	1,875	-	178	-	-	-	-	2,053	-	100%
Sub-total	112,284	-	10,680	-	212,598	-	-	335,562		
Executives										
Erling Sorensen ^(vi)	259,615	-	23,750	4,167	-	136,716	-	424,248	32%	68%
Jamie Nemtsas ^(vii)	254,808	-	23,750	4,167	-	136,716	-	419,441	33%	67%
Matthew O'Brien ^(viii)	150,685	28,931	14,315	2,469	-	124,447	-	320,847	48%	52%
Sub-total	665,108	28,931	61,815	10,803	-	397,879	-	1,164,536		
Total	777,392	28,931	72,495	10,803	212,598	397,879	-	1,500,098		

(i) Craig Farrow - appointed 6 September 2016

(ii) Lisa Hennessy - appointed 6 September 2016

(iii) Donald Brumley - appointed 6 September 2016

(iv) Josef Czyzewksi - Appointed 1 March 2016 and resigned 3 August 2016

(v) Neil Kearney - appointed 23 March 2016 and resigned 8 August 2016

(vi) Erling Sorensen - appointed 18 June 2012

(vii) Jamie Nemtsas - appointed 18 June 2012

(viii) Matthew O'Brien - appointed March 2016

During the year ended 30 June 2017, the Matthew O'Brien was granted a bonus of \$28,931. This was awarded outside of the STI plan in connection with the Company's listing.

Key Management Personnel's Share-based Compensation

Performance rights issued to key management personnel

KMP	Tranche	Grant date	Number granted	Fair value per performance right at grant date	Number vested during the year	Year in which option may vest	Vested %	Fair value of exercised performance rights during the year	Number forfeited during the year	Year forfeited performance rights were granted	Amount paid or payable for exercised performance rights	Terms and conditions for each grant			
												Exercise price \$	Expiry date	First exercise date	Last exercise date
Erling Sorensen	One-off Retention	16 Dec 2016	384,615	\$1.30	-	2019	0%	-	384,615	2017	-	-	30/06/19 ⁽ⁱ⁾	30/06/19 ⁽ⁱ⁾	30/06/19 ⁽ⁱ⁾
	LTI – EPS		96,154	\$1.30	-	2019	0%	-	96,154	2017	-	-	30/06/19 ⁽ⁱ⁾	30/06/19 ⁽ⁱ⁾	30/06/19 ⁽ⁱ⁾
	LTI – SPG		96,154	\$0.65	-	2019	0%	-	96,154	2017	-	-	30/06/19 ⁽ⁱ⁾	30/06/19 ⁽ⁱ⁾	30/06/19 ⁽ⁱ⁾
Jamie Nemtsas	One-off Retention	16 Dec 2016	384,615	\$1.30	-	2019	0%	-	384,615	2017	-	-	30/06/19 ⁽ⁱ⁾	30/06/19 ⁽ⁱ⁾	30/06/19 ⁽ⁱ⁾
	LTI – EPS		96,154	\$1.30	-	2019	0%	-	96,154	2017	-	-	30/06/19 ⁽ⁱ⁾	30/06/19 ⁽ⁱ⁾	30/06/19 ⁽ⁱ⁾
	LTI – SPG		96,154	\$0.65	-	2019	0%	-	96,154	2017	-	-	30/06/19 ⁽ⁱ⁾	30/06/19 ⁽ⁱ⁾	30/06/19 ⁽ⁱ⁾
Matthew O'Brien	One-off Retention	16 Dec 2016	384,615	\$1.30	-	2019	0%	-	-	-	-	-	30/06/19	30/06/19	30/06/19
	LTI – EPS		57,956	\$1.30	-	2019	0%	-	-	-	-	-	30/06/19	30/06/19	30/06/19
	LTI – SPG		57,956	\$0.65	-	2019	0%	-	-	-	-	-	30/06/19	30/06/19	30/06/19
George Haggar	LTI	9 Nov 2017	681,818	\$0.418	-	2019	0%	-	681,818	2018	-	-	09/11/20	09/11/20	09/11/20
Total			2,336,191						1,835,664						

⁽ⁱ⁾ The terms and conditions for the One-off Retention related to Erling Sorensen and Jamie Nemtsas were modified during the year ended 30 June 2018 to change the expiry date of the performance rights to 4 October 2019. The related performance rights were forfeited by both Mr Sorensen and Mr Nemtsas upon ceasing to be an employee of the Group during the year ended 30 June 2018.

The following factors were used in determining the fair value of the performance rights granted during the year ended 30 June 2018:

KMP	Tranche	Grant Date	Price of shares on grant date	Estimated volatility	Risk free Interest Rate	Dividend Yield
George Haggar	LTI	9 Nov 2017	\$0.44	47.5%	1.91%	0%

Options issued to key management personnel

KMP	Tranche	Grant date	Number granted	Fair value per Option at grant date	Number vested during the year	Year in which option may be vested	Vested %	Fair value of option during the year	Number forfeited during the year	Year forfeited options were granted	Amount paid or payable for exercised options	Terms and conditions for each grant			
												Exercise price	Expiry date	First exercise date	Last exercise date
	Retention Incentive A		2,000,000	\$0.0702	-	2019	0%	-	-	-	-	\$0.60	16/04/21	16/04/19	16/04/21
Valentina Tripp ⁽ⁱ⁾	Retention Incentive B	16 Apr 2018	2,000,000	\$0.0764	-	2020	0%	-	-	-	-	\$0.70	16/04/22	16/04/20	16/04/22
	Retention Incentive C		2,000,000	\$0.0830	-	2021	0%	-	-	-	-	\$0.80	16/04/23	16/04/21	16/04/23
	Retention Incentive A		2,000,000	\$0.1244	-	2018	0%	-	2,000,000	2018	-	\$0.50	9/11/20	9/11/18	9/11/20
George Haggar	Retention Incentive B	9 Nov 2017	2,000,000	\$0.1354	-	2019	0%	-	2,000,000	2018	-	\$0.55	9/11/21	9/11/19	9/11/21
	Retention Incentive C		2,000,000	\$0.4180	-	2020	0%	-	2,000,000	2018	-	\$0.60	9/11/22	9/11/20	9/11/22

(i) The Retention Incentive options are subject to shareholder approval at the 2018 Annual General Meeting and the fair value of the options will be reassessed at the approval date.

The following factors were used in determining the fair value of the options granted during the year ended 30 June 2018:

KMP	Tranche	Grant Date	Price of shares on grant date	Estimated volatility	Risk free Interest Rate	Dividend Yield
	Retention Incentive A		\$0.44	47.5%	2.21%	0%
Valentina Tripp	Retention Incentive B	16 Apr 2018	\$0.44	47.5%	2.26%	0%
	Retention Incentive C		\$0.44	47.5%	2.35%	0%
	Retention Incentive A		\$0.44	47.5%	1.91%	0%
George Haggar	Retention Incentive B	9 Nov 2017	\$0.44	47.5%	2.08%	0%
	Retention Incentive C		\$0.44	47.5%	2.21%	0%

Number of performance rights held by key management personnel

The number of performance rights in Murray River Organics Group Limited held by each KMP:

	Balance at 01/07/17	Granted	Exercised	Forfeited	Other ⁽ⁱ⁾	Balance at 30/06/18
Erling Sorensen	576,923	-	-	(576,923)	-	-
Jamie Nemtsas	576,923	-	-	(576,923)	-	-
Matthew O'Brien	500,527	-	-	-	(500,527)	-
George Haggar	-	681,818	-	(681,818)	-	-
Total	1,654,373	681,818	-	(1,835,664)	(500,527)	-

- (i) Relates to removal of performance of rights from the above disclosure issued to Matthew O'Brien due to him ceasing to be a KMP on 15 January 2018.

Number of Options held by key management personnel

The number of options in Murray River Organics Group Limited held by each KMP:

	Balance at 01/07/17	Granted	Exercised	Forfeited	Balance at 30/06/18
Valentina Tripp ⁽ⁱ⁾	-	6,000,000	-	-	6,000,000
George Haggar	-	6,000,000	-	(6,000,000)	-
Total	-	12,000,000	-	(6,000,000)	6,000,000

- (i) The Retention Incentive options are subject to shareholder approval at the 2018 Annual General Meeting.

Number of shares held by key management personnel

The number of ordinary shares in Murray River Organics Group Limited held by each key management personnel of the Group during the financial year is as follows:

	Balance at 30/06/17	Options Exercised	Net Change Other	Balance at 30/06/2018 ⁽ⁱⁱⁱ⁾
Andrew Monk ⁽ⁱ⁾	-	-	30,000	30,000
Keith Mentiplay ⁽ⁱ⁾	-	-	125,000	125,000
Michael Porter	-	-	-	-
Steven Si	-	-	-	-
Alan Fisher	-	-	-	-
Craig Farrow ⁽ⁱⁱ⁾	168,672	-	(168,672)	-
Lisa Hennessy ⁽ⁱⁱ⁾	39,356	-	(39,356)	-
Donald Brumley ⁽ⁱⁱ⁾	443,586	-	(443,586)	-
Erling Sorensen ⁽ⁱⁱ⁾	7,847,179	-	(7,847,179)	-
Valentina Tripp	-	-	-	-
George Haggar	-	-	-	-
Jamie Nemtsas ⁽ⁱⁱ⁾	9,597,179	-	(9,597,179)	-
Albert Zago	-	-	-	-
Matthew O'Brien	-	-	-	-
Total	18,095,972	-	(17,940,972)	155,000

⁽ⁱ⁾ 'Net Change Other' relates to shares purchased and sold during the financial year.

⁽ⁱⁱ⁾ 'Net Change Other' relates to the removal of shareholdings from the above disclosure for the KMP following their resignation.

⁽ⁱⁱⁱ⁾ There has been no change in shareholdings from 30 June 2018 to the date of this report.

First strike at 2017 Annual General Meeting

At the 2017 AGM more than 25% of shareholders voted against the adoption of the Remuneration Report. An impact of this is that, in the following year, the Board must report in the annual report on any proposed action in response to that vote or explain why it does not propose any response. The Board advises that in its view the 2017 AGM vote was a protest vote by the shareholders given the poor financial performance of the Group and the fall in the Company's share price since listing on the ASX in December 2016.

The Board acknowledges the vote at the 2017 AGM. Accordingly, having regard to the comments made at the 2017 AGM and after election of the newly constituted Board on 24 January 2018, the Board adjusted the Directors' remuneration downwards to FY17 levels and has restructured the management team. Further, the Board continues to closely monitor remuneration of key management personnel to ensure that it is appropriate given the size and operations of the Group.

The Board is also developing new STI Plans and LTI Plans to ensure a balance between shareholder expectations, business strategy considerations and appropriate market comparable remuneration to attract, motivate and retain the Group's executives.

The Directors' remuneration reinstated to FY17 levels as follows:

Board/Committee	Chairman Fee* (\$)	Director/Member Fee* (\$)
Board based fee	\$75,000 (inclusive of committee work)	\$40,000
Remuneration and Nomination Committee	\$5,000	-
Risk and Audit Committee	\$5,000	-

*The base fees detail above excluded superannuation.

Board remuneration approved by a previous Board (prior to 24 January 2018), has now been superseded, which was as follows:

Board/Committee	Chairman Fee (\$)	Director/Member Fee (\$)
Board based fee	\$150,000 (inclusive of committee work)	\$65,000
Remuneration and Nomination Committee	\$10,000	-
Risk and Audit Committee	\$10,000	-

Other equity-related key management personnel transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

Loans to Key Management Personnel

In the prior year, the loans to key management personnel relate to a receivable from the founding shareholders relating to the indemnification of legacy income tax obligations of the Sornem Entities (refer below) that became wholly owned subsidiaries of the Group as part of the pre-IPO restructure. During FY18 these tax obligations had been paid by the Group to the ATO.

The Sornem Entities are non-operating entities, and were acquired by the Company from the Founders (being Erling Sorensen and Jamie Nemtsas), and entities associated with each of them, as applicable, as part of the FY17 Restructure (being the restructure of the applicable Founder entities to facilitate the initial public offering/listing of the Group). The Founders previously held their interests in the Group through the Sornem Entities and this aspect of the Restructure enabled the Founders to own Shares in the Company individually (rather than through a jointly held company), to provide the Founders with commercial and legal flexibility in respect of their shareholding in the Company. As part of the Restructure, the Founders agreed to indemnify the Company for any liabilities of the Sornem Entities prior to the Restructure and for any tax liability or obligation of the Sornem Entities, Sornem Group and Sornem Capital to the extent that such tax liability or obligation relates to any period prior to the completion of the Restructure or relates to (or results from) the Restructure.

Aggregate of loans made

The following table sets out the details of the aggregate of loans made, guaranteed or secured, directly or indirectly, by the Group and any of its subsidiaries, in the financial year to all key management personnel, their close family members and entities over which the key management personnel or their close family members have, directly or indirectly, control, joint control or significant influence:

	2018	2017
	\$	\$
Opening balance at commencement of the financial year	979,193	-
Loans advanced	-	1,371,909
Loan repayment received	(979,193)	(392,716)
Closing Balance at end of the financial year	-	979,193

As detailed above, these tax obligations were not due to be paid by the Group to the ATO until March 2018. The above loan balances relate 50% to Jamie Nemtsas and 50% to Erling Sorensen.

Interest that would have been charged had loan been at arm's length	(i)	N/A
Number of KMP with loans outstanding at end of financial year	-	2

⁽ⁱ⁾ Due to the timing between the funds being paid by the Founders to the Company (in August 2017) and the tax obligation settled with the ATO (March 2018), interest of \$13,817 and \$14,055 at a rate of 4.44% was respectively paid to Erling Sorensen and Jamie Nemtsas. There was no interest payable as at 30 June 2017.

Other Transactions with Key Management Personnel


During the year, the Group received \$4,429,108 from Arrow Primary Infrastructure Fund (Arrow) as funding for capital expenditure incurred on the Colignan vineyard (2017: \$1,853,557). The total \$4,429,108 funding received from Arrow will be repaid in full by the Group by way of higher finance lease repayments as required under the lease agreement. Arrow Primary Infrastructure Fund is the lessor of the Colignan vineyard. During the year ended 30 June 2018, the Group paid \$2,142,232 (2017: \$1,757,566) in relation to lease payments as lessee of the Colignan vineyard. The former Directors, Erling Sorensen and Jamie Nemtsas, hold units in the Arrow Primary Infrastructure Fund. The lease has been entered into under terms and conditions as described in Note 16(b) of the Financial Statements and neither interest held represents a controlling interest in Arrow Primary Infrastructure Fund.

As at 30 June 2018, no amount was receivable from Sornem Asset Management for shared services relating to shared offices (2017: \$87,764). The prior year balance has been written off. Sornem Asset Management is a related entity to Jamie Nemtsas and Erling Sorensen.

During the year ended 30 June 2018, the Group paid \$69,631 (at a rate of \$400.00 per megalitre) (2017: Nil) to a related party of former Director Jamie Nemtsas to access water in relation to the Alkira property. The Group does not have access to water other than through this arrangement.

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Director
Andrew Monk
Chairman



Director
Valentina Tripp
Managing Director

28 September 2018

Corporate Governance Statement

This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Recommendations**) in respect of the reporting period ended 30 June 2018 ("Reporting Period").

The Company currently has in place corporate governance policies and charters which have been posted in a dedicated corporate governance information section on the Company's website at www.murrayriverorganicsinvestors.com.au. This provides public access to all the information relevant to the Company meeting its corporate governance obligations.

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
1.	<i>Lay solid foundations for management and oversight</i>		
1.1	<p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	Yes	<p>The Company's Board Charter discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director and management.</p> <p>The Board Charter sets out the role and responsibilities of the Board and, in particular, for the long term growth and profitability of the Company and its strategies, policies and financial objectives.</p> <p>Please refer to the Board Charter (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for information about the respective roles and responsibilities of the Board and Management (including those matters expressly reserved to the Board and those delegated to Management).</p>
1.2	<p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	Yes	<p>The Remuneration and Nomination Committee Charter delegates responsibility to the Remuneration and Nomination Committee to identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise, having regard to the desired composition of the Board, and undertake appropriate checks before appointing a person or putting forward to shareholders a new candidate for election, as a director.</p> <p>In accordance with the Communications Policy, the Company provides security holders with all material information in its possession concerning the appointment or re-appointment of a director in the Notice of Shareholder Meeting concerning that appointment or re-appointment. A recommendation of the disinterested Directors concerning that appointment or re-appointment is also given.</p> <p>Please refer to the Remuneration and Nomination Committee Charter and Communications Policy (available via the Company's website,</p>

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
			www.murrayriverorganicsinvestors.com.au) for further details.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	The Company has a written agreement with each director and senior executive setting out the terms of their appointment.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board, unless delegated by the Board to another appropriate person. The current Company Secretary has direct contact with all directors as and when required. Please refer to the Board Charter (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.
1.5	A listed entity should: <ul style="list-style-type: none"> (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: <ul style="list-style-type: none"> (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. 	Yes	The Board is committed to improving its workplace diversity throughout the Company. The Company has adopted a Diversity Policy which includes requirements for the Board to set measurable objectives for achieving gender diversity goals and review the entity's progress in achieving them. Management will monitor, review and report to the Board (including via the Remuneration and Nomination Committee) on the Company's progress towards achieving its measurable objectives on an annual basis and conducting a review of the status of diversity within the Company. The Policy is supported by other policies, including a Code of Conduct, which have been adopted by the Board to enhance its operations through a diverse workforce. The Company values having a diverse workforce from a wide variety of cultural, religious or ethnic backgrounds as well as addressing age, physical and gender matters. The Company recognises that gender diversity amongst its Personnel broadens the pool of high-quality directors and employees, is likely to support employee retention, is likely to encourage greater innovation by drawing on different perspectives, is a socially and economically responsible governance practice, and will improve the Company's corporate reputation. The Board recognises the importance of diversity in the workplace and is focused on achieving and improving representation of women on the Board and in senior positions.

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
			<p>The Board assessed the gender diversity of the Company during the Reporting Period and discloses the following proportions of men and women:</p> <ul style="list-style-type: none"> - whole organisation: 71 men and 51 women - senior management: 3 men and 1 woman - board: 4 men* and 2 women** <p>* Steven Si subsequently resigned as Director of the Company and, accordingly, the board now consists of 3 men</p> <p>** including the company secretary</p> <p>The Board considers 'senior executives' to be those who report to the Chief Executive Officer or the Board. Please refer to the Diversity Policy (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Partially	<p>The Board, with the advice and assistance of the Remuneration and Nomination Committee, is required to self-evaluate its performance and effectiveness, and the performance of its Committees and individual Directors on an annual basis. Each Committee is also required to self-evaluate its performance and effectiveness, and the performance of its members on an annual basis.</p> <p>The Remuneration and Nomination Committee is also responsible for recognising and analysing any gaps in the skills and experience of the current Board.</p> <p>During the Reporting Period, the Board underwent significant changes in respect of its composition and, accordingly, did not undertake a formal board performance evaluation. Since the appointment of the current Board, the Board has informally considered the skills present on the Board and identified gaps required to be filled. The Board has also implemented a Board evaluation process as a standing agenda item at each Board Meeting.</p> <p>The Board expects to conduct a fulsome performance evaluation upon completion of the current strategic and operational review of the Company's business.</p> <p>Please refer to the Remuneration and Nomination Committee Charter and the Board Charter (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the</p>	Yes	<p>With the advice and assistance of the Remuneration and Nomination Committee, the Board is responsible for periodically assessing the performance of the Chief Executive Officer.</p>

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
	<p>performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>		<p>The Chief Executive Officer is responsible for periodically assessing the performance of the senior executives within the Company, in conjunction with the Board.</p> <p>The Remuneration and Nomination is also responsible for annually evaluating the senior executives to evaluate the individual's performance regarding skills, knowledge and experience.</p> <p>During the Reporting Period, the Company conducted formal performance evaluations of its senior executives in respect of their skills, knowledge and experience.</p> <p>Please refer the Remuneration and Nomination Committee Charter and the Board Charter (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
2.	<i>Structure the board to add value</i>		
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	Yes	<p>The Company has established the Remuneration and Nomination Committee, and adopted the Remuneration and Nomination Committee Charter. During the Reporting Period, the Remuneration and Nomination Committee was comprised of:</p> <ul style="list-style-type: none"> • Keith Mentiplay (Committee Chair and Independent Non-Executive Director); • Andrew Monk (Board Chair and Independent Non-Executive Director); and • Steven Si (Independent Non-Executive Director). <p>Details of meetings held during the period, are contained in the Directors' Report section of this Annual Report.</p> <p>Since the end of the Reporting Period, Steven Si has resigned as Director of the Company. Accordingly, the Board considered the composition of the Remuneration and Nomination Committee and appointed Michael Porter (Independent Non-Executive Director) to the Remuneration & Nomination Committee effective on and from 23 August 2018.</p> <p>Please refer the Remuneration and Nomination Committee Charter (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board	Yes	The Remuneration and Nomination Committee is responsible for setting out the mix of skills

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
	currently has or is looking to achieve in its membership.		and diversity that the Board currently has or is looking to achieve in its membership. The Board Skills Matrix details the collective skills, knowledge, experience, personal attributes and other criteria of the Board of Directors. The Board will assess all future candidates for Board positions, and the performance of its current members, against the criteria set out in the Board Skills Matrix. Please refer to the Board Skills Matrix at the end of Section 8.1 of this Corporate Governance Statement, and the Remuneration and Nomination Committee Charter (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Yes	The Board consists of four Directors, three of which are Independent Non-Executive Directors – Andrew Monk, Keith Mentiplay and Michael Porter. Michael Porter was engaged by the Group until 10 September 2018 as an independent contractor in the position of interim Regional Corporate Farms Manager. Despite the services provided by Michael to the Group, given the short, finite term of Michael's interim appointment, the disinterested Directors are satisfied that Michael's interim position does not interfere with his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its shareholders. The date of appointment of each Director is set out in the Directors' Report Section of this Annual Report.
2.4	A majority of the board of a listed entity should be independent directors.	Yes	As at the date of this Corporate Governance Statement, a majority of directors are Independent Directors.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes	Andrew Monk, the Chair of the Board, is an Independent Non-Executive Director and is not the Chief Executive Officer of the Company.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	The Company's Remuneration and Nomination Committee is responsible for establishing and facilitating an induction program for new directors with all such information and advice which may be considered necessary or desirable for the director to commence their appointment to the Board. Please refer to the Company's Remuneration and Nomination Committee Charter (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
3.	<i>Promote ethical and responsible decision-making</i>		
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	Yes	The Company has adopted a Code of Conduct to be followed by all personnel of the Company, including any director, employee, contractor, secondees and consultant of the Company. Please refer to the Code of Conduct (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.
4.	<i>Safeguard integrity in financial reporting</i>		
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	Partially	<p>The Board has established an Audit and Risk Management Committee which is governed by the Audit and Risk Management Committee Charter.</p> <p>The Audit and Risk Management Committee is currently comprised of:</p> <ul style="list-style-type: none"> • Andrew Monk (Committee Chair, Board Chair and Independent Non-Executive Director); • Michael Porter (Independent Non-Executive Director); and • Keith Mentiplay (Independent Non-Executive Director). <p>While the Audit and Risk Management Committee comprises all independent non-executive directors (including the Chair), the Committee Chair is also the Chair of the Board. The Board believes that, given the current circumstances of the Company and the duties of the other independent directors, the Company cannot justify the appointment of an additional independent director to meet this requirement of Recommendation 4.1.</p> <p>The names of the members of the Audit and Risk Management Committee, details of their qualifications and experience and details of the number of meetings held during the Reporting Period, are contained in the Directors' Report section of this Annual Report.</p> <p>Details of meetings held during the Reporting Period, are contained in the Directors' Report section of this Annual Report.</p> <p>Please refer to the Audit and Risk Management Committee Charter (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
4.2	The board of a listed entity should, before it approves the entity's financial	Yes	As set out in the Audit and Risk Management Committee Charter, the Audit and Risk

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
	statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.		<p>Management Committee ensures that the Company complies with its legal obligations, including to assist the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to provide declarations in relation to the Company's financial reports required by both section 295A of the <i>Corporations Act 2001</i> (Cth) and this Recommendation 4.2.</p> <p>The CFO and CEO declarations for the Reporting Period were delivered prior to the Board making its declaration under section 295A of the Corporations Act.</p> <p>Please refer to the Audit and Risk Management Committee Charter (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	<p>The Audit and Risk Management Committee is responsible for ensuring that the external auditor attends the annual general meeting of the Company and is available to answer questions from shareholders of the Company relevant to the audit.</p> <p>Please refer to the Audit and Risk Management Committee Charter and the Communications Policy (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
5.	<i>Make timely and balanced disclosure</i>		
5.1	A listed entity should: <ul style="list-style-type: none"> (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it. 	Yes	<p>The Company has adopted a Continuous Disclosure Policy to ensure compliance with its continuous disclosure obligations under the ASX Listing Rules. The Policy establishes procedures that seek to ensure that Directors and Management are aware of, and fulfil, their obligations in relation to the timely disclosure of material price-sensitive information.</p> <p>Please refer to the Continuous Disclosure Policy (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
6.	<i>Respect the rights of shareholders</i>		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes	<p>The Company provides information about itself, its business and its governance on its website, www.murrayriverorganicsinvestors.com.au. All policies and charters concerning governance issues are located on a dedicated section headed Corporate Governance.</p>
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	<p>The Company's Communications Policy establishes procedures to ensure that Shareholders are provided with sufficient information to assess the performance of the</p>

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
			<p>Company and are informed of all major developments affecting the affairs of the Company in accordance with all applicable laws.</p> <p>Please refer to the Communications Policy and the Investor Relations ` (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	<p>The Company's Communication Policy establishes procedures to encourage effective participation at general meetings of the Company.</p> <p>Please refer to the Communications Policy (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	<p>The Company's Communication Policy ensures that Shareholders are able to access information relevant to their shareholding in the Company via periodic mail-outs or (on election) to receive email communications. Shareholders are also granted access to it's the Company's share registry.</p> <p>Please refer to the Communications Policy (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
7.	<i>Recognise and manage risk</i>		
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	Yes	<p>The Company has established an Audit and Risk Management Committee which is governed by the Audit and Risk Management Committee Charter. The Company has also adopted a Risk Management Policy.</p> <p>The Audit and Risk Management Committee is currently comprised of:</p> <ul style="list-style-type: none"> • Andrew Monk (Committee Chair, Board Chair and Independent Non-Executive Director); • Michael Porter (Independent Non-Executive Director); and • Keith Mentiplay (Independent Non-Executive Director). <p>Details of meetings held during the Reporting Period, are contained in the Directors' Report section of this Annual Report.</p> <p>Please refer to the Audit and Risk Management Committee Charter and Risk Management Policy (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	Yes	<p>In accordance with the Company's Audit and Risk Management Committee Charter, the Audit and Risk Management Committee is responsible for ensuring that the Company's risk management framework is reviewed at least annually.</p> <p>During the Reporting Period, the Audit and Risk Management Committee engaged an external third party to conduct an annual review of the Company's risk management framework. However, this review was undertaken by the previous Audit and Risk Management Committee prior to the various changes to the Board's membership. Accordingly, the current Board and Audit and Risk Management Committee expect to conduct a fulsome review of the risk management framework upon completion of the current strategic and operational review of the Company's business to ensure that identified risks and associated management processes are relevant to the Company's business and long-term strategy.</p> <p>Please refer to the Audit and Risk Management Committee Charter and the Risk Management Policy (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	Yes	<p>The Company does not have an internal audit function. The Board considers that the Audit and Risk Management Committee and financial control function, in conjunction with its Risk Management Policy, are sufficient processes for evaluating and continually improving the effectiveness of its risk management and internal control processes for a company of its size and complexity.</p> <p>Please refer to the Company's Audit and Risk Management Committee Charter and the Risk Management Policy (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	Yes	<p>Currently, the Company has no material exposure to any economic, environmental and social sustainability risks to disclose.</p> <p>The Audit and Risk Management Committee is responsible for reviewing whether the Company has any material exposure to any economic, environmental and social sustainability risks and, if so, developing strategies to manage such risks.</p> <p>Please refer to the Audit & Risk Management Committee Charter and the Risk Management Policy (available via the Company's website,</p>

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
			www.murrayriverorganicsinvestors.com.au) for further details.
8.	Remunerate fairly and responsibly		
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	Yes	<p>The Board has established a Remuneration and Nomination Committee which is governed by the Remuneration and Nomination Committee Charter.</p> <p>Membership of the Remuneration and Nomination Committee, and details of meetings held during the Reporting Period, are contained in the Directors' Report section.</p> <p>Since the end of the Reporting Period, Steven Si has resigned as Director of the Company. Accordingly, the Board considered the composition of the Remuneration and Nomination Committee and appointed Michael Porter (Independent Non-Executive Director) to the Remuneration & Nomination Committee effective on and from 23 August 2018.</p> <p>Please refer the Remuneration and Nomination Committee Charter (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	Yes	<p>The Company's Remuneration Policy and the Remuneration and Nomination Committee Charter disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives.</p> <p>Please refer the Remuneration and Nomination Committee Charter (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	Yes	<p>The Company has adopted a long term incentive performance rights plan (LTI) to reward, retain and attract certain employees, consultants and directors of the Company.</p> <p>The Company's Security Trading Policy prohibits Participants from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the LTI.</p> <p>Refer to the Securities Trading Policy (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>

BOARD SKILLS MATRIX (In relation to Corporate Governance Statement - Recommendation 2.2)

This Board Skills Matrix details the collective skills, knowledge, experience, personal attributes and other criteria the Board of Directors of Murray River Organics Group Limited currently believes are required for the good governance of MRG. The Board will assess all future candidates for Board positions, and the performance of its current members, against these criteria in accordance with the ASX Corporate Governance Principles and Recommendations.

SKILL, EXPERIENCE AND ATTRIBUTE	
Industry Knowledge / Experience	Technical / Professional Skills
Farming Operations	Capital Raising
Fast Moving Consumer Goods	Commercial & Business Development
Investor Relations	Diversity
Manufacturing Knowledge (Food)	Executive & HR Management
Organic Sector	Information & Communication Technology
Sales (Domestic Market)	Investment Management
Sales (Export International Market)	Marketing / Advertising, Media, PR, Digital
Supply Chain (Manufacturing/Retail)	Mergers & Acquisitions
Water Licensing	Senior Management Position (past & present)
Other Sector Specific	Strategy - FMCG Brand Marketing
Qualifications / Certifications	Strategy - Business Plan
AICD Company Director Qualifications	Risk, Governance & Compliance
Business Qualifications	ASX Regulations & Obligations
Corporate Qualifications	Governance & Compliance Knowledge
Financial Qualifications	Public Company
GIA Governance Certifications	Representation & Stakeholder Relations
Legal Qualifications	Risk Management

Auditor's Independence Declaration to the Directors of Murray River Organics Group Limited

As lead auditor for the audit of Murray River Organics Group Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Murray River Organics Group Limited and the entities it controlled during the financial year.



Ernst & Young



David Petersen
Partner

28 September 2018

Independent Auditor's Report to the Members of Murray River Organics Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Murray River Organics Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which describes the events and conditions that cast significant doubt about the Group's ability to continue as a going concern. It indicates that the Group incurred a net loss of \$59.607 million for the year ended 30 June 2018 and, as of that date, the Group's current liabilities exceeded its current assets by \$25.062 million. The Group needs to raise additional funding imminently and the Group's ability to continue as a going concern is dependent upon a successful fund raising and the banks support in the form of continued current facilities and any further facilities required until the fund raising can be achieved as well as the renegotiation of ongoing banking facilities. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and therefore may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Impairment of goodwill and other non-current assets

Why significant

The Group assesses non-current assets for impairment which includes goodwill at least annually and other non-current assets when indicators are identified. Where the carrying value of a non-current asset is higher than its recoverable amount, Australian Accounting Standards require the carrying value of the non-current asset to be impaired.

The Group has exercised judgement to determine that there is a single cash generating unit (“CGU”) consistent with the identification of operating segments. The Group’s single CGU has been the basis for assessing goodwill and other non-current assets for impairment.

The Group performed an impairment test at 31 December 2017 and recorded an impairment charge. Following ongoing significantly below budget operating results, the Group performed an impairment test of the CGU at 30 June 2018 and recorded a further impairment charge. The total impairment charge for the year ended 30 June 2018 was \$21.169 million. The impairment charge was allocated to goodwill (\$10.749 million), plant and equipment (\$5.899 million) and leasehold improvements (\$4.521 million).

As outlined in Note 14 of the financial report, the range of judgements and assumptions in the Group’s impairment assessment resulted in this matter being considered a key audit matter.

How our audit addressed the key audit matter

Our audit procedures involved our valuation specialists where necessary and included the following:

- ▶ Tested the mathematical accuracy of the CGU value-in-use impairment model.
- ▶ Assessed the Group’s determination that there is a single CGU of the Group.
- ▶ Assessed the Group’s judgement in applying cash flow forecasts extending over a 10 year period in the value-in-use impairment model.
- ▶ Assessed whether the cash flows from the Board approved 2019 budget were used in the CGU impairment model.
- ▶ Assessed the key assumptions contained within the cash flow forecasts prepared by the Group and considered their support and external data where available, including revenue growth rates, profit margins, capital expenditure estimates and terminal growth rates.
- ▶ Assessed the appropriateness of the discount rate applied to the CGU by comparison to external market data of comparable companies.
- ▶ Performed sensitivity analysis on key assumptions to ascertain to the extent to which changes in those assumptions would either individually or collectively impact the impairment assessment.
- ▶ Considered the net assets of the Group at 30 June 2018 compared to the market capitalisation implied by the potential future equity transactions being considered by the Board as a valuation cross-check.
- ▶ Assessed the adequacy of the related disclosures made in the financial report as required by Australian Accounting Standards.

2. Measurement of the 2018 Crop

Why significant

The 2018 Crop consists of vine (grape) and citrus fruit, a portion of which remains unharvested at 30 June 2018.

As disclosed in Note 2(f) and Note 9 of the financial report, the Group has measured the fair value less cost to sell of the 2018 Crop at the point of harvest to be \$10.742 million.

The measurement of the 2018 Crop was a key audit matter as the fair value less cost to sell estimate is subject to significant judgement given the nature of assumptions applied, including:

- ▶ Principal market for the category of fruit
- ▶ Forecast selling price for the category of fruit
- ▶ Estimated yield of unharvested fruit

Note 9 of the financial report discloses the key changes in accounting estimates applied to measure the 2018 Crop in comparison to the 2017 Crop.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the appropriateness of the methodology applied by the Group to measure the 2018 Crop with reference to Australian Accounting Standards.
- ▶ Assessed the Group's judgement of the principal market or, where relevant, the most advantageous market for the 2018 Crop.
- ▶ Assessed the key assumptions within the fair value less cost to sell calculation for the 2018 Crop by comparing the assumptions to historical trends and, where possible, actual outcomes in subsequent periods.
- ▶ Assessed the actual yields and estimates of yields on unharvested fruit for the 2018 Crop by testing a sample of inputs to historical data and actual outcomes in subsequent periods.
- ▶ Assessed the adequacy of the related disclosures made in the financial report, including those related to a change in accounting estimates, as required by Australian Accounting Standards.

3. Existence and measurement of inventories

Why significant

At 30 June 2018, the Group held \$16.194 million in inventories representing 16% of total assets. The Group's inventories comprise raw materials harvested from the Group's fruit crops and purchased finished goods and packaging.

As detailed in Note 2(e) of the financial report:

- ▶ Own grown dried fruit and citrus inventories are measured at fair value less costs to sell at the point of harvest.
- ▶ Purchased inventories are valued at the lower of cost and net realisable value.

The Group stores its inventories at various farm, processing and warehouse locations. Given the perishable nature of the Group's inventories, certain inventory items are subject to changes to quality and weight over time, as well as demand from customers. The existence and measurement of inventories was a key audit matter given the Group exercises judgement with respect to these considerations in measuring inventory volumes and recording inventory costs and provisions in accordance with the Group's accounting policies.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Attended stocktakes performed by the Group at selected inventory locations and performed a sample of inventory counts and reconciliations of physical inventory item quantities to accounting records. A sample of inventories recorded based on weight were weighed as part of our inventory count procedures.
- ▶ Assessed whether the cost of a sample of inventory items agreed to supplier invoices for purchased inventories and transfer value from agricultural produce for own grown produce.
- ▶ Selected a sample of the key inputs to the Group's process for capitalising manufacturing overheads into finished goods inventories to assess whether actual costs incurred had been capitalised.
- ▶ Assessed management's process for identifying excess, obsolete and unsaleable inventory items, including reviewing aged inventory listings, product gross margins and management's analysis of expected future sales for inventory items.
- ▶ Assessed the appropriateness of Group's assumptions in calculating inventory provisions and tested a sample of items for consistency with the Group's policies.

4. Revaluations of property, plant and equipment - including assets held for sale

Why significant

As disclosed in Note 2(g) and Note 13.1 of the financial report, the Group applies the revaluation method in measuring the following classes of property, plant and equipment:

- ▶ Freehold land
- ▶ Bearer plants
- ▶ Buildings and property improvements

The Group owns a portfolio of agricultural assets of which those classes of property, plant and equipment applying the revaluation method represent 32% of total assets of the Group at 30 June 2018.

The Group has determined the fair value of the relevant properties at 30 June 2018 based on valuations performed by an independent valuation expert. The valuation methodologies applied are described in Note 13.1 of the financial report.

The Group also holds certain properties as 'assets held for sale' and classified as 'current assets' at 30 June 2018. The Group has applied judgement in determining the fair value less costs to sell in accordance with Australian Accounting Standards with reference to recent offers from market participants or actual selling prices realised in subsequent periods.

How our audit addressed the key audit matter

Our audit procedures involved our valuation specialists where necessary and included the following:

- ▶ Assessed the competence, capabilities and objectivity of the Group's independent valuation expert, and appropriateness of the scope and methodology of valuations commissioned for the purposes of the financial report.
- ▶ Assessed the appropriateness of the Group's recognition of the revaluation gain or loss either through profit or loss or other comprehensive income.
- ▶ Assessed the appropriateness of judgements applied by the Group in classifying relevant properties as 'assets held for sale' in accordance with Australian Accounting Standards.
- ▶ Assessed the fair value less costs to sell applied to a sample of 'assets held for sale' with reference to offers received by the Group from market participants or actual selling prices realised in subsequent periods.

5. Capitalisation of bearer plant expenditure

Why significant

The total bearer plant expenditure capitalised by the Group for the year ended 30 June 2018 was \$5.074 million.

As disclosed in Note 2(g) and Note 13.1 of the financial report, the Group capitalises operating costs relating to the development of bearer plants in existing or new vineyards. The Group exercises judgement to consider developing bearer plants as vines that are yet to deliver commercial quantities of produce which are those less than three years of age.

The capitalisation of operating costs as bearer plant expenditure was a key audit matter due to the significant judgement required to determine:

- ▶ Proportion of vineyards which are considered 'developing' in comparison those that are 'mature'.
- ▶ Nature of operating costs for capitalisation.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the proportion of vineyards determined by the Group to be 'developing' with reference to a sample of historical planting records.
- ▶ Assessed the measurement of operating costs capitalised as bearer plant expenditure by selecting a sample of transaction amounts and agreeing details to supporting documentation such as supplier invoices.
- ▶ Assessed the nature and appropriateness of operating costs capitalised as bearer plant expenditure with reference to Australian Accounting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Chairman's Review, Directors' Report, Corporate Governance Statement and Additional Australian Securities Exchange Information that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or 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 Group'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 Group'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 Group to cease to continue as a going concern.
- 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report


Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 32 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Murray River Organics Group Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



Ernst & Young



David Petersen
Partner
Melbourne

28 September 2018

Directors' Declaration

The directors declare that:

- (a) 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;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 2 to the financial statements;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) the directors have been given the declarations required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to Section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors



Director

Andrew Monk
Chairman



Director

Valentina Tripp
Managing Director

28 September 2018

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Revenue	4	68,539	48,522
Other income	4	222	1,355
Fair value gain from agricultural produce	9	158	13,185
Change in finished goods		(994)	4,941
Raw materials, consumables used and farming input costs		(69,613)	(53,092)
Administration expense		(2,347)	(1,998)
Selling expenses		(811)	(488)
Employee benefits expense	5	(10,361)	(5,753)
Depreciation expense	5	(6,198)	(4,276)
Freight out and distribution expenses		(4,047)	(1,824)
Other expense		(3,212)	(2,374)
Finance costs	5	(3,337)	(2,296)
Impairment of non-current assets	14	(21,169)	-
Revaluation loss on properties and assets held for sale	5	(7,030)	-
Business restructuring costs	5	(2,343)	-
Reversal of / (provision for) group reorganisation costs	17	1,040	(1,064)
IPO and acquisition related costs		-	(1,994)
Loss before tax		(61,503)	(7,156)
Income tax benefit	6	1,896	1,229
Loss for the year		(59,607)	(5,927)
<i>Attributed to:</i>			
Equity holders of the parent		(59,607)	(5,538)
Murray River Organics Property Trust (non-controlling interests)		-	(389)
		(59,607)	(5,927)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of assets	20(a)	2,056	-
Income tax effect of other comprehensive income	20(a)	(617)	-
Recognition of deferred tax liability	20(a)	-	(2,289)
Items that may be reclassified subsequently to profit or loss:			
Net movement in cash flow hedges		169	-
Income tax effect of other comprehensive income		(51)	-
Total other comprehensive income / (loss)		1,557	(2,289)
Total comprehensive loss for the year		(58,050)	(8,216)
<i>Attributed to:</i>			
Equity holders of the parent		(58,050)	(7,827)
Murray River Organics Property Trust (non-controlling interests)		-	(389)
		(58,050)	(8,216)
Basic earnings per share (cents per share)	28	(49)	(8)
Diluted earnings per share (cents per share)	28	(49)	(8)

Notes to the financial statements are included on pages 57 to 102.

Consolidated statement of financial position at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	22(a)	4	2,724
Trade and other receivables	7	6,729	8,891
Inventories	8	16,194	27,069
Agricultural produce	9	2,621	4,407
Other financial assets	10	169	-
Other assets	11	1,320	4,187
		27,037	47,278
Assets held for sale	12	7,642	2,069
Total current assets		34,679	49,347
Non-current assets			
Property, plant and equipment	13	67,610	82,241
Intangible assets	14	-	10,749
Deferred tax assets	6	-	1,784
Total non-current assets		67,610	94,774
Total assets		102,289	144,121
Current liabilities			
Trade and other payables	15	11,825	18,122
Borrowings	16	47,161	17,288
Provisions	17	755	4,136
Other financial liabilities	18	-	547
Income tax payable		-	946
Total current liabilities		59,741	41,039
Non-current liabilities			
Borrowings	16	22,133	33,228
Deferred tax liabilities	6	-	3,129
Provisions	17	440	446
Total non-current liabilities		22,573	36,803
Total liabilities		82,314	77,842
Net assets		19,975	66,279
Equity			
Contributed equity	19	123,832	112,002
Reserves	20	(40,127)	(41,600)
Accumulated losses		(63,730)	(4,123)
Total equity		19,975	66,279

Notes to the financial statements are included on pages 57 to 102.

Consolidated statement of changes in equity for the year ended 30 June 2018

	Contributed equity	Retained earnings/ (Accumulated losses)	Corporate re-organisation reserve	Share-based payments reserve	Asset revaluation reserve	Hedging Reserve	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	9,692	5,071	-	-	-	-	15,102	29,865
Loss for the year	-	(5,538)	-	-	-	-	(389)	(5,927)
Other comprehensive loss	-	-	-	-	(2,289)	-	-	(2,289)
Total comprehensive loss for year	-	(5,538)	-	-	(2,289)	-	(389)	(8,216)
Issue of units	-	-	-	-	-	-	6,705	6,705
Reclassification of non-controlling interest	29,333	(3,656)	(11,890)	-	7,631	-	(21,418)	-
Issue of shares	73,974	-	(35,563)	-	-	-	-	38,411
Equity raising costs (net of tax)	(1,210)	-	-	-	-	-	-	(1,210)
Share-based payments	213	-	-	511	-	-	-	724
Balance at 30 June 2017	112,002	(4,123)	(47,453)	511	5,342	-	-	66,279
Balance at 1 July 2017	112,002	(4,123)	(47,453)	511	5,342	-	-	66,279
Loss for the year	-	(59,607)	-	-	-	-	-	(59,607)
Other comprehensive income	-	-	-	-	1,439	118	-	1,557
Total comprehensive loss for year	-	(59,607)	-	-	1,439	118	-	(58,050)
Issue of shares	12,106	-	-	-	-	-	-	12,106
Equity raising costs (net of tax)	(456)	-	-	-	-	-	-	(456)
Share-based payments	180	-	-	(84)	-	-	-	96
Balance at 30 June 2018	123,832	(63,730)	(47,453)	427	6,781	118	-	19,975

Notes to the financial statements are included on pages 57 to 102.

Consolidated statement of cash flows for the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers		77,887	45,576
Payments to suppliers and employees		(85,701)	(53,445)
Interest received		14	49
Tax paid		(868)	(453)
Interest paid		(2,092)	(1,042)
Interest paid – Colignan property lease		(2,488)	(1,947)
Net cash used in operating activities	22(b)	(13,248)	(11,262)
Cash flows from investing activities			
Payments for property, plant and equipment		(13,586)	(31,498)
Payments for business acquisitions	14	(2,626)	(14,952)
Proceeds from sale of water rights		-	436
Proceeds from sale of property, plant and equipment		717	-
Payment to escrow account in relation to business acquisitions		-	(2,204)
Net cash used in investing activities		(15,495)	(48,218)
Cash flows from financing activities			
Proceeds from related party borrowings		979	414
Proceeds from borrowings		56,337	37,960
Repayment of borrowings		(48,205)	(22,079)
Proceeds from equipment financing		2,456	1,002
Repayment of equipment financing		(805)	(733)
Proceeds from issue of share capital and trust units		12,106	45,120
Transaction costs on issue of securities		(651)	(1,729)
Net cash generated by financing activities		22,217	59,955
Net (decrease) / increase in cash and cash equivalents		(6,526)	475
Cash and cash equivalents at the beginning of the year		2,724	2,249
Cash and cash equivalents at the end of the year		(3,802)	2,724

Notes to the financial statements are included on pages 57 to 102.

Notes to the financial statements

1. General information and group reorganisation

These are the consolidated financial statements of Murray River Organics Group Limited (the “Company”), comprising of the Company and its controlled entities (the “Group”).

The Company is a for-profit entity limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial statements were authorised for issue by the directors on 28 September 2018.

Prior year group reorganisation

Murray River Organics Group Limited was incorporated on 6 September 2016. On 9 November 2016, the shareholders of the Company, the Directors and management undertook a group reorganisation whereby the stapled securities were unstapled via resolutions in accordance with the relevant Company constitution and Trust Deed at which time Murray River Organics Group Limited became the legal parent following the acquisition of all units in the Murray River Organics Property Trust and all the shares in Murray River Organics Limited held by each existing shareholder.

The reorganisation was made in connection with the initial public offering which was completed on 16 December 2016.

The Directors have elected to account for the restructure as a capital reorganisation, whereby Murray River Organics Group Limited was imposed above the existing stapled structure with the same shareholders having the same relative interests, rather than a business combination. In the Director’s judgment, the continuation of existing accounting values is consistent with the accounting which would have occurred if the assets and liabilities had already been in a structure suitable for the IPO and most appropriately reflects the substance of the internal restructure.

Accordingly the consolidated financial report of Murray River Organics Group Limited for the year ended 30 June 2017 was presented as a continuation of the pre-existing accounting values of assets and liabilities in the Murray River Organics Limited consolidated financial statements and includes the financial results for the consolidated group under Murray River Organics Limited for the period from 1 July 2016 to 9 November 2016 and the consolidated group under Murray River Organics Group Limited from 10 November 2016 to 30 June 2017.

2. Significant accounting policies

Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

These consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations. Compliance with Australian Accounting Standards and Interpretations ensures that the consolidated financial statements and notes of the Group comply with International Financial Reporting Standards (‘IFRS’).

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for agricultural produce, certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 2016/191, dated 24 March 2016, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Going concern basis

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. For the reasons described below, there is significant uncertainty whether the Group will continue as a going concern:

- The Group incurred a loss after tax for the year ended 30 June 2018 of \$59.607 million which was largely due to:
 - significant write down of FY17 dried fruit inventory which was impact by a combination of weather events and deficient past operating practices;
 - weak sales and margins from a) commodity and bulk channels and b) low quality and volume of dried fruit from its FY17 harvest;
 - slower than anticipated efficiencies being realised from its new Dandenong manufacturing site, new Sunraysia processing facilities and additional farming costs incurred from its enlarged farming footprint, where yield have been comparable to the prior year, but below expectations;
 - a number of significant costs arising from the change of Board of Directors and restructure of Group operations;
 - impairment of goodwill and property, plant and equipment; and
 - revaluation of property assets.
- At 30 June 2018, the Group has:
 - Net assets of \$19.975 million (2017: \$66.279 million);
 - Net current liabilities (current assets less current liabilities) of \$25.062 million, which includes the reclassification of all bank borrowings to 'current' (2017: net current assets \$8.308 million); and
 - Total bank borrowings of \$44.872 million (2017: \$31.331 million).
- The Group's farming assets are long term agricultural assets, which require significant upfront capital requirements to realise their operating potential. The realisation of these benefits in the medium term is dependent on the Group's ability to generate sufficient funds from its operating activities, additional banking support from its banker and the raising of additional equity funds.

At the date of this report, the Directors have considered the above factors and are of the opinion that the Group will be able to continue as a going concern for the following reasons:

- The Group obtained additional bank support of \$6.600 million subsequent to 30 June 2018 with bank forbearance that at least \$4.000 million from the net sales proceeds from the sale of assets to be applied against repayment and permanent reduction of bank facilities and undertake an equity raising by 31 December 2018. The Group may require further interim funding until a capital raising is complete which it is discussing with its banker. To date, the Group is actively marketing the sale of its Fifth Street property and is also considering the sale of other non-core assets. The Group is confident that it has the continuing support of its banker and that it will comply with the above undertakings.
- Management has prepared, and Directors have reviewed and approved, detailed financial forecasts for the year ending 30 June 2019. These forecasts include improved sales and margins arising from FY18 dried fruit that has been assessed as "good" across the portfolio with fruit harvested close to or at the required moisture levels desired for processing compared to last year's harvest where the moisture was high; solid demand from its customers; supported with a cost out programme, "Project Muscat", with an estimate of \$5.000 million per annum of annualised savings, which is projected to reduce ongoing losses.
- Management's forecasts indicate that the Group will require additional funding imminently. The Group is currently progressing a range of potential fund raising opportunities and debt renegotiation which it expects to complete during October and November 2018. The Group is reliant on the ongoing support of its bankers to renegotiate their financing facilities and provide any necessary financing until the fund raising process is completed.
- The Directors believe there are reasonable grounds to consider the Group can continue as a going concern based on; the Group's trading and cash flow forecasts, reasonable confidence of raising sufficient additional funding, confidence of support from the Group's banker in providing any necessary further debt financing until fund raising completion and successfully renegotiating the ongoing banking facilities.

Notwithstanding the above, in the event that the Group is not able to:

- meet its trading and cash flow forecasts;
- raise sufficient additional funding;
- receive any necessary additional debt financing until fundraising is complete; and
- renegotiate its ongoing banking facilities

there is material uncertainty whether the Group will be able to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Classifications

Certain classifications have been made in the financial report to ensure that prior year comparative information conforms to the current year presentations.

Accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the “parent entity”) and its subsidiaries (referred to as “the Group” in these financial statements) as defined in Accounting Standard AASB 10 *Consolidated Financial Statements*. A list of subsidiaries appears in Note 31 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full.

(b) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit and loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 ‘Employee Benefits’ respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree,

and the fair value of acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

(c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

Sale of goods

Revenue from the sale of goods is recognised (net of returns, rebates, discounts and allowances) when the Group has transferred to the buyer control and the significant risks and rewards of ownership of the goods.

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Inventories

Inventories purchased from suppliers are valued at the lower of cost and net realisable value. Own grown dried fruit and citrus stocks are measured at fair value less estimated costs to sell at the point of harvest. A fair value adjustment is recognised in profit and loss at the point of harvest. Once harvested, this fruit is measured under AASB 102 *Inventories* at the lower of its fair value at point of harvest less costs to sell and net realisable value. Finished goods include the cost of raw materials, processing and packaging costs and an allocation of overhead costs (depending on the stage of production).

(f) Agricultural produce

Agricultural produce represents any unharvested produce valued in accordance with AASB 141 *Agriculture*. Agricultural produce is measured at their fair value less harvesting and selling costs on initial recognition and at each reporting date. The fair valuation takes into account selling prices and current growing costs, harvest costs, packing costs (if applicable), and selling costs.

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

- The difference between the total fair value of the biological assets recognised at the beginning of the reporting period and the total fair value of the biological assets recognised at reporting date.
- Costs incurred in maintaining or enhancing the biological assets.
- The fair value of agricultural produce harvested during the reporting period is measured at their fair value less estimated costs to be incurred up until the time of harvest.

The aggregate gain or loss arising on initial recognition and from changes in fair value less estimated point of sale costs is recognised as income or expense of the period. All the Group's citrus trees and vines are classified as bearer plants as outlined in Note 2(g).

(g) Property, plant and equipment

Freehold land, buildings and bearer plants are measured at their revalued amounts being fair value at the date of valuation. Fair value is determined on the basis of a Directors valuation which is regularly supported by an independent valuation prepared by external valuation experts. The valuation approach adopted is a direct comparison and discounted cash flow method. The valuation approach adopted is outlined in Note 13.1.

The group's citrus trees and vines qualify as bearer plants. Bearer plants are solely used to grow produce over their productive lives. Agricultural produce growing on bearer plants will remain within

the scope of AASB 141 *Agriculture* and continue to be measured at fair value less cost to sell at the point of harvest.

Any revaluation increase arising on the revaluation of freehold land, buildings and property improvements is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land, buildings and bearer plants is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation on revalued assets is charged to profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any deferred taxes, is transferred directly to retained earnings.

Plant and equipment, leasehold improvements and assets under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. All leased assets are depreciated over their useful life, or if shorter, the period of the lease.

The following estimated useful lives are used in the calculation of depreciation:

• Plant and equipment and tooling	3-10 years
• Bearer plants	25 years
• Equipment under finance lease	3-5 years
• Buildings and property improvements	50 years
• Office equipment	3-5 years
• Motor vehicles	3-5 years
• Leasehold improvements and leased assets	10-25 years (or lesser of lease term)

(h) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing, for which the Group has identified one cash generating unit in line with its determination of operating segments.

(i) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against profit or loss, unless they are directly attributable to qualifying assets.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(k) Financial assets

Loans and receivables (and investments in subsidiaries within the Company's financial statements in Note 32) are recognised and derecognised on trade date where purchase or sale of an investment or a loan and receivable is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, investments are measured at cost.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

Other financial assets

For the accounting policy on derivatives – refer Note 2(s) and Note 23.

(l) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Payments for superannuation benefits are recognised as an expense when employees have rendered service entitling them to the contributions.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) Financial Liabilities

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Costs directly attributable to the issue of shares are recognised as a deduction of equity, net of tax effect.

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(o) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income/ statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary

differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Tax consolidated group

Murray River Organics Group Limited and its wholly owned entities formed an income tax consolidated group on 1 July 2017, with Murray River Organics Group Limited as the head entity. However, as at 30 June 2017, the entities in the Group were not members of an income tax consolidated group and, as a consequence, the consolidated income tax balances are a summation of the individual income tax balances of each entity within the Group.

The tax consolidated group has not implemented a tax funding agreement between the entities of the tax consolidated group. Assets or liabilities arising with the entities within tax consolidated group are recognised as amounts receivable from or payable to other entities of the tax consolidated group.

The tax consolidated group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

(p) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(q) Borrowing costs

Borrowing costs incurred for the construction or development of any qualifying asset (bearer plants) are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs, inclusive of all facility fees, bank charges, and interest, are expensed as incurred.

(r) Foreign currency

The presentation and functional currency of the Group is Australian dollars.

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer Note 23); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

(s) Derivative financial instruments

The Group is exposed to changes in foreign exchange rates from its activities. The Group uses forward foreign exchange contracts to hedge these risks. Derivative financial instruments are not held for speculative purposes.

The Group uses derivative financial instruments, being options and forward foreign currency contracts to hedge the risk associated with foreign currency fluctuations. Such derivatives are stated at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

For derivatives that qualify for hedge accounting, the method for recognising gains and losses on changes in fair value depends on whether the derivative is classified as a fair value hedge or a cash flow hedge. Derivatives are classified as fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability and as cash flow hedges when they hedge exposure to variability in cash flows that are attributable to either a particular risk associated with a recognised asset or liability or to a forecast transaction. The Group documents at inception of the hedge the relationship between the hedging instruments (derivatives) and the hedged items, as well as the risk management objective and strategy for undertaking the hedge transaction.

The Group also documents, both at inception of the hedge and on an ongoing basis whether the derivatives that are used in the hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve and transferred to profit or loss when the hedged item affects profit or loss. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss. However, when the cash flow hedge relates to a forward foreign exchange contract to hedge a highly probable forecast transaction or firm commitment that results in a non-financial asset (e.g. inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the initial cost or carrying amount of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gains or losses on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of comprehensive income and recognised in net profit or loss for the year.

(t) Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 21.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

(u) Non-current asset held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(v) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government assistance which does not have conditions attached specifically relating to the operating activities of the entity is recognised in accordance with the accounting policies above.

(w) Changes in accounting policy, accounting standards and interpretations**(i) New and amended standards and interpretations****a) AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses***

This Standard makes amendments to AASB 112 *Income Taxes* to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The adoption of this amendment had no material impact on the financial position or performance of the Group.

b) AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

The amendments to AASB 107 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising

from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The disclosure related to this amendment is detailed in Note 22(c).

c) *AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

This Standard clarifies the scope of AASB 12 *Disclosure of Interests in Other Entities* by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The adoption of this amendment had no material impact on the financial position or performance of the Group.

(ii) Accounting standards and interpretations issued but not yet effective

a) *AASB 9 Financial Instruments* – Effective date: 1 January 2018 (Application date: 1 July 2018)
AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement.

AASB 9 includes a single approach for the classification and measurement of financial assets, based on cash flow characteristics and the business model used for the management of the financial instruments. It introduces the expected credit loss model for impairment of financial assets which replaces the incurred loss model used in AASB 139. The standard also amends the rules on hedge accounting to align the accounting treatment with the risk management practices of the Group.

The Group is currently assessing the impact of the application of the new standard.

b) *AASB 15 Revenue from Contracts with Customers* – Effective date: 1 January 2018 (Application date: 1 July 2018)

AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB Interpretation 13 *Customer Loyalty Programmes*, AASB Interpretation 15 *Agreements for the Construction of Real Estate*, AASB Interpretation 18 *Transfers of Assets from Customers* and AASB Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 *Leases* (or AASB 16 *Leases*, once applied).

The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group is currently assessing the impact of adopting AASB 15. The assessment is aimed at identifying key areas of the business that may have potential risk of impact and may require a greater level of work effort to quantify the financial impact of AASB 15. This includes identifying changes to accounting policies, reporting requirements, business processes and associated internal controls with the objective of quantifying the expected first-time adoption impacts as well as supporting ongoing compliance with the new accounting requirements.

- c) AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions* – Effective date: 1 January 2018 (Application date: 1 July 2018)

This Standard amends AASB 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments.
- Share-based payment transactions with a net settlement feature for withholding tax obligations.
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Group is currently assessing the impact of the application of the new standard.

- d) AASB 16 *Leases* – Effective date: 1 January 2019 (Application date: 1 July 2019)

AASB 16 replaces existing lease requirements in Australian Accounting Standards (AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, SIC – 15 *Operating Leases – Incentives*, SIC – 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*).

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). In determining the lease liability, the Group must consider the lease term and the expected exercise of renewal options available.

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The Group is currently assessing the impact of the change in standard which it expects to be material. The new standard is expected to result in an increase in assets and liabilities, change in the timing in which lease expenses are recognised, a classification shift in earnings categories from operating expense to depreciation and interest expense, and an increase in gearing levels.

- e) AASB Interpretation 23 *Uncertainty over Income Tax Treatments* – Effective date: 1 January 2019 (Application date: 1 July 2019)

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Group is currently assessing the impact of the application of the new interpretation.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Agricultural produce

The current year unharvested citrus crop is classified as a biological asset and valued in accordance with AASB 141 *Agriculture*. In applying this standard, the Group has made various assumptions at the reporting date as the selling price of the crop can only be estimated and the actual crop yield or produce not harvested at the reporting date will not be known until it is completely processed and sold. Refer to Note 9 for assumptions pertaining to the current year crop. Agricultural produce is measured at fair value less costs to sell. The fair value inputs are considered Level 3 with reference to the fair value hierarchy. Refer to Note 13.1 for further details regarding the fair value hierarchy.

(b) Net realisable value of inventory

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business. Management has recorded a provision based on the value of inventory that is likely to be sold below cost using past experience and judgement of the age (including expiry dates) and likely sell through rates of specific inventory items. Refer to Note 8 for further details.

(c) Colignan property lease

The property leases of the Group include an approximate 1,052 hectare lease from Arrow Funds Management in which the Group has the right to harvest the vine fruit and citrus from the trees owned by the lessor for the term of the agreement. The Group also has first right of refusal to purchase the property in the event that the lessor wished to sell. The term of the lease is 25 years, which is consistent with the useful life of the bearer plants.

Management have determined using judgement that this transaction constitutes a finance lease and accordingly has recognised the leased asset and corresponding liability in the statement of financial position. A finance charge at the implied interest rate of the liability as well as depreciation of the leased asset is recognised in the profit and loss.

(d) Impairment of assets

Management's judgement is applied in determining the impairment of assets in accordance with AASB136 *Impairment of Assets*. If the recoverable amount (higher of the value in use and fair value less cost to sell) is lower than the carrying value of an asset, the difference is recognised as impairment in the profit or loss. Refer to Note 14 for further details.

(e) Leased water rights

The Group leases short-term temporary water rights. These are treated as operating leases on the basis that:

- the water rights do not transfer to the Group at the end of the lease;
- there are no option to purchase the water rights;
- the rights are temporary and short-term; and
- settlement of the contracts cannot be settled in cash on a net basis.

(f) Developing vine capital expenditure

Refer to Note 13.1 for further details.

(g) Land, buildings and bearer plants at revalued amounts

Refer to Note 13.1 for further details.

4. Revenues

	2018 \$'000	2017 \$'000
Sales Revenue	68,539	48,522
Other income		
Change in assessment of contingent consideration (refer Note 14)	-	474
Interest income	14	49
Insurance proceeds	47	71
Government grants	105	483
Rental income	19	42
Other	37	236
	222	1,355

5. Expenses

Loss before tax includes the following specific expenses:

	2018 \$'000	2017 \$'000
<i>Depreciation expense of non-current assets:</i>		
Bearer plants	1,125	779
Buildings and property improvements	187	127
Plant and equipment	3,732	2,539
Leased asset	781	741
Leasehold improvements	373	90
Total depreciation of non-current assets	6,198	4,276

5. Expenses (Continued)

	2018 \$'000	2017 \$'000
<i>Employee benefits expense:</i>		
Employee expenses	11,577	6,423
Superannuation benefits	948	643
Share-based payments expense	96	723
Employee expenses capitalised to biological assets and bearer plants	(2,260)	(2,036)
Total employee benefits expense	10,361	5,753
<i>Business restructuring costs:</i>		
Redundancies ⁽ⁱ⁾	803	-
Professional fees ⁽ⁱⁱ⁾	1,034	-
Provision for make good expense	250	-
Other	256	-
Total business restructuring costs	2,343	-

(i) Redundancies relates to restructure of the executive and operations teams. These items are excluded from the 'employee benefits expense'.

(ii) Professional fees comprise of costs associated with holding an Extraordinary General Meeting in January 2018 leading to the change of the Board of Directors and consequential changes to the business; as well as consultancy work to reorganise the Group's tax affairs, banking arrangements and preliminary work undertaken to sell the non-core assets of the Group and recapitalise the Group.

	2018 \$'000	2017 \$'000
<i>Finance costs:</i>		
Interest on loans	2,135	1,042
Interest on finance lease – Colignan property	2,488	1,947
Capitalised interest relating to qualifying assets	(1,286)	(693)
Total finance costs	3,337	2,296
<i>Revaluation loss on properties and assets held for sale:</i>		
Land, bearer plants and properties	6,383	-
Assets held for sale at commencement of the year	279	-
Agricultural produce	368	-
Total revaluation loss on properties and assets held for sale	7,030	-
Profit/(loss) on sale of property, plant and equipment	51	(24)
Net foreign currency (gains) / losses	(54)	276
Net bad and doubtful debts	265	256
Operating lease minimum lease payments	2,061	1,274

6. Income tax

	2018	2017
	\$'000	\$'000
Income tax expense		
Statement of profit or loss		
<i>Current income tax</i>		
Current income tax charge	-	-
Adjustments of current income tax of previous year	(79)	(5)
<i>Deferred income tax</i>		
Origination and reversal of temporary differences	(1,817)	(1,224)
Income tax benefit reported in the statement of profit or loss	(1,896)	(1,229)
Statement of comprehensive income		
Origination and reversal of temporary differences	668	2,289
Income tax expense reported in other comprehensive income	668	2,289
Reconciliation of tax benefit and the accounting loss:		
Loss before tax	(61,504)	(7,157)
Income tax benefit calculated at 30% (2017: 30%)	(18,451)	(2,147)
Non-deductible expenses for income tax purposes	8,454	1,146
Non-assessable income for income tax purposes	(312)	(142)
Other	(40)	(81)
Tax losses not brought to account	8,532	-
Adjustments of current income tax of previous year	(79)	(5)
Income tax benefit recognised in profit or loss	(1,896)	(1,229)

6. Income tax (Continued)

	2018 \$'000	2017 \$'000
<i>Deferred tax liabilities</i>		
Inventories	-	(303)
Biological Assets	(786)	(548)
Property, plant and equipment	(3,472)	(2,278)
Foreign exchange derivatives	(58)	-
	(4,316)	(3,129)
<i>Deferred tax assets</i>		
Inventories	602	-
Employee entitlements	164	155
Accrued expenses	665	139
Deferred revenue	188	117
Deductible lease payments (Colignan property)	770	431
Foreign exchange derivatives	-	164
Expenditure incurred but deductible over time	602	552
Income tax losses	1,264	166
Other	61	60
	4,316	1,784
Net deferred tax liability	-	(1,345)
Reconciliation of deferred taxes		
Opening balance at 1 July	(1,345)	(940)
Recognised in profit or loss	1,817	1,224
Recognised in other comprehensive income	(668)	(2,289)
Recognised directly in equity	196	519
Arising through business combinations	-	136
Other	-	5
Closing balance at 30 June	-	(1,345)

Carry forward income tax losses:

The Group has recognised a deferred tax asset at 30 June 2018 in relation to available carry forward tax losses to the extent that a net deferred tax liability is reduced to nil. The Group has not recognised a deferred tax asset in relation to all available carry forward tax losses it has generated. As a result the following gross tax losses (not tax effected at the statutory income tax rate) have not been brought to account.

	2018 \$'000	2017 \$'000
Gross income tax losses	28,237	-

The ability of the Group to utilise the carry forward income tax losses in the future years when taxable profit is generated will be subject to satisfaction of Australian statutory recoupment tests – the 'Continuity of Ownership Test', or failing this, the 'Same Business Test'.

7. Trade and other receivables

	2018 \$'000	2017 \$'000
Trade receivables	6,711	7,252
Provision for doubtful debts and customer returns	(212)	(170)
	6,499	7,082
GST receivable	230	742
Related party receivables (refer Note 30)	-	1,067
	6,729	8,891
Aging of trade receivables that are not impaired		
Not past due	4,856	6,062
Past due 1-30 days	1,330	774
Past due 31-60 days	132	116
Past due 61 days+	181	130
	6,499	7,082
<i>Movements in the provision for doubtful debts were:</i>		
Opening balance at 1 July	170	360
Impairment loss recognised	265	256
Amounts written off	(223)	(446)
Closing balance at 30 June	212	170
<i>Aging of provision for doubtful debts at 30 June is as follows:</i>		
Not past Due	8	-
Past due 1-30 days	57	54
Past due 31-60 days	5	78
Past due 61 days+	142	38
	212	170

Trade receivables are non-interest bearing with credit terms generally settled within 30 days depending on the nature of the sales transaction. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods, determined by reference to specific customers where receipt is in doubt. During the current financial year, any doubtful debt movements were recognised in profit or loss for the year.

8. Inventories

	2018 \$'000	2017 \$'000
Packaging stock (at cost)	1,081	617
Raw materials (at cost or fair value less costs to sell at the point of harvest)	12,711	19,835
Finished goods (at lower of cost and net realisable value)	6,583	7,309
Provision for stock obsolescence	(4,181)	(692)
	16,194	27,069

9. Agricultural produce

	2018 \$'000	2017 \$'000
Dried fruit unharvested – at fair value less costs to sell	-	2,682
Citrus unharvested – at fair value less costs to sell	1,728	1,365
New season crop – at cost	893	360
Total	2,621	4,407

Reconciliation of changes in carrying amount

Opening balance	4,407	624
Fair value gain of agricultural produce	158	13,185
Increase due to costs incurred to maintain and enhance the biological asset	10,584	4,829
Increases due to property acquisitions or gaining control of leased asset	-	2,531
Revaluation loss on amounts transferred to assets held for sale	(368)	-
Decreases due to harvest (transferred to inventory)	(12,160)	(16,762)
Closing balance	2,621	4,407

Product - Yields (tonnes)

	2018 Tonnes	2017 Tonnes
Harvested pre 30 June	4,675	4,966
Estimated hanging fruit at 30 June	3,200	2,586
Total	7,875	7,552

	2018 \$'000	2017 \$'000
Total crop value	10,742	18,465

Assumption	Loose Organic (\$/kg)	Loose Conventional (\$/kg)	Clusters (\$/kg)	Fresh (\$/kg)	Citrus (\$/kg)	Wine grapes (\$/kg)
Fair value less costs to sell at point of harvest - 2018	2.79	1.99	N/A	2.69	0.60	0.34
Fair value less costs to sell at point of harvest - 2017	2.64	1.72	15.00	3.77	0.59	Nil

During the year ended 30 June 2018, the Group has changed its approach to estimating the fair value of agricultural produce. Specifically, it has valued its dried fruit harvest at a fair value that approximates the farmgate 'selling prices less costs to sell' based on prices paid to third parties for equivalent produce and in the case of organic produce including a premium based on end product pricing relative to conventional. Previously the Group estimated fair value by reference to post processing selling prices less costs to harvest, process and sell. The Group identified that the principal market for all of its agricultural produce was as loose dried fruit in food products and consequently valued all produce on this basis. Previously the Group separately valued produce intended for its Clusters product separately however in the current year has assessed this is not the principal market.

Whilst this change in accounting estimate has led to a lower crop value in 2018 compared to 2017, the overall tonnes produced from the Group's farms has increased by 4%.

- If the Group were to adopt the same pricing assumptions applied in the FY17 year against the FY18 yields, the total crop value would be \$14.163 million, resulting in a fair value gain of \$3.579 million.

9. Agricultural produce (Continued)

Valuation techniques and significant unobservable inputs

Type	Description	Valuation technique	Significant Unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Harvested own grown inventory; Hanging crop (grapes/dried fruit and citrus)	These are crops from vines and trees that have an annual crop production cycle and a reasonably stable development cycle.	Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the crop	Inclusive of: <ul style="list-style-type: none"> Estimated future crop prices. Estimated cash inflows based on forecasted sales. Estimated yields per acre. Estimated remaining farming, harvest, processing, transportation, and selling costs. Risk adjustment factors 	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> the estimated fruit prices were higher (lower); the estimated yields per acre were higher (lower); the estimated harvest farming, harvest, processing, transportation, and selling costs were lower (higher); or the risk-adjustment factors were lower (higher).

10. Other financial assets

	2018 \$'000	2017 \$'000
Foreign currency forward contracts	169	-

11. Other assets

	2018 \$'000	2017 \$'000
Prepayments and other	1,320	1,983
Amounts held in escrow	-	2,204
	1,320	4,187

12. Assets held for sale

	2018 \$'000	2017 \$'000
Property assets	7,642	2,069

Property assets (comprising property, plant and equipment and biological assets) held for sale at 30 June 2018 include Fifth Street, Pomona farms, Cowanna house and Walnut Avenue warehouse, which are considered non-core assets. Walnut Avenue was settled on 17 July 2018.

The property assets held for sale at 30 June 2017 related to Walnut Avenue and Benetook Avenue as a result of the consolidation of the facilities at Mourquong.

The assets held for sale are measured at the lower of existing carrying value and fair value less costs to sell. Assets held for sale at fair value less costs to sell are classified as Level 3 with reference to the fair value hierarchy (refer to hierarchy detailed in Note 13).

13. Property, plant and equipment

	Freehold land at revalued amount	Bearer plants at revalued amount	Buildings and property improvements at revalued amount	Leasehold improvements at cost	Leased asset at cost	Plant and equipment at cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying amount							
Balance at 1 July 2016	5,085	15,227	3,209	806	17,400	10,001	51,728
Additions	4,073	12,336	3,847	9,068	2,014	8,750	40,088
Disposals	-	-	-	-	-	(26)	(26)
Reclassified as held for sale	(861)	-	(1,204)	-	-	(4)	(2,069)
Balance at 30 June 2017	8,297	27,563	5,852	9,874	19,414	18,721	89,721
Additions	516	1,964	1,374	914	4,429	3,690	12,887
Disposals	(10)	-	(31)	-	-	-	(41)
Transfer of assets	1,724	(1,724)	-	-	-	-	-
Revaluation decrement through profit and loss	(340)	(5,018)	(877)	-	-	(148)	(6,383)
Revaluation increment/(decrement) through asset revaluation reserve	5,628	(5,767)	115	-	-	(2)	(26)
Reclassified as held for sale	(771)	(4,706)	(1,241)	-	-	(668)	(7,386)
Balance at 30 June 2018	15,044	12,312	5,192	10,788	23,843	21,593	88,772

13. Property, plant and equipment (Continued)

	Freehold land at revalued amount	Bearer plants at revalued amount	Buildings and property improvements at revalued amount	Leasehold improvements at cost	Leased asset at cost	Plant and equipment at cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accumulated depreciation and impairment losses							
Balance at 1 July 2016	-	(470)	(51)	-	(365)	(2,356)	(3,242)
Depreciation expense	-	779	(127)	(53)	(741)	(2,539)	(4,239)
Disposal	-	-	-	-	-	-	-
Reclassified as held for sale	-	-	-	-	-	-	-
Balance at 30 June 2017	-	(1,249)	(178)	(53)	(1,106)	(4,895)	(7,481)
Depreciation expense	-	(1,125)	(187)	(373)	(781)	(3,732)	(6,198)
Impairment expense	-	-	-	(4,521)	-	(5,899)	(10,420)
Disposal	-	-	4	-	-	-	4
Reclassified as held for sale	-	508	61	-	-	197	766
Write-back of depreciation on revaluation	-	1,866	300	-	-	1	2,167
Balance at 30 June 2018	-	-	-	(4,947)	(1,887)	(14,328)	(21,162)
Net book value as at 30 June 2017	8,297	26,314	5,674	9,821	18,308	13,826	82,240
Net book value as at 30 June 2018	15,044	12,312	5,192	5,841	21,956	7,265	67,610

13. Property, plant and equipment (Continued)

13.1 Fair value measurement of freehold land, buildings and bearer plants

The Group's freehold land, buildings and bearer plants are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and buildings and bearer plants as at 30 June 2018 were determined via independent valuation performed by CIVAS (Vic) Pty Limited known as Colliers International. Colliers is a member of the Institute of Valuers of Australia, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

As at 30 June 2017, the fair values were determined via Directors valuations, which from time to time are reconfirmed via independent external valuations, previously completed by CBRE in June 2016. All other acquisitions were recorded at cost.

The valuation methodology adopted was direct comparison and summation approaches.

During the year, the Group capitalised \$5.074 million (2017: \$3.486 million) relating to the development of existing or new vineyards which are determined to still be in development, that is, these vines are yet to deliver commercial quantities of produce. Management deem vines less than three years of age as developing vines. The nature of these expenses includes; the purchase of young vines, buds, irrigation infrastructure, trellising systems, and a proportionate allocation of operational vineyard expenses including water, fuels, vehicle costs, and labour. The proportionate allocation of operational vineyard expenses is based on the number of vineyard patches that are considered immature versus the total number of patches.

The Group's freehold land, buildings and bearer plants are classified as Level 3 with reference to the fair value hierarchy.

Fair value measurement

The fair value measurements of the Group stated above refer to the fair value hierarchy. These include:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the year.

13. Property, plant and equipment (Continued)

13.2 Prior financial year significant property transactions

On 16 December 2016, the Group acquired 113 hectares of land called the “Fifth Street” Vineyard, which includes 72 hectares of mature table grape on fresh fruit trellis, in Victoria, for \$10.424 million cash consideration.

The consideration has been allocated to the assets acquired as follows:

	Carrying value \$'000
Land	942
Irrigation infrastructure	475
Vineyard infrastructure	838
Bearer plants	4,446
Biological assets - growing crop	1,802
Buildings	1,480
Equipment	441
Total fair value	10,424

On 11 May 2017, the Group acquired 3,142 hectares of land called the “Nangiloc” Vineyard, which includes 64 hectares planted to citrus and 72 hectares planted to wine where both are drip-irrigated, in Victoria, for \$7.922 million cash consideration.

The consideration has been allocated to the assets acquired as follows:

	Carrying value \$'000
Land	3,131
Irrigation infrastructure	196
Vineyard infrastructure	3,817
Biological assets - growing crop	729
Buildings	49
Total fair value	7,922

14. Intangible assets

	2018 \$'000	2017 \$'000
Goodwill - balance at start of year	10,749	-
Impairment expense recognised in the year	(10,749)	-
Additions	-	10,749
Goodwill – balance at end of the year	-	10,749

The Group operates as a single Cash Generating Unit (“CGU”) and has incurred a loss before tax of \$59.607 million as a result of the factors including those described in Note 2.

The Group undertook an impairment assessment of the CGU and identified an impairment expense of \$21.169 million which has been recorded in profit and loss as per the below table:

	Carrying amount 30 June 2018 \$'000	Impairment expense \$'000	Recoverable Amount 30 June 2018 \$'000
Goodwill	10,749	(10,749)	-
Plant and equipment – at cost (Note 13)	13,164	(5,899)	7,265
Leasehold improvements – at cost (Note 13)	10,362	(4,521)	5,841
Total impairment expense		(21,169)	

The recoverable amount of the CGU has been determined based on a Value in Use methodology which requires the use of assumptions. This methodology uses cash flow forecasts based on financial projections by management covering a 10 year period.

Management believe use of a 10 year period is appropriate to reflect: 1) the turnaround performance of the Group from its current position; 2) the key assets are long term in nature and cash flows from those assets are achieved over time; and 3) the organic and better-for-you food industry is forecast to grow at a rate in excess of inflation for an extended period.

Key Assumptions:

- **Sales growth:** Sales are forecast to grow at a compound annual growth rate of approximately 13% per annum for FY19 to FY23 and then 7% per annum for FY24 to FY28 reflecting management’s assessment of growth in demand, additional availability of product from its farms and additional supply from third party producers.
- **Operating costs:** A significant proportion of the Group’s farm, processing and administrative costs are considered to be relatively fixed in nature and forecast to increase by an inflationary indexation.
- **Yields:** Yields per hectare are based on Group forecasts for FY19 and then remain constant in future years.
- **Capital expenditure:** Significant capital expenditure is forecast over FY19, FY20, FY21 and FY22 to complete the Group’s current vine development program after which capital expenditure is expected to remain at modest levels reflecting the Group’s recently acquired infrastructure which is currently underutilised.
- **Long term growth rate:** 2.5%
- **Discount rate:** A pre-tax discount rate of 19.3% (2017: 17.2%) has been used reflecting the extended period of the forecast and inherent risks.

In the absence of a current market share price due to its voluntary suspension, the Group has assessed the recoverable amount compared with the market capitalisation of the Group implied by the anticipated equity raise.

An adverse change in any of the above key assumptions would likely result in the carrying value of the CGU exceeding its recoverable amount.

14. Intangible assets (Continued)

Prior year business combinations

a) Acquisition of the Food Source International business assets

On 12 September 2016, the Group acquired the Food Source International (“FSI”) business assets.

Consideration transferred

The following table summarises the acquisition date fair value of consideration transferred.

	\$'000
Cash	4,652
Contingent consideration (a)	900
Total consideration transferred	5,552

Contingent consideration:

The Group had agreed to pay the sellers additional consideration of \$0.900 million (maximum) if the trading income of FSI was at least \$22.000 million for the year ending 30 June 2017 (inclusive of pre-acquisition revenue). If the trading income was less than \$22.000 million a discount would be applied to the contingent consideration. The full contingent consideration of \$0.900 million was paid on 22 August 2017 and is part of investing activities in the statement of cash flows.

Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of FSI as at the date of acquisition were:

	Fair value \$'000
Inventory	2,926
Deferred tax asset	40
Employee liabilities	(7)
Foreign currency contracts	(125)
Total fair value	2,834

Goodwill arising on acquisition

	\$'000
Consideration transferred	5,552
Less: fair value of identifiable net assets	(2,834)
Goodwill arising on acquisition	2,718

Transaction costs of \$0.136 million were expensed and included in Professional fees in the statement of profit or loss, and were part of operating cash flows in the statement of cash flows for the year ended 30 June 2017.

14. Intangible assets (Continued)

b) Acquisition of Australian Organic Holdings Pty Ltd business assets

On 16 November 2016, the Group completed the acquisition of the business assets of Australian Organic Holdings Pty Ltd ("Australian Organic Holdings").

Consideration transferred

The following table summarises the acquisition date fair value of consideration transferred.

	\$'000
Cash	10,300
Contingent consideration (a)	2,200
Total consideration transferred	12,500

Contingent consideration:

The Group was required to pay the sellers additional consideration of \$2.200 million (maximum) if the trading income of Australian Organic Holdings was at least \$25.000 million for the year ending 30 June 2017 (inclusive of pre-acquisition revenue). If the trading income was less than \$25.000 million a discount would be applied to the contingent consideration. Management determined that the full earnout was not likely payable and the contingent consideration was reduced by \$0.474 million which was reflected in 'other income' for the year ending 30 June 2017. The remaining contingent consideration balance of \$1.726 million was paid in full on 14 September 2017 and is part of investing activities in the statement of cash flows.

Identifiable assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

	Fair value \$'000
Inventory	4,373
Plant and equipment	322
Deferred tax asset	97
Employee liabilities	(45)
Foreign currency contracts	(278)
Total fair value	4,469

Goodwill arising on acquisition

	\$'000
Consideration transferred	12,500
Less: fair value of identifiable net assets	(4,469)
Goodwill arising on acquisition	8,031

Transaction costs of \$0.147 million were expensed and included in Professional fees in the statement of profit or loss, and were part of operating cash flows in the statement of cash flows for the year ended 30 June 2017.

Impact of acquisitions on the prior year results of the Group

Had these business combinations been in affect at 1 July 2016, the revenue of the Group would have been \$62.600 million and the loss would have been reduced by \$1.300 million in the prior year.

14. Intangible assets (Continued)

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30/06/18 \$'000	30/06/17 \$,000		
Contingent consideration in a business combination	Liabilities Nil	Liabilities \$2,626 (i)	Level 2	Contingent consideration was dependent on Food Source International and Pacific Organics meeting revenue targets (refer above) The carrying value of the contingent consideration has been determined based on actual revenue achieved in relation to the revenue target for their performance period which is the 2017 financial year.

(i) This reflects the reduced value of contingent consideration.

15. Trade and other payables

	2018 \$'000	2017 \$'000
Trade payables	6,059	8,364
Other accruals and payables	5,603	2,534
Deferred income	163	52
Amount due under contract (Nangilloc property)	-	7,172
Total	11,825	18,122

16. Borrowings

	2018 \$'000	2017 \$'000
<u>Current</u>		
<i>Secured borrowings:</i>		
Bank overdraft (i)	3,806	-
Bank and trade finance loans (i)	35,122	14,920
Lease liabilities – equipment loans (ii)	5,944	980
Lease liabilities – Colignan property (iii - refer to 16(b))	2,289	1,388
Total	47,161	17,288
<u>Non-current</u>		
<i>Secured borrowings:</i>		
Bank loans (i)	-	12,117
Lease liabilities – equipment loans (ii)	-	3,314
Lease liabilities – Colignan property (iii - refer to 16(b))	22,133	17,797
Total	22,133	33,228

- (i) The bank financing arrangements (comprising a bank overdraft, trade finance loans and other loans) are secured by the Group's assets by registered mortgage freeholds over the land and buildings, and first ranking fixed and floating charges over the Company and its subsidiaries (with corresponding cross guarantee). The loans without a fixed term are subject to annual review facility by 31 July each year.

The Group has classified its entire bank financing as a 'current' liability at 30 June 2018, until it renegotiates its banking facilities as part of a proposed capital raising which is expected to include a revision to financial covenants.

The Group has the following fixed term loans included as part of its bank financing arrangements, which have been reclassified as a current liability:

- a) \$8.187 million expiring 31 March 2020
- b) \$8.300 million expiring 30 June 2020
- c) \$3.000 million expiring 24 April 2019

The weighted average of fixed and floating rates detailed in Note 23.

- (ii) Finance lease liabilities representing equipment loans are secured over the assets under the financing arrangements. \$4.455 million included in lease liabilities are due for repayment after 30 June 2019, however have been classified as current due to matters noted above in (i).
- (iii) The Colignan property lease liability is secured by the underlying leased asset which had a carrying value of \$21.957 million at 30 June 2018 (2017: \$21.820 million). The leased asset to which the leased liability relates is summarised in Note 3(c).

Subsequent to year end the Group increased its banking facilities. Refer to Note 33 for details of events subsequent to the reporting date.

16 (a) Banking facilities

	2018 \$'000	2017 \$'000
Summary of financing arrangements		
<u>Debt Facilities Limit at reporting date:</u>		
Bank overdraft	4,000	-
Trade finance loan	14,000	12,000
Equipment loans & leases*	8,500	4,580
Bank loans	19,583	19,583
Bank guarantee	1,530	1,530
	47,613	37,693
<u>Facilities utilised at reporting date:</u>		
Bank overdraft	3,806	-
Trade finance loan	13,950	11,873
Equipment loans & leases*	7,629	4,294
Bank loans	19,487	15,117
Bank guarantee	1,514	1,514
	46,386	32,798
<u>Facilities not utilised at reporting date:</u>		
Bank overdraft	194	-
Trade finance loan	50	127
Equipment loans & leases*	871	286
Bank loans	96	4,466
Bank guarantee	16	16
	1,227	4,895

* Includes an interim \$2.000 million loan facility (taken out as trade finance) to fund progress payment made on capital equipment, which will be converted to a finance lease once the equipment has been fully commissioned and final instalment paid to the supplier.

16 (b) Obligations under finance leases

The Group's finance lease arrangements are as follows:

- (a) Equipment finance leases with lease terms up to 5 years; and
- (b) The Colignan vineyard lease is a non-cancellable lease with an implicit interest rate of 11.64% (2017: 11.33%) and has a remaining term of 23 years (2017: 24 years). Reimbursements of eligible capital expenditure incurred on the vineyard results in an increase to the lease liability (and lease asset).

	2018 \$'000	2017 \$'000
Not later than one year	4,040	2,368
Later than one year and not later than five years	14,549	11,099
Later than five years	62,994	47,841
Minimum lease payments	81,583	61,308
Less: future finance charges	(51,217)	(37,829)
Total lease liabilities recognised at 30 June	30,366	23,479

17. Provisions

	2018 \$'000	2017 \$'000
<u>Current</u>		
Employee entitlements	505	470
Stamp duty payable	-	1,040
Contingent consideration	-	2,626
Make good of property leases	250	-
Total	755	4,136
<u>Non-Current</u>		
Employee entitlements	42	48
Make good of property leases	398	398
Total	440	446

18. Other financial liabilities

	2018 \$'000	2017 \$'000
Foreign currency contracts – fair value through profit or loss	-	547

19. Contributed equity

Refer to Note “1. General Information and group reorganisation” for details of the Group reorganisation which occurred during the year ended 30 June 2017.

	Year ended 30 June 2018		Year ended 30 June 2017	
	Number '000	\$'000	Number '000	\$'000
Equity securities issued				
Opening balance at 1 July	87,087	112,002	16,976	9,693
Issue of shares before group reorganisation	-	-	5,588	13,411
Issue of shares to acquire Non-controlling interest (Murray River Organics Property Trust)	-	-	22,564	29,333
Issue of shares as part of the group reorganisation (Murray River Organics Limited)	-	-	22,564	35,563
Issue of shares at initial public offering	-	-	19,231	25,000
Issue of shares on capital raising	40,352	12,106	-	-
Issue of shares to other employees	138	180	-	-
Issue of shares to non-executive directors	-	-	164	213
Equity raising costs (net of tax)	-	(456)	-	(1,211)
Closing balance at 30 June	127,577	123,832	87,087	112,002

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

20. Reserves

		2018 \$'000	2017 \$'000
Reserves comprise:			
Asset revaluation reserve	(a)	6,781	5,342
Share based payment reserve		427	511
Foreign exchange reserve		118	-
Group reorganisation reserve	(b)	(47,453)	(47,453)
		(40,127)	(41,600)
(a) Asset revaluation reserve			
Balance at the beginning of the year		5,342	-
Net revaluation gain – property, plant and equipment		2,141	-
Net revaluation loss – assets held for sale at the commencement of the year		(85)	-
Net tax impact of revaluation gain or loss		(617)	(2,289)
Reclassification of non-controlling interests		-	7,631
Balance at the end of the financial year		6,781	5,341

The asset revaluation reserve arises on the revaluation of freehold land, buildings and bearer plants. Where a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset and is effectively realised is transferred directly to retained losses. Prior to the reorganisation as outlined in Note 1, no income tax was payable by Murray River Organics Property Trust, nor by the Trustee of the Trust provided the unitholders were presently entitled to the income of the trust as determined in accordance with the Trust Deed. As a result of the reorganisation, all units are held by Murray River Organics Group Limited and all income of the Trust are taxed in Murray River Organics Group Limited. Consequently, the deferred tax impact in respect of prior period gains on the revaluation of property, plant and equipment is required to be recognised in accordance with AASB 112 *Income Tax*. The deferred tax impact of \$2.289 million on prior period revaluation gains has therefore been recognised in other comprehensive income during the year ended 30 June 2017.

(b) Corporate re-organisation reserve

		2018 \$'000	2017 \$'000
Balance at the beginning of the year		(47,453)	-
Arising on group reorganisation (refer to Note 1)		-	(47,453)
Balance at the end of the financial year		(47,453)	(47,453)

Refer to Note 1, for information regarding the corporate reorganisation reserve.

21. Share based payments

The Group provides benefits to its employees in the form of share-based payment transactions, whereby services are rendered in exchange for ordinary shares, performance rights or share options (“equity-settled transactions”).

The fair value of ordinary shares, performance rights or share options are recognised as an expense with the corresponding increase in equity (share-based payments reserve). When the share-based payments vest, they are transferred to contributed equity. The fair value is measured at grant date and recognised over the period during which the holder becomes unconditionally entitled to the options.

21. Share based payments (Continued)

Ordinary shares

During the year ended 30 June 2017, Non-executive Directors received a one-off issue of 163,537 (in total) ordinary shares in the Company on the completion of the Company's listing on the Australian Securities Exchange in recognition of the additional work undertaken by the Non-executive Directors. The fair value of the ordinary shares issued on the grant date was \$1.30 per ordinary share.

There were no issuances of ordinary shares by the Company to any employees of the Company during the year ended 30 June 2018.

Performance rights

Previous key management personnel

Following the listing of the Company on the Australian Securities Exchange in December 2016, certain key management personnel were granted 1,153,845 performance rights for nil consideration as a 'one-off retention payment'. The performance rights will vest on 30 June 2019 provided that the relevant employees satisfy a service condition to remain in continuous employment with the Group from grant date until 30 June 2019. There are no performance conditions or other vesting conditions attached to the one-off retention payment performance rights.

On 24 August 2017, the Board approved a modification to the 1,153,845 one-off retention performance rights to include a share price hurdle performance condition that the volume-weighted average price of the Company's shares on the Australian Securities Exchange, calculated over the 20 day trading period commencing from and including the date which is two weeks after the date on which the Company lodged its preliminary annual report with the Australian Securities Exchange for the year ended 30 June 2019, is equal to or greater than \$1.30. This modification did not result in an increase in fair value of the performance rights. This modification extends the vesting date of the performance rights to 4 October 2019. The Company's share price at the date of modification was \$0.35.

During the year ended 30 June 2018, certain employees previously granted one-off retention payment performance rights forfeited 769,230 performance rights upon resigning as an employee of the Group.

Certain key management personnel were also issued separate tranches of performance rights for nil consideration. The performance rights vest if the service and performance conditions are met. The service condition requires the relevant employees to remain in continuous employment with the Group from grant date until 30 June 2019. Performance rights subject to an earnings per share ("EPS") performance condition are not subject to any market based vesting conditions. Performance rights subject to a share-price growth ("SPG") performance condition, is a market based vesting condition. The SPG performance condition is based on the Company's SPG on a compound basis over the relevant performance period. The opening share price on which this is to be measured is the offer price under the initial public offering (\$1.30) and the closing price is the volume weighted average price of the company's shares over the 30-day period to 30 June 2019.

- 250,264 performance rights were granted subject to an EPS performance condition.
- 250,264 performance rights were granted subject to a SPG performance condition

During the year ended 30 June 2018, certain employees previously granted performance rights forfeited 192,308 (EPS performance condition) and 192,308 (SPG performance condition) performance rights upon resigning as an employee of the Group.

Other employees

Following the listing of the Company on the Australian Securities Exchange in December 2016, certain other employees were granted 153,845 performance rights for nil consideration as a 'one-off retention payment'. These performance rights vested on 15 December 2017 provided that the relevant employees satisfied a service condition to remain in continuous employment with the Group from grant date until 15 December 2017. There are no performance conditions or other vesting conditions attached to the one-off retention payment performance rights. During the year ended 30 June 2018, certain employees previously granted one-off retention payment performance rights forfeited 15,384 performance rights upon resigning as an employee of the Group. During the year ended 30 June 2018, 138,461 performance rights vested and were exercised by the relevant employees.

21. Share based payments (Continued)

Former Chief Executive Officer – George Haggar

Upon employment with the Group in November 2017, former Chief Executive Officer, Mr George Haggar, was granted 681,818 performance rights for nil consideration in accordance with the Group's Long Term Incentive ("LTI") Plan. The performance rights vest if the service and performance conditions are met. The service condition requires the participants to be employed on a continuous basis by the Group the grant date until 9 November 2020. During the year ended 30 June 2018, George Haggar forfeited all 681,818 performance rights upon resigning as an employee of the Group.

The fair value of each performance right is estimated at the grant date by taking into account the terms and conditions upon which the performance rights were granted. The fair value of the performance rights granted were estimated on the grant date using the following assumptions:

	Previous KMP			Other employees	George Haggar
	One-off retention	EPS	SPG	One-off retention	LTI
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Expected volatility	47.5%	47.5%	47.5%	47.5%	47.5%
Risk-free interest rate	1.85%	1.85%	1.85%	1.85%	1.91%
Expected life of performance rights	2.54 years	2.54 years	2.54 years	1.0 years	3.0 years
Exercise share price	Nil	Nil	Nil	Nil	Nil
Fair value of performance rights at grant date (per performance right)	\$1.30	\$1.30	\$0.65	\$1.30	\$0.418

Information with respect to the number of performance rights granted is as follows:

	2018 Number	2017 Number
Outstanding balance at the beginning of the year	1,808,218	-
- Granted	681,818	1,808,218
- Forfeited	(1,851,048)	-
- Exercised	(138,461)	-
- Expired	-	-
Outstanding balance at the end of the year	500,527	1,808,218

The weighted average fair value of the performance rights granted during the year ended 30 June 2018 was \$0.418 (2017: \$1.21).

The weighted average remaining contractual life of performance rights outstanding as at 30 June 2018 was 1.00 year (2017: 1.87 years).

21. Share based payments (Continued)

Share options

Retention Incentive – Former Chief Executive Officer: George Haggar

Upon employment with the Group in November 2017, George Haggar was granted 6,000,000 share options over three separate equal tranches for nil consideration. The share options will vest provided George Haggar satisfies a service condition to remain in continuous employment with the Group from grant date until the vesting date of each tranche being 9 November 2018, 9 November 2019 and 9 November 2020 respectively. There are no performance conditions or other vesting conditions attached to the share options. During the year ended 30 June 2018, George Haggar forfeited all 6,000,000 share options upon resigning as an employee of the Group.

Retention Incentive – Current Chief Executive Officer and Managing Director: Valentina Tripp

Upon employment with the Group in April 2018, Valentina Tripp was granted 6,000,000 share options over three separate equal tranches for nil consideration subject to the approval by shareholders at the Company's 2018 Annual General Meeting. The share options will vest provided Ms Tripp satisfies a service condition to remain in continuous employment with the Group until the vesting date of each tranche being 16 April 2019, 16 April 2020 and 16 April 2021. There are no performance conditions or other vesting conditions attached to the share options.

The fair value of each share option is estimated at the grant date by taking into account the terms and conditions upon which the share options were granted. The fair value of the share options granted were estimated on the grant date using the following assumptions:

	Valentina Tripp			George Haggar		
	Tranche A	Tranche B	Tranche C	Tranche A	Tranche B	Tranche C
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected volatility	47.5%	47.5%	47.5%	47.5%	47.5%	47.5%
Risk-free interest rate	2.21%	2.26%	2.35%	1.91%	2.08%	2.21%
Expected life of share options	3.0 years	4.0 years	5.0 years	3.0 years	4.0 years	5.0 years
Exercise share price	\$0.60	\$0.70	\$0.80	\$0.50	\$0.55	\$0.60
Fair value of share options at grant date (per share option)	\$0.0702	\$0.0764	\$0.0830	\$0.1244	\$0.1354	\$0.1453

Information with respect to the number of share options granted is as follows:

	2018 Number	2017 Number
Outstanding balance at the beginning of the year	-	-
- Granted	12,000,000	-
- Forfeited	(6,000,000)	-
- Exercised	-	-
- Expired	-	-
Outstanding balance at the end of the year	6,000,000	-

The weighted average fair value of the share options granted during the year ended 30 June 2018 was \$0.11 (2017: none granted).

The weighted average remaining contractual life of share options outstanding as at 30 June 2018 was 3.79 years (2017: none outstanding).

22. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdraft. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	2018 \$'000	2017 \$'000
Cash and cash equivalents	4	2,724
Bank Overdraft	(3,806)	-
	(3,802)	2,724

(b) Reconciliation of profit/ (loss) for the year to net cash flows from operating activities

	2018 \$'000	2017 \$'000
Profit for the year	(59,607)	(5,931)
<i>Adjustment for items not involving the outlay of cash:</i>		
Bad and doubtful debts	42	(190)
(Profit) / loss on sale of assets	51	(24)
Fair value gain of agricultural produce	(158)	(13,185)
Revaluation of properties and assets held for sale	7,030	-
Impairment of non-current assets	21,169	-
Share based payment expense	96	723
Unrealised foreign exchange loss	(547)	547
Depreciation expense	6,198	4,276
Reversal of contingent consideration liability	-	(474)
Reversal of provision for group reorganisation costs	(1,040)	-
Interest accrued	43	-
Capitalisation of borrowing costs	(1,286)	(692)
Changes in net assets and liabilities:		
<i>(Increase) / decrease in assets:</i>		
Trade and other receivables	1,142	(3,216)
Inventories	10,875	(8,875)
Other assets	2,867	(1,209)
Biological assets	1,575	12,193
<i>Increase / (decrease) in liabilities:</i>		
Deferred tax liabilities	(1,817)	(1,679)
Trade and other payables	852	4,778
Current tax liability	(946)	-
Provisions	213	1,696
Net cash used in operating activities	(13,248)	(11,262)

22. Notes to the cash flow statement (Continued)

(c) Reconciliation of liabilities arising from financing activities

2018	Financing cash			
	1 July 2017	inflows / (outflows)	Non-cash changes	30 June 2018
Borrowings – bank loans	27,037	8,132	(47)	35,122
Lease liabilities - equipment loans	4,294	1,651	(1)	5,944
Total liabilities from financing activities	31,331	9,783	(48)	41,066

2017	Financing cash			
	1 July 2016	inflows / (outflows)	Non-cash changes	30 June 2017
Borrowings – bank loans	12,559	14,478	-	27,037
Lease liabilities - equipment loans	2,620	1,674	-	4,294
Total liabilities from financing activities	15,179	16,152	-	31,331

23. Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 16 offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings/(accumulated losses)).

Operating cash flows are used to maintain and expand the Group's assets, as well as to make the routine outflows of payables, tax and pay for other financial instruments.

Gearing ratio

The Board of Directors reviews the capital structure on an ongoing basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group will balance its overall capital structure through new share issues and the issue or repayment of debt to execute its strategic plans and the payment of dividends.

Key net debt metrics are included in the following table:

	2018 \$'000	2017 \$'000
Net debt (including Colignan property leases)	69,290	47,792
Net debt (excluding Colignan property leases)	44,868	28,607
Net debt / equity (including Colignan property leases)	347%	72%
Net debt / equity (excluding Colignan property leases)	225%	43%
Equity	19,975	66,279

23. Financial instruments (Continued)

(b) Categories of financial instruments

At the reporting date there are no significant concentrations of credit risk relating to loans and receivables at amortised cost. The carrying amount reflected in the statement of financial position represents the Group's maximum exposure to credit risk for such loans and receivables.

	2018 \$'000	2017 \$'000
Financial assets		
Cash and cash equivalents	4	2,723
Trade and other receivables	6,729	8,891
Derivative instruments in designated hedge accounting relationships	169	-
Financial liabilities		
Trade and other payables	11,825	18,122
Borrowings	69,294	50,516

(c) Financial risk management objectives

The Group's finance function provides services to the business by monitoring and managing the financial risks relating to the operations through internal risk reports which analyse exposures by degree and magnitude of risk.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into forward foreign currency contracts to manage its exposure to foreign currency exchange rate fluctuations where it has entered into fixed price contracts.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial instruments is governed by the Group's policies approved by the Board of Directors. The Chief Financial Officer is responsible for managing the Group's treasury requirements in accordance with this policy.

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign currency contracts to manage its exposure to foreign currency exchange rate fluctuations (refer Notes 23(c) and 23(e)).

23. Financial instruments (Continued)

(e) Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Where appropriate, exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts or by offsetting import and export currency exposures.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Currency of USA	46	-	1,275	1,148
Currency of Europe	1	1	38	29
Currency of Japan	-	-	-	234
Currency of Canada	-	-	75	-

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to hedge a proportion of anticipated purchase commitments denominated in foreign currencies, principally US Dollars ("USD") expected in each month.

The following table sets out the gross contract value to be received/paid under forward foreign currency contracts, the weighted average contracted exchange rates and settlement periods of outstanding contracts used to hedge highly probable forecast transactions of the Group.

	Weighted average exchange rate		Foreign currency FC'000		Contract value \$'000		Fair value gain/(loss) \$'000	
	2018	2017	2018	2017	2018	2017	2018	2017
	Buy USD – less than one year	0.7595	-	4,690	-	6,175	-	169

As at the reporting date, the aggregate amount of unrealised gains/(losses) under forward foreign currency contracts relating to highly probable forecast transactions is \$0.169 million gain (2017: Nil) - tax effected \$0.118 million gain (2017: Nil). During the year ended 30 June 2018, the unrealised gains / (losses) have been deferred in the hedging reserve to the extent the hedge is effective (2017: entirely recorded through profit or loss).

Foreign currency sensitivity analysis

The Group is mainly exposed to USD currency. The following table details the Group's sensitivity to a 5 cent increase and decrease in the Australian dollar against the relevant foreign currency. The analysis includes derivative instruments in designated hedge accounting relationships, all trade receivables and trade payables outstanding at year end.

	USD Impact		EUR Impact		CAD Impact	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Profit	4	98	4	3	4	-
Equity	109	-	-	-	-	-

23. Financial Instruments (Continued)

(f) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates.

The following table details the Group's exposure to interest rate and liquidity risk. The table includes both interest and principal cash flows.

2018	Weighted average interest rate	Less than 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
<u>Financial assets</u>					
<i>Variable interest rate instruments:-</i>					
Cash	Floating	4	-	-	4
<i>Non-interest bearing:</i>					
Trade receivables	-	6,729	-	-	6,729
		6,733	-	-	6,733
<u>Financial liabilities</u>					
<i>Variable interest rate instruments:</i>					
Bank overdraft	8.07%	4,113	-	-	4,113
Trade finance	4.93%	14,638	-	-	14,638
Equipment loan and leases	4.90%	1,751	4,806	-	6,557
Colignan finance leases	11.64%	2,289	9,743	62,994	75,026
Borrowings	4.82%	3,916	17,190	-	21,106
<i>Non-interest bearing:</i>					
Trade creditors	-	11,825	-	-	11,825
		38,532	31,739	62,994	133,265
<hr/>					
2017	Weighted average interest rate	Less than 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
<u>Financial assets</u>					
<i>Variable interest rate instruments:</i>					
Cash	Floating	2,724	-	-	2,724
<i>Non-interest bearing:</i>					
Trade receivables	-	7,253	-	-	7,253
		9,977	-	-	9,977
<u>Financial liabilities</u>					
<i>Variable interest rate instruments:</i>					
Trade finance	4.13%	11,986	-	-	11,986
Equipment loan and leases	4.87%	1,113	3,718	-	4,831
Colignan finance leases	11.33%	1,388	7,785	47,841	57,014
Borrowings	4.45%	13,583	3,107	-	16,690
<i>Non-interest bearing:</i>					
Trade creditors	-	18,122	-	-	18,122
		46,192	14,610	47,841	108,643

23. Financial instruments (Continued)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. At the reporting date, if interest rates had of been 0.5% higher or lower and all other variables held constant, there would be a \$0.195 million (2017: \$0.134 million) effect on the Group's loss for the period. This is attributable to the Group's exposure to interest rates on its variable rate borrowings (excluding the Colignan property and equipment loans). The Group's sensitivity to interest rates has increased during the year ended 30 June 2018 due to an increase in outstanding variable rate debt instruments.

(g) Credit risk management

Credit risk management refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded are spread amongst approved counterparties. The Group measures credit risk on a fair value basis.

Trade accounts receivable consist of a number of customers supplying the retail and wholesale sectors in Australia and internationally. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate letters of credit are obtained for international customers. The Group has significant credit risk exposure with top 10 credit customers representing 82% of the total trade receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking accounts of the value of any collateral obtained.

(h) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(i) Fair value of financial instruments

The Directors consider that the carrying amounts of financial assets and liabilities recorded in the financial statements approximate their fair values.

The fair values and net fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices, which is a Level 2 fair value measurement. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

24. Key management personal compensation

The compensation made to Directors and other members of key management personnel of the Group is set out below:

	2018	2017
	\$	\$
Short-term employee benefits	1,003,175	806,323
Post-employment benefits	112,372	72,495
Long term employee benefits	-	10,803
Termination payments	461,494	
Equity settled share-based payments	(87,486)	610,477
Total	1,489,556	1,500,098

25. Remuneration of auditor

	2018	2017
	\$	\$
Audit or review of the financial report	150,000	173,000
Tax services	-	105,840
Transaction services	-	530,000
Other assurance activities	-	152,100
Total	150,000	960,940

The auditor of Murray River Organics Group Limited is Ernst & Young (2017: Deloitte Touche Tohmatsu). During the year ended 30 June 2017, services other than the 'audit or review of the financial report' predominately included due diligence work associated with business acquisitions and the initial public offering.

26. Contingent liabilities

Contingent liabilities include guarantees totalling \$1.514 million (2017: \$1.514 million) provided in respect of property leases.

27. Segment information

The Group operates in one industry being the production of food and food products within Australia. All of the Group's revenue is attributable to this group of products. Approximately 89% of the Group's revenue is attributed to domestic customers, and the remainder relates to exports to USA (2%), Asia (6%), Europe (2%) and others (1%).

The chief operating decision maker (being the Managing Director) regularly reviews entity wide information that is compliant with Australian Accounting Standards. There is only one segment for segment reporting purposes and the information reviewed by the chief operating decision maker is the same as the information presented in the statement of financial position, statement of profit and loss and other comprehensive income and statement of cash flows.

During the year ended 30 June 2018, the Group generated sales revenue of \$34.231 million from a single customer that amounts to 50% of the Group's total sales revenue.

28. Earnings per share

(a) Basic earnings per share

Basic earnings per share ("EPS") is determined by dividing profit for the year after income tax attributable to members of the Group, excluding any costs of servicing equity other than share, by the weighted average number of share outstanding during the period.

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to security holders by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of performance rights issued). Prior year earnings per share was adjusted for current year share splits.

	2018 Cents Per Share	2017 Cents Per Share
Basic earnings per share	(49)	(8)
Diluted earnings per share	(49)	(8)
Earnings used to calculate basic and diluted earnings per share		
Loss for the year attributable to equity holders of Murray River Organics Group	(59,607)	(5,927)

	2018 Number of shares	2017 Number of shares
Weighted average number of share outstanding during the year used in calculating basic earnings per share	120,530,282	77,509,645
Weighted average number of performance rights options on issue	1,620,879	888,093
Weighted average number of share outstanding during the year used in calculating dilutive earnings per share	122,151,161	78,397,738

29. Obligations under operating leases

The Group leases property assets and short term temporary water entitlements under operating leases.

	2018 \$'000	2017 \$'000
Not later than one year	1,612	1,439
Later than one year and not later than five years	3,056	3,862
Later than five years	1,696	2,030
	6,364	7,331

Certain property assets under operating leases contain renewal options.

30. Related party transactions

The compensation to key management personnel of the Group is set out in Note 24 and the Remuneration Report.

Transactions with key management personnel

Michael Porter was appointed as the Interim Senior Corporate farms manager effective 6 June 2018 at a daily rate of \$1,600 plus GST, travel and accommodation expenses. As at 30 June 2018, \$28,800 (including GST) was provided for in relation to consultancy services provided to the Group. Following the appointment of a full time farms manager, Michael Porter ceased to provide these interim services on 10 September 2018.

The following balances were outstanding at the end of the reporting period:

Amounts owed by related parties	2018 \$'000	2017 \$'000
Sornem Asset Management	-	88
Sorensen Family Trust	-	490
Jamel Family Trust	-	490

Notes

- 1) The Sorensen Family Trust and the Jamel Family Trust are entities associated with former Directors, Erling Sorensen and Jamie Nemtsas respectively. Amounts owed by these Trusts relate to pre-acquisition tax liabilities of the Sornem Group which they have indemnified the Company. During FY18, these receivables had been paid. Due to the timing between the funds being paid by the Founders (Erling Sorensen and Jamie Nemtsas) to the Company (in August 2017) and the tax obligation settled with the ATO (March 2018), interest of \$13,817 and \$14,055 at a rate of 4.44% was respectively paid to Erling Sorensen and Jamie Nemtsas. (2017: Nil)
- 2) Sornem Asset Management Pty Ltd is a related entity which used shared services with the Group during FY17.

As at 30 June 2018, no amount was receivable from Sornem Asset Management for shared services relating to shared offices (2017: \$87,764). The prior year balance has been written off. Sornem Asset Management is a related entity to Jamie Nemtsas and Erling Sorensen.

During the year, the Group received \$4.429 million from Arrow Primary Infrastructure Fund (Arrow) as funding for capital expenditure incurred on the Colignan vineyard (2017: \$1.854 million). Arrow also paid Nil (2017: \$0.160 million) directly to suppliers in respect to the capital expenditure at the Colignan vineyard. The total \$4.429 million (2017: \$2.013 million) funding received from Arrow will be repaid in full by the Group by way of higher finance lease repayments as required under the lease agreement. Arrow Primary Infrastructure Fund is the lessor of the Colignan vineyard. During the year, the Group paid \$2.142 million (2017: \$1.758 million) in relation to lease payments as lessee of the Colignan vineyard. The former Directors, Erling Sorensen and Jamie Nemtsas hold units currently on issue in the Arrow Primary Infrastructure Fund. The lease has been entered into under terms and conditions as described in Note 16(b) and neither interest held represents a controlling interest in Arrow Primary Infrastructure Fund.

During the year, the Group paid \$69,631 (at a rate of \$400.00 per megalitre) (2017: Nil) to a related party of former Director Jamie Nemtsas to access water in relation to the Alkira property. The Group does not have access to water for the Alkira property other than through this arrangement.

31. Controlled entities

	Country of incorporation	Percentage owned (%)	
		2018	2017
Parent entity:			
Murray River Organics Group Limited ⁽ⁱ⁾	Australia	100	100
Subsidiaries of Murray River Organics Limited (ii) (iii)			
Murray River Organics Limited	Australia	100	100
Murray River Organics Property Trust	Australia	100	100
Murray River Organics Property Trust 2	Australia	100	100
Murray River Organics Property Pty Ltd (ATF Murray River Organics Property Trust)	Australia	100	100
Murray River Organics Property 2 Pty Ltd (ATF Murray River Organics Property Trust 2)	Australia	100	100
Sornem Group Pty Ltd	Australia	100	100
Sornem Capital Pty Ltd	Australia	100	100

(i) Murray River Organics Group Limited is the head entity of the tax consolidated group after it was established on 1 July 2017.

(ii) These companies are members of the tax consolidation group established on 1 July 2017.

(iii) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Murray River Organics Group Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report. The consolidated financial position and financial performance of these entities is the same as the controlled entities within the Group.

Refer to Note 1 for information regarding the Group reorganisation.

32. Parent entity financial information

	2018 \$'000	2017 \$'000
Balance sheet		
Current assets	-	-
Total assets	18,615	111,902
Current liabilities	-	-
Total liabilities	-	-
Net Assets	18,615	111,902
Equity		
Issued capital	123,832	112,002
Reserves	427	511
Accumulated losses	(105,644)	(611)
Total equity	18,615	111,902
Loss for the year	(105,033)	(611)
Other comprehensive income	-	-
Total comprehensive income	(105,033)	(611)

33. Events subsequent to reporting date

In July 2018, the Group increased its bank overdraft facility by an additional \$6.6 million. This takes the Group's total bank debt facilities (including bank guarantees) to \$53.913 million.

On completion of the 31 July 2018 annual review, the Group's financier (NAB) has also agreed to extend the maturity date of \$26.130 million of debt facilities (related to the trade facility \$14.000 million, bank overdraft \$10.600 million and bank guarantees \$1.530 million, and other working capital facilities such as foreign exchange, unused leasing facility and letters of credit) to 30 November 2018. This gives the Group time to conduct the proposed equity raising of \$30.000 million, which is currently in progress, to fund the cashflow needs of the business and support the balance sheet. As part of the capital raising, the Group expects to put in place new longer term banking arrangements.

Additional Australian Securities Exchange information as at 29 August 2018

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

1. General Information

Principal Registered Office	Share Registry
Murray River Organics Group Limited 32 Crompton Way Dandenong South Victoria 3175 Telephone: 03 8792 8500 www.murrayriverorganics.com.au	Computershare Investor Services Pty Ltd 452 Johnston Street Abbotsford Victoria 3067 Telephone Australia 1300 555 159 Telephone Overseas +61 3 9415 4062 www.computershare.com.au

2. Distribution of equity securities

Spread of Holdings	Ordinary Shares			Performance Rights		
	Holders	Securities	%	Holders	Securities	%
1 - 1,000	145	63,812	0.05%	-	-	-
1,001 - 5,000	444	1,307,206	1.02%	-	-	-
5,001 - 10,000	283	2,219,032	1.74%	-	-	-
10,001 - 100,000	617	19,350,646	15.17%	-	-	-
100,001 over	109	104,636,007	82.02%	1	500,527	100.00%
Totals	1,598	127,576,703	100.00%	1	500,527	100.00%

3. Holders of Non-Marketable Parcels

Date	Closing price of shares	Number of holders
29 August 2018	\$0.31	218

4. Voting Rights

Securities	Voting Rights
Ordinary Shares	Subject to any rights or restrictions for the time being attached to any class or classes at general meetings of shareholders or classes of shareholders: (a) each shareholder is entitled to vote and may vote in person or by proxy, attorney or representative; (b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and (c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held, or in respect of which he/she has appointed a proxy, attorney or representative, is entitled to one vote per share held.
Performance Rights	Performance Rights do not carry any voting rights.

5. Top 20 Shareholders

Rank	Holder Name	Securities	%
1	TIGA Trading Pty Ltd	18,772,631	14.715%
2	Netwealth Investments Limited <Wrap Services A/C>	16,097,013	12.618%
3	SHWL Holdings Pty Ltd	14,771,074	11.578%
4	Kim Sorensen <Sorensen Family A/C>	5,931,794	4.650%
5	Ms Melanie Alderton <Jamel Family A/C>	5,524,102	4.330%
6	UBS Nominees Pty Ltd	5,457,857	4.278%
7	BLBD Pty Ltd <BLBD Super Fund A/C>	4,120,295	3.230%
8	Meredith Nominees Pty Ltd <Meredith Investment A/C>	2,752,710	2.158%
9	J P Morgan Nominees Australia Limited	2,479,256	1.943%
10	BNP Paribas Noms (NZ) Ltd <DRP>	1,883,992	1.477%
11	Mr Alessandro Luigi Piccinini	1,552,328	1.217%
12	Urban Land Nominees Pty Ltd	1,269,512	0.995%
13	L J Thomson Pty Ltd	1,000,000	0.784%
14	Yabby Capital Pty Ltd	880,723	0.690%
15	Netwealth Investments Limited <Super Services A/C>	865,392	0.678%
16	Walbrook Pty Ltd <Sequoia Super Fund A/C>	708,450	0.555%
17	VBS Exchange Pty Ltd	680,000	0.533%
18	Miss Roxanne Patricia Peterson <The Rainbow Beach A/C>	674,333	0.529%
19	ATG Pty Ltd	624,971	0.490%
20	Miengrove Pty Ltd <G J & P K Bird Super A/C>	600,000	0.470%
20	Torres Industries Pty Limited	600,000	0.470%
	Total	87,246,433	68.387%

6. Substantial Shareholders

Holder Name	Date of interest	Number of ordinary shares ¹	% of issued capital ²
TIGA Trading Pty Ltd / Thorney Opportunities Ltd	31 January 2018	24,657,206	19.33%
SHWL Holdings Pty Ltd	14 December 2017	14,771,074	11.59%
Kim Sorensen as trustee for the Sorensen Family Trust ³	8 February 2018	7,995,393	6.27%
Meredith Group	19 October 2017	6,873,005	5.39%

¹. As disclosed in the last notice lodged with the ASX by the substantial shareholder.

². The percentage set out in the notice lodged with the ASX is based on the total issued capital of the Company at the date of interest.

³. The Company understands that Kim Sorensen as trustee for the Sorensen Family Trust is no longer a substantial holder, however, no notice of ceasing to be a substantial holder has been lodged.

7. Restricted Securities

There are no shares on issue that are subject to mandatory or voluntary escrow restrictions under ASX Listing Rules Chapter 9.

8. Unquoted Securities

The following unlisted securities are on issue:

Class	Number of securities	Number of Holders
Unlisted Performance Rights (subject to vesting conditions)	500,527	1

9. Stock exchange listing

The Company's shares are quoted on the Australian Stock Exchange (ASX).

10. Share Buy-Backs

There is no current on-market buy-back scheme.