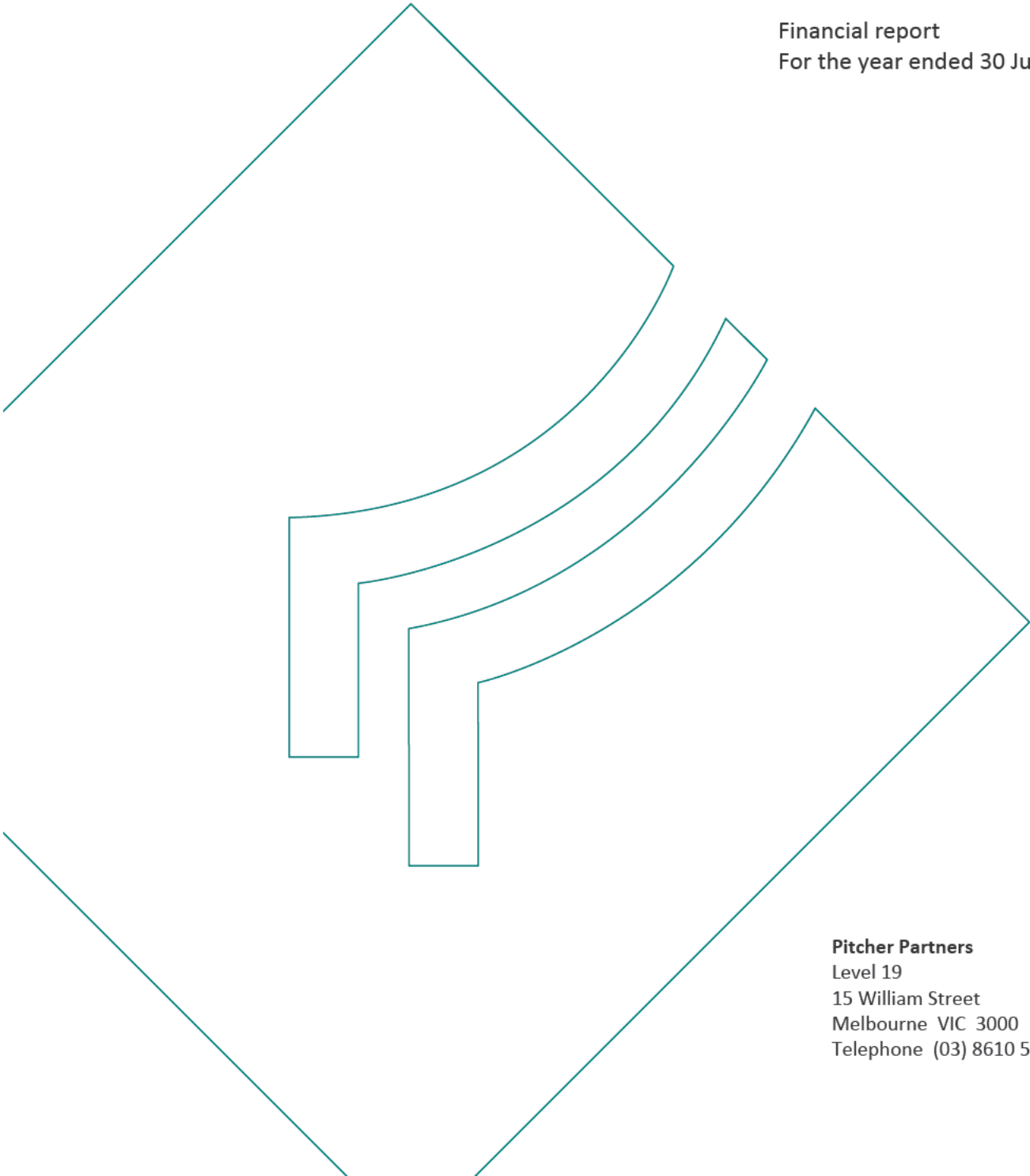




Vitalharvest Limited

ABN 18 140 954 874

Financial report
For the year ended 30 June 2016



Pitcher Partners
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Melbourne VIC 3000
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VITALHARVEST LIMITED

ABN 18 140 954 874

DIRECTORS' REPORT

The directors present their report together with the financial report of Vitalharvest Limited for the year ended 30 June 2016 and auditor's report thereon.

Directors names

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

Robert Costa - appointed 29 January 2010

Gary Meadows - appointed 2 January 2013

Rhonda Arnott - appointed 12 July 2013

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

Results

The profit of the company for the year after providing for income tax amounted to \$10,377,777 (2015 profit: \$13,740,813).

Review of operations

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

Significant changes in state of affairs

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

Principal activities

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

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

Likely developments

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

VITALHARVEST LIMITED

ABN 18 140 954 874

DIRECTORS' REPORT

Environmental regulation

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

Dividends paid, recommended and declared

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

Options

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

Indemnification of officers

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

Indemnification of auditors

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

Auditor's independence declaration

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

DIRECTORS' REPORT

Proceedings on behalf of the company

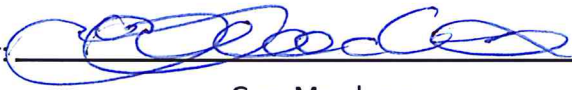
No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Signed on behalf of the board of directors.



Director: _____

Robert Costa

Director:  _____

Gary Meadows

Dated this 22 day of December 2016.

VITALHARVEST LIMITED
ABN 18 140 954 874

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF VITALHARVEST LIMITED

In relation to the independent audit for the year ended 30 June 2016, to the best of my knowledge and belief there have been:

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



P A JOSE

Partner



PITCHER PARTNERS

Melbourne

Date: 23 December 2016

VITALHARVEST LIMITED
ABN 18 140 954 874

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Revenue and other income			
Rental income	2	17,530,321	17,039,555
Other income	2	<u>1,428,298</u>	<u>16,244,850</u>
	2	<u>18,958,619</u>	<u>33,284,405</u>
Less: expenses			
Impairment and fair value losses on non-current assets	3	-	(8,479,610)
Depreciation expense	3	(117,376)	(88,200)
Employee benefits expense	3	(35,038)	(30,010)
Finance costs	3	(3,225,181)	(4,451,852)
Administration Fees		(403,512)	(321,323)
Rates and taxes		(215,863)	(224,135)
Other expenses		<u>(297,582)</u>	<u>(165,751)</u>
		<u>(4,294,552)</u>	<u>(13,760,881)</u>
Profit before income tax expense		14,664,067	19,523,524
Income tax expense	4	<u>(4,286,290)</u>	<u>(5,782,711)</u>
Net profit from continuing operations		<u>10,377,777</u>	<u>13,740,813</u>
Other comprehensive income for the year		-	-
Total comprehensive income		<u>10,377,777</u>	<u>13,740,813</u>

The accompanying notes form part of these financial statements.

VITALHARVEST LIMITED
ABN 18 140 954 874

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
Current assets			
Cash and cash equivalents	5	5,605,486	8,145,988
Receivables	6	7,079,286	1,093,968
Other assets	7	<u>4,808,529</u>	<u>5,024,374</u>
Total current assets		<u>17,493,301</u>	<u>14,264,330</u>
Non-current assets			
Biological assets	8	43,181,592	42,723,895
Other financial assets	9	25,167	25,167
Intangible assets	10	17,960,893	17,829,415
Investment properties	11	56,479,343	51,381,269
Property, plant and equipment	12	<u>1,441,052</u>	<u>1,529,245</u>
Total non-current assets		<u>119,088,047</u>	<u>113,488,991</u>
Total assets		<u>136,581,348</u>	<u>127,753,321</u>
Current liabilities			
Payables	13	1,206,517	2,972,214
Borrowings	14	-	71,255,000
Current tax liabilities	4	<u>1,564,761</u>	<u>2,070,548</u>
Total current liabilities		<u>2,771,278</u>	<u>76,297,762</u>
Non-current liabilities			
Borrowings	14	54,000,000	-
Deferred tax liabilities	4	<u>4,228,759</u>	<u>3,966,667</u>
Total non-current liabilities		<u>58,228,759</u>	<u>3,966,667</u>
Total liabilities		<u>61,000,037</u>	<u>80,264,429</u>
Net assets		<u>75,581,311</u>	<u>47,488,892</u>
Equity			
Share capital	15	56,073,293	19,418,651
Retained earnings	16	<u>19,508,018</u>	<u>28,070,241</u>
Total equity		<u>75,581,311</u>	<u>47,488,892</u>

The accompanying notes form part of these financial statements.

VITALHARVEST LIMITED
ABN 18 140 954 874

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Contributed equity	Retained earnings	Total equity
	\$	\$	\$
Balance as at 1 July 2014	19,418,651	14,329,428	33,748,079
Profit for the year	<u>-</u>	<u>13,740,813</u>	<u>13,740,813</u>
Total comprehensive income for the year	<u><u>-</u></u>	<u><u>13,740,813</u></u>	<u><u>13,740,813</u></u>
Balance as at 1 July 2015	19,418,651	28,070,241	47,488,892
Profit for the year	<u>-</u>	<u>10,377,777</u>	<u>10,377,777</u>
Total comprehensive income for the year	<u>-</u>	<u>10,377,777</u>	<u>10,377,777</u>
Transactions with owners in their capacity as owners:			
Shares issued	36,654,642	-	36,654,642
Dividends	<u>-</u>	<u>(18,940,000)</u>	<u>(18,940,000)</u>
Total transactions with owners in their capacity as owners	<u>36,654,642</u>	<u>(18,940,000)</u>	<u>17,714,642</u>
Balance as at 30 June 2016	<u><u>56,073,293</u></u>	<u><u>19,508,018</u></u>	<u><u>75,581,311</u></u>

The accompanying notes form part of these financial statements.

VITALHARVEST LIMITED
ABN 18 140 954 874

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		\$	\$
Cash flow from operating activities			
Receipts from customers		21,090,312	18,965,356
Payments to suppliers and employees		(4,464,510)	(1,697,068)
Finance costs		(3,225,181)	(4,451,852)
Income tax paid		(4,529,985)	(3,411,232)
Interest received		<u>142,114</u>	<u>120,934</u>
Net cash provided by operating activities	17(b)	<u>9,012,750</u>	<u>9,526,138</u>
Cash flow from investing activities			
Proceeds from grant income received for investment properties		270,000	2,192,020
Payments for investment property		(5,098,074)	(6,322,935)
Payments for biological assets		(457,697)	(381,331)
Payments for intangibles		<u>(160,660)</u>	<u>(1,048,800)</u>
Net cash used in investing activities		<u>(5,446,431)</u>	<u>(5,561,046)</u>
Cash flow from financing activities			
Repayment of borrowings		(17,255,000)	-
Dividends paid		(18,940,000)	-
Shares issued		36,654,642	-
Payment of loans to associates		<u>(6,566,463)</u>	<u>-</u>
Net cash provided by / (used in) financing activities		<u>(6,106,821)</u>	<u>-</u>
Reconciliation of cash			
Cash at beginning of the financial year		8,145,988	4,180,896
Net increase in cash held		<u>(2,540,502)</u>	<u>3,965,092</u>
Cash at end of financial year	17(a)	<u><u>5,605,486</u></u>	<u><u>8,145,988</u></u>

The accompanying notes form part of these financial statements.

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

(a) Basis of preparation of the financial report

Historical Cost Convention

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Revenue

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

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

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

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

(c) Income tax

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

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

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

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

(d) Borrowing costs

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

Borrowing costs are expensed as incurred.

(e) Intangibles

Water Rights

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investment property

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

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

Fair value at 30 June 2016 has been conservatively aligned with the increase in capital expenditure. In the prior year, fair values were determined based on an Independent and Director's valuation.

(g) Biological assets

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

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

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

Fair value at 30 June 2016 has been conservatively aligned with the increase in capital expenditure. In the prior year, fair values were determined based on an Independent and Director's valuation.

(h) Property, plant and equipment

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

Plant and equipment

Plant and equipment is measured on a cost basis.

Depreciation

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

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of non-financial assets

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

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

(j) Employee benefits

(i) Short-term employee benefit obligations

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

(ii) Long-term employee benefit obligations

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

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

(k) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Comparatives

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

NOTE 2: REVENUE AND OTHER INCOME

Rental revenue	17,530,321	17,039,555
Net gain on fair value adjustments:		
Biological assets	-	13,349,448
Profit/(Loss) on sale of investment property	-	88,675
Other income:		
Interest income	142,114	120,934
Recoveries - outgoings	299,647	279,419
Grant income	270,000	2,192,020
Other income	<u>716,537</u>	<u>214,354</u>
	<u>1,428,298</u>	<u>2,806,727</u>
	<u>1,428,298</u>	<u>16,244,850</u>
	<u>18,958,619</u>	<u>33,284,405</u>

NOTE 3: OPERATING PROFIT

Profit before income tax has been determined after:

- Profit on sale of investment properties	-	88,675
Finance costs		
Interest	3,225,181	4,451,852
Depreciation		
- plant and equipment - tunnels	88,194	88,092
- office equipment	<u>-</u>	<u>108</u>
	<u>88,194</u>	<u>88,200</u>
Amortisation of non-current assets		
- borrowing costs	29,182	-
Impairment movement on water rights		
- Impairment losses on intangible assets	-	(1,503,940)
- Water entitlements forgone	<u>-</u>	<u>2,226,600</u>
	<u>-</u>	<u>722,660</u>

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 3: OPERATING PROFIT (CONTINUED)		
Loss on fair value adjustments		
- Investment properties	-	<u>7,756,950</u>
	<u>-</u>	<u>8,479,610</u>
Employee benefits:		
- Directors fees	35,038	30,010
 NOTE 4: INCOME TAX		
(a) Components of tax expense		
Current tax	4,024,198	3,482,293
Deferred tax	262,092	2,385,138
Over provision in prior year	-	<u>(84,720)</u>
	<u>4,286,290</u>	<u>5,782,711</u>
 (b) Prima facie tax payable		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before income tax at 30%	4,399,220	5,857,057
Add tax effect of:		
Forgone water entitlements	-	641,378
Gain on land acquisition	-	<u>26,602</u>
	-	667,980
Less tax effect of:		
- Other non-assessable items	(396)	-
Non-assessable non exempt income - grant income	81,000	657,606
Blackhole expenditure - equity raising	32,326	-
Over provision in prior year	-	<u>84,720</u>
	<u>112,930</u>	<u>742,326</u>
Income tax expense attributable to profit	<u>4,286,290</u>	<u>5,782,711</u>
 (c) Current tax		
Current tax relates to the following:		
<i>Current tax liabilities</i>		
Opening balance	2,070,548	2,084,207
Income tax	4,024,198	3,482,293

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 4: INCOME TAX (CONTINUED)		
Tax payments	(4,529,985)	(3,411,232)
Over provision in prior year	-	(84,720)
Current tax liabilities	<u>1,564,761</u>	<u>2,070,548</u>
(d) Deferred tax		
Deferred tax relates to the following:		
The balance comprises:		
Accrued expenses	9,750	14,100
Borrowing costs and blackhole expenditure	32,326	32,326
Investment properties at fair value	4,219,304	4,219,304
Intangible assets - water rights	<u>513,666</u>	<u>513,666</u>
	<u>4,775,046</u>	<u>4,779,396</u>
<i>Deferred tax liabilities</i>		
The balance comprises:		
Biological assets at fair value	<u>9,003,805</u>	<u>8,746,063</u>
	<u>9,003,805</u>	<u>8,746,063</u>
Net deferred tax liabilities	<u>4,228,759</u>	<u>3,966,667</u>
(e) Deferred income tax (revenue)/expense included in income tax expense comprises		
Increase in deferred tax assets	4,350	(1,836,745)
Increase in deferred tax liabilities	<u>257,742</u>	<u>4,221,883</u>
	<u>262,092</u>	<u>2,385,138</u>
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash at bank	5,605,486	6,378,380
Cash on deposit	-	<u>1,767,608</u>
	<u>5,605,486</u>	<u>8,145,988</u>
NOTE 6: RECEIVABLES		
CURRENT		
Trade debtors	510,879	994,736
GST receivable	1,944	99,232
Loans to associates		
- Costa Asset Management	6,503,763	-
- Kangara Community Water	<u>62,700</u>	-
	<u>6,566,463</u>	-
	<u>7,079,286</u>	<u>1,093,968</u>

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 7: OTHER ASSETS		
CURRENT		
Prepayments	-	3,949
Accrued rental income	4,808,529	5,018,159
Accrued interest income	-	2,266
	<u>4,808,529</u>	<u>5,024,374</u>
 NOTE 8: BIOLOGICAL ASSETS		
NON CURRENT		
<i>At fair value</i>		
Biological assets - Trees and plants	<u>43,181,592</u>	<u>42,723,895</u>
 (a) Reconciliation of changes in carrying amount of biological assets		
Opening balance	42,723,895	28,993,116
Gain arising from changes in fair value	-	13,349,448
Increases due to capital expenditure	<u>457,697</u>	<u>381,331</u>
Closing balance	<u>43,181,592</u>	<u>42,723,895</u>
 NOTE 9: OTHER FINANCIAL ASSETS		
NON CURRENT		
<i>Available-for-sale financial assets</i>		
At cost		
Shares in other corporations - Kathleen Drive Pty Ltd	<u>25,167</u>	<u>25,167</u>
 NOTE 10: INTANGIBLE ASSETS		
Water rights at cost	19,806,836	19,806,836
Accumulated impairment losses	<u>(1,977,421)</u>	<u>(1,977,421)</u>
	17,829,415	17,829,415
Borrowing Costs	155,299	-
Accumulated amortisation	<u>(28,110)</u>	-
	127,189	-
Formation Costs	5,361	-
Accumulated amortisation	<u>(1,072)</u>	-
	<u>4,289</u>	-
Total intangible assets	<u>17,960,893</u>	<u>17,829,415</u>

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 10: INTANGIBLE ASSETS (CONTINUED)		
(a) Reconciliations		
Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year		
<i>Water rights at cost</i>		
Opening balance	17,829,415	17,503,275
Additions	-	1,048,800
Rights acquired at nil consideration	-	265,200
Water rights forgone	-	(2,226,600)
Impairment reversal	-	<u>1,238,740</u>
Closing balance	<u>17,829,415</u>	<u>17,829,415</u>
<i>Borrowing Costs</i>		
Opening balance	-	-
Additions	155,299	-
Amortisation expense	<u>(28,110)</u>	-
Closing balance	<u>127,189</u>	<u>-</u>
<i>Formation Costs</i>		
Opening balance	-	-
Additions	5,361	-
Amortisation expense	<u>(1,072)</u>	-
Closing balance	<u>4,289</u>	<u>-</u>
<i>Total Intangible assets reconciliation</i>		
Opening balance	17,829,415	17,503,275
Additions	160,660	1,048,800
Disposals	-	265,200
Amortisation expense	(29,182)	(2,226,600)
Impairment	-	<u>1,238,740</u>
Closing balance	<u>17,960,893</u>	<u>17,829,415</u>

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 11: INVESTMENT PROPERTIES		
<i>Investment property at fair value</i>		
Opening carrying amount	51,381,269	52,815,284
Additions during the year	5,098,074	6,322,935
Net loss from fair value adjustments	<u>-</u>	<u>(7,756,950)</u>
Closing carrying amount	<u>56,479,343</u>	<u>51,381,269</u>

(a) Contractual obligations

Vitalharvest has committed as at 30 June 2016 to a capital expenditure program for asset upgrades and additions at berry and citrus properties for a total value of \$6,160,963 (2015: \$10,778,491).

(b) Leasing arrangements

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

Within one year	8,470,171	8,192,927
Later than one year but not later than 5 years	33,740,683	32,671,896
Later than 5 years	<u>36,307,561</u>	<u>43,274,556</u>
	<u>78,518,415</u>	<u>84,139,379</u>

As at 30 June 2016, all properties were subject to 15 year leases, expiring 30 June 2026, with the rent due summarised above. The properties are leased to CostaExchange Ltd and AgriExchange Pty Ltd, a subsidiary of Costa Exchange Holdings Pty Ltd, and include an option to extend for a further 10 years. Costa Exchange Holdings Pty Ltd, a subsidiary of Costa Group Holdings Ltd, guarantees the rent payments.

(c) Contingent rent

As at 30 June 2016, contingent or variable rent was applicable or earned during the year on property leases. For the 2016 financial year and future years the Company will be entitled to a fixed and variable component of rent with the variable component based on the earnings before interest and tax of the tenants management and crop sale activities.

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 12: PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment		
Plant and equipment - 9 Mile tunnels, at cost	1,761,880	1,761,880
Accumulated depreciation	<u>(320,828)</u>	<u>(232,733)</u>
	1,441,052	1,529,147
Office equipment at cost	1,825	1,825
Accumulated depreciation	<u>(1,825)</u>	<u>(1,727)</u>
	<u>-</u>	<u>98</u>
Total property, plant and equipment	<u><u>1,441,052</u></u>	<u><u>1,529,245</u></u>
(a) Reconciliations		
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year		
<i>Plant and equipment</i>		
Opening carrying amount	1,529,147	1,617,239
Depreciation expense	<u>(88,095)</u>	<u>(88,092)</u>
Closing carrying amount	<u><u>1,441,052</u></u>	<u><u>1,529,147</u></u>
<i>Office equipment</i>		
Opening carrying amount	98	206
Depreciation expense	<u>(98)</u>	<u>(108)</u>
Closing carrying amount	<u><u>-</u></u>	<u><u>98</u></u>
NOTE 13: PAYABLES		
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	334,158	763,318
Sundry creditors and accruals	<u>872,359</u>	<u>2,208,896</u>
	<u><u>1,206,517</u></u>	<u><u>2,972,214</u></u>

VITALHARVEST LIMITED
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 14: BORROWINGS		
CURRENT		
<i>Secured liabilities</i>		
Bank loans	-	42,255,000
Convertible notes from related parties	<u>-</u>	<u>29,000,000</u>
	<u>-</u>	<u>71,255,000</u>
NON CURRENT		
<i>Secured liabilities</i>		
Bank loans	<u>54,000,000</u>	<u>-</u>

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

Bank loans

Bank loans are secured by a first registered fixed and floating charge over the assets of the Company and first ranking real property mortgage over the properties and water assets held by the Company. The NAB finance agreement has provided \$54,000,000 and holds security over the investment properties, the agreement is due to expire 31 December 2018.

The NAB has imposed debt covenants which include; interest cover ratio that must not be less than 3:1 and loan to value ratio that must not exceed 48.5%.

NOTE 15: SHARE CAPITAL

Issued and paid-up capital		
30,773,313 (2015: 9,211,759) Ordinary	46,517,562	9,862,920
9,497,434 (2015: 9,497,434) Redeemable Preference Shares	<u>9,555,731</u>	<u>9,555,731</u>
	<u>56,073,293</u>	<u>19,418,651</u>

Rights of each type of share

Ordinary shares

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

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

Redeemable preference shares

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

At shareholders meetings each redeemable preference share is entitled to one vote when a poll is called,

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 15: SHARE CAPITAL (CONTINUED)

Rights of each type of share (Continued)

otherwise each shareholder has one vote on a show of hands.

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

NOTE 16: RETAINED EARNINGS

Retained earnings at beginning of year	28,070,241	14,329,428
Net profit	10,377,777	13,740,813
Dividends provided for or paid	<u>(18,940,000)</u>	<u>-</u>
	<u>19,508,018</u>	<u>28,070,241</u>

NOTE 17: CASH FLOW INFORMATION

(a) Reconciliation of cash

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

Cash at bank	5,605,486	6,378,380
At call deposits with financial institutions	<u>-</u>	<u>1,767,608</u>
	<u>5,605,486</u>	<u>8,145,988</u>

(b) Reconciliation of cash flow from operations with profit after income tax

Profit from ordinary activities after income tax	10,377,777	13,740,813
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Adjustments and non-cash items

Amortisation	29,182	-
Depreciation	88,193	88,200
Gain on fair value adjustment of biological assets	-	(13,349,448)
Government grant income recognised as investing activity	(270,000)	(2,192,020)
Water rights forgone	-	2,226,600
Impairment reversal	-	(1,503,940)
Fair value loss on investment property	-	7,756,950

Changes in assets and liabilities

(Increase) / decrease in receivables	581,145	(397,781)
(Increase) / decrease in other assets	215,845	24,748
Increase in accrued expenses	(1,765,697)	760,537
Increase / (decrease) in income tax payable	(505,787)	(13,659)
Decrease in deferred taxes	<u>262,092</u>	<u>2,385,138</u>
	<u>(1,365,027)</u>	<u>(4,214,675)</u>
Cash flows from operating activities	<u>9,012,750</u>	<u>9,526,138</u>

VITALHARVEST LIMITED
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 18: CAPITAL AND LEASING COMMITMENTS		
(a) Capital expenditure commitments contracted for:		
- capital expenditure projects	6,160,963	10,778,491
Payable		
- not later than one year	<u>6,160,963</u>	<u>10,778,491</u>
	<u>6,160,963</u>	<u>10,778,491</u>

Vitalharvest has committed to a capital expenditure program for asset upgrade and additions at its Berry properties for total value \$3,189,102 (2015: \$8,511,705) and at its Citrus properties for a total value of \$2,971,862 (2015: \$2,266,786).

NOTE 19: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstances, which have arisen since 30 June 2016 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2016, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2016, of the company.

DIRECTORS' DECLARATION

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

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 - 22, are in accordance with the *Corporations Act 2001*: and
 - (a) comply with Accounting Standards in Australia as detailed in Note 1 to the financial statements and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 30 June 2016 and performance for the year ended on that date of the company in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director: _____
Robert Costa

Director: _____
Gary Meadows

Dated this 22 day of December 2016.

VITALHARVEST LIMITED
ABN 18 140 954 874

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VITALHARVEST LIMITED

We have audited the accompanying financial report, being a special purpose financial report of Vitalharvest Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

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

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

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

VITALHARVEST LIMITED
ABN 18 140 954 874

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VITALHARVEST LIMITED

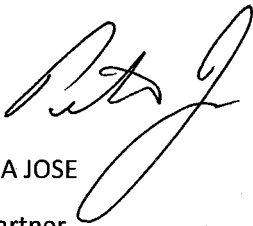
Opinion

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

- (a) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

Basis of Accounting

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



P A JOSE
Partner



PITCHER PARTNERS
Melbourne

Date 23 December 2016