

Vitalharvest Pty Ltd

ABN 18 140 954 874

Financial report

For the year ended 30 June 2018

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VITALHARVEST PTY LTD
ABN 18 140 954 874

DIRECTORS' REPORT

The directors present their report together with the financial report of Vitalharvest Pty Ltd for the year ended 30 June 2018 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. Resigned 28 June 2018. Appointed alternate for David Costa on 13 September 2018.

Gary Meadows - appointed 2 January 2013. Resigned 28 June 2018. Appointed alternate for Rhonda Arnott on 13 September 2018.

Rhonda Arnott - appointed 12 July 2013

David Costa - appointed 28 June 2018

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 \$7,159,246 (2017 profit: \$18,074,919).

Review of operations

The company continued to engage in its principal activity, of investment in agricultural property as the landlord of the largest aggregations of citrus and berry farms in Australia. These properties are located in prime growing locations in New South Wales, South Australia and Tasmania and leased to wholly-owned subsidiaries of Costa Group Holdings Limited (ASX:CGC) on long term leases, with the majority of the leases expiring on or about 30 June 2026.

Significant changes in state of affairs

On 29 June 2018, the Company and its then 100% shareholder, Costa Asset Management Pty Ltd as trustee of the Costa Asset Management Unit Trust agreed to the lodgement with ASIC of a Product Disclosure Statement (PDS) by The Trust Company (RE Services) Limited ACN 003 278 831 as responsible entity for the Vitalharvest Freehold Trust ARSN 626 537 362 (Trust) for the initial public offer and listing of the Trust on the ASX (Listing). The Listing was conditional on the restructure of the Company and its acquisition by the Trust as described in section 2.1.6 of the PDS (Restructure). Refer to "After balance date events" for further changes to the company post 30 June 2018.

Other than as described above, there were no significant changes in the Company's state of affairs that occurred during the financial year.

VITALHARVEST PTY LTD

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DIRECTORS' REPORT

Principal activities

The principal activity of the company during the year was investment in agricultural property for leasing to tenants.

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

After balance date events

The following significant matters or events have arisen since the end of the financial year:

Pursuant to the terms of the PDS on 1 August 2018 the Trust listed on the ASX on a conditional and deferred basis. The conditions of the Listing, including the Restructure and the inclusion of the Company as the trustee of the Vitalharvest Leasehold Trust (a wholly owned sub trust of the Trust) were satisfied by 3 August 2018. The Company and its assets are now 100% owned and controlled by the Trust, either directly or through wholly-owned sub-trusts.

The principal operation of the Company is as trustee of the Vitalharvest Leasehold Trust (a wholly-owned sub-trust of the Trust) which now forms part of the Trust consolidated entity. For the financial year ending 30 June 2019, the Company's activities will be reported on a consolidated basis as part of the consolidated financial statements of the Trust.

The external borrowings of \$54m from NAB were repaid in full on 3 August 2018.

The outstanding loans as at 30 June 2018 to Costa Asset Management Unit Trust and Kangara Community Water Pty Ltd were repaid in full in July 2018.

Likely developments

The Company (as trustee of the Vitalharvest Leasehold Trust) expects to maintain the present status and level of operations.

Environmental regulation

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

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DIRECTORS' REPORT

Dividends paid, recommended and declared

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

10 January 2018 - A dividend of \$3,500,000 was declared and paid to shareholders. The dividend was franked at 30 per cent.

30 June 2018 - A dividend of \$4,700,000 was declared and paid to shareholders. The dividend was franked at 30 per cent.

Subsequent to the financial year, on 1 August 2018 a dividend in the amount of \$8,550,861 was declared and remains payable to Costa Asset Management Unit Trust, as the owner of the shares in the Company as at 1 August 2018. The amount of this dividend represents the balance of the variable rent for the financial year and that is payable by wholly-owned subsidiaries of Costa Group Holdings Limited pursuant to the terms of the leases of the properties owned by the Company. Pursuant to the terms of the Share Sale Agreement (dated 1 August 2018) between Costa Asset Management Pty Ltd ACN 079 151 894 ATF Costa Asset Management Unit Trust ABN 24 256 383 719 and the Trust and forming part of the Restructure, this dividend will be paid by the Company on receipt of the balance of variable rent from wholly-owned subsidiaries of Costa Group Holdings Limited in or about November 2018.

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

The Company holds D&O Insurance cover for the directors of the Company and has entered into Deeds of Access, Insurance and Indemnity (dated 29 June 2018) indemnifying, to the extent permitted under the Corporations Act the directors of the Company for any liability incurred in their capacity as directors. The Company did not pay any amount or take any action to provide the indemnity other than by entering into the Deeds.

Other than as stated above, no indemnities have been given or insurance premiums paid during or since the end of the financial 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.

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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.

Rounding

The directors have relied on the relief provided by *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* by rounding any amount in the financial statements to the nearest dollar.

Signed on behalf of the board of directors.

Director: 

Rhonda Arnott



Robert Costa - as alternate director for David Costa

Dated this 14 day of September 2018

The Board of Directors
Vitalharvest Pty Ltd
89 Cubitt Street
Cremorne VIC 3121

14 September 2018

Dear Chairperson

Auditor's Independence Declaration to Vitalharvest Pty Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Vitalharvest Pty Limited.

As lead audit partner for the audit of the financial report of Vitalharvest Pty Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU



Samuel Vorwerg
Partner
Chartered Accountants
Melbourne, 14 September 2018

VITALHARVEST PTY LTD
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Revenue and other income			
Rental income	2	23,189,809	16,288,008
Net gain / (loss) on fair value adjustments	2	(207,419)	15,152,247
Other income	2	<u>1,748,301</u>	<u>2,522,256</u>
	2	<u>24,730,691</u>	<u>33,962,511</u>
Depreciation expense	3	(8,622,848)	(4,344,011)
Finance costs	3	(1,602,071)	(1,732,684)
Administration fees		(309,844)	(336,780)
Rates and taxes		(267,310)	(242,904)
Consultancy fees		(2,501,921)	(99,450)
Other expenses		<u>(114,953)</u>	<u>(175,109)</u>
		<u>(13,418,947)</u>	<u>(6,930,938)</u>
Profit before income tax expense		11,311,744	27,031,573
Income tax expense	14	<u>(4,152,498)</u>	<u>(8,956,654)</u>
Net profit from continuing operations		<u>7,159,246</u>	<u>18,074,919</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Revaluation of bearer plants		34,009,016	52,221,271
Tax effect at 30% of revaluation of bearer plants		<u>(10,202,705)</u>	<u>(15,666,381)</u>
Other comprehensive income for the year		<u>23,806,311</u>	<u>36,554,890</u>
Total comprehensive income		<u><u>30,965,557</u></u>	<u><u>54,629,809</u></u>

The accompanying notes form part of these financial statements.

VITALHARVEST PTY LTD
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	4	389,662	4,868,028
Receivables	5	3,442,388	3,593,098
Other assets	6	<u>8,055,861</u>	<u>3,461,980</u>
Total current assets		<u>11,887,911</u>	<u>11,923,106</u>
Non-current assets			
Other financial assets	8	25,967	25,967
Intangible assets	9	17,829,415	17,829,415
Investment properties	10	82,459,942	76,035,023
Property, plant and equipment	11	<u>119,856,990</u>	<u>93,398,082</u>
Total non-current assets		<u>220,172,314</u>	<u>187,288,487</u>
Total assets		<u>232,060,225</u>	<u>199,211,593</u>
Current liabilities			
Payables	12	1,155,647	956,960
Borrowings	13	54,000,000	-
Current tax liabilities	14	<u>3,146,657</u>	<u>1,514,690</u>
Total current liabilities		<u>58,302,304</u>	<u>2,471,650</u>
Non-current liabilities			
Borrowings	13	-	54,000,000
Deferred tax liabilities	14	<u>33,481,244</u>	<u>25,228,823</u>
Total non-current liabilities		<u>33,481,244</u>	<u>79,228,823</u>
Total liabilities		<u>91,783,548</u>	<u>81,700,473</u>
Net assets		<u>140,276,677</u>	<u>117,511,120</u>
Equity			
Share capital	15	56,073,293	56,073,293
Reserves	16	60,361,201	36,554,890
Retained earnings	17	<u>23,842,183</u>	<u>24,882,937</u>
Total equity		<u>140,276,677</u>	<u>117,511,120</u>

The accompanying notes form part of these financial statements.

VITALHARVEST PTY LTD
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Contributed equity \$	Reserves \$	Retained earnings \$	Total equity \$
Balance as at 1 July 2016	56,073,293	-	19,508,018	75,581,311
Profit for the year	-	-	18,074,919	18,074,919
Revaluation of bearer plants	-	52,221,271	-	52,221,271
Tax effect at 30% of revaluation of bearer plants	-	<u>(15,666,381)</u>	-	<u>(15,666,381)</u>
Total comprehensive income for the year	<u>-</u>	<u>36,554,890</u>	<u>18,074,919</u>	<u>54,629,809</u>
Transactions with owners in their capacity as owners:				
Dividends	<u>-</u>	<u>-</u>	<u>(12,700,000)</u>	<u>(12,700,000)</u>
Total transactions with owners in their capacity as owners	<u>-</u>	<u>-</u>	<u>(12,700,000)</u>	<u>(12,700,000)</u>
Balance as at 1 July 2017	56,073,293	36,554,890	24,882,937	117,511,120
Profit for the year	-	-	7,159,246	7,159,246
Revaluation of bearer plants	-	34,009,016	-	34,009,016
Tax effect at 30% of revaluation of bearer plants	-	<u>(10,202,705)</u>	-	<u>(10,202,705)</u>
Total comprehensive income for the year	<u>-</u>	<u>23,806,311</u>	<u>7,159,246</u>	<u>30,965,557</u>
Transactions with owners in their capacity as owners:				
Dividends	<u>-</u>	<u>-</u>	<u>(8,200,000)</u>	<u>(8,200,000)</u>
Total transactions with owners in their capacity as owners	<u>-</u>	<u>-</u>	<u>(8,200,000)</u>	<u>(8,200,000)</u>
Balance as at 30 June 2018	<u>56,073,293</u>	<u>60,361,201</u>	<u>23,842,183</u>	<u>140,276,677</u>

The accompanying notes form part of these financial statements.

VITALHARVEST PTY LTD
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		\$	\$
Cash flow from operating activities			
Receipts from customers		20,916,285	19,584,830
Payments to suppliers and employees		(5,314,323)	(2,601,124)
Finance costs		(1,602,071)	(1,732,684)
Income tax paid		(4,470,814)	(3,673,041)
Interest received		<u>35,034</u>	<u>86,771</u>
Net cash provided by operating activities		<u>9,564,111</u>	<u>11,664,752</u>
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		531,572	-
Proceeds from grant income received for investment properties		1,261,910	2,078,018
Payments for investment property		(6,632,338)	(4,403,433)
Payments for property, plant and equipment		<u>(1,604,312)</u>	<u>(898,178)</u>
Net cash used in investing activities		<u>(6,443,168)</u>	<u>(3,223,593)</u>
Cash flow from financing activities			
Dividends paid		(8,200,000)	(12,700,000)
Repayment of loans received from associates		<u>600,691</u>	<u>3,521,383</u>
Net cash provided by / (used in) financing activities		<u>(7,599,309)</u>	<u>(9,178,617)</u>
Reconciliation of cash			
Cash at beginning of the financial year		4,868,028	5,605,486
Net decrease in cash held		<u>(4,478,366)</u>	<u>(737,458)</u>
Cash at end of financial year	18(a)	<u><u>389,662</u></u>	<u><u>4,868,028</u></u>

The accompanying notes form part of these financial statements.

VITALHARVEST PTY LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards - Reduced Disclosure Requirements, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board.

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

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

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

(a) Basis of preparation of the financial report

Historical Cost Convention

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

Operating Segment

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

Rounding

The directors have relied on the relief provided by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 by rounding any amount in the financial statements to the nearest dollar.

Presentation currency

The financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

Fair value measurement

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation of the financial report (Continued)

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

Significant accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 22.

(b) Revenue

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

Rent revenue arising from operating leases is recognised on a straight-line basis over the rental term. Rent revenue arising from variable rent is recognised in the reporting period in which it is earned.

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.

Outgoings recovered arise from council rates, water rates and levies being incurred by the Company on behalf of the tenants. Under the terms of the lease agreements, the tenants must pay all rates, charges, taxes and all other charges and levies separately assessed for the properties leased by the Company. Consequently, the costs relating to council rates, water rates and levies that are incurred by the Company are recovered in full from the tenants.

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

Intangible assets

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

Water Rights

Water rights are measured initially at their cost of acquisition. Water rights are an indefinite life intangible asset and are therefore tested for impairment annually. Management consider water rights to have indefinite useful lives because water rights have no legal term or expiry date.

(f) Investment properties

Investment properties comprises land and buildings held for the purpose of earning rental income or for capital appreciation, or both.

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

Fair values at 30 June 2017 and 2018 have been determined based on an independent valuation undertaken by CBRE.

(g) Biological assets

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

In the prior year, the difference between the total fair value of the biological assets at the beginning of the financial period and the total fair value of the biological assets recognised at reporting date was the net of capital expenditure incurred on the underlying assets.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets that are not loans and receivables, held-to-maturity assets, financial assets held for trading or derivative, as well as those financial assets designated as available-for-sale on initial recognition. Available-for-sale financial assets are initially and subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity. When disposed of, the cumulative gain or loss held in equity is reclassified from equity to profit or loss.

Non-listed investments for which the fair value cannot be reliably measured, are carried at cost and tested for impairment.

Financial liabilities

Financial liabilities include trade payables, borrowings and other creditors.

Non-derivative financial liabilities are subsequently measured at amortised cost, using the effective interest method.

(i) Adoption of new and amended accounting standards

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment

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

Plant and equipment

Plant and equipment is measured on a cost basis.

Bearer plants

Bearer plants are initially recognised at cost (see accounting policy note - Adoption of new and amended accounting standards above).

The bearer plants are depreciated over the effective life of the plants.

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

In the prior year, the difference between the total fair value of the biological assets at the beginning of the financial period and the total fair value of the biological assets recognised at reporting date was the net of capital expenditure incurred on the underlying assets as determined based on a Director's valuation.

Depreciation

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

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

VITALHARVEST PTY LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(l) Comparatives

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

(m) Going concern

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

At 30 June 2018 the company's total current liabilities exceeded total current assets by \$46,414,393. This is due to borrowings of \$54,000,000 being classified as current as at 30 June 2018. As disclosed in Note 13 Borrowings, the Company repaid the loan in full on 3 August 2018.

	2018	2017
	\$	\$
NOTE 2: REVENUE AND OTHER INCOME		
Other revenue		
Fixed rental income	9,060,907	8,634,027
Contingent rental income	14,117,411	7,642,704
Other rental income	<u>11,491</u>	<u>11,277</u>
	<u>23,189,809</u>	<u>16,288,008</u>
Net gain / (loss) on fair value adjustments:		
Investments properties	(207,419)	15,152,247
Other income:		
Interest income	35,034	86,771
Recoveries - outgoings	337,403	312,817
Grant income	1,147,191	2,078,018
Other income	<u>228,673</u>	<u>44,650</u>
	<u>1,748,301</u>	<u>2,522,256</u>
	<u>24,730,691</u>	<u>33,962,511</u>

VITALHARVEST PTY LTD
ABN 18 140 954 874

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
 NOTE 3: OPERATING PROFIT		
Profit before income tax has been determined after:		
Finance costs		
Interest	1,600,870	1,578,727
Borrowing costs	<u>1,201</u>	<u>153,957</u>
	<u><u>1,602,071</u></u>	<u><u>1,732,684</u></u>
 Depreciation		
- plant and equipment - tunnels	52,656	88,094
- plant and equipment - bearer plants	<u>8,570,192</u>	<u>4,255,917</u>
	<u><u>8,622,848</u></u>	<u><u>4,344,011</u></u>
 NOTE 4: CASH AND CASH EQUIVALENTS		
Cash at bank	<u><u>389,662</u></u>	<u><u>4,868,028</u></u>
 NOTE 5: RECEIVABLES		
CURRENT		
Trade debtors	855,933	513,418
Other receivables		
GST receivable	142,866	35,400
Loans to associates		
- Costa Asset Management	2,413,763	3,003,763
- Kangara Community Water	<u>29,826</u>	<u>40,517</u>
	<u><u>2,443,589</u></u>	<u><u>3,044,280</u></u>
	<u><u>3,442,388</u></u>	<u><u>3,593,098</u></u>

Trade receivables

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

VITALHARVEST PTY LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
NOTE 6: OTHER ASSETS		
CURRENT		
Accrued contingent rental income	<u>8,055,861</u>	<u>3,461,980</u>

The accrued contingent rental income amount at 30 June 2018 is an estimate due to the final contingent rental income for the year not being determined until the Costa Group Holdings Ltd's audited financial statements for the year ended 30 June 2018 are completed.

NOTE 7: BIOLOGICAL ASSETS

(a) Reconciliation of changes in carrying amount of biological assets

Opening balance	-	43,181,592
Transfer to plant and equipment	<u>-</u>	<u>(43,181,592)</u>
Closing balance	<u>-</u>	<u>-</u>

NOTE 8: OTHER FINANCIAL ASSETS

NON CURRENT

Available-for-sale financial assets

At cost

Shares in other corporations	<u>25,967</u>	<u>25,967</u>
Total available-for-sale financial assets at cost	<u>25,967</u>	<u>25,967</u>

NOTE 9: INTANGIBLE ASSETS

Water rights at cost	19,806,836	19,806,836
Accumulated impairment losses	<u>(1,977,421)</u>	<u>(1,977,421)</u>
	<u>17,829,415</u>	<u>17,829,415</u>

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

Water rights at cost

Opening balance	<u>17,829,415</u>	<u>17,829,415</u>
Closing balance	<u>17,829,415</u>	<u>17,829,415</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
NOTE 9: INTANGIBLE ASSETS (CONTINUED)		
(a) Reconciliations (Continued)		
<i>Total Intangible assets reconciliation</i>		
Opening balance	17,829,415	17,960,893
Write off capitalised borrowing and formation costs	<u>-</u>	<u>(131,478)</u>
Closing balance	<u><u>17,829,415</u></u>	<u><u>17,829,415</u></u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
NOTE 10: INVESTMENT PROPERTIES		
<i>Investment property at fair value</i>		
Opening carrying amount	76,035,023	56,479,343
Additions during the year	6,632,338	4,403,433
Net gain from fair value adjustments	<u>(207,419)</u>	<u>15,152,247</u>
Closing carrying amount	<u>82,459,942</u>	<u>76,035,023</u>

(a) Contractual obligations

The Company has committed as at 30 June 2018 to a capital expenditure program for asset upgrades and additions at berry and citrus properties for the period to 30 June 2019 for a total value of \$3,099,621 (2017: \$8,837,424).

(b) Leasing arrangements

Investment properties, bearer plants and plant & equipment are leased to tenants under long-term operating leases with rentals receivable monthly. Minimum lease payments receivable on leases of investment properties, bearer plants and plant & equipment are as follows:

Within one year	9,280,384	8,708,102
Later than one year but not later than 5 years	36,978,243	34,692,408
Later than 5 years	<u>29,182,352</u>	<u>28,652,687</u>
	<u>75,440,979</u>	<u>72,053,197</u>

As at 30 June 2018, all properties, bearer plants and plant & equipment were subject to 15 year leases, expiring 30 June 2026, with the rent due summarised above (based on the last fixed rent invoice from July 2018). The properties are leased to CostaExchange Pty Ltd and AgriExchange 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 2018, contingent or variable rent was applicable or earned during the year on property leases. For the 2018 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.

The accrued contingent rental income amount (refer to Note 6: Other Assets), at 30 June 2018 is an estimate due to the final contingent rental income for the year not being determined until the Costa Group Holdings Ltd's audited financial statements for the year ended 30 June 2018 are completed.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2018	2017
\$	\$

NOTE 10: INVESTMENT PROPERTIES (CONTINUED)

(d) Fair value of the investment properties

The investment property portfolio comprises properties located throughout New South Wales, South Australia and Tasmania. In the current financial year, all properties were independently valued at 30 June 2018. The Company's external valuations are performed by independent professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in the investment properties being valued. Independent valuations were performed by CBRE Valuations Pty Ltd ("CBRE") in the current financial year.

Refer to Note 23: Fair value measurement for detailed disclosure of valuation techniques and inputs used.

VITALHARVEST PTY LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
NOTE 11: PROPERTY, PLANT AND EQUIPMENT		
Bearer plants		
Bearer plants at fair value	131,914,369	96,301,041
Accumulated depreciation	<u>(12,826,109)</u>	<u>(4,255,917)</u>
	<u>119,088,260</u>	<u>92,045,124</u>
Plant and equipment		
Plant and equipment at cost	1,053,117	1,761,880
Accumulated depreciation	<u>(284,387)</u>	<u>(408,922)</u>
	768,730	1,352,958
Office equipment at cost	1,825	1,825
Accumulated depreciation	<u>(1,825)</u>	<u>(1,825)</u>
	<u>-</u>	<u>-</u>
Total property, plant and equipment	<u>119,856,990</u>	<u>93,398,082</u>

(a) Reconciliations

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

Bearer plants

Opening carrying amount	92,045,124	-
Transfer from biological assets – Bearer plants	-	43,181,592
Additions	1,604,312	898,178
Net amount of revaluation increments	34,009,014	52,221,271
Depreciation expense	<u>(8,570,192)</u>	<u>(4,255,917)</u>
Closing carrying amount	<u>119,088,258</u>	<u>92,045,124</u>

Plant and equipment

Opening carrying amount	1,352,958	1,441,052
Depreciation expense	(52,656)	(88,094)
Disposal	<u>(531,572)</u>	<u>-</u>
Closing carrying amount	<u>768,730</u>	<u>1,352,958</u>

Bearer plants and plant & equipment are subject to operating leases. Refer to Note 10.

VITALHARVEST PTY LTD
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
NOTE 12: PAYABLES		
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	196,189	10,692
Sundry creditors and accruals	<u>959,458</u>	<u>946,268</u>
	<u><u>1,155,647</u></u>	<u><u>956,960</u></u>
NOTE 13: BORROWINGS		
CURRENT		
<i>Secured liabilities</i>		
Bank loans	<u>54,000,000</u>	<u>-</u>
NON CURRENT		
<i>Secured liabilities</i>		
Bank loans	<u>-</u>	<u>54,000,000</u>

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

Bank loans

Bank loans were 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 provided \$54,000,000 and holds security over the investment properties, the agreement was due to expire 31 December 2018. The loan was paid in full on 3 August 2018.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
NOTE 14: INCOME TAX		
(a) Components of tax expense		
Current tax	6,094,383	4,327,268
Deferred tax	(1,950,284)	3,839,407
Timing difference not previously brought into account	-	1,494,276
Under / (over) provision in prior year	<u>8,399</u>	<u>(704,297)</u>
	<u><u>4,152,498</u></u>	<u><u>8,956,654</u></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%	3,393,523	8,109,472
Add tax effect of:		
- Timing difference not previously brought into account	-	1,494,276
- Non-deductible consultancy fees	750,576	26,835
- Amortisation - borrowing costs	-	30,368
- Under provision in prior year	<u>8,399</u>	<u>-</u>
	758,975	1,551,479
Less tax effect of:		
- Over provision in prior year	<u>-</u>	<u>704,297</u>
Income tax expense attributable to profit	<u><u>4,152,498</u></u>	<u><u>8,956,654</u></u>
(c) Current tax		
Current tax relates to the following:		
<i>Current tax liabilities</i>		
Opening balance	1,514,690	1,564,761
Income tax expense	6,094,383	4,327,267
Tax payments	(4,470,815)	(3,673,041)
Under / (over) provision in prior year	<u>8,399</u>	<u>(704,297)</u>
Current tax liabilities	<u><u>3,146,657</u></u>	<u><u>1,514,690</u></u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
NOTE 14: INCOME TAX (CONTINUED)		
(d) Deferred tax		
Deferred tax relates to the following:		
The balance comprises:		
Accrued expenses	-	11,250
Intangible assets - water rights	<u>513,666</u>	<u>513,666</u>
	<u>513,666</u>	<u>524,916</u>
<i>Deferred tax liabilities</i>		
The balance comprises:		
Investment properties at fair value	1,758,420	1,820,646
Plant and equipment at fair value	6,342,688	8,266,712
Revaluation reserve	25,869,086	15,666,381
Accrued expenses	8,120	-
Borrowing costs and blackhole expenditure	<u>16,596</u>	<u>-</u>
	<u>33,994,910</u>	<u>25,753,739</u>
Net deferred tax liabilities	<u>33,481,244</u>	<u>25,228,823</u>
(e) Deferred income tax (revenue)/expense included in income tax expense comprises		
Decrease / (increase) in deferred tax assets	11,250	4,250,130
(Decrease) / increase in deferred tax liabilities	8,241,171	15,255,658
(Decrease) / increase in deferred tax liabilities from asset revaluation reserve	<u>(10,202,705)</u>	<u>(15,666,381)</u>
	<u>(1,950,284)</u>	<u>3,839,407</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
		\$	\$
NOTE 15: SHARE CAPITAL			
Issued and paid-up capital			
30,773,313 (2017: 30,773,313) Ordinary	(a)	46,517,562	46,517,562
9,497,434 (2017: 9,497,434) Redeemable Preference Shares	(b)	<u>9,555,731</u>	<u>9,555,731</u>
		<u><u>56,073,293</u></u>	<u><u>56,073,293</u></u>

	2018		2017	
	Number	\$	Number	\$
(a) Ordinary				
Opening balance	30,773,313	46,517,562	30,773,313	46,517,562
Shares issued:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At reporting date	<u><u>30,773,313</u></u>	<u><u>46,517,562</u></u>	<u><u>30,773,313</u></u>	<u><u>46,517,562</u></u>
(b) Redeemable Preference Shares				
Opening balance	9,497,434	9,555,731	9,497,434	9,555,731
Shares issued:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At reporting date	<u><u>9,497,434</u></u>	<u><u>9,555,731</u></u>	<u><u>9,497,434</u></u>	<u><u>9,555,731</u></u>

Rights of each type of share

Ordinary shares

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

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

Redeemable preference shares

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

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

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

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
		\$	\$
NOTE 16: RESERVES			
Asset revaluation reserve	16(a)	<u>60,361,201</u>	<u>36,554,890</u>
		<u>60,361,201</u>	<u>36,554,890</u>

(a) Asset revaluation reserve

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

Movements in reserve

Opening balance		36,554,890	-
Revaluation of bearer plants		34,009,016	52,221,271
Tax effect at 30% of revaluation of bearer plants		<u>(10,202,705)</u>	<u>(15,666,381)</u>
Closing balance		<u>60,361,201</u>	<u>36,554,890</u>

NOTE 17: RETAINED EARNINGS

Retained earnings at beginning of year		24,882,937	19,508,018
Net profit		7,159,246	18,074,919
Dividends provided for or paid		<u>(8,200,000)</u>	<u>(12,700,000)</u>
		<u>23,842,183</u>	<u>24,882,937</u>

NOTE 18: CASH FLOW INFORMATION

(a) Reconciliation of cash

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

Cash at bank		<u>389,662</u>	<u>4,868,028</u>
		<u>389,662</u>	<u>4,868,028</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
NOTE 19: CAPITAL AND LEASING COMMITMENTS		
(a) Capital expenditure commitments contracted for:		
- capital expenditure projects	3,099,621	8,837,424
Payable		
- not later than one year	<u>3,099,621</u>	<u>8,837,424</u>
	<u>3,099,621</u>	<u>8,837,424</u>

The Company has committed to a capital expenditure program for asset upgrade and additions at its Berry properties for total value \$2,562,621 (2017: \$8,830,698) and at its Citrus properties for a total value of \$537,000 (2017: \$6,726).

NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE

The following significant matters or events have arisen since the end of the financial year:

Pursuant to the terms of the PDS on 1 August 2018 the Trust listed on the ASX on a conditional and deferred basis. The conditions of the Listing, including the Restructure and the inclusion of the Company as the trustee of the Vitalharvest Leasehold Trust (a wholly owned sub trust of the Trust) were satisfied by 3 August 2018. The Company and its assets are now 100% owned and controlled by the Trust, either directly or through wholly-owned sub-trusts.

The principal operation of the Company is as trustee of the Vitalharvest Leasehold Trust (a wholly-owned sub-trust of the Trust) which now forms part of the Trust consolidated entity. For the financial year ending 30 June 2019, the Company's activities will be reported on a consolidated basis as part of the consolidated financial statements of the Trust.

The external borrowings of \$54m from NAB were repaid in full on 3 August 2018.

The outstanding loans as at 30 June 2018 to Costa Asset Management Unit Trust and Kangara Community Water Pty Ltd were repaid in full in July 2018.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 21: RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel of the entity

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

Legal fees paid to Rhonda Arnott for work undertaken as legal counsel for the Initial Public Offer (excl GST)	157,760	-
Legal fees paid to Rhonda Arnott for legal work relating to lease agreements (excl GST)	<u>6,020</u>	<u>5,500</u>
	<u>163,780</u>	<u>5,500</u>

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

(b) Loan to/(from) other related parties

	2018	2017
	\$	\$
Balance at beginning of the year	3,044,280	7,078,486
Net loans monies (received)/advanced	<u>(600,691)</u>	<u>(4,034,206)</u>
Balance at end of financial year	<u>2,443,589</u>	<u>3,044,280</u>

Unsecured non-interest bearing at call loan to Costa Asset Management Unit Trust, the parent entity of Vitalharvest Pty Ltd. The full outstanding balance at 30 June 2018 (\$2,413,763) was repaid to Vitalharvest Pty Ltd in July 2018.

Unsecured non-interest bearing at call loan to Kangara Community Water Pty Ltd, a subsidiary of Vitalharvest Pty Ltd. The full outstanding balance at 30 June 2018 (\$29,826) was repaid to Vitalharvest Pty Ltd in July 2018.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 22: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Company's accounting policies, the directors have made judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The judgements, estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, however actual results may differ from these estimates. The critical judgements, estimates and assumptions made in the current period are contained in the following Notes:

- The fair value of investment properties (Note 10)
- The useful lives of property, plant and equipment (Note 1(j))
- Contingent rental income (Note 2 & 6)
- Impairment assessment of intangible assets (Note 1(e) & 9)
- The fair value of bearer plants (Note 1(j), 11, 16 & 23)
- Income tax balances (Note 14)

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 23: FAIR VALUE MEASUREMENT

(a) Fair Value Hierarchy

The following table provides the carrying amounts of those assets held by the Company that are measured on a recurring basis at fair value.

	Total \$
2018	
Recurring fair value measurements	
<i>Non-financial assets</i>	
<i>Revalued property, plant and equipment</i>	
Bearer plants	119,088,260
Investment property at fair value	<u>82,459,942</u>
Total non-financial assets	<u><u>201,548,202</u></u>
2017	
Recurring fair value measurements	
<i>Non-financial assets</i>	
<i>Revalued property, plant and equipment</i>	
Bearer plants	92,045,124
Investment property at fair value	<u>76,035,023</u>
Total non-financial assets	<u><u>168,080,147</u></u>

Fair values are determined using both discounted cash flow analysis and direct sales comparison valuation approaches. Significant inputs used to determine fair value are:

- Discount rate: 8%
- Initial cash flow projections: 10 years
- Terminal value Based on Year 10 income capitalised at a rate of 7%.

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DIRECTORS' DECLARATION

The directors of the company declare that:

1. In the directors opinion, the financial statements and notes thereto, as set out on pages 6 - 30, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the financial position as at 30 June 2018 and performance for the year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director: 
Rhonda Arnott


Robert Costa - alternate director for David Costa

Dated this 14 day of September 2018.

Independent Auditor's Report to the members of Vitalharvest Pty Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vitalharvest Pty Limited (the "Company") which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Regime and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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, 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 – Reduced Disclosure Regime 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 ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU



Samuel Vorwerg
Partner

Chartered Accountants
Melbourne, 14 September 2018