

## Appendix 4E

### Full Year Report for 30 June 2019

<b>Name of entity:</b> Murray River Organics Group Limited
ABN 46 614 651 473

#### Reporting period

Report for the financial year ended 30 June 2019
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Previous corresponding period is the financial year ended 30 June 2018
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#### Results for announcement to the market

(All amounts in this report are expressed in \$'000 unless otherwise stated)

Revenue from continuing ordinary activities	down	12.4%	to 60,072
Loss from continuing ordinary activities after tax	down	79.8%	to (12,036)
Loss from continuing ordinary activities after tax attributable to members	down	79.8%	to (12,036)

#### Supplementary Comments

Refer to the attached financial report for the year ended 30 June 2019 for an explanation of the above figures, including:

- Statement of profit or loss and other comprehensive income
- Statement of financial position
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements

#### Dividends

No dividends were paid in FY19 and FY18
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#### Net tangible assets per security

	Current period Cents per Share	Previous corresponding period Cents per Share
Net tangible asset backing per ordinary security	\$0.08	\$0.16

#### Events subsequent to reporting date

Other than the renegotiation of the banking facilities as described in Note 16 – Borrowings, there has not been any other matter or circumstance occurring subsequent to the end of financial year that has significantly affected, or may affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

#### Audited financial report

The Appendix 4E should be read in conjunction with the attached audited financial report for the year ended 30 June 2019. The audit report is unmodified and contains an emphasis of matter paragraph with respect to a material uncertainty related to going concern.

**Murray River Organics Group Limited**  
**ABN 46 614 651 473**

**Financial report for the year ended 30 June 2019**

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## Financial report for the year ended 30 June 2019

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## Chairman's Review

Dear shareholder,

Welcome to Murray River Organics Group Limited 2019 Annual Report, reporting on year one of our turnaround in which we have taken considerable steps towards future growth and success.

This past year has seen strategically planned change to MRG, with farms, factories and people now engaged and focussed on delivering returns in the forward years.

Significant work has been put into a thorough review of our strategic positioning in the market. We have the teams and leadership in place to deliver on this strategy, and the core values outlined in this report, that will drive this transformation.

Shareholders will note in this report, the year has brought a number of challenges which have had impact on our vines for this and next year's harvests. These matters are outlined in this report.

Investment decisions made this year have been focused on returning the Company and its farms to a growth trajectory over the forward years, consistent with our aim of being a major player in organic and better-for-you offerings to the market.

MRG is well positioned in these high value-added growing market segments, with diverse and valuable assets, augmented by the vertically integrated supply chain advantages we possess along with a developing, innovative branding strategy.

FY19 saw new teams and culture developed under our management leadership to unleash this value, along with new strategic supply and customer partnerships both domestically and internationally.

We continue to work to deliver on what we promised: to realise the potential in MRG's latent assets, products and brands. We will continue to assess our ongoing capital requirements to support driving growth and profit and getting on with the business of creating a truly iconic and peerless Australian organic agri-food company.

On behalf of the Board and MRG I wish to recognise and thank our supporting shareholders as we have charted a pivotal year in the life of this Company that you are invested in.



Andrew Monk  
Chairman

# Managing Director's Report

It has been my honour to lead MRG over the last 16 months through a major turnaround. Our goal is to see our Company emerge as a strong, purpose driven business in the emerging, high growth organics market. Whilst we faced some significant challenges, the support of our shareholders, our bankers, customers and our teams has enabled us to re-set the business.

The market thematic for organics continues to build across Asia, USA, Europe and now Australia. Our vision is to lead the growth of organics in Australia and throughout the Asian region. We now have the business model, the capability and the demand to accelerate our growth. Size matters – and we will continue to build scale and product reach as we bring organics and better-for-you food to mainstream consumers.

Developing new products is key to our growth. Our “Taking Australia to Asia” growth strategy has seen the launch of nine new branded products as well as new partnerships in China. Partnerships and collaboration across our value chains that are aligned with our values, are critically important, from our growers to our retail and industrial partners in Australia, Asia and beyond. We are particularly proud of our Growers' Program which is delivering more equitable pricing for Sunraysia farmers and has resulted in a 15% increase in third party fruit intake.

I am enormously grateful to my team, many of whom have joined me in the Company in the last 16 months and have stepped up to re-build our business. We were fortunate to attract some of the best talent in Australia to lead our farming, processing, manufacturing, marketing, sourcing and support functions and now have a strong operating backbone in place. We are all here because we believe in the MRG vision, building a culture and new way of working, and creating an eco-system of collaboration right across our value chain. This investment in people, systems and product innovation is driving our turnaround, as well as the re-birth of the dried vine fruit industry in Australia.

The investment in people has been possible through a singular focus on leadership and culture across the entire team – from executives, middle management, functional specialists, through to the shop floor and our farming staff. We live and breathe transparency, trust and integrity in everything we do, every day. I am confident that our people and our culture will continue to be key to our enduring success.

FY19 saw the launch of our five-year strategy to bring our vision and purpose to life. We are delighted to report the following results;

- +\$10 million turnaround in EBITDA<sup>(1)</sup> before SGARA<sup>(2)</sup>
- Significant gross material margin<sup>(3)</sup> improvement achieved in the value-add business which will be further accelerated with new product innovation
- Establishment of a solid operating backbone
- Re-set relationships with our customers
- \$5 million reduction in costs through Project Muscat
- Implementation of a new corporate farming model
- Re-building our reputation with and confidence of our growers
- Cultural transformation across the company
- Successful \$30.6 capital raising and \$63.9m debt facility

Our relationships with our major retail customers, our specialty retailers and wholesalers were reset. New pricing and costing disciplines were established, resulting in improved commercial returns on sourced and own grown branded product, as we exited non-profitable lines. This has resulted in a significant improvement in gross material margins, which is the foundation to our improved EBITDA result.

A new Five-Year Strategy was developed and 10 Year Model to accelerate our broader growth agenda and position MRG as a leader in our hero category of organic DVF with a total category transformation program to deliver on this plan.

The Wholesale and Industrial business was reset, and the “Ingredients Business” launched with a goal to grow our organic product supply ranges for Australian food manufacturers.

The leadership and capability of our farming team was restructured to enable deliver of targeted returns on our farming assets. Project Magnum was commissioned to create a vision for the future of Nangiloc our certified organic property. Phase 1 is commencing in the first half of FY20 with hemp ('low-THC cannabis') to be planted as an annual rotational crop under the existing pivot infrastructure at Nangiloc,

Our relationship was strengthened with our bankers and shareholders/investors, completing a major re-capitalisation and securing a three-year banking facility.

Significant additional investments have also been made in vine remediation, nutrition and water management to deliver enhanced value and productivity to the farms in future seasons over the next 2 to 3 years. However, we also experienced hot summer conditions (hotter and drier than usual) that significantly impacted dried vine fruit yields, which were 18 % below the previous season's harvest. This yield shortfall was compounded with the replacement of the irrigation system by the landlord at the Colignan farm throughout the season.

Overall we have seen a significant improvement in our reputation, as well as our position in the markets in which we operate across Australia, Mildura and internationally.

The support of our shareholders has been critical during the transformation and we are enormously grateful for their belief in us and their ongoing backing.

But we have only just begun. Thank you for coming on the journey with us and supporting our vision.



Valentina Tripp  
Managing Director

<sup>(1)</sup> EBITDA means Earnings Before Interest, Tax, Depreciation and Impairment - Unaudited non-IFRS term

<sup>(2)</sup> SGARA means fair value revaluation of Self-Generating and Regenerating Assets (agricultural produce) - Unaudited non-IFRS term

<sup>(3)</sup> Gross Material Margin means Revenue less Change in Finished Goods minus Raw Materials, Consumables Used and Farming Input Costs disclosed on the Consolidated Statement of Profit or Loss and Other Comprehensive Income - Unaudited non-IFRS term.

# Strategy

Our Vision is to be a leader in the organic and better-for-you brands and ingredients.

Our purpose is to make organic and better-for-you products, by farming and sourcing world class ingredients because we believe everybody deserves sustainable and clean foods.

This vision and purpose is brought to life through our core beliefs which informs our values and influences our actions internally. These beliefs also ensure we remain authentic to our audience externally.



**M Murray River Organics™ our beliefs.**

A philosophy to inform our values and influence our actions internally. Ensuring we remain authentic to our audience externally.

Our strategic pillars become our transformation roadmap to become a truly iconic and peerless Australian organic agri-food company. These strategies will drive the company performance over the next 5 years and will be achieved through a set of key initiatives.

1	2	3	4	5
				
<b>Leverage our agricultural footprint &amp; flexible processing capabilities</b>	<b>Build a global organic &amp; better for you ingredients business</b>	<b>Develop market leading, purpose-driven organic brands with exceptional product innovation</b>	<b>Disrupt the food market via strong relationships with customers &amp; leading edge thinking</b>	<b>Drive process excellence to develop best-in-class operating model</b>
<ul style="list-style-type: none"> <li>Leverage our vertical integration &amp; utilise existing farming assets fully</li> <li>Ultimately extend footprint through collaboration &amp; partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Expand our global supply chain for organic ingredients</li> <li>Create an ecosystem which promotes the development of organic supply</li> </ul>	<ul style="list-style-type: none"> <li>Become the go-to organic brand</li> <li>Deliver leading customer &amp; consumer experience</li> <li>Create leading organic product innovation</li> </ul>	<ul style="list-style-type: none"> <li>Organify &amp; transform whole retail categories in the Australian &amp; international markets</li> <li>Partner with retailers &amp; distributors to drive the organic markets</li> </ul>	<ul style="list-style-type: none"> <li>Invest in technology &amp; processes which improve the quality of products, our efficiency and ability to supply</li> </ul>

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# Directors' Report

The Directors of Murray River Organics Group Limited (the "Company") and its controlled subsidiaries (the "Group", "MRG" or "Murray River Organics") submit herewith the annual financial report of the Company for the year ended 30 June 2019. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

## Information about the Directors

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

Name & Qualifications	Experience and Responsibilities
<p><b>Andrew Monk</b> Non-Executive Independent Chairman BSc, PhD, GAICD</p>	<p>Andrew has owned and/or managed organic SMEs in horticulture, food processing and waste management. He also has extensive technical experience in organic regulations and intimate working knowledge of this multi-sector industry domestically and internationally. Past Chairman of organic industry group Australian Organic Ltd, a not for profit industry services group with over 2,000 organic businesses. Chairman of Australian renewable energy company Enervest Pty Ltd and Chairman of pharmaceutical sector company Xerion Ltd.</p> <p>Appointed Director and Chairperson on 24 January 2018. Appointed Chairperson of the Audit and Risk Committee on 11 June 2018 and resigned on 18 March 2019. Member of Remuneration and Nomination Committee.</p>
<p><b>Keith Mentiplay</b> Non-Executive Independent Director MBA, Dip Dairy Tech, AICD</p>	<p>Keith has worked at Murray Goulburn, National Foods / Lion, Nestle and other global names, with responsibility for markets in Australia, New Zealand, Indonesia, Malaysia, Singapore, Hong Kong and Philippines. With over 40 years in the food industry, he has taken on diverse roles including General &amp; Executive management, operations &amp; supply chain, international business, operational excellence, business transformation and business expansion. Keith has also held multiple food industry board positions such as Canberra Milk, Queensland Butter Board, Danone / Murray Goulburn and Vitasoy.</p> <p>Appointed Director on 24 January 2018. Chairperson of Remuneration and Nomination Committee and Member of the Audit and Risk Committee.</p>
<p><b>Michael Porter</b> Non-Executive Independent Director BBS (Enterprise Development), Grad Cert (Change Management), GAICD</p>	<p>Michael has extensive experience in the Agricultural sector where he was the CEO of SQP Co-operative for almost four years. He owns dry land farming interests in Victoria's Western District near Ballarat. He has particular interest in soil re-generation and making the best use of our limited resources, such as water. Other Board positions include being a past Chairman and current Non-Executive Director of ASX listed Angel Seafood Holdings Ltd, Board Member of the Wimmera Catchment Management Authority (a Victorian State Government appointment), and past Chairman of the Audit Advisory Committee for the City of Ballarat. Michael is also an Active Reservist where he holds the rank of Commander in the Royal Australian Naval Reserve.</p> <p>Appointed Director on 2 April 2018. Member of the Audit and Risk Committee and Member of the Remuneration and Nomination Committee.</p>

Name & Qualifications	Experience and Responsibilities
<p><b>Tony Dynon</b> Non-Executive Independent Director CPA</p>	<p>Tony has extensive leadership and finance experience gained largely in food, beverage and stockfeed businesses with senior roles in international and ASX listed companies. Tony had a 20 year career with the international food company H J Heinz, where he was Chief Financial Officer for Heinz Australia for 6 years and then Joint Managing Director for his last 3 years. He was also Managing Director of Farm Pride Foods Ltd and Executive Chairman of Palm Springs Ltd both ASX listed companies. Tony has had leadership roles in privately owned stockfeed businesses based in Australia, New Zealand and the UK. Tony was also a non-executive director for ASX listed Colorpak Ltd and is currently a non-executive director of ASX listed Huon Aquaculture Group Ltd.</p> <p>Appointed Director on 18 March 2019. Member of the Remuneration and Nomination Committee and Chairperson of the Audit and Risk Committee.</p>
<p><b>Valentina Tripp</b> CEO and Managing Director Bachelor of Commerce (Melb), MBA, CPA, AICD</p>	<p>Valentina has over 25 years executive, professional services and non-executive experience in FMCG, agribusiness and retail across Asia and global markets; previously as Executive Director, Business Transformation &amp; Corporate Development for Simplot Australia and Executive Director for the Top Cut Foods Group (owned by JR Simplot USA). Prior to Simplot, Valentina was Senior Director with KPMG leading transformation, strategy, customer growth, supply chain, operational and financial turnarounds and was the Management Consulting National Lead for the Consumer &amp; Industrial Sector and lead the national food industry policy, competitiveness and growth agenda.</p> <p>Valentina is a Non-Executive Director for the Marine Stewardship Council International Board (UK), Board Member Dried Fruits Australia and former Non-Executive Director Capilano Honey Limited (ASX listed), Non-Executive Chair of Fairtrade Australia &amp; New Zealand and Non-Executive Director of Fairtrade International (Bonn, Germany).</p> <p>Appointed Managing Director and Chief Executive Officer on 16 April 2018.</p>

The following Directors held office during the financial year until his resignation:

Name & Qualifications	Experience and Responsibilities
<p><b>Steven Si</b> Non-Executive Independent Director</p>	<p>Steven is Chairman and Managing Director of the Shanghai Yi Yuan Group of companies, established in 1994. Based in Shanghai, the group has various companies specialising in manufacturing and distribution. Steven is also the Managing Director of Moran Furniture and a Director of Kadac food distribution business. He is member of the China General Chamber of Commerce. Steven brings a wealth of knowledge and connections into the Chinese market.</p> <p>Appointed Director on 24 January 2018. Member of the Remuneration and Nomination Committee and Chairperson of the Audit and Risk Committee until 8 May 2018. Mr Si resigned as a Director on 10 August 2018.</p>

### Company Secretary

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

## Directors' meetings

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

Directors	Directors' Meetings		Remuneration and Nomination Committee		Audit and Risk Committee	
	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
Andrew Monk	14	14	3	3	4	4
Keith Mentiplay	14	14	3	3	4	4
Michael Porter	14	14	3	3	4	4
Tony Dynon	4	4	-	-	1	1
Steven Si	2	2	-	-	-	-
Valentina Tripp	14	14	-	-	-	-

## Directors' shareholdings

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

Name	Fully paid ordinary shares number	Share Option Number	Performance Rights
Andrew Monk	1,535,333	1,000,000	-
Keith Mentiplay	625,000	1,000,000	-
Michael Porter	1,400,000	1,000,000	-
Tony Dynon	-	-	-
Valentina Tripp	2,200,000	18,000,000	2,325,451

## Principal activities

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

## Company Overview

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

The Group began in 2010 on a single 28-hectare farm in Merbein, Victoria. It now operates circa 4,895 hectares of farmland in the Sunraysia region, including the largest organic dried vine fruit properties in Australia.

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

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

## Review of operations

The Managing Director's Report on the operations forms part of this Directors' Report.

### Financial Performance

	FY19 <sup>(i)</sup>	FY18 <sup>(i)</sup>	Change	
	\$'000	\$'000	\$'000	%
Net sales revenue	60,072	68,539	(8,467)	-12.4%
Underlying EBITDA excluding SGARA <sup>(ii)</sup>	(3,568)	(14,280)	10,712	75.0%
Underlying EBITDA excl. SGARA <sup>(ii)</sup> to Sales %	-5.94%	-20.83%		14.9%
Depreciation	(4,457)	(6,198)	1,741	28.1%
Underlying EBIT excluding SGARA <sup>(iii)</sup>	(8,025)	(20,478)	12,453	60.8%
Underlying EBIT excl. SGARA <sup>(iii)</sup> to Sales %	-13.36%	-29.88%		16.5%
<i>Finance Costs</i>	(3,837)	(3,337)	(500)	-15.0%
Reported loss after tax	(12,036)	(59,607)	47,571	79.8%
Working capital <sup>(iv)</sup>	24,046	11,098	12,948	116.7%
Net bank debt <sup>(v)</sup>	41,982	44,868	(2,886)	-6.4%
Gearing - Bank Debt <sup>(vi)</sup>	118.5%	224.6%		

<sup>(i)</sup> Unaudited non-IFRS financial table

<sup>(ii)</sup> EBITDA (Earnings Before Interest, Tax, Depreciation and Impairment)

<sup>(iii)</sup> EBIT (Earnings Before Interest and Tax)

<sup>(iv)</sup> Receivables and inventory less trade and other payables

<sup>(v)</sup> Net borrowings less Colignan vineyard finance lease

<sup>(vi)</sup> Net bank debt divided by total equity

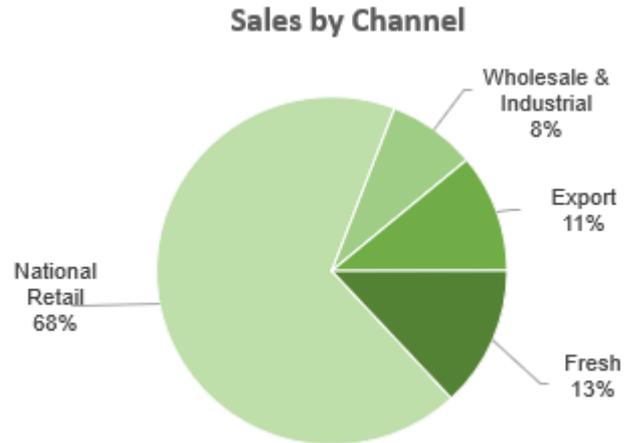
NMF means Not a Meaningful Figure

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

Reconciliation of Underlying EBIT and EBITA provided in Directors' Report

- During this year of turnaround and transition, the key sales focus was to reinvigorate major customer relationships and reset the business base by way of targeting both branded and private label sales that generate an appropriate commercial return. This required the sales, marketing and procurement teams to be rebuilt (as previously management had unfortunately reduced the local and overseas sales team), to enable the business to achieve its growth targets over the coming years. For the financial year, net sales of \$60.072 million were down 12.4% or \$8.467 million down on last year.

Sales in the first half for National Retail and Wholesale & Industrial channels were impacted by inconsistent fill rates where cash constraints restricted the Group's ability to efficiently build adequate stock levels on time, to meet customer demands. Since completion of the capital raising in October 2018 stock levels have been progressively rebuilt to match customer demands which has seen customer fill rates gradually improve. This continues to be a key focus for the business.



- With the rebuild of the retail sales and marketing team, a significant amount of work has been undertaken to increase branded product development which will enable the Group to grow its national retail business and other channels going forward, rather than driving non value-added sales at unsustainable low margins. As a result, private label retail sales have declined in FY19 and sales momentum is progressively building through the Murray River Organics and Pacific Organics brands.
- Wholesale and Industrial business was also rebuilt with a new sales and strategic sourcing team during the financial year. The team's immediate focus was to move away from a speculative buying based business (in several stock lines), reset the stock holding mix in the business, strategically focus on high demand lines and rebuild key customer relationships. Pleasing sales traction was achieved in the fourth quarter of FY19 and is expected to continue.
- Export sales were marginally above last year, where demand remains solid, but was constrained by the quality of loose and cluster dried fruit, and inadequate supply of key dried fruit varieties from the 2018 harvest. In addition, the late harvest of the 2019 crop delayed May and June 2019 exports sales. Going forward, the fundamentals of demand remain strong with the Global Dried Vine Fruit Market experiencing significant growth in demand. More than 80% of MRO's dried vine fruit is exported.
- Fresh table grapes sales of \$2.477 million were up 165% on the prior year, despite challenging summer conditions and poor yields from two patches. The investment in the turnaround program at the Fifth Street farm was the catalyst for the yields increasing by 74% to 868 tonnes, with further improvement expected over the next growing season.
- Citrus sales of \$4.925 million (from the Nangiloc, Colligan and Gol Gol farms) were up 61% on the prior year due to additional crop harvested in May/June 2019 and higher sales from one of our marketing and packing partners, but at lower net margin. As reported at 31 December 2018, the first half's margin outcome (from an agreement negotiated by the previous management) was extremely disappointing. The net price after their marketing, commission and distribution costs resulted in the net returns being significantly below expectations. Improved margins have been achieved through our current marketing and packing partners.

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	FY19 <sup>(i)</sup>	FY18 <sup>(i)</sup>	Change	
	\$'000	\$'000	\$'000	%
<b>Reported loss after tax</b>	(12,036)	(59,607)	47,571	79.8%
Income tax benefit	-	(1,896)	1,896	
Finance costs	3,837	3,337	(500)	-15.0%
<b>EBIT (loss)</b>	(8,199)	(58,166)	49,967	85.9%
Significant items				
Impairment of non-current assets	-	(21,169)	21,169	
Inventory write down	-	(8,344)	8,344	
Revaluation of properties & assets held for sale	-	(7,030)	7,030	
Business restructuring costs	-	(2,343)	2,343	
Reversal of provision for group reorganisation	-	1,040	(1,040)	
<b>Underlying EBIT (loss)</b>	(8,199)	(20,320)	12,121	59.7%
Less SGARA loss/(gain)	174	(158)	332	NMF
<b>Underlying EBIT (loss) excluding SGARA</b>	(8,025)	(20,478)	12,453	60.8%
Depreciation and amortisation	4,457	6,198	(1,741)	28.1%
<b>Underlying EBITDA (loss) excluding SGARA</b>	(3,568)	(14,280)	10,712	75.0%

<sup>(i)</sup> Unaudited non-IFRS financial table

NMF means Not a Meaningful Figure

- Despite the decrease in sales and the slower than expected level of farm dried vine fruit yields, the turnaround plan has delivered a \$10.712 million improvement on the underlying EBITDA loss predominately due to:
  - Significant gross margin improvement by focusing on a reduced number of product lines (SKUs) supported by the new strategic sourcing team that has reinvigorated competitive purchasing of raw materials; new pricing and costing disciplines which resulted in improved commercial returns on sourced and own grown branded products; and the exit of non-profitable lines.
  - Improved yields and margins from fresh table grapes, and higher citrus margins arising from the earlier harvest of citrus in May/June 19 compared to the prior year.
  - Costing savings initiated as part of Project Muscat, have eliminated several inefficient production processes, reduced raw material wastage, logistics and corporate overhead costs. Whilst there is a continued focus on reducing operational costs and improving efficiencies of the Dandenong and Mourquong sites, the Group has also invested in upskilling its operational teams and refocused marketing investment to drive branded sales in the coming years.
- Underlying EBITDA loss before SGARA was \$3.568 million compared to last year's loss of \$14.280 million.
- Underlying EBIT loss before SGARA was \$8.025 million compared to last year's loss of \$20.478 million. Depreciation decreased by \$1.741 million predominately arising from the impairment of plant, equipment and lease hold improvements in the prior year of \$10.420 million.
- Finance cost increased by \$0.500 million on last year, as the Group continues to invest in completing the development of its vineyards and funding its turnaround plans.
- Reported consolidated Net Loss After Tax (NLAT) after SGARA for the year ended 30 June 2019 was \$12.036 million compared to a 2018 NLAT of \$59.607 million.

The prior year NLAT included a number of one off/significant items associated with:

- Impairment of non-current assets of \$21.169 million, comprising \$10.749 million write down of goodwill and \$10.420 million impairment of leasehold improvements, and plant and equipment. As the operational performance turns around, the impaired tangible assets of \$10.420 million can be written back up in future periods.
- Inventory write downs of \$8.344 million predominately related to the quality of the 2017 harvest which was affected by a combination of weather events and poor operating practices across its operations.
- A revaluation loss on property, plant and equipment and assets held for sale through the statement of profit and loss of \$7.030 million. The net decrease in farm properties (excluding assets held for sale) was \$1.427 million (from \$34.1 million to \$32.6 million, a change of 4.2%)
- Restructuring costs of \$2.343 million; and
- Reversal of prior year provision of \$1.040 million for group reorganisation in relation to stamp duty savings.

### Cash flow and Capital Management

	FY19 <sup>(i)</sup>	FY18 <sup>(i)</sup>	Change	
	\$'000	\$'000	\$'000	%
<b>Working Capital</b>				
Trade and other receivables	10,518	6,729	3,789	56.3%
Inventories	22,269	16,194	6,075	37.5%
Trade and other payables	(8,741)	(11,825)	3,084	-26.1%
<b>Working Capital</b>	<b>24,046</b>	<b>11,098</b>	<b>12,948</b>	<b>116.7%</b>
Agricultural produce	2,054	2,621	(567)	-21.6%
<b>Working Capital incl Agricultural produce</b>	<b>26,100</b>	<b>13,719</b>	<b>12,381</b>	<b>90.2%</b>

<sup>(i)</sup> Unaudited non-IFRS financial table

- Working capital (receivables, inventories and trade and other payables) increased by \$12.948 million due to increased sales in May/June 2019 compared to the prior year, timing of customer receipts and increased supplier payments following tight management of suppliers' payments in prior periods. The increase in inventory reflects the additional volume of dried vine fruit obtained from third party growers, refreshed stock holdings required to support future sales and the increased value of additional own grown dried vine fruit from the late harvest in FY2019. Over the last 12 months a significant amount of excess stock or lower grade stock was also cleared.
- Cash flows from "operating activities" for the year was negative \$20.484 million, \$7.236 million higher than prior year negative cash flows of \$13.248 million. The increase was principally driven by an increase in working capital.
- Net bank debt, excluding the Colignan property finance lease was \$41.982 million (2018: \$44.868 million), with gearing down to 118.5% compared to June 2018 at 224.6%, following the successful capital raising (24 October 2018) of \$27.136 million (net of costs). During the year the Group has continued to draw on its facilities to execute its turnaround plans, vineyard development investment, farm remedial works, operational capital works and support its working capital needs.
- The three-year multi option banking facility with NAB (expiring 30 November 2021) of \$63.700 million with multiple drawdowns, is expected to be utilised to continue with the Group's existing vineyard development, and ongoing execution of the its turnaround and future growth plans. As at 30 June 2019 \$17.003 million was available for future drawdowns at agreed dates from its overall \$55.000 million bank loan facility (excluding the equipment finance, bank guarantees and credit card facilities).

## Quality and Food Safety

Murray River Organics is committed to providing our customers with safe food, produced to the highest standards. Food quality is a powerful driver when consumers make food choices, so delivering product of the highest quality is at the forefront of what we do.

All factories and farms where Murray River Organics products are produced are regularly audited by external auditors to confirm compliance with quality and food safety standards. A total of 12 individual schemes are maintained across the operations with 24 days of audits carried out during FY19.

As a leading producer of organic dried vine fruit, grown on our own farms, we benefit from having growers with expertise and a long history of growing. This guarantees we can deliver the highest quality fruit to our customers.

With a global raw material supply chain ensuring our suppliers meet our standards is key. A robust supplier approval system is maintained to ensure raw materials purchased meet our quality standards. During 2019 financial year, we carried out 3700 tests covering pesticide residue, authenticity, allergens, and microbiology to ensure ongoing verification of product integrity and safety.

To stay at the forefront of product quality we regularly review and improve our own-brand product ranges, whilst developing new and innovative products for our customers.

## Safety, Health and Wellbeing

Murray River Organics is committed to improving the physical safety and mental well-being of our employees and embed a safety mindset and culture through the whole business. This takes time, effort and patience, and the goal over the last 12 months is to keep it “front of mind” and avoiding complacency.

In FY19 a Safety Road Map has been developed, which enabled the Group to understand the links between safety performance and key drivers of safety. Further the Group has been building the organisational capability and employee engagement in identifying and managing safety, health and wellness risks. The Safety Road Map has focused the business on key transformational and tactical activities that will ensure Murray River Organics continues its safety journey.

Over the last 12 months the Group has:

- Increased reporting of hazards and incident notification
- Undertaken in-house and external training (Manual handling/Fire Equipment/Chemical Handling)
- Focused on engaging the complete workforce and rolled out Employee Assistance Program with a focus on employee “emotional well-being”
- Conducted internal and external audits for an evaluation of the effectiveness of the health and safety management systems currently in place
- Reviewed each site including farms, to ensure we have emergency preparedness procedures and tools in place
- Participated in Certificate III in Horticulture with a dedicated module on OH&S for farm staff
- Re-invigorated OH&S committee with increased participation and input from shop floor staff
- Made safety a key requirement in every position description and the first agenda item in operational and management meetings

With strong support from the senior leadership team and the Board, the Group continues to drive a safety-first culture and compliance as part of the ‘MRG Ways of Working’.

## Sustainability

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

## Sustainable Farming

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

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

## Sustainable manufacturing

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

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

Murray River Organics' waste streams are recycled where possible, this includes recycling of all cardboard waste across all sites and the segregation of non-recyclable material. The cardboard used as part of our packaging is made as a minimum at 27% and on average using 62% recycled material.

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

## Operational Risks

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

### Turnaround Plan

Following a strategic review of the business in June 2018, the turnaround strategy was announced which focused on; operations, customer, farms, 3<sup>rd</sup> party supply, system, people & culture. In FY19 significant progress was undertaken in each of these areas and further work is ongoing. However, there is no guarantee as to the benefits that the turnaround strategy will realise, nor the time that may be required to realise these benefits. Delays or failure to efficiently implement the turnaround strategy could have a material adverse effect on MRG's future financial performance.

### Customer Risk and Competition

Murray River Organics top ten customers comprised approximately 75% of FY19 sales. The Group's customer contracts are short term (and typical of the sector it operates in), with supply periods typically for one season or one year (which may depend on the product's seasonality), and the prices at which its products are sold are subject to fluctuation depending on the level of supply and demand at the time the products are sold. In addition, a significant proportion of these customer contracts do not have fixed or minimum volume requirements. The Group also operates in highly competitive geographic and product markets with other organic and natural packaged food brands and companies, which may be more innovative and able to bring new products to market faster and better able to quickly exploit and serve niche markets. This could have a material adverse impact on the financial performance and prospects of the Group. Murray River Organics believes it can continue to successfully operate in these markets through strong product innovation and managing its product sourcing and manufacturing costs.

## Horticultural Risk

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

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

## Water supply

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

## Loss of organic certification

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

## Access to raw organic ingredients and other product sourcing

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

## Adverse movement in exchange rate

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

## Loss of key personnel

Murray River Organics' success depends to a significant extent on its ability to attract and retain suitably qualified key personnel. The loss of key management personnel, or any delay in their replacement could have a significant adverse effect on the management of the Murray River Organics and its financial

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performance. The Board has reviewed the organisational structure of the business and will continue to do so to ensure the best people are retained, whilst investing in developing other key people in the business.

### **Access to funding**

During FY19 the Group successfully completed its capital raising of \$30.6 million and renegotiation of a new three-year multi option banking facility with NAB expiring 30 November 2021 to support its turnaround strategy. The Group is in its first year of its three-year turnaround plan, as a result there may be some variability in the amount and timing of operating cash flows to enable the Group to successfully execute its turnaround plan. The Group is likely to require further funding in the future to complete the current turnaround strategy or to fund growth strategies. There is a risk that the Group may be unable to access debt or equity funding from the capital markets or its existing lenders on favourable terms, or at all.

### **Changes in the state of affairs**

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

### **Future developments**

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

### **Subsequent events**

Other than the renegotiation of the banking facilities as described in Note 16 – Borrowings, there has not been any other matter or circumstance occurring subsequent to the end of financial year that has significantly affected, or may affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### **Environmental regulation**

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

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

### **Company Dividends**

No dividends were paid or declared during the period.

### **Indemnification of directors and officers**

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

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

### **Indemnification of auditors**

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

## Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the financial year.

## Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 24 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in Note 24 to the financial report do not compromise the external auditor's independence, based on advice received from the Risk and Audit Management Committee, for the following reasons:

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

## Auditor's independence declaration

The auditor's independence declaration is included on page 42 of the financial report.

## Rounding off of amounts

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

## Remuneration Report (Audited)

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

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

The KMP of the Group during the year ended 30 June 2019 were as follows:

	Period of Responsibility	KMP Position
<b>Non-Executives</b>		
Andrew Monk	Appointed 24 January 2018	Non-Executive Independent Chairman
Keith Mentiplay	Appointed 24 January 2018	Non-Executive Independent Director
Michael Porter	Appointed 2 April 2018	Non-Executive Independent Director
Tony Dynon	Appointed 18 March 2019	Non-Executive Independent Director
Steven Si	Appointed 24 January 2018 Resigned 10 August 2018	Non-Executive Independent Director
<b>Executives</b>		
Valentina Tripp	Appointed 16 April 2018	Managing Director and Chief Executive Officer (CEO)
Albert Zago	Appointed 15 January 2018	Chief Financial Officer (CFO)

### Role of the Remuneration and Nomination Committee

#### Composition

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

#### Functions

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

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

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

The Remuneration and Nomination Committee Charter, which outlines the terms of reference under which it operates, is available online at [www.murrayriverorganicsinvestors.com.au](http://www.murrayriverorganicsinvestors.com.au).

## Remuneration Policy

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

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

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

The Directors and executives receive a superannuation guarantee contribution required by the law, and do not receive any other retirement benefits.

The Board policy is to remunerate Non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability.

The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the annual general meeting. The maximum aggregate amount of fees that can be paid to non-executive Directors as per last approval is \$500,000. Fees for Non-executive Directors are not linked to the performance of the Group. In FY19 share options were issued to Non-executive Directors as remuneration for additional work undertaken as part of the capital raise dated 24 October 2018.

### **Use of Remuneration advisors**

During FY19 the Remuneration and Nomination Committee approved the engagement of Crichton & Associates Pty Ltd to provide remuneration recommendations regarding remuneration mix and quantum for executives and Non-executive Directors.

Both Crichton & Associates Pty Ltd and the Committee are satisfied the advice received from Crichton & Associates Pty Ltd is free from undue influence from the KMP to whom the remuneration recommendations apply.

The remuneration recommendations were provided to the Committee as an input into the decision making only. The Remuneration and Nomination Committee considered the recommendations, along with other factors, in making its remuneration decisions.

The fee paid to Crichton & Associates Pty Ltd for the remuneration recommendations was \$10,547.

### **Short Term Incentive ("STI") Plan**

#### Valentina Tripp and Albert Zago

For FY2019, Valentina Tripp, Albert Zago and certain other employees as determined by the Board were entitled to participate in a cash-based STI Plan under the terms of their employment contracts, and in accordance with the terms of the STI Plan in place for FY2019. The maximum amount that an Executive KMP is entitled to under the STI Plan is as follows:

- Valentina Tripp, up to 60% of Valentina's total remuneration (base salary plus superannuation); and
- Albert Zago, up to 25% of Albert's total remuneration (base salary plus superannuation).

The table below sets out, in respect of Valentina Tripp and Albert Zago's entitlement, the percentage of their entitlement that will be paid on satisfaction of certain key performance indicators.

Measure	Entitlement to be paid
EBITDA before SGARA	50%*
Operational performance (additional customer service and labour productivity)	20%
Deliver a 3-5 year strategic plan, to be approved by the Board	10%
People and systems	10%
Risk and compliance	10%

\* With additional payment opportunities for an additional 10% and 15% weighting if performance measure is exceeded by specified amounts. This could result in them receiving up to 125% of their total STI Plan entitlement for FY2019.

In FY18 Albert Zago received an STI for performance during the year ended 30 June 2018 based on project goals and KPIs relevant to his role as part of the broader restructure of the Group.

### **Long-term Incentive ("LTI") Plan**

In conjunction with the capital raise dated 24 October 2018 the Board reinstated the Group's LTI Plan with new vesting conditions. The LTI Plan offers eligible employees (including KMP executives) selected by the Board rights to subscribe for, or be granted, Performance Rights. In FY19 Performance Rights were granted to Valentina Tripp and Albert Zago under the FY19 LTI Plan at nil consideration and vest 3 years from the date of grant, provided that the relevant employee is still employed by the Group at that time and subject to performance related vesting conditions. In FY20 the Board will consider extending the LTI plan to other senior employees of the Group. An overview of the LTI plan is as follows:

- Participants in the LTI Plan do not pay any consideration for the grant of the Performance Rights. On vesting, one performance right is exercisable into or entitles the holder to one share.
- Performance Rights are not be listed on ASX and does not entitle its holder to dividends nor rights to vote at meetings of shareholders of the Company.
- Performance Rights will only vest where the performance conditions and any other relevant conditions advised have been satisfied unless otherwise determined by the Board. An unvested performance right will lapse in certain circumstances, including where performance conditions are not satisfied within the relevant time period, where the participant deals with the performance right in breach of the rules of the LTI Plan or where, in the opinion of the Board, a participant has acted fraudulently or dishonestly.
- If a participant's employment or engagement with the Company (or its subsidiaries) terminates before the Performance Rights have vested, the Performance Rights will lapse, unless the invitation provides otherwise, or the Board resolves otherwise.
- Where there is a takeover bid made for Shares in the Company, the Directors may determine that all or part of the participant's unvested Performance Rights, will become vested Performance Rights.
- If there are certain variations in the share capital of the Company, including a capitalisation or rights issue, subdivision, consolidation or reduction in share capital, the Directors may make such adjustments as they consider appropriate under the LTI Plan.

The vesting condition is based on Total Shareholder Return Compound Annual Growth Return and in accordance with the following vesting schedule:

TSR CAGR	% of Performance Rights that vest	Comment
Less than 10% p.a.	0%	
10% p.a.	25%	Straight line interpolation between 10% and 12.5%
12.5% p.a.	50%	Straight line interpolation between 10% and 12.5%
15% p.a.	100%	

George Haggar (Previous KMP)

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

Erling Sorensen, Jamie Nemtsas and Matthew O'Brien (Previous KMP)

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

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

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

## Key Terms of Employment contracts

<b>Valentina Tripp</b>	<b>Managing Director and Chief Executive Officer</b>
Expiry date	Not applicable
Fixed Remuneration	\$500,000 (including superannuation)
Short Term Incentive	Maximum yearly cash bonus of \$300,000, representing 60% of total remuneration (base salary plus superannuation).
Retention Incentive	<ul style="list-style-type: none"> <li>6 million options over ordinary shares in MRG with an exercise price of \$0.10 cents vesting 16 April 2019 and expiring 16 April 2021.</li> <li>6 million options over ordinary shares in MRG with an exercise price of \$0.18 cents vesting 16 April 20 and expiring 16 April 2022.</li> <li>6 million options over ordinary shares in MRG with an exercise price of \$0.27 cents vesting 16 April 21 and expiring 16 April 2023.</li> </ul>
Long Term Incentive	Entitled to participate and included in the Company's LTI scheme.
Notice period	6 months
Termination/redundancy payment	Valentina's employment may be terminated by either party by providing six months' notice in writing before the proposed date of termination, or in the company's case, payment in lieu of notice at its discretion.
Restraint of trade period	6 months.

<b>Albert Zago</b>	<b>Chief Financial Officer</b>
Expiry date	Not applicable
Fixed Remuneration	\$310,000 (including superannuation)
Short Term Incentive	Maximum yearly bonus of 25% of total remuneration (base salary plus superannuation).
Long Term Incentive	Entitled to participate and included in the Company's LTI scheme.
Notice period	4 months
Termination/redundancy payment	Albert's employment may be terminated by either party by providing four months' notice in writing before the proposed date of termination, or in the company's case, payment in lieu of notice at its discretion.
Restraint of trade period	Up to 12 months subject to location of employment or trade

During FY19 the Remuneration and Nomination Committee engaged an independent remuneration advisor - Crichton & Associates Pty Ltd to undertake a benchmark review of Non-Executive Directors' fees of comparable companies. The Remuneration and Nomination Committee considered the recommendations, along with other factors and determined that remuneration fees needed to be aligned to current market rates and the appropriate time, commitment and responsibilities of the director roles. Effective 1 December 2018 Non-Executive Directors' fees increased and are summarised as follows:

Board/Committee	From 1 December 2018		Prior to 1 December 2018	
	Chairman Fee* (\$)	Director/Member Fee*(\$)	Chairman Fee* (\$)	Director/Member Fee* (\$)
Board based fee	\$120,000 (inclusive of committee work)	\$70,000	\$75,000 (inclusive of committee work)	\$40,000
Remuneration and Nomination Committee	\$10,000	-	\$5,000	-
Audit and Risk Committee	\$10,000	-	\$5,000	-

\*The base fees detailed above excluded superannuation.

## Relationship between Remuneration Policy and Group Performance

	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
Revenue	60,072	68,539	48,522	11,958	7,814
EBITDA (statutory) <sup>(ii)</sup>	(3,568)	(51,968)	(584)	6,945	288
EBITDA (pro-forma) <sup>(ii)</sup>	N/A	N/A	6,487	8,506	500
Net profit/(loss) after tax	(12,036)	(59,607)	(5,927)	2,229	(1,369)

	2019	2018	2017	2016	2015
Share price at start of year	\$0.31	\$0.32	\$1.30 <sup>(i)</sup>	N/A	N/A
Share price at end of year	\$0.079	\$0.31	\$0.32	N/A	N/A
Basic earnings (cents) per share	(4)	(49)	(8)	0.04	N/A
Diluted earnings (cents) per share	(4)	(49)	(8)	0.04	N/A
Interim and final dividend	-	-	-	-	-

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

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

**Details of Key Management Personnel Remuneration**

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

2019	Short-term		Post-employment	Long-term benefits	Equity-settled share based payments		Termination	Total	Total performance related	Fixed remuneration
	Salary, fees and leave	Bonus	Super-annuation	Long service leave	Share	Performance rights/Options				
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Non – Executive Directors</b>										
Andrew Monk	101,250	-	9,619	-	-	9,602	-	120,471	8%	92%
Keith Mentiplay	65,417	-	6,125	-	-	9,587	-	81,129	12%	88%
Michael Porter	57,500	-	5,463	-	-	9,587	-	72,550	13%	87%
Tony Dynon	23,174	-	2,202	-	-	-	-	25,376	-	100%
Steven Si <sup>(i)</sup>	6,758	-	642	-	-	-	-	7,400	-	100%
Sub-total	254,099	-	24,051	-	-	28,776	-	306,926		
<b>Executives</b>										
Valentina Tripp	479,469	90,000	20,531	-	-	109,472	-	699,472	29%	71%
Albert Zago	289,470	23,250	20,531	-	-	12,312	-	345,563	10%	90%
Sub-total	768,939	113,250	41,062	-	-	121,784	-	1,045,035		
<b>Total</b>	<b>1,023,038</b>	<b>113,250</b>	<b>65,113</b>	-	-	<b>150,560</b>	-	<b>1,351,961</b>		

<sup>(i)</sup> Steven Si – resigned 10 August 2018

**Other transactions with key management personnel**

Michael Porter was appointed as the Interim Senior Corporate Farms Manager effective 6 June 2018 at a daily rate of \$1,600 plus GST, travel and accommodation expenses. As at 30 June 2019, \$ 83,200 (2018: \$28,800), excluding GST was incurred in relation to consultancy services provided to the Group. This is not included in amounts provided to Mr Porter in his capacity as a KMP. Following the appointment of a full time farms manager, Michael Porter ceased to provide these interim services on 10 September 2018.

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

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

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

- (ii) Steven Si – appointed 24 January 2018
- (iii) Alan Fisher - appointed 8 May 2018 and resigned 31 May 2018
- (iv) Craig Farrow - appointed 6 September 2016 and resigned 24 January 2018
- (v) Lisa Hennessy - appointed 6 September 2016 and resigned 24 January 2018
- (vi) Kenneth Carr - appointed 23 November 2017 and resigned 24 January 2018
- (vii) Donald Brumley - appointed 6 September 2016 and resigned 22 November 2017
- (viii) Erling Sorensen - appointed 18 June 2012 and resigned 9 November 2017
- (ix) George Haggar - appointed 9 November 2017 and resigned as CEO on 16 April 2018 (ceased as KMP)
- (x) Jamie Nemtsas - appointed 18 June 2012 and Resigned 28 August 2017
- (xi) Matthew O'Brien - appointed March 2016 and resigned as CFO on 15 January 2018 (ceased as KMP)

## Key Management Personnel's Share-based Compensation

## Performance rights issued to key management personnel

KMP	Tranche	Grant date	Number granted	Fair value per performance right at grant date	Number vested during the year	Year in which option may vest	Vested %	Fair value of exercised performance rights during the year	Number forfeited during the year	Year forfeited performance rights were granted	Amount paid or payable for exercised performance rights	Terms and conditions for each grant			
												Exercise price \$	Expiry date	First exercise date	Last exercise date
Valentina Tripp	LTI	22 Nov 18	2,325,451	\$0.054	-	2021	0%	-	-	-	-	-	21/11/21	21/11/21	21/11/21
Albert Zago	LTI	1 Nov 18	901,112	\$0.062	-	2021	0%	-	-	-	-	-	21/11/21	21/11/21	21/11/21
<b>Total</b>			<b>3,226,563</b>					-	-	-	-				

The following factors were used in determining the fair value of the performance rights granted during the year ended 30 June 2019:

KMP	Tranche	Grant Date	Price of shares on grant date	Estimated volatility	Risk free Interest Rate	Dividend Yield
Valentina Tripp	LTI	22 Nov 18	\$0.087	90%	2.12%	0%
Albert Zago	LTI	1 Nov 18	\$0.100	90%	2.12%	0%

## Options issued to key management personnel

KMP	Tranche	Grant date	Number granted	Fair value per Option at grant date	Number vested during the year	Year in which option may be vested	Vested %	Fair value of option during the year	Number forfeited during the year	Year forfeited options were granted	Amount paid or payable for exercised options	Terms and conditions for each grant			
												Exercise price	Expiry date	First exercise date	Last exercise date
Andrew Monk	Capital Raise 2018	22 Nov 18	1,000,000	\$0.0478	-	2021	0%	-	-	-	-	\$0.10	22/11/21	22/11/19	22/11/21
Keith Mentiplay	Capital Raise 2018	22 Nov 18	1,000,000	\$0.0478	-	2021	0%	-	-	-	-	\$0.10	22/11/21	22/11/19	22/11/21
Michael Porter	Capital Raise 2018	22 Nov 18	1,000,000	\$0.0478	-	2021	0%	-	-	-	-	\$0.10	22/11/21	22/11/19	22/11/21
	Retention Incentive A		6,000,000	\$0.0429	-	2019	0%	-	-	-	-	\$0.10	16/04/21	16/04/19	16/04/21
Valentina Tripp <sup>(i)</sup>	Retention Incentive B	22 Nov 18	6,000,000	\$0.0397	-	2020	0%	-	-	-	-	\$0.18	16/04/22	16/04/20	16/04/22
	Retention Incentive C		6,000,000	\$0.0401	-	2021	0%	-	-	-	-	\$0.27	16/04/23	16/04/21	16/04/23
	Retention Incentive A		2,000,000	\$0.0702	-	2019	0%	-	2,000,000	2018	-	\$0.60	16/04/21	16/04/19	16/04/21
Valentina Tripp <sup>(i)</sup>	Retention Incentive B	16 Apr 2018	2,000,000	\$0.0764	-	2020	0%	-	2,000,000	2018	-	\$0.70	16/04/22	16/04/20	16/04/22
	Retention Incentive C		2,000,000	\$0.0830	-	2021	0%	-	2,000,000	2018	-	\$0.80	16/04/23	16/04/21	16/04/23

<sup>(i)</sup> The Retention Incentive options with a grant dated of 16 April 2018 were not issued and were replaced with new Retention Incentive options (grant date 22 November 2018) following the capital raised dated 24 October 2018. The options were approved and granted at the 2018 Annual General Meeting.

The following factors were used in determining the fair value of the options granted during the year ended 30 June 2019:

KMP	Tranche	Grant Date	Price of shares on grant date	Estimated volatility	Risk free Interest Rate	Dividend Yield
Andrew Monk	Capital Raise 2018	22 Nov 18	\$0.09	90%	2.12%	0%
Keith Mentiplay	Capital Raise 2018	22 Nov 18	\$0.09	90%	2.12%	0%
Michael Porter	Capital Raise 2018	22 Nov 18	\$0.09	90%	2.12%	0%
	Retention Incentive A		\$0.09	90%	2.08%	0%
Valentina Tripp	Retention Incentive B	22 Nov 18	\$0.09	90%	2.17%	0%
	Retention Incentive C		\$0.09	90%	2.27%	0%

### Number of performance rights held by key management personnel

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

	Balance at 01/07/18	Granted	Exercised	Forfeited	Balance at 30/06/19
Valentina Tripp	-	2,325,451	-	-	2,325,451
Albert Zago	-	901,112	-	-	901,112
<b>Total</b>	-	<b>3,226,563</b>	-	-	<b>3,226,563</b>

### Number of Options held by key management personnel

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

	Balance at 01/07/18	Granted	Exercised	Forfeited <sup>(i)</sup>	Balance at 30/06/19
Andrew Monk	-	1,000,000	-	-	1,000,000
Keith Mentiplay	-	1,000,000	-	-	1,000,000
Michael Porter	-	1,000,000	-	-	1,000,000
Valentina Tripp <sup>(i)</sup>	6,000,000	18,000,000	-	(6,000,000)	18,000,000
<b>Total</b>	<b>6,000,000</b>	<b>21,000,000</b>	-	<b>(6,000,000)</b>	<b>21,000,000</b>

- <sup>(i)</sup> The Retention Incentives options included in the FY18 annual report, which were subject to shareholder approval at the 2018 Annual General Meeting were not issued and were replaced with new Retention Incentive options, which were approved and granted at the 2018 Annual General Meeting.

**Number of shares held by key management personnel**

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

	Balance at 1/07/18	Options Exercised	Net Change Other <sup>(i)</sup>	Balance at 30/06/2019 <sup>(ii)</sup>
Andrew Monk	30,000	-	1,505,333	1,535,333
Keith Mentiplay	125,000	-	500,000	625,000
Michael Porter	-	-	1,400,000	1,400,000
Tony Dynon	-	-	-	-
Steven Si <sup>(iii)</sup>	-	-	-	-
Valentina Tripp	-	-	2,200,000	2,200,000
Albert Zago	-	-	-	-
<b>Total</b>	<b>155,000</b>	<b>-</b>	<b>5,605,333</b>	<b>5,760,333</b>

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

(ii) There has been no change in shareholdings from 30 June 2019 to the date of this report.

(iii) Based on securities held by those entities in which Steven Si held a relevant interest as at the date of his resignation as a director of the Company, being 10 August 2018.

**Other equity-related key management personnel transactions**

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

**Loans to Key Management Personnel**

There have been no loans to management personnel (2018: Nil).

**Aggregate of loans made**

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

	2019 \$	2018 \$
Opening balance at commencement of the financial year	-	979,193
Loans advanced	-	-
Loan repayment received	-	(979,193)
Closing Balance at end of the financial year	-	-
Interest that would have been charged had loan been at arm's length	-	(i)
Number of KMP with loans outstanding at end of financial year	-	-

The 2018 loans to prior period key management personnel relate to a receivable from the founding shareholders relating to the indemnification of legacy income tax obligations of the Sornem Entities that became wholly owned subsidiaries of the Group as part of the pre-IPO restructure. During FY18 these tax obligations had been paid by the Group to the ATO. These tax obligations were not due to be paid by the Group to the ATO until March 2018. The above loan balances relate 50% to Jamie Nemtsas and 50% to Erling Sorensen.

(i) Due to the timing between the funds being paid by the Founders to the Company (in August 2017) and the tax obligation settled with the ATO (March 2018), interest of \$13,817 and \$14,055 at a rate of 4.44% was respectively paid to Erling Sorensen and Jamie Nemtsas.

**Other Transactions with Key Management Personnel**

In the 2018 financial year former Directors, Erling Sorensen and Jamie Nemtsas, hold units in the Arrow Primary Infrastructure Fund and were considered a related party. In the 2018 financial year the Group received \$4,429,108 from Arrow Primary Infrastructure Fund (Arrow) as funding for capital expenditure incurred on the Colignan vineyard. The total \$4,429,108 funding received from Arrow will be repaid in full by the Group by way of higher finance lease repayments as required under the lease agreement. Arrow Primary Infrastructure Fund is the lessor of the Colignan vineyard. In the 2018 financial year, the Group paid \$2,142,232 in relation to lease payments as lessee of the Colignan vineyard. The lease has been entered into under terms and conditions as described in Note 16(b) of the Financial Statements and neither interest held represents a controlling interest in Arrow Primary Infrastructure Fund. Former Directors, Erling Sorensen and Jamie Nemtsas are no longer considered a related party in relation to the 2019 financial year.

In the 2018 financial year, the Group paid \$69,631 (at a rate of \$400.00 per megalitre) to a related party of former Director Jamie Nemtsas to access water in relation to the Alkira property. The Group does not have access to water other than through this arrangement. Former Director Jamie Nemtsas is no longer considered a related party in relation to the 2019 financial year.

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

On behalf of the Directors

Director \_\_\_\_\_  
Andrew Monk  
Chairman

Director \_\_\_\_\_  
Valentina Tripp  
Managing Director

30 August 2019

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# Corporate Governance Statement

This Corporate Governance Statement sets out the Company's current compliance with the 3<sup>rd</sup> Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Recommendations**) in respect of the reporting period ended 30 June 2019 (**Reporting Period**).

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

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

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
			www.murrayriverorganicsinvestors.com.au) for further details.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	The Company has a written agreement with each director and senior executive setting out the terms of their appointment.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes	<p>The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board, unless delegated by the Board to another appropriate person. The current Company Secretary has direct contact with all directors as and when required.</p> <p>Please refer to the Board Charter (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	Yes	<p>The Board is committed to improving its workplace diversity throughout the Company. The Company has adopted a Diversity Policy which includes requirements for the Board to set measurable objectives for achieving gender diversity goals and review the entity's progress in achieving them. Management will monitor, review and report to the Board (including via the Remuneration and Nomination Committee) on the Company's progress towards achieving its measurable objectives on an annual basis and conduct a review of the status of diversity within the Company.</p> <p>The Policy is supported by other policies, including a Code of Conduct, which have been adopted by the Board to enhance its operations through a diverse workforce. The Company values having a diverse workforce from a wide variety of cultural, religious or ethnic backgrounds as well as addressing age, physical and gender matters.</p> <p>The Company recognises that gender diversity amongst its Personnel broadens the pool of high-quality directors and employees, is likely to support employee retention, is likely to encourage greater innovation by drawing on different perspectives, is a socially and economically responsible governance practice, and will improve the Company's corporate reputation.</p> <p>The Board recognises the importance of diversity in the workplace and is focused on achieving and improving representation of women on the Board and in senior positions.</p> <p>The Board assessed the gender diversity of the Company during the Reporting Period and</p>

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
			<p>discloses the following proportions of men and women:</p> <ul style="list-style-type: none"> <li>- whole organisation: 67 men and 47 women</li> <li>- senior management: 5 men and 3 women</li> <li>- board: 4 men and 2 women*</li> </ul> <p>* including the company secretary</p> <p>The Board considers 'senior executives' to be those who report to the Chief Executive Officer or the Board. Please refer to the Diversity Policy (available via the Company's website, <a href="http://www.murrayriverorganicsinvestors.com.au">www.murrayriverorganicsinvestors.com.au</a>) for further details.</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Yes	<p>The Board, with the advice and assistance of the Remuneration and Nomination Committee, is required to self-evaluate its performance and effectiveness, and the performance of its Committees and individual Directors on an annual basis. Each Committee is also required to self-evaluate its performance and effectiveness, and the performance of its members on an annual basis.</p> <p>The Remuneration and Nomination Committee is also responsible for recognising and analysing any gaps in the skills and experience of the current Board.</p> <p>During the Reporting Period, the Board undertook an internal in-depth review of the Board's skills matrix for the purposes of determining any additional skills that may be required on the Board. From this process, the Board then underwent a fulsome non-executive director recruitment process, resulting in the appointment of Tony Dynon.</p> <p>The Board has also implemented a Board and Meeting evaluation process as a standing agenda item at each Board Meeting.</p> <p>Please refer to the Remuneration and Nomination Committee Charter and the Board Charter (available via the Company's website, <a href="http://www.murrayriverorganicsinvestors.com.au">www.murrayriverorganicsinvestors.com.au</a>) for further details.</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Yes	<p>With the advice and assistance of the Remuneration and Nomination Committee, the Board is responsible for periodically assessing the performance of the Chief Executive Officer. The Chief Executive Officer is responsible for periodically assessing the performance of the senior executives within the Company, in conjunction with the Board.</p> <p>The Remuneration and Nomination Committee is also responsible for assisting the Chief Executive Officer in annually evaluating the senior executives to evaluate the individual's performance regarding skills, knowledge and experience.</p>

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
			<p>During the Reporting Period, the Company conducted formal performance evaluations of its senior executives in respect of their skills, knowledge and experience.</p> <p>Please refer the Remuneration and Nomination Committee Charter and the Board Charter (available via the Company's website, <a href="http://www.murrayriverorganicsinvestors.com.au">www.murrayriverorganicsinvestors.com.au</a>) for further details.</p>
<b>2.</b>	<i>Structure the board to add value</i>		
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	Yes	<p>The Company has established the Remuneration and Nomination Committee and adopted the Remuneration and Nomination Committee Charter. During the Reporting Period, the Remuneration and Nomination Committee was comprised of:</p> <ul style="list-style-type: none"> <li>• Keith Mentiplay (Committee Chair and Independent Non-Executive Director);</li> <li>• Andrew Monk (Board Chair and Independent Non-Executive Director); and</li> <li>• Michael Porter (Independent Non-Executive Director)</li> <li>• Tony Dynon (Independent Non-Executive Director)</li> </ul> <p>Details of meetings held during the Reporting Period, are contained in the Directors' Report section of this Annual Report.</p> <p>Please refer the Remuneration and Nomination Committee Charter (available via the Company's website, <a href="http://www.murrayriverorganicsinvestors.com.au">www.murrayriverorganicsinvestors.com.au</a>) for further details.</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	Yes	<p>The Remuneration and Nomination Committee is responsible for setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.</p> <p>The Board Skills Matrix details the collective skills, knowledge, experience, personal attributes and other criteria of the Board of Directors. The Board will assess all future candidates for Board positions, and the performance of its current members, against the criteria set out in the Board Skills Matrix.</p> <p>Please refer to the Board Skills Matrix at the end of Section 8.3 of this Corporate Governance Statement, and the Remuneration and Nomination Committee Charter (available via the Company's website,</p>

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
			www.murrayriverorganicsinvestors.com.au) for further details.
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Yes	The Board consists of five Directors, four of which are Independent Non-Executive Directors – Andrew Monk, Keith Mentiplay, Michael Porter and Tony Dynon.  The date of appointment of each Director is set out in the Directors' Report Section of this Annual Report.
2.4	A majority of the board of a listed entity should be independent directors.	Yes	As at the date of this Corporate Governance Statement, a majority of directors are Independent Directors.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes	Andrew Monk, the Chair of the Board, is an Independent Non-Executive Director and is not the Chief Executive Officer of the Company.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	The Company's Remuneration and Nomination Committee is responsible for establishing and facilitating an induction program for new directors with all such information and advice which may be considered necessary or desirable for the director to commence their appointment to the Board.  Please refer to the Company's Remuneration and Nomination Committee Charter (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.
<b>3.</b>	<b><i>Promote ethical and responsible decision-making</i></b>		
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	Yes	The Company has adopted a Code of Conduct to be followed by all personnel of the Company, including any director, employee, contractor, secondees and consultant of the Company. Please refer to the Code of Conduct (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.
<b>4.</b>	<b><i>Safeguard integrity in financial reporting</i></b>		
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive	Yes	The Board has established an Audit and Risk Management Committee which is governed by the Audit and Risk Management Committee Charter.

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
	<p>directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>		<p>The Audit and Risk Management Committee is currently comprised of:</p> <ul style="list-style-type: none"> <li>• Tony Dynon (Committee Chair and Independent Non-Executive Director)*;</li> <li>• Andrew Monk (Board Chair and Independent Non-Executive Director)**;</li> <li>• Michael Porter (Independent Non-Executive Director); and</li> <li>• Keith Mentiplay (Independent Non-Executive Director).</li> </ul> <p>* Tony was appointed as Committee Chair on 18 March 2019. **Andrew was Committee Chair until 18 March 2019.</p> <p>The Audit and Risk Management Committee comprises all independent non-executive directors (including the Chair).</p> <p>Details of the members' qualifications and experience, and details of the number of meetings held during the Reporting Period, are contained in the Directors' Report section of this Annual Report.</p> <p>Please refer to the Audit and Risk Management Committee Charter (available via the Company's website, <a href="http://www.murrayriverorganicsinvestors.com.au">www.murrayriverorganicsinvestors.com.au</a>) for further details.</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	Yes	<p>As set out in the Audit and Risk Management Committee Charter, the Audit and Risk Management Committee ensures that the Company complies with its legal obligations, including to assist the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) to provide declarations in relation to the Company's financial reports required by both section 295A of the <i>Corporations Act 2001</i> (Cth) and this Recommendation 4.2.</p> <p>The CFO and CEO declarations for the Reporting Period were delivered prior to the Board making its declaration under section 295A of the Corporations Act.</p> <p>Please refer to the Audit and Risk Management Committee Charter (available via the Company's website, <a href="http://www.murrayriverorganicsinvestors.com.au">www.murrayriverorganicsinvestors.com.au</a>) for further details.</p>
4.3	<p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	Yes	<p>The Audit and Risk Management Committee is responsible for ensuring that the external auditor attends the annual general meeting of the Company and is available to answer questions from shareholders of the Company relevant to the audit.</p> <p>Please refer to the Audit and Risk Management Committee Charter and the Communications Policy (available via the Company's website,</p>

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
			www.murrayriverorganicsinvestors.com.au) for further details.
<b>5.</b>	<b><i>Make timely and balanced disclosure</i></b>		
5.1	A listed entity should: <ul style="list-style-type: none"> <li>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</li> <li>(b) disclose that policy or a summary of it.</li> </ul>	Yes	<p>The Company has adopted a Continuous Disclosure Policy to ensure compliance with its continuous disclosure obligations under the ASX Listing Rules. The Policy establishes procedures that seek to ensure that Directors and Management are aware of, and fulfil, their obligations in relation to the timely disclosure of material price-sensitive information.</p> <p>Please refer to the Continuous Disclosure Policy (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
<b>6.</b>	<b><i>Respect the rights of shareholders</i></b>		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes	The Company provides information about itself, its business and its governance on its website, www.murrayriverorganicsinvestors.com.au. All policies and charters concerning governance issues are located on a dedicated section headed Governance.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	<p>The Company's Communications Policy establishes procedures to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and are informed of all major developments affecting the affairs of the Company in accordance with all applicable laws.</p> <p>Please refer to the Communications Policy and the Investor Relations page (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	<p>The Company's Communication Policy establishes procedures to encourage effective participation at general meetings of the Company.</p> <p>Please refer to the Communications Policy (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	<p>The Company's Communication Policy ensures that Shareholders are able to access information relevant to their shareholding in the Company via periodic mail-outs or (on election) to receive email communications. Shareholders are also granted access to the Company's share registry.</p> <p>Please refer to the Communications Policy (available via the Company's website, www.murrayriverorganicsinvestors.com.au) for further details.</p>

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
<b>7.</b>	<b>Recognise and manage risk</b>		
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	Yes	<p>The Company has established an Audit and Risk Management Committee which is governed by the Audit and Risk Management Committee Charter. The Company has also adopted a Risk Management Policy.</p> <p>The Audit and Risk Management Committee is currently comprised of:</p> <ul style="list-style-type: none"> <li>• Tony Dynon (Committee Chair and Independent Non-Executive Director)*;</li> <li>• Andrew Monk (Board Chair and Independent Non-Executive Director)**;</li> <li>• Michael Porter (Independent Non-Executive Director); and</li> <li>• Keith Mentiplay (Independent Non-Executive Director).</li> </ul> <p>* Tony was appointed as Committee Chair on 18 March 2019. **Andrew was Committee Chair until 18 March 2019.</p> <p>The Audit and Risk Management Committee comprises all independent non-executive directors (including the Chair).</p> <p>Details of meetings held during the Reporting Period are contained in the Directors' Report section of this Annual Report.</p> <p>Please refer to the Audit and Risk Management Committee Charter and Risk Management Policy (available via the Company's website, <a href="http://www.murrayriverorganicsinvestors.com.au">www.murrayriverorganicsinvestors.com.au</a>) for further details.</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	Yes	<p>In accordance with the Company's Audit and Risk Management Committee Charter, the Audit and Risk Management Committee is responsible for ensuring that the Company's risk management framework is reviewed at least annually.</p> <p>During the Reporting Period, the Audit and Risk Management Committee and management conducted an internal review of the Company's risk register reporting framework in order to identify the Company's key risks and prioritise them accordingly.</p> <p>Please refer to the Audit and Risk Management Committee Charter and the Risk Management Policy (available via the Company's website, <a href="http://www.murrayriverorganicsinvestors.com.au">www.murrayriverorganicsinvestors.com.au</a>) for further details.</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes</p>	Yes	<p>The Company does not have an internal audit function. The Board considers that the Audit and Risk Management Committee and financial control function, in conjunction with its Risk Management Policy, are sufficient processes for evaluating and continually improving the</p>

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
	it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.		effectiveness of its risk management and internal control processes for a company of its size and complexity.  Please refer to the Company's Audit and Risk Management Committee Charter and the Risk Management Policy (available via the Company's website, <a href="http://www.murrayriverorganicsinvestors.com.au">www.murrayriverorganicsinvestors.com.au</a> ) for further details.
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	Refer to "Operational Risks" section in the Directors' Report as part of the Annual Report in respect of the Company's exposure to economic, environmental and social sustainability risks.  The Audit and Risk Management Committee is responsible for reviewing whether the Company has any material exposure to any economic, environmental and social sustainability risks and, if so, developing strategies to manage such risks.  Please refer to the Audit & Risk Management Committee Charter and the Risk Management Policy (available via the Company's website, <a href="http://www.murrayriverorganicsinvestors.com.au">www.murrayriverorganicsinvestors.com.au</a> ) for further details.
<b>8.</b>	<b>Remunerate fairly and responsibly</b>		
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Yes	The Company has established the Remuneration and Nomination Committee and adopted the Remuneration and Nomination Committee Charter. During the Reporting Period, the Remuneration and Nomination Committee was comprised of: <ul style="list-style-type: none"><li>• Keith Mentiplay (Committee Chair and Independent Non-Executive Director);</li><li>• Andrew Monk (Board Chair and Independent Non-Executive Director); and</li><li>• Michael Porter (Independent Non-Executive Director)</li></ul> Tony Dynon (Independent Non-Executive Director) Details of meetings held during the Reporting Period, are contained in the Directors' Report section of this Annual Report.  Please refer the Remuneration and Nomination Committee Charter (available via the Company's website, <a href="http://www.murrayriverorganicsinvestors.com.au">www.murrayriverorganicsinvestors.com.au</a> ) for further details.
8.2	A listed entity should separately disclose	Yes	The Company's Remuneration Policy and the Remuneration and Nomination Committee

	RECOMMENDATION	COMPLY (Yes/No)	COMMENT
	its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.		<p>Charter disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives.</p> <p>Please refer the Remuneration and Nomination Committee Charter and the Remuneration Policy (available via the Company's website, <a href="http://www.murrayriverorganicsinvestors.com.au">www.murrayriverorganicsinvestors.com.au</a>) for further details.</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	Yes	<p>The Company has adopted a long term incentive performance rights plan (LTI) to reward, retain and attract certain employees, consultants and directors of the Company (Participants).</p> <p>The Company's Security Trading Policy prohibits Participants from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the LTI.</p> <p>Please see the Securities Trading Policy (available via the Company's website, <a href="http://www.murrayriverorganicsinvestors.com.au">www.murrayriverorganicsinvestors.com.au</a>) for further details.</p>

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

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

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



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

As lead auditor for the audit of the financial report of Murray River Organics Group Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

David Petersen  
Partner

30 August 2019

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

### **Report on the Audit of the Financial Report**

#### **Opinion**

We have audited the financial report of Murray River Organics Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for Opinion**

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

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

#### **Material Uncertainty Related to Going Concern**

For the year ended 30 June 2019, the Group incurred a net loss of \$12.036 million and net cash outflows from operating activities of \$20.484 million. These factors along with the other risks outlined in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



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## Key Audit Matters

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

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

### 1. Impairment of goodwill and other non-current assets

#### Why significant

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

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

Following ongoing below budget operating results, the Group performed an impairment test of the CGU at 30 June 2019. No impairment was identified.

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

#### How our audit addressed the key audit matter

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

- ▶ Assessed the Group's determination that there is a single CGU of the Group.
- ▶ Tested the mathematical accuracy of the CGU 'fair value less cost of disposal' impairment model.
- ▶ Assessed the Group's judgement in applying cash flow forecasts extending over a 10 year period in the 'fair value less cost of disposal' impairment model.
- ▶ Assessed whether the cash flows from the Board approved 2020 budget were used in the CGU impairment model.
- ▶ Assessed the key assumptions contained within the cash flow forecasts prepared by the Group and considered their support and external data where available, including revenue growth rates, profit margins, capital expenditure estimates and terminal growth rates.
- ▶ Assessed the appropriateness of the discount rate applied to the CGU by comparison to external market data of comparable companies.
- ▶ Performed sensitivity analysis on key assumptions to ascertain the extent to which changes in those assumptions would either individually or collectively impact the impairment assessment.
- ▶ Considered the net assets of the Group compared to the market capitalisation at 30 June 2019 as a valuation cross-check.
- ▶ Assessed the adequacy of the related disclosures made in the financial report as required by Australian Accounting Standards.



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## 2. Measurement of the 2019 Crop

### Why significant

The 2019 Crop consists of vine (grape) and citrus fruit, a portion of which remains unharvested at 30 June 2019.

As disclosed in Note 2(f) and Note 9 of the financial report, the Group has measured the fair value less cost to sell of the 2019 Crop at the point of harvest to be \$11.289 million.

The measurement of the 2019 Crop was a key audit matter as the fair value less cost to sell estimate is subject to significant judgement given the nature of assumptions applied, including:

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

Note 9 of the financial report discloses the key changes in accounting estimates applied to measure the 2019 Crop in comparison to the 2018 Crop.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the appropriateness of the methodology applied by the Group to measure the 2019 Crop with reference to Australian Accounting Standards.
- ▶ Assessed the Group's judgement of the principal market or, where relevant, the most advantageous market for the 2019 Crop.
- ▶ Assessed the key assumptions within the fair value less cost to sell calculation for the 2019 Crop by comparing the assumptions to historical trends and, where possible, actual outcomes in subsequent periods.
- ▶ Assessed the actual yields and estimates of yields on unharvested fruit for the 2019 Crop by testing a sample of inputs to historical data and actual outcomes in subsequent periods.
- ▶ Assessed the adequacy of the related disclosures made in the financial report, including those related to a change in accounting estimates, as required by Australian Accounting Standards.

## 3. Existence and measurement of inventories

### Why significant

At 30 June 2019, the Group held \$22.269 million in inventories representing 19% of total assets. The Group's inventories comprise raw materials harvested from the Group's fruit crops and purchased finished goods and packaging.

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

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

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

### How our audit addressed the key audit matter

Our audit procedures included the following:

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

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#### 4. Capitalisation of bearer plant expenditure

##### Why significant

The total bearer plant expenditure capitalised by the Group for the year ended 30 June 2019 was \$5.838 million.

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

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

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

##### How our audit addressed the key audit matter

Our audit procedures included the following:

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

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Chairman's Review, Directors' Report, Corporate Governance Statement and Additional Australian Securities Exchange Information that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

## Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

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

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

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



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

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

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

## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 31 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Murray River Organics Group Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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

Ernst & Young

David Petersen  
Partner  
Melbourne

30 August 2019

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# Directors' Declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 2 to the financial statements;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) the directors have been given the declarations required by Section 295A of the *Corporations Act 2001*.

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

On behalf of the Directors



Director \_\_\_\_\_  
Andrew Monk  
Chairman



Director \_\_\_\_\_  
Valentina Tripp  
Managing Director

30 August 2019

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## Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Revenue	4	60,072	68,539
Other income	4	139	222
Fair value loss from agricultural produce	9	(174)	158
Change in finished goods		(2,077)	(994)
Raw materials, consumables used and farming input costs		(44,364)	(69,613)
Administration expense		(2,145)	(2,347)
Selling expenses		(869)	(811)
Employee benefits expense	5	(9,116)	(10,361)
Depreciation expense	5	(4,457)	(6,198)
Freight out and distribution expenses		(2,617)	(4,047)
Other expense		(2,591)	(3,212)
Finance costs	5	(3,837)	(3,337)
Impairment of non-current assets	14	-	(21,169)
Revaluation loss on properties and assets held for sale	5	-	(7,030)
Business restructuring costs	5	-	(2,343)
Reversal of provision of group reorganisation costs		-	1,040
Loss before tax		(12,036)	(61,503)
Income tax benefit	6	-	1,896
<b>Loss for the year</b>		<b>(12,036)</b>	<b>(59,607)</b>
<i>Attributed to:</i>			
Equity holders of the parent		(12,036)	(59,607)
Murray River Organics Property Trust (non-controlling interests)		-	-
		(12,036)	(59,607)
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Gain on revaluation of assets	19(a)	-	2,056
Income tax effect of other comprehensive income	19(a)	-	(617)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net movement in cash flow hedges		(71)	169
Income tax effect of other comprehensive income		-	(51)
Total other comprehensive income / (loss)		(71)	1,557
<b>Total comprehensive loss for the year</b>		<b>(12,107)</b>	<b>(58,050)</b>
<i>Attributed to:</i>			
Equity holders of the parent		(12,107)	(58,050)
Basic earnings per share (cents per share)	27	(4)	(49)
Diluted earnings per share (cents per share)	27	(4)	(49)

Notes to the financial statements are included on pages 54 to 97.

## Consolidated statement of financial position at 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Current assets</b>			
Cash and cash equivalents	21(a)	1,214	4
Trade and other receivables	7	10,518	6,729
Inventories	8	22,269	16,194
Agricultural produce	9	2,054	2,621
Other financial assets	10	99	169
Other assets	11	992	1,320
		<b>37,146</b>	<b>27,037</b>
Assets held for sale	12	6,361	7,642
<b>Total current assets</b>		<b>43,507</b>	<b>34,679</b>
<b>Non-current assets</b>			
Property, plant and equipment	13	71,090	67,610
Intangible assets	14	-	-
<b>Total non-current assets</b>		<b>71,090</b>	<b>67,610</b>
<b>Total assets</b>		<b>114,597</b>	<b>102,289</b>
<b>Current liabilities</b>			
Trade and other payables	15	8,741	11,825
Borrowings	16	4,160	47,161
Provisions	17	591	755
<b>Total current liabilities</b>		<b>13,492</b>	<b>59,741</b>
<b>Non-current liabilities</b>			
Borrowings	16	65,104	22,133
Deferred tax liabilities	6	-	-
Provisions	17	565	440
<b>Total non-current liabilities</b>		<b>65,669</b>	<b>22,573</b>
<b>Total liabilities</b>		<b>79,161</b>	<b>82,314</b>
<b>Net assets</b>		<b>35,436</b>	<b>19,975</b>
<b>Equity</b>			
Contributed equity	18	150,888	123,832
Reserves	19	(39,686)	(40,127)
Accumulated losses		(75,766)	(63,730)
<b>Total equity</b>		<b>35,436</b>	<b>19,975</b>

Notes to the financial statements are included on pages 54 to 97.

## Consolidated statement of changes in equity for the year ended 30 June 2019

	Contributed equity	Retained earnings/ (Accumulated losses)	Corporate re-organisation reserve	Share-based payments reserve	Asset revaluation reserve	Hedging Reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	112,002	(4,123)	(47,453)	511	5,342	-	66,279
Loss for the year	-	(59,607)	-	-	-	-	(59,607)
Other comprehensive loss	-	-	-	-	1,439	118	1,557
<b>Total comprehensive loss for year</b>	-	<b>(59,607)</b>	-	-	<b>1,439</b>	<b>118</b>	<b>(58,050)</b>
Issue of shares	12,106	-	-	-	-	-	12,106
Equity raising costs (net of tax)	(456)	-	-	-	-	-	(456)
Share-based payments	180	-	-	(84)	-	-	96
<b>Balance at 30 June 2018</b>	<b>123,832</b>	<b>(63,730)</b>	<b>(47,453)</b>	<b>427</b>	<b>6,781</b>	<b>118</b>	<b>19,975</b>
Balance at 1 July 2018	123,832	(63,730)	(47,453)	427	6,781	118	19,975
Loss for the year	-	(12,036)	-	-	-	-	(12,036)
Other comprehensive loss	-	-	-	-	-	(71)	(71)
<b>Total comprehensive loss for year</b>	-	<b>(12,036)</b>	-	-	-	<b>(71)</b>	<b>(12,107)</b>
Issue of shares	30,618	-	-	-	-	-	30,618
Equity raising costs (net of tax)	(3,562)	-	-	206	-	-	(3,356)
Share-based payments	-	-	-	306	-	-	306
<b>Balance at 30 June 2019</b>	<b>150,888</b>	<b>(75,766)</b>	<b>(47,453)</b>	<b>939</b>	<b>6,781</b>	<b>47</b>	<b>35,436</b>

Notes to the financial statements are included on pages 54 to 97.

## Consolidated statement of cash flows for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		62,271	77,887
Payments to suppliers and employees		(78,244)	(85,701)
Interest received		-	14
Tax paid		-	(868)
Interest paid		(2,155)	(2,092)
Interest paid – Colignan property lease		(2,356)	(2,488)
Net cash used in operating activities	21 (b)	<b>(20,484)</b>	<b>(13,248)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(5,296)	(13,586)
Payments for business acquisitions		-	(2,626)
Proceeds from sale of property, plant and equipment		1,617	717
Net cash used in investing activities		<b>(3,679)</b>	<b>(15,495)</b>
<b>Cash flows from financing activities</b>			
Proceeds from related party borrowings		-	979
Proceeds from borrowings		50,289	56,337
Repayment of borrowings		(47,626)	(48,205)
Proceeds from equipment financing		853	2,456
Repayment of equipment financing		(1,599)	(805)
Proceeds from issue of share capital and trust units		30,618	12,106
Transaction costs on issue of securities		(3,356)	(651)
Net cash generated by financing activities		<b>29,179</b>	<b>22,217</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		5,016	(6,526)
<b>Cash and cash equivalents at the beginning of the year</b>		(3,802)	2,724
<b>Cash and cash equivalents at the end of the year</b>		<b>1,214</b>	<b>(3,802)</b>

Notes to the financial statements are included on pages 54 to 97.

## Notes to the financial statements

### 1. General information and group reorganisation

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

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

The financial statements were authorised for issue by the directors on 30 August 2019.

### 2. Significant accounting policies

#### Statement of compliance

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

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

#### Basis of preparation

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

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

#### Going concern basis

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

At the date of this report, the Directors have reviewed the Group’s turnaround plan and detailed financial forecasts. Whilst there may be some variability in the amount and timing of operating cash flows as expected in the normal course of business, the Directors are confident that the Group will be able to continue to successfully execute its ongoing growth and turnaround plan for the next 12 months.

However, the challenging conditions affecting the FY19 harvest (completed between March and June 2019) have had an adverse impact on the Group’s cashflow, mainly due to the FY19 harvest yield being below expectations following the extreme heat over a challenging summer in the Sunraysia region, compounded by the delays to the replacement of the Colignan irrigation system.

As a result, these have affected forward cash flows, consequently the Group has accelerated the drawdown of its multi-option banking facility with the National Australia Bank (“NAB banking facility”) as follows:

- \$50 million by 30 November 2019;
- \$53 million by 31 January 2020; and
- the full \$55 million facility by 30 April 2020.

This new drawdown timing replaces the previous agreement set out in Note 16.

To ensure the Group continues to effectively execute its turnaround and growth plans, the Group also expects to raise additional funding, which is likely to be undertaken over the course of FY20.

Notwithstanding the above, in the event that the Group is not able to meet its trading and cash flow forecasts and raise sufficient additional funding, as required, there is a material uncertainty as to whether the Group will be able to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

### Classifications

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

### Accounting policies

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

#### (a) Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the "parent entity") and its subsidiaries (referred to as "the Group" in these financial statements) as defined in AASB 10 *Consolidated Financial Statements*. A list of subsidiaries appears in Note 30 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

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

#### (b) Business Combinations

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

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

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of acquirer's previously held equity interest in the acquiree (if any) over the net of

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

**(c) Revenue recognition**

The Group recognises revenue from the sale of organic and better-for-you food products, including dried vine fruit, fresh produce and variety other dried food products.

Revenue from the sale of goods is recognised when the performance obligation relating to the sale has been satisfied; being the point in time at which control of the goods passes to the customer upon delivery of the goods consistent with the trading terms of the contract with the customer. Contract liabilities arising from revenue received from customers in advance of recognition are disclosed as 'deferred income'.

Revenue is measured based on contracted selling prices, rebates and promotional expenditure. Rebates and promotional expenditure are deducted from the selling price in determining reported revenue. Rebates and promotional expenditure are recognised concurrently with the sale of the related goods and can be variable based on estimated customer purchasing patterns.

Refer to Note 2(w)(i)(a) for details in relation to the transition to the new standard, AASB 15 *Revenue from Contracts with Customers* from 1 July 2018.

**(d) Cash and cash equivalents**

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

**(e) Inventories**

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

**(f) Agricultural produce**

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

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

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

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

The new season crop is initially measured at cost, being those costs incurred in readying the biological assets for the future cultivation and harvest. The fair value less costs to sell of the new season crop is not reliably measurable given the immaturity of the crop and uncertainty of the quality and yield of the future harvest at the reporting date.

**(g) Property, plant and equipment**

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

The Group's citrus trees and vines qualify as bearer plants. Bearer plants are solely used to grow produce over their productive lives. Agricultural produce growing on bearer plants remains within the scope of AASB 141 *Agriculture* and continues to be measured at fair value less cost to sell at the point of harvest.

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

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

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

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

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

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

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

**(h) Intangible assets****Goodwill**

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

**(i) Impairment of assets**

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the fair value less costs to sell, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. This further incorporates information and assumptions that a market participant would consider when pricing the item under consideration, the time value of money and the risks specific to the asset or cash-generating unit. Costs to dispose are incremental costs directly attributable to the disposal, excluding finance costs and income tax expense.

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

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

**(j) Leased assets**

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

Group as lessee

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

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

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

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

**(k) Financial assets**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade

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receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### Trade and other receivables

Trade and other receivables are measured at amortised cost less impairment, being an allowance for expected credit losses.

#### Other financial assets

For the accounting policy on derivatives – refer Note 2(s) and Note 22.

### **(l) Employee benefits**

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

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

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. In calculating the present value, the Group applies the high-quality corporate bond rate in Australia applicable to the timing of estimated future cash outflows.

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

### **(m) Provisions**

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

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

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

### **(n) Financial liabilities**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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The Group's financial liabilities include trade and other payables and bank loans and borrowings including bank overdrafts.

Classification as debt or equity

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Trade and other payables

Trade and other payables are recognised at amortised cost, comprising the original debt less principal payments and amortisation.

Derecognition of financial liabilities

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

**(o) Income tax**

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

Current tax

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

Deferred tax

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

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

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

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

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Tax consolidated group

Murray River Organics Group Limited and its wholly owned entities have formed an income tax consolidated group, with Murray River Organics Group Limited as the head entity.

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

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

**(p) Goods and services tax**

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

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

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

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

**(q) Borrowing costs**

Borrowing costs incurred for the construction or development of any qualifying asset (bearer plants) are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Directly attributable costs incurred to establish or renew a debt funding facility are capitalised in the net amount of loans and borrowings initially measured at fair value and subsequently measured by applying the EIR method (refer to Note 2(n)).

All other borrowing costs, inclusive of all ongoing facility fees, bank charges, and interest, are expensed as incurred.

**(r) Foreign currency**

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

Foreign currency transactions

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

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

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer Note 22); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

**(s) Derivative financial instruments**

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

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

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

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

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

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

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

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

**(t) Share based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 20.

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

**(u) Non-current asset held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only

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to terms that are usual and customary for sales for such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

**(v) Government grants**

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

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

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

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

**(w) Changes in accounting policy, accounting standards and interpretations**

**(i) New and amended standards and interpretations**

**a) AASB 15 *Revenue from Contracts with Customers***

AASB 118 *Revenue* and related Interpretations applied to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard, AASB 15 *Revenue from Contracts with Customers*, establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of AASB 15, has not impacted the timing of revenue recognition on the sale of goods, which continues to be recognised on a point in time basis. Revenue from the sale of goods is recognised when the performance obligation relating to the sale has been satisfied; being the point in time at which control of the goods passes to the customer upon delivery of the goods consistent with the trading terms of the contract with the customer. This is consistent with the basis under which revenue was recognised prior to the application of AASB 15.

Revenue is measured based on contracted selling prices, rebates and promotional expenditure. Rebates and promotional expenditure are deducted from the selling price in determining reported revenue. Rebates and promotional expenditure are recognised concurrently with the sale of the related goods and can be variable based on estimated customer purchasing patterns.

Based on the assessment undertaken by the Group, there has been no material impact to the statement of financial position as at 30 June 2019 and statement of profit or loss and other comprehensive income for the year ended 30 June 2019, and the comparative period.

**b) AASB 9 *Financial Instruments***

The Group has adopted AASB 9 *Financial Instruments* retrospectively from 1 July 2018 with no change to comparatives, replacing AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 introduces new requirements for:

- Classification and measurement of financial assets and financial liabilities
- Impairment of financial assets
- Hedge accounting

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(a) Classification and measurement

Under AASB 9, the Group has determined that there is no change to classification and measurement to financial assets and financial liabilities.

The table below outlines the accounting treatment for financial assets and financial liabilities under AASB 139 as compared to AASB 9:

<b>Asset/Liability</b>	<b>Previous Accounting Treatment AASB 139</b>	<b>New Accounting Treatment AASB 9</b>
Cash and cash equivalents	Amortised cost	Amortised cost
Trade and other receivables	Amortised cost	Amortised cost
Foreign currency forward contracts	Fair value through profit or loss (effective cash flow hedge portion through other comprehensive income)	Fair value through profit or loss (effective cash flow hedge portion through other comprehensive income)
Borrowings and loans	Amortised cost	Amortised cost

Under AASB 9, the Group has determined that there is no change to classification and measurement to financial assets and financial liabilities.

(b) Impairment

The adoption of AASB 9 has changed the Group's accounting for impairment losses for trade and other receivables by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

The Group has applied the simplified approach in AASB 9 and has calculated ECLs based on lifetime expected credit losses. A provision for ECLs is determined based on historic credit loss rates and adjusted for forward looking factors specific to the debtor and the economic environment, further considering the Group's limited trading history.

Based on the assessment undertaken by the Group, there has been no material impact to the statement of financial position and statement of profit or loss and other comprehensive income for the year ended 30 June 2019, and the comparative period.

(c) Hedge accounting

The Group uses derivative financial instruments such as forward currency contracts to hedge its risk associated with foreign currency fluctuations.

The Group has applied hedge accounting prospectively under AASB 9. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group's cash flow hedge relationships.

Based on the assessment undertaken by the Group, there has been no material impact to the statement of financial position and statement of profit or loss and other comprehensive income for the 30 June 2019, and the comparative period.

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

- a) AASB 16 *Leases* – Effective date: 1 January 2019 (Application date: 1 July 2019)
- b) AASB 16 replaces existing lease requirements in Australian Accounting Standards (AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives*, Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*).

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

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

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

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

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

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

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

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

- d) Conceptual Framework AASB 2019-1 *Conceptual Framework for Financial Reporting Amendments to Australian Accounting Standards – Reference to the Conceptual Framework* — Effective date: 1 January 2020 (Application date: 1 July 2020)

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 — The objective of financial reporting
- Chapter 2 — Qualitative characteristics of useful financial information
- Chapter 3 — Financial statements and the reporting entity
- Chapter 4 — The elements of financial statements
- Chapter 5 — Recognition and derecognition
- Chapter 6 — Measurement
- Chapter 7 — Presentation and disclosure
- Chapter 8 — Concepts of capital and capital maintenance

AASB 2019-1 sets out the amendments to Australian Accounting Standards, Interpretations and other pronouncements in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of accounting standards in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying AASB 3 and developing accounting policies for regulatory account balances using AASB 108, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the Framework for the Preparation and Presentation of Financial Statements (July 2004), and not the definitions in the revised Conceptual Framework.

The Group is currently assessing the impact of the application of the new Conceptual Framework.

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### 3. Critical accounting judgements and key sources of estimation uncertainty

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

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

(a) **Agricultural produce**

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

(b) **Net realisable value of inventory**

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

(c) **Colignan property lease**

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

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

(d) **Impairment of assets**

Management's judgement is applied in determining the impairment of assets in accordance with AASB 136 *Impairment of Assets*. If the recoverable amount (higher of the value in use and fair value less cost to sell) is lower than the carrying value of an asset, the difference is recognised as impairment in the profit or loss. Refer to Note 14 for further details.

(e) **Leased water rights**

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

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

(f) **Developing vine capital expenditure**

Refer to Note 13.1 for further details.

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

Refer to Note 13.1 for further details.

**4. Revenues**

	2019 \$'000	2018 \$'000
<b>Revenue from contracts with customers</b>	<b>60,072</b>	<b>68,539</b>
<b>Other income</b>		
Interest income	-	14
Insurance proceeds	-	47
Government grants	7	105
Rental income	19	19
Other	113	37
	<b>139</b>	<b>222</b>

**5. Expenses**

Loss before tax includes the following specific expenses:

	2019 \$'000	2018 \$'000
<i>Depreciation expense of non-current assets:</i>		
Bearer plants	526	1,125
Buildings and property improvements	154	187
Plant and equipment	2,777	3,732
Leased asset	949	781
Leasehold improvements	51	373
Total depreciation of non-current assets	<b>4,457</b>	<b>6,198</b>
<i>Employee benefits expense:</i>		
Employee expenses	10,047	11,577
Superannuation benefits	797	948
Share-based payments expense	306	96
Employee expenses capitalised to biological assets and bearer plants	(2,034)	(2,260)
Total employee benefits expense	<b>9,116</b>	<b>10,361</b>

## 5. Expenses (Continued)

	2019 \$'000	2018 \$'000
<i>Business restructuring costs:</i>		
Redundancies <sup>(i)</sup>	-	803
Professional fees <sup>(ii)</sup>	-	1,034
Provision for make good expense	-	250
Other	-	256
<b>Total business restructuring costs</b>	<b>-</b>	<b>2,343</b>

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

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

	2019 \$'000	2018 \$'000
<i>Finance costs:</i>		
Interest on loans	2,395	2,135
Interest on finance lease – Colignan property	2,777	2,488
Capitalised interest relating to qualifying assets	(1,335)	(1,286)
<b>Total finance costs</b>	<b>3,837</b>	<b>3,337</b>
<i>Revaluation loss on properties and assets held for sale:</i>		
Land, bearer plants and properties	-	6,383
Assets held for sale at commencement of the year	-	279
Agricultural produce	-	368
<b>Total revaluation loss on properties and assets held for sale</b>	<b>-</b>	<b>7,030</b>
(Profit) / loss on sale of property, plant and equipment	(140)	51
Net foreign currency gains	(308)	(54)
Net bad and doubtful debts expense	4	265
Operating lease minimum lease payments	2,077	2,061

## 6. Income tax

	2019 \$'000	2018 \$'000
<b>Income tax expense</b>		
<b>Statement of profit or loss</b>		
<i>Current income tax</i>		
Current income tax charge	-	-
Adjustments of current income tax of previous year	-	(79)
<i>Deferred income tax</i>		
Origination and reversal of temporary differences	-	(1,817)
<b>Income tax benefit reported in the statement of profit or loss</b>	<b>-</b>	<b>(1,896)</b>
<b>Statement of comprehensive income</b>		
Origination and reversal of temporary differences	-	668
<b>Income tax expense reported in other comprehensive income</b>	<b>-</b>	<b>668</b>
<b>Reconciliation of tax benefit and the accounting loss:</b>		
Loss before tax	(12,036)	(61,504)
Income tax benefit calculated at 30% (2018: 30%)	(3,611)	(18,451)
Non-deductible expenses for income tax purposes	46	8,454
Non-assessable income for income tax purposes	(42)	(312)
Other	-	(40)
Tax losses not brought to account	3,607	8,532
Adjustments of current income tax of previous year	-	(79)
<b>Income tax benefit recognised in profit or loss</b>	<b>-</b>	<b>(1,896)</b>

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## 6. Income tax (Continued)

	2019 \$'000	2018 \$'000
<i>Deferred tax liabilities</i>		
Biological Assets	(616)	(786)
Property, plant and equipment	(3,462)	(3,472)
Foreign exchange derivatives	(29)	(58)
	<b>(4,107)</b>	<b>(4,316)</b>
<i>Deferred tax assets</i>		
Inventories	-	602
Employee entitlements	194	164
Accrued expenses	507	665
Deferred revenue	166	188
Deductible lease payments (Colignan property)	1,181	770
Expenditure incurred but deductible over time	194	602
Income tax losses	1,811	1,264
Other	54	61
	<b>4,107</b>	<b>4,316</b>
<b>Net deferred tax liability</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of deferred taxes</b>		
Opening balance at 1 July	-	(1,345)
Recognised in profit or loss	-	1,817
Recognised in other comprehensive income	-	(668)
Recognised directly in equity	-	196
<b>Closing balance at 30 June</b>	<b>-</b>	<b>-</b>

Carry forward income tax losses:

The Group has recognised a deferred tax asset at 30 June 2019 in relation to available carry forward tax losses to the extent that a net deferred tax liability is reduced to nil. The Group has not recognised a deferred tax asset in relation to all available carry forward tax losses it has generated. As a result the following gross tax losses (not tax effected at the statutory income tax rate) have not been brought to account.

	2019 \$'000	2018 \$'000
Gross income tax losses	40,194	28,237

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

## 7. Trade and other receivables

	2019 \$'000	2018 \$'000
Trade receivables	10,478	6,711
Allowance for expected credit losses	(181)	(212)
	10,297	6,499
GST receivable	221	230
	<b>10,518</b>	<b>6,729</b>
Aging of trade receivables that are not impaired		
Not past due	8,144	4,856
Past due 1-30 days	1,637	1,330
Past due 31-60 days	252	132
Past due 61 days+	264	181
	<b>10,298</b>	<b>6,499</b>
<i>Movements in the allowance for expected credit losses were:</i>		
Opening balance at 1 July	212	170
Impairment loss recognised	4	265
Amounts written off	(35)	(223)
Closing balance at 30 June	<b>181</b>	<b>212</b>
<i>Aging of allowance for expected credit losses at 30 June is as follows:</i>		
Not past Due	-	8
Past due 1-30 days	-	57
Past due 31-60 days	-	5
Past due 61 days+	181	142
	<b>181</b>	<b>212</b>

Trade receivables are non-interest bearing with credit terms generally settled within 30 days depending on the nature of the sales transaction.

Following the adoption of AASB 9 *Financial Instruments* from 1 July 2019, a provision for impairment is made based on the expected credit losses ("ECL") for trade and other receivables. The Group has applied the simplified approach in AASB 9 and has calculated ECLs based on lifetime expected credit losses. A provision for ECL is determined based on historic credit loss rates and adjusted for forward looking factors specific to the debtor and the economic environment, further considering the Group's limited trading history.

As permitted by AASB 9, comparatives have not been restated. In the prior year, the impairment of trade receivables was assessed based on the incurred loss model and a provision raised when there was objective evidence that the Group will not be able to collect its debts. Bad debts are written off when identified.

Further Information about the credit risk exposure on the Group's trade and other receivables using a provision matrix has not been disclosed due to the expected credit losses being determined based on forward looking factors specific to the debtor and the economic environment as at 30 June 2019.

**8. Inventories**

	2019 \$'000	2018 \$'000
Packaging stock (at cost)	963	1,081
Raw materials (at cost or fair value less costs to sell at the point of harvest)	18,120	12,711
Finished goods (at lower of cost and net realisable value)	4,506	6,583
Provision for stock obsolescence	(1,320)	(4,181)
	<b>22,269</b>	<b>16,194</b>

**9. Agricultural produce**

	2019 \$'000	2018 \$'000
Citrus unharvested – at fair value less costs to sell	1,082	1,728
New season crop – at cost	972	893
<b>Total</b>	<b>2,054</b>	<b>2,621</b>

**Reconciliation of changes in carrying amount**

Opening balance	2,621	4,407
Fair value (loss) / gain of agricultural produce	(174)	158
Increase due to costs incurred to maintain and enhance the biological asset	11,463	10,584
Revaluation loss on amounts transferred to assets held for sale	-	(368)
Decreases due to harvest (transferred to inventory)	(11,856)	(12,160)
Closing balance	<b>2,054</b>	<b>2,621</b>

**Product - Yields (tonnes)**

	2019 Tonnes	2018 Tonnes
Harvested prior to 30 June	6,748	4,675
Estimated hanging fruit at 30 June	1,900	3,200
<b>Total</b>	<b>8,648</b>	<b>7,875</b>

	2019 \$'000	2018 \$'000
<b>Total crop value</b>	<b>11,289</b>	<b>10,742</b>

The following are key inputs and assumptions used to determine the fair less cost to sell at the point of harvest.

Assumption	Loose Organic (\$/kg)	Loose Conventional (\$/kg)	Fresh (\$/kg)	Citrus (\$/kg)	Wine grapes (\$/kg)
Fair value less costs to sell at point of harvest - 2019	3.09	2.22	2.74	0.58	0.46
Fair value less costs to sell at point of harvest - 2018	2.79	1.99	2.69	0.60	0.34

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## 9. Agricultural produce (Continued)

### Valuation techniques and significant unobservable inputs

The fair valuation of agricultural produce is Level 3 in accordance with the fair value hierarchy, being substantially comprised of inputs to the agricultural produce that are not based on observable market data.

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

### 10. Other financial assets

	2019 \$'000	2018 \$'000
Foreign currency forward contracts	99	169

### 11. Other assets

	2019 \$'000	2018 \$'000
Prepayments and other	992	1,320

### 12. Assets held for sale

	2019 \$'000	2018 \$'000
Property assets	6,361	7,642

Property assets (comprising property, plant and equipment) held for sale at 30 June 2019 relate to the Fifth Street property, which is considered a non-core asset.

The property assets held for sale at 30 June 2018 related to Fifth Street, Pomona farms, Cowanna house and Walnut Avenue warehouse.

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

## 13. Property, plant and equipment

	Freehold land at revalued amount	Bearer plants at revalued amount	Buildings and property improvements at revalued amount	Leasehold improvements at cost	Leased asset at cost	Plant and equipment at cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Gross Carrying amount</b>							
Balance at 1 July 2017	8,297	27,563	5,852	9,874	19,414	18,721	89,721
Additions	516	1,964	1,374	914	4,429	3,690	12,887
Disposals	(10)	-	(31)	-	-	-	(41)
Transfer of assets	1,724	(1,724)	-	-	-	-	-
Revaluation decrement through profit and loss	(340)	(5,018)	(877)	-	-	(148)	(6,383)
Revaluation increment/(decrement) through asset revaluation reserve	5,628	(5,767)	115	-	-	(2)	(26)
Reclassified as held for sale	(771)	(4,706)	(1,241)	-	-	(668)	(7,386)
<b>Balance at 30 June 2018</b>	<b>15,044</b>	<b>12,312</b>	<b>5,192</b>	<b>10,788</b>	<b>23,843</b>	<b>21,593</b>	<b>88,772</b>
Additions	-	1,726	37	4,300	1,391	679	8,133
Disposals	-	(196)	-	-	-	-	(196)
<b>Balance at 30 June 2019</b>	<b>15,044</b>	<b>13,842</b>	<b>5,229</b>	<b>15,088</b>	<b>25,234</b>	<b>22,272</b>	<b>96,709</b>

## 13. Property, plant and equipment (Continued)

	Freehold land at revalued amount	Bearer plants at revalued amount	Buildings and property improvements at revalued amount	Leasehold improvements at cost	Leased asset at cost	Plant and equipment at cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Accumulated depreciation and impairment losses</b>							
Balance at 1 July 2017	-	(1,249)	(178)	(53)	(1,106)	(4,895)	(7,481)
Depreciation expense	-	(1,125)	(187)	(373)	(781)	(3,732)	(6,198)
Impairment expense	-	-	-	(4,521)	-	(5,899)	(10,420)
Disposal	-	-	4	-	-	-	4
Reclassified as held for sale	-	508	61	-	-	197	766
Write-back of depreciation on revaluation	-	1,866	300	-	-	1	2,167
<b>Balance at 30 June 2018</b>	-	-	-	<b>(4,947)</b>	<b>(1,887)</b>	<b>(14,328)</b>	<b>(21,162)</b>
Depreciation expense	-	(531)	(154)	(51)	(949)	(2,777)	(4,462)
Disposal	-	5	-	-	-	-	5
<b>Balance at 30 June 2019</b>	-	<b>(526)</b>	<b>(154)</b>	<b>(4,998)</b>	<b>(2,836)</b>	<b>(17,105)</b>	<b>(25,619)</b>
Net book value as at 30 June 2018	<b>15,044</b>	<b>12,312</b>	<b>5,192</b>	<b>5,841</b>	<b>21,956</b>	<b>7,265</b>	<b>67,610</b>
<b>Net book value as at 30 June 2019</b>	<b>15,044</b>	<b>13,316</b>	<b>5,075</b>	<b>10,090</b>	<b>22,398</b>	<b>5,167</b>	<b>71,090</b>

The carrying values of property, plant and equipment are assessed for impairment indicators annually, or more frequently if indicators of impairment are present. Refer to details of the impairment assessment performed for the year ended 30 June 2019 in Note 14.

### 13. Property, plant and equipment (Continued)

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

The Group's freehold land, buildings and bearer plants are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The fair value measurements of the Group's freehold land and buildings and bearer plants as at 30 June 2019 were determined via Director valuations, which are regularly reconfirmed via independent external valuations. As at 30 June 2018 an independent valuation was performed by CIVAS (Vic) Pty Limited known as Colliers International. Colliers International is a member of the Institute of Valuers of Australia, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The valuation methodology adopted by Colliers International was direct comparison and summation approaches.

During the year, the Group capitalised \$5.838 million (2018: \$5.074 million) relating to the development of existing or new vineyards which are determined to still be in development, that is, these vines are yet to deliver commercial quantities of produce. Management deem vines less than three years of age as developing vines. The nature of these expenses includes; the purchase of young vines, buds, irrigation infrastructure, trellising systems, and a proportionate allocation of operational vineyard expenses including water, fuels, vehicle costs, and labour. The proportionate allocation of operational vineyard expenses is based on the number of vineyard patches that are considered immature versus the total number of patches.

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

#### Fair value measurement

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

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

There were no transfers between levels during the year ended 30 June 2019 (2018: Nil).

### 14. Intangible assets

	2019 \$'000	2018 \$'000
Goodwill - balance at start of year	-	10,749
Impairment expense recognised in the year	-	(10,749)
<b>Goodwill – balance at end of the year</b>	<b>-</b>	<b>-</b>

The Group operates as a single Cash Generating Unit ("CGU").

**14. Intangible assets (Continued)**

During the prior year ended 30 June 2018, the Group undertook an impairment assessment of the CGU and identified an impairment charge of \$21.169 million which was recorded in profit and loss as per the below table:

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

During the current year ended 30 June 2019, the Group incurred a loss before tax of \$12.036 million and performed a further impairment assessment of the CGU (containing non-current assets).

The recoverable amount of the CGU has been determined based on a Fair Value less Costs of Disposal (“FVLCD”) methodology which requires the use of assumptions. The FVLCD methodology utilises primarily Level 3 inputs within the fair value hierarchy and applies cash flow forecasts based on financial projections by management covering a 10 year period.

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

Based on the assessment, no impairment charge was recorded during the year ended 30 June 2019. A summary of key assumptions and inputs within the impairment assessment are detailed below.

- **Sales growth:** Sales are forecast to grow at a compound annual growth rate of approximately 20% per annum for FY20 to FY24 and then 7% per annum for FY24 to FY28 reflecting management’s assessment of growth in demand, additional availability of product from its farms and additional supply from third party producers.  
Should growth rate decrease by 1% to approximately 19% per annum for FY20 to FY24 and then decrease by 1% to 6% per annum for FY24 to FY28, this would result in an impairment of \$1.174 million.
- **Operating costs:** A significant proportion of the Group’s farm, processing and administrative costs are considered to be relatively fixed in nature and forecast to increase by an inflationary indexation.
- **Yields:** Yields per hectare are based on Group forecasts for FY20 and the expected farm turnarounds over the next 2 to 3 years, and then remain relatively constant in future years.  
Should the expected yields decrease by 5% each year, this would result in a potential impairment.
- **Capital expenditure:** Significant capital expenditure is forecast over FY20, FY21 and FY22 to complete the Group’s current vine development program after which capital expenditure is expected to remain at modest levels reflecting the Group’s recently acquired infrastructure which is currently underutilised.
- **Long term growth rate:** 2.5%
- **Discount rate:** A pre-tax discount rate of 19.3% (2018: 19.3%) has been used reflecting the extended period of the forecast and inherent risks. A rise in the pre-tax discount rate to over 20% (i.e. +0.7%) would potentially result in an impairment.

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

**15. Trade and other payables**

	2019 \$'000	2018 \$'000
Trade payables	3,872	6,059
Other accruals and payables	4,782	5,603
Deferred income	87	163
<b>Total</b>	<b>8,741</b>	<b>11,825</b>

**16. Borrowings**

	2019 \$'000	2018 \$'000
<u>Current</u>		
<i>Secured borrowings:</i>		
Bank overdraft (i)	-	3,806
Bank and trade finance loans (i)	-	35,122
Lease liabilities – equipment loans (ii)	1,739	5,944
Lease liabilities – Colignan property (iii - refer to 16(b))	2,492	2,289
Deferred borrowing costs	(71)	-
<b>Total</b>	<b>4,160</b>	<b>47,161</b>
<u>Non-current</u>		
<i>Secured borrowings:</i>		
Bank and trade finance loans (i)	37,997	
Lease liabilities – equipment loans (ii)	3,460	-
Lease liabilities – Colignan property (iii - refer to 16(b))	23,741	22,133
Deferred borrowing costs	(94)	-
<b>Total</b>	<b>65,104</b>	<b>22,133</b>

(i) The bank financing facilities (comprising term loans, equipment finance and other facilities) are secured by the Group's assets by registered mortgage freeholds over the land and buildings, and first ranking fixed and floating charges over the Company and its subsidiaries (with corresponding cross guarantee). The multi-option banking facilities expire on 30 November 2021. The details of the banking facilities are as follows:

- (a) a \$34.000 million term loan facility, with \$6.000 million in additional staged drawdowns;
- (b) a \$10.500 million working capital facility commencing on 31 July 2019 and increasing to \$15.000 million from 31 July 2020 (together with the term loan facility amounting to an overall bank loan facility of \$55.000 million); and
- (c) equipment finance loan, bank guarantee and card facilities.

In mid-June 2019, due to the impact of the timing of the FY19 harvest and timing of export sales in May/June 2019, the Group brought forward \$3.000 million of its \$10.500 million working capital facility, which would have been otherwise available on 31 July 2019. The balance of the \$10.500 million facility available from 31 July 2019, being \$7.500 million was accessed on 31 July 2019.

On 29 August 2019, the Group also renegotiated its financing arrangements with the National Australia Bank by accelerating the drawdown of its total multi-option banking facility with the total limited under the multi-option facility available as follows:

- \$50.000 million by 30 November 2019;
- \$53.000 million by 31 January 2020; and
- the full \$55.000 million facility by 30 April 2020.

**16. Borrowings (Continued)**

In the prior year, the Group had classified its entire bank financing as a 'current' liability at 30 June 2018, until it had renegotiated its banking facilities as part of its capital raising on 24 October 2018, which was successfully completed.

The weighted average of fixed and floating rates detailed in Note 22.

- (ii) Finance lease liabilities representing equipment loans are secured over the assets under the financing arrangements. In the prior year (as at 30 June 2018), \$4.455 million included in lease liabilities was due for repayment after 30 June 2019, however have been classified as current due to matters noted above in (i).
- (iii) The Coligan property lease liability is secured by the underlying leased asset which had a carrying value of \$22.398 million at 30 June 2019 (2018: \$21.957 million). The leased asset to which the leased liability relates is summarised in Note 3(c).

**16(a) Banking facilities**

	2019 \$'000	2018 \$'000
<b>Summary of financing arrangements</b>		
<u>Debt Facilities Limit at reporting date:</u>		
Bank overdraft	-	4,000
Trade finance loan	-	14,000
Equipment loans and leases <sup>(i)</sup>	7,300	8,500
Bank loans <sup>(ii)</sup>	38,000	19,583
Bank guarantee	1,285	1,530
	<b>46,585</b>	<b>47,613</b>
<u>Facilities utilised at reporting date:</u>		
Bank overdraft	-	3,806
Trade finance loan	-	13,950
Equipment loans and leases <sup>(i)</sup>	5,199	7,629
Bank loans <sup>(ii)</sup>	37,997	19,487
Bank guarantee	1,285	1,514
	<b>44,481</b>	<b>46,386</b>
<u>Facilities not utilised at reporting date:</u>		
Bank overdraft	-	194
Trade finance loan	-	50
Equipment loans and leases <sup>(i)</sup>	2,101	871
Bank loans <sup>(ii)</sup>	3	96
Bank guarantee	-	16
	<b>2,104</b>	<b>1,227</b>

(i) The balance at 30 June 2018 includes an interim \$2.000 million loan facility (taken out as trade finance) to fund progress payment made on capital equipment, which will be converted to a finance lease once the equipment has been fully commissioned and final instalment paid to the supplier.

(ii) The total bank loans facility is \$55.000 million, with progressive drawdowns as detailed in Note 16 – Borrowings. Bank loans facility not utilised at reporting dated also does not include cash at bank of \$1.214 million.

**16(b) Obligations under finance leases**

The Group's finance lease arrangements are as follows:

- (a) Equipment finance leases with lease terms up to 5 years; and
- (b) The Colignan vineyard lease is a non-cancellable lease with an implicit interest rate of 11.63% (2018: 11.64%) and has a remaining term of 22 years (2018: 23 years). Reimbursements of eligible capital expenditure incurred on the vineyard results in an increase to the lease liability (and lease asset).

The Group is currently disputing whether it is liable for capital expenditure relating to replacement infrastructure under the terms of lease. The amounts in dispute have been recognised as a lease asset and liability.

	2019 \$'000	2018 \$'000
Not later than one year	4,460	4,040
Later than one year and not later than five years	14,287	14,549
Later than five years	64,062	62,994
Minimum lease payments	<b>82,809</b>	<b>81,583</b>
Less: future finance charges	(51,377)	(51,217)
<b>Total lease liabilities recognised at 30 June</b>	<b>31,432</b>	<b>30,366</b>

**17. Provisions**

	2019 \$'000	2018 \$'000
<u>Current</u>		
Employee entitlements	591	505
Make good of property leases	-	250
<b>Total</b>	<b>591</b>	<b>755</b>
<u>Non-Current</u>		
Employee entitlements	57	42
Make good of property leases	508	398
<b>Total</b>	<b>565</b>	<b>440</b>

**18. Contributed equity**

	Year ended 30 June 2019		Year ended 30 June 2018	
	Number '000	\$'000	Number '000	\$'000
<b>Equity securities issued</b>				
<b>Opening balance at 1 July</b>	<b>127,577</b>	<b>123,832</b>	<b>87,087</b>	<b>112,002</b>
Issue of shares on capital raising	306,184	30,618	40,352	12,106
Issue of shares to other employees	-	-	138	180
Equity raising costs (net of tax)	-	(3,562)	-	(456)
<b>Closing balance at 30 June</b>	<b>433,761</b>	<b>150,888</b>	<b>127,577</b>	<b>123,832</b>

On 24 October 2018, a 2.4 for 1 accelerated pro-rate renounceable entitlement offer of \$30.600 million new fully paid ordinary shares was completed, raising net proceeds of \$30.618 million before taking into account equity raising costs recorded in equity of \$3.562 million for the year ended 30 June 2019.

On 30 August 2017, a placement and entitlement offer of 40,351,692 new fully paid ordinary shares was completed, raising net proceeds of \$12.106 million, before taking into account capital raising costs recorded in equity of \$0.456 million (net of tax) for the year ended 30 June 2018.

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

**19. Reserves**

		2019 \$'000	2018 \$'000
Reserves comprise:			
Asset revaluation reserve	(a)	6,781	6,781
Share based payment reserve		939	427
Hedging reserve		47	118
Group reorganisation reserve	(b)	(47,453)	(47,453)
		<b>(39,686)</b>	<b>(40,127)</b>
<b>(a) Asset revaluation reserve</b>			
Balance at the beginning of the year		6,781	5,342
Net revaluation gain – property, plant and equipment		-	2,141
Net revaluation loss – assets held for sale at the commencement of the year		-	(85)
Net tax impact of revaluation gain or loss		-	(617)
<b>Balance at the end of the financial year</b>		<b>6,781</b>	<b>6,781</b>
<b>(b) Corporate re-organisation reserve</b>			
Balance at the beginning of the year		(47,453)	(47,453)
<b>Balance at the end of the financial year</b>		<b>(47,453)</b>	<b>(47,453)</b>

## 20. Share based payments

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

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

### Performance rights

The following is a summary of the performance rights granted and on issue during the year ended 30 June 2019.

In conjunction with the capital raise dated 24 October 2018, the Board reinstated the Group’s Long Term Incentive (“LTI”) Plan with new vesting conditions. The LTI Plan offers eligible employees (including KMP executives) selected by the Board to subscribe for, or be granted, performance rights.

In FY19, performance rights were granted to Valentina Tripp and Albert Zago under the FY19 LTI Plan at nil consideration. The performance rights will vest subject to achieving a Total Shareholder Return (“TSR”) Compound Annual Growth Rate (“CAGR”) over the performance period, which is a 3 year period from the date of grant. The relevant employee is also required to remain in continuous employment with the Group for 3 years from the grant date.

Prior to the reinstated LTI Plan with new vesting conditions, the Group had issued the following performance rights:

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

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

- Certain key management personnel were also issued separate tranches of performance rights for nil consideration. The performance rights vest if the service and performance conditions are met. The service condition requires the relevant employees to remain in continuous employment with the Group from grant date until 30 June 2019. The performance rights are subject to an earnings per share (“EPS”) performance condition (non-market based condition) and a share-price growth (“SPG”) performance condition (market based condition). The SPG performance condition is based on the Company’s SPG on a compound basis over the relevant performance period. The opening share price on which this is to be measured is the offer price under the initial public offering (\$1.30) and the closing price is the volume weighted average price of the company’s shares over the 30-day period to 30 June 2019.
  - 250,264 performance rights were granted subject to an EPS performance condition.
  - 250,264 performance rights were granted subject to a SPG performance condition
  - During the year ended 30 June 2019, certain employees previously granted performed rights forfeited 57,956 (EPS performance condition) and 57,956 (SPG performance condition) performance rights when performance conditions were not achieved.

## 20. Share based payments (Continued)

The fair value of each performance right is estimated at the grant date by taking into account the terms and conditions upon which the performance rights were granted. The fair value of the performance rights granted and on issue during the year ended 30 June 2019 was estimated on the grant date using the following assumptions:

	Previous KMP			Valentina Tripp	Albert Zago
	One-off retention	EPS	SPG	LTI	LTI
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Expected volatility	47.5%	47.5%	47.5%	90.0%	90.0%
Risk-free interest rate	1.85%	1.85%	1.85%	2.12%	2.12%
Expected life of performance rights	2.54 years	2.54 years	2.54 years	3.0 years	3.0 years
Exercise share price	Nil	Nil	Nil	Nil	Nil
<b>Fair value of performance rights at grant date (per performance right)</b>	<b>\$1.30</b>	<b>\$1.30</b>	<b>\$0.65</b>	<b>\$0.054</b>	<b>\$0.062</b>

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

2019	Balance at 1 Jul 18	Granted	Exercised	Forfeited	Balance at 30 Jun 19
LTI (Current KMP)	-	3,226,563	-	-	3,226,563
LTI – Retention (Previous KMP)	384,615	-	-	-	384,615
LTI – EPS (Previous KMP)	57,956	-	-	57,956	-
LTI – SPG (Previous KMP)	57,956	-	-	57,956	-
<b>Total</b>	<b>500,527</b>	<b>3,226,563</b>	<b>-</b>	<b>115,912</b>	<b>3,611,178</b>

2018	Balance at 1 Jul 17	Granted	Exercised	Forfeited	Balance at 30 Jun 18
LTI (KMP – George Hagggar)	-	681,818	-	681,818	-
LTI – Retention (Previous KMP)	1,153,845	-	-	769,230	384,615
LTI – EPS (Previous KMP)	250,264	-	-	192,308	57,956
LTI – SPG (Previous KMP)	250,264	-	-	192,308	57,956
LTI – Other employees	153,845	-	138,461	15,384	-
<b>Total</b>	<b>1,808,218</b>	<b>681,818</b>	<b>138,461</b>	<b>1,851,048</b>	<b>500,527</b>

The weighted average fair value of the performance rights granted during the year ended 30 June 2019 was \$0.19 (2018: \$0.418).

The weighted average remaining contractual life of performance rights outstanding as at 30 June 2019 was 2.14 year (2018: 1.00 years).

**20. Share based payments (Continued)****Share options**Retention Incentive – Current Chief Executive Officer and Managing Director: Valentina Tripp

Upon employment with the Group in April 2018, Valentina Tripp was granted 6,000,000 share options over three separate equal tranches for nil consideration subject to the approval by shareholders at the Company's 2018 Annual General Meeting. Prior to the 2018 Annual General Meeting, the Retention Incentive options with a grant date of 16 April 2018 were forfeited and replaced with new Retention Incentive options following the capital raise dated 24 October 2018. These new Retention Incentive options were approved and granted at the 2018 Annual General Meeting on 22 November 2018.

The share options will vest provided Ms Tripp satisfies a service condition to remain in continuous employment with the Group until the vesting date of each tranche being 16 April 2019, 16 April 2020 and 16 April 2021. There are no performance conditions or other vesting conditions attached to the share options.

Capital Raise - Director Options

On completion of the capital raise dated 24 October 2018, subject to shareholder approval, each Non-Executive Director at the time of the capital raise (Andrew Monk, Keith Mentiplay and Michael Porter) were to receive 1,000,000 options for nil consideration with an exercise price of \$0.10 cents per option and expiring on 22 November 2021. These options were approved and granted at the 2018 Annual General Meeting on 22 November 2018, vesting immediately.

Capital Raise - Advisor Options

EM Advisory was granted 3,825,000 options for nil consideration on 1 November 2018 after the successful completion of the capital raised dated 24 October 2018, vesting immediately. Each option entitles EM Advisory to subscribe for one share at an exercise price of \$0.10 per option prior to the expiry date which is 3 years after their grant date being 1 November 2021.

The fair value of each share option is estimated at the grant date by taking into account the terms and conditions upon which the share options were granted. The fair value of the share options granted and on issue during the year ended 30 June 2019 was estimated using the following assumptions:

	Valentina Tripp (Granted 16 April 2018) <sup>(i)</sup>			Valentina Tripp (Granted 22 November 2018)			Non-Executive Directors	Advisor Options
	Tranche A	Tranche B	Tranche C	Tranche A	Tranche B	Tranche C		
Valuation model	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial	Binomial
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected volatility	47.5%	47.5%	47.5%	90%	90%	90%	90%	90%
Risk-free interest rate	2.21%	2.26%	2.35%	2.08%	2.17%	2.27%	2.12%	2.12%
Expected life of share options	3.0 years	4.0 years	5.0 years	3.0 years	4.0 years	5.0 years	3.0 years	3.0 Years
Exercise share price	\$0.60	\$0.70	\$0.80	\$0.10	\$0.18	\$0.27	\$0.10	\$0.12
<b>Fair value of share options at grant date (per share option)</b>	<b>\$0.0702</b>	<b>\$0.0764</b>	<b>\$0.0830</b>	<b>\$0.0429</b>	<b>\$0.0397</b>	<b>\$0.0401</b>	<b>\$0.0478</b>	<b>\$0.0539</b>

<sup>(i)</sup> The Retention Incentive options with a grant date of 16 April 2018 have been forfeited and replaced with new Retention Incentive options (grant date of 22 November 2018) following the capital raised dated 24 October 2018.

**20. Share based payments (Continued)**

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

	<b>2019 Number</b>	<b>2018 Number</b>
Outstanding balance at the beginning of the year	6,000,000	-
- Granted	24,825,000	12,000,000
- Forfeited	(6,000,000)	(6,000,000)
- Exercised	-	-
- Expired	-	-
<b>Outstanding balance at the end of the year</b>	<b>24,825,000</b>	<b>6,000,000</b>

The weighted average fair value of the share options granted during the year ended 30 June 2019 was \$0.044 (2018: \$0.11).

The weighted average remaining contractual life of share options outstanding as at 30 June 2019 was 2.68 years (2018: 3.79 years).

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**21. Notes to the cash flow statement****(a) Reconciliation of cash and cash equivalents**

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

	2019 \$'000	2018 \$'000
Cash and cash equivalents	1,214	4
Bank Overdraft	-	(3,806)
	<b>1,214</b>	<b>(3,802)</b>

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

	2019 \$'000	2018 \$'000
Loss for the year	(12,036)	(59,607)
<i>Adjustment for items not involving the outlay of cash:</i>		
Bad and doubtful debts	(31)	42
(Profit) / loss on sale of assets	(140)	51
Fair value gain of agricultural produce	174	(158)
Revaluation of properties and assets held for sale	-	7,030
Impairment of non-current assets	-	21,169
Share based payment expense	306	96
Unrealised foreign exchange loss	(28)	(547)
Depreciation expense	4,457	6,198
Reversal of provision for group reorganisation costs	-	(1,040)
Capitalisation of borrowing costs	(1,335)	(1,286)
Non-cash finance costs	661	43
<b>Changes in net assets and liabilities:</b>		
<i>(Increase) / decrease in assets:</i>		
Trade and other receivables	(3,731)	1,142
Inventories	(6,075)	10,875
Other assets	327	2,867
Biological assets	393	1,575
<i>Increase / (decrease) in liabilities:</i>		
Deferred tax liabilities	-	(1,817)
Trade and other payables	(3,277)	852
Current tax liability	-	(946)
Provisions	(149)	213
<b>Net cash used in operating activities</b>	<b>(20,484)</b>	<b>(13,248)</b>

## 21. Notes to the cash flow statement (Continued)

## (c) Reconciliation of liabilities arising from financing activities

2019	Financing cash			
	1 July 2018	inflows / (outflows)	Non-cash changes	30 June 2019
Borrowings – bank loans and deferred borrowing costs	35,122	2,664	46	37,832
Lease liabilities - equipment loans	5,944	(745)	-	5,199
<b>Total liabilities from financing activities</b>	<b>41,066</b>	<b>1,919</b>	<b>46</b>	<b>43,031</b>

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

## 22. Financial instruments

## (a) Capital risk management

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

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

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

**22. Financial instruments (Continued)****Gearing ratio**

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

Key net debt metrics are included in the following table:

	2019 \$'000	2018 \$'000
Net debt (including Colignan property leases)	68,215	69,290
Net debt (excluding Colignan property leases)	41,982	44,868
Net debt / equity (including Colignan property leases)	193%	347%
Net debt / equity (excluding Colignan property leases)	119%	225%
Equity	35,436	19,975

**(b) Categories of financial instruments**

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

	2019 \$'000	2018 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	1,214	4
Trade and other receivables	10,518	6,729
Derivative instruments in designated hedge accounting relationships	99	169
<b>Financial liabilities</b>		
Trade and other payables	8,741	11,825
Borrowings	69,429	69,294

**(c) Financial risk management objectives**

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

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

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

**(d) Market risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign currency contracts to manage its exposure to foreign currency exchange rate fluctuations (refer Notes 22(c) and 22(e)).

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**22. Financial instruments (Continued)****(e) Foreign currency risk management**

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

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

	Assets		Liabilities	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Currency of USA	274	46	114	1,275
Currency of Europe	-	1	-	38
Currency of Canada	-	-	12	75

**Forward foreign currency contracts**

The Group enters into forward foreign currency contracts to hedge a proportion of anticipated inventory purchase commitments denominated in foreign currencies, principally US Dollars ("USD") expected in each month. Forward foreign currency contracts are timed to mature when payments are scheduled to be made. These derivatives have met the requirements to qualify for hedge accounting with movements recorded in other comprehensive income accordingly.

The following table sets out the details of forward foreign currency contracts for highly probable forecast transactions of the Group that are recorded as 'other financial assets' in the statement of financial position.

	Weighted average exchange rate		Foreign currency FC'000		Contract value \$'000		Fair value gain/(loss) \$'000	
	2019	2018	2019	2018	2019	2018	2019	2018
	Buy USD – less than one year	0.7118	0.7595	6,256	4,690	8,790	6,175	99

During the years ended 30 June 2018 and 2019, the unrealised gains/(losses) have been recorded in the Hedging Reserve to the extent the hedge is effective. There was no hedge ineffectiveness arising from the Group's foreign currency hedging strategy during the year ended 30 June 2019 (2018: nil). This is due to inventory purchases in USD exceeding the notional amount of forward currency contracts taken out and maturing when payments are scheduled.

The total hedging gain/(loss) recognised in other comprehensive income during the year ended 30 June 2019 was \$0.099 million (2018: \$0.169 million). The total amount reclassified from other comprehensive income to 'raw materials, consumables used and farming input costs' in profit or loss during the year ended 30 June 2019 was \$0.169 million (2018: nil).

**Foreign currency sensitivity analysis**

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

	USD Impact		EUR Impact		CAD Impact	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Profit	26	4	-	4	1	4
Equity	11	109	-	-	0	-

## 22. Financial Instruments (Continued)

### (f) Interest rate risk management

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

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

2019	Weighted average interest rate	Less than 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
<u>Financial assets</u>					
<i>Variable interest rate instruments:-</i>					
Cash	Floating	1,214	-	-	1,214
<i>Non-interest bearing:</i>					
Trade receivables	-	10,518	-	-	10,518
		<b>11,732</b>	<b>-</b>	<b>-</b>	<b>11,732</b>
<u>Financial liabilities</u>					
<i>Variable interest rate instruments:</i>					
Equipment loan and leases	5.08%	1,968	3,694	-	5,662
Colignan finance leases	11.63%	2,492	10,593	64,062	77,147
Borrowings	5.45%	2,072	40,943	-	43,015
<i>Non-interest bearing:</i>					
Trade creditors	-	8,741	-	-	8,741
		<b>15,273</b>	<b>55,230</b>	<b>64,062</b>	<b>134,565</b>

2018	Weighted average interest rate	Less than 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
<u>Financial assets</u>					
<i>Variable interest rate instruments:</i>					
Cash	Floating	4	-	-	4
<i>Non-interest bearing:</i>					
Trade receivables	-	6,729	-	-	6,729
		<b>6,733</b>	<b>-</b>	<b>-</b>	<b>6,733</b>
<u>Financial liabilities</u>					
<i>Variable interest rate instruments:</i>					
<i>Bank Overdraft</i>	8.07%	4,113	-	-	4,113
Trade finance	4.93%	14,638	-	-	14,638
Equipment loan and leases	4.90%	1,751	4,806	-	6,557
Colignan finance leases	11.64%	2,289	9,743	62,994	75,026
Borrowings	4.82%	3,916	17,190	-	21,106
<i>Non-interest bearing:</i>					
Trade creditors	-	11,825	-	-	11,825
		<b>38,532</b>	<b>31,739</b>	<b>62,994</b>	<b>133,265</b>

**22. Financial instruments (Continued)****Interest rate sensitivity**

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. At the reporting date, if interest rates had of been 0.5% higher or lower and all other variables held constant, there would be a \$0.190 million (2018: \$0.195 million) effect on the Group's loss for the period. This is attributable to the Group's exposure to interest rates on its variable rate borrowings (excluding the Colignan property and equipment loans). The Group's sensitivity to interest rates remained consistent to the prior year with all bank borrowings (excluding equipment leases) being outstanding variable rate debt instruments.

**(g) Credit risk management**

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

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

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

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

**(h) Liquidity risk management**

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

**(i) Fair value of financial instruments**

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

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

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

### 23. Key management personal compensation

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

	2019 \$	2018 \$
Short-term employee benefits	1,136,288	1,003,175
Post-employment benefits	65,113	112,372
Long term employee benefits	-	-
Termination payments	-	461,494
Equity settled share-based payments	150,560	(87,486)
<b>Total</b>	<b>1,351,961</b>	<b>1,489,555</b>

### 24. Remuneration of auditor

	2019 \$	2018 \$
Audit or review of the financial report	222,500	150,000
Transaction services	114,000	-
Other services	162,032	-
<b>Total</b>	<b>498,532</b>	<b>150,000</b>

The auditor of Murray River Organics Group Limited is Ernst & Young. During the year ended 30 June 2019, services other than the 'audit or review of the financial report' predominately included investigating accountants report in relation to capital raise dated 24 October 2018 and strategic review assistance.

### 25. Contingent liabilities

Contingent liabilities include guarantees totalling \$1.285 million (2018: \$1.514 million) provided in respect of property leases.

### 26. Segment information

The Group operates in one industry being the production of food and food products within Australia. All of the Group's revenue is attributable to this group of products. Approximately 89% of the Group's revenue is attributed to domestic customers, and the remainder relates to exports to USA (4%), Asia (6%) and others (1%).

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

During the year ended 30 June 2019, the Group generated sales revenue of \$29.2 million from a single customer that amounts to 47% of the Group's total sales revenue.

**27. Earnings per share***(a) Basic earnings per share*

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

*(b) Diluted earnings per share*

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

	<b>2019 Cents Per Share</b>	<b>2018 Cents Per Share</b>
Basic earnings per share	(4)	(49)
Diluted earnings per share	(4)	(49)
<b>Earnings used to calculate basic and diluted earnings per share</b>		
Loss for the year attributable to equity holders of Murray River Organics Group: \$'000	(12,036)	(59,607)

	<b>2019 Number of shares</b>	<b>2018 Number of shares</b>
Weighted average number of share outstanding during the year used in calculating basic earnings per share	330,581,136	120,530,282
Weighted average number of performance rights and options on issue	17,574,799	1,620,879
Weighted average number of share outstanding during the year used in calculating dilutive earnings per share	348,155,935	122,151,161

**28. Obligations under operating leases**

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

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Not later than one year	2,004	1,612
Later than one year and not later than five years	5,173	3,056
Later than five years	1,866	1,696
	<b>9,043</b>	<b>6,364</b>

Certain property assets under operating leases contain renewal options which are not included in Note 28.

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## 29. Related party transactions

The compensation to key management personnel of the Group is set out in Note 23 and the Remuneration Report.

### Transactions with key management personnel

Michael Porter was appointed as the Interim Senior Corporate Farms Manager effective 6 June 2018 at a daily rate of \$1,600 plus GST, travel and accommodation expenses. As at 30 June 2019, \$83,200 (2018: \$28,800), excluding GST was incurred in relation to consultancy services provided to the Group. This is not included in amounts provided to Mr Porter in his capacity as a KMP. Following the appointment of a full time farms manager, Michael Porter ceased to provide these interim services on 10 September 2018.

During the year ended 30 June 2018, former Directors, Erling Sorensen and Jamie Nemtsas, hold units in the Arrow Primary Infrastructure Fund and were considered a related party. In the 2018 financial year the Group received \$4,429,108 from Arrow Primary Infrastructure Fund (Arrow) as funding for capital expenditure incurred on the Colignan vineyard. The total \$4,429,108 funding received from Arrow will be repaid in full by the Group by way of higher finance lease repayments as required under the lease agreement. Arrow Primary Infrastructure Fund is the lessor of the Colignan vineyard. In the 2018 financial year, the Group paid \$2,142,232 in relation to lease payments as lessee of the Colignan vineyard. The lease has been entered into under terms and conditions as described in Note 16(b) of the Financial Statements and neither interest held represents a controlling interest in Arrow Primary Infrastructure Fund. Former Directors, Erling Sorensen and Jamie Nemtsas are no longer considered a related party in relation to the 2019 financial year.

During the year ended 30 June 2018, the Group paid \$69,631 (at a rate of \$400.00 per megalitre) to a related party of former Director Jamie Nemtsas to access water in relation to the Alkira property. The Group does not have access to water other than through this arrangement. Former Director Jamie Nemtsas is no longer considered a related party in relation to the 2019 financial year.

## 30. Controlled entities

	Country of incorporation	Percentage owned (%)	
		2019	2018
<b>Parent entity:</b>			
Murray River Organics Group Limited <sup>(i)</sup>	Australia	100	100
<b>Subsidiaries of Murray River Organics Limited (ii) (iii)</b>			
Murray River Organics Limited	Australia	100	100
Murray River Organics Property Trust	Australia	100	100
Murray River Organics Property Trust 2	Australia	100	100
Murray River Organics Property Pty Ltd (ATF)	Australia	100	100
Murray River Organics Property Trust			
Murray River Organics Property 2 Pty Ltd (ATF)	Australia	100	100
Murray River Organics Property Trust 2)			
Sornem Group Pty Ltd <sup>(iv)</sup>	Australia	-	100
Sornem Capital Pty Ltd <sup>(iv)</sup>	Australia	-	100

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

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

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

(iv) Dormant entities deregistered on 15 April 2019.

**31. Parent entity financial information**

	2019 \$'000	2018 \$'000
<b>Balance sheet</b>		
Current assets	-	-
Total assets	33,936	18,615
Current liabilities	-	-
Total liabilities	-	-
<b>Net Assets</b>	<b>33,936</b>	<b>18,615</b>
<b>Equity</b>		
Issued capital	150,888	123,832
Reserves	940	427
Accumulated losses	(117,892)	(105,644)
<b>Total equity</b>	<b>33,936</b>	<b>18,615</b>
Loss for the year	(12,248)	(105,033)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(12,248)</b>	<b>(105,033)</b>

**32. Events subsequent to reporting date**

Other than the renegotiation of the banking facilities as described in Note 16 – Borrowings, there has not been any other matter or circumstance occurring subsequent to the end of financial year that has significantly affected, or may affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## Additional Australian Securities Exchange information as at 25 July 2019

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

### 1. General Information

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

### 2. Substantial Shareholders

The following holders are registered by MRG as a substantial holder, having declared a relevant interest in accordance with the *Corporations Act 2001* (Cth), in the voting shares below:

Holder Name	Date of interest	Number of ordinary shares <sup>1</sup>	% of issued capital <sup>2</sup>
TIGA Trading Pty Ltd / Thorney Opportunities Ltd	1 November 2018	138,823,512	32.00%

<sup>1</sup> As disclosed in the last notice lodged with the ASX by the substantial shareholder.

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

### 3. Number of Security Holders

Securities	Number of Holders
Ordinary Shares	1,720
Performance Rights	3
Unlisted Options ( <b>Options</b> )	5

### 4. Voting Rights

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

## 5. Distribution Schedule of Shares

Spread of Holdings	Holders	Securities	%
1 - 1,000	128	47,218	0.01%
1,001 - 5,000	309	933,946	0.22%
5,001 - 10,000	297	2,345,020	0.54%
10,001 - 100,000	712	27,456,428	6.33%
100,001 over	274	402,978,479	92.90%
<b>Totals</b>	<b>1,720</b>	<b>433,761,091</b>	<b>100.00%</b>

## 6. Holders of Non-Marketable Parcels

Date	Closing price of shares	Number of holders
25 July 2019	\$0.09	457

## 7. Top 20 Shareholders

The top 20 largest fully paid ordinary shareholders together hold 74.96% of the securities in this class and are listed below:

Rank	Holder Name	Securities	%
1	UBS Nominees Pty Ltd	136,510,418	31.47
2	Netwealth Investments Limited <Wrap Services A/C>	88,181,266	20.33
3	Sargon CT Pty Ltd <Cyan C3g Fund>	15,000,000	3.46
4	Citicorp Nominees Pty Limited	14,938,515	3.44
5	Archerfield Airport Corporation Pty Ltd	12,250,000	2.82
6	J P Morgan Nominees Australia Pty Limited	7,799,088	1.80
7	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	6,762,323	1.56
8	Kim Sorensen <Sorensen Family A/C>	6,331,794	1.46
9	Melanie Alderton <Jamel Family A/C>	4,796,995	1.11
10	Miengrove Pty Ltd <G J & P K Bird Super A/C>	4,400,000	1.01
11	Urban Land Nominees Pty Ltd	4,316,341	1.00
12	Blbd Pty Ltd <Blbd Super Fund A/C>	4,120,295	0.95
13	Lj & K Thomson Pty Ltd <Ljt & Kt Super Fund A/C>	4,000,000	0.92
14	BNP Paribas Noms (Nz) Ltd <Drp>	3,408,272	0.79
15	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	2,756,711	0.64
16	Meredith Nominees Pty Ltd <Meredith Investment A/C>	2,752,710	0.63
17	HSBC Custody Nominees (Australia) Limited	2,106,900	0.49
18	Melbourne Management Group Pty Ltd <Melbourne Manage Group A/C>	2,000,000	0.46
19	David Doyle Investments Pty Ltd <David Doyle Superfund A/C>	1,629,000	0.38
20	Floc Pty Ltd <Floc A/C>	1,514,547	0.35
	<b>Total</b>	<b>325,575,175</b>	<b>75.07</b>

**8. Restricted Securities**

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

**9. Performance Rights**

The following unlisted performance rights are on issue:

Class	Number of securities	Number of Holders
Unlisted Performance Rights (subject to vesting conditions)	3,611,178	3
	<b>3,611,178</b>	<b>3</b>

All performance rights have been issued under the Company's employee incentive plan.

**10. Distribution Schedule of Performance Rights:**

Spread of Holdings	Holders	Securities	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - 9,999,999,999	3	3,611,178	100.00%
<b>Totals</b>	<b>3</b>	<b>3,611,178</b>	<b>100.00%</b>

**11. Unlisted Options**

The following unlisted options over unissued ordinary shares (**Options**) are on issue:

Class	Date of Issue	Date of Expiry	Exercise Price	Number of Options
Unlisted Options	01/11/2018	01/11/2021	\$0.12	3,825,000
Unlisted Options	13/12/2018	16/04/2021	\$0.10	6,000,000
Unlisted Options (subject to vesting conditions)	13/12/2018	16/04/2022	\$0.18	6,000,000
Unlisted Options (subject to vesting conditions)	13/12/2018	16/04/2023	\$0.27	6,000,000
Unlisted Options	13/12/2018	22/11/2021	\$0.10	3,000,000
				<b>24,825,000</b>

**12. Distribution Schedule of Options:**

Spread of Holdings	Holders	Securities	%
1 - 1,000	0	0	0
1,001 - 5,000	0	0	0
5,001 - 10,000	0	0	0
10,001 - 100,000	0	0	0
100,001 - 9,999,999,999	5	24,825,000	100.00%
<b>Totals</b>	<b>5</b>	<b>24,825,000</b>	<b>100.00%</b>

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The following holder holds more than 20% of the Options on issue:

Holder Name	Securities	Percentage
Melbourne Management Group Pty Ltd <Melbourne Management Group A/C>	18,000,000	72.51%

### 13. Share Buy-Backs

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

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