

A photograph of a family of four—a man, a woman, and two children—walking and smiling through a vineyard. The man is on the left, wearing a red tank top and a plaid shirt. The woman is on the right, wearing a white off-the-shoulder top with red floral embroidery and blue jeans. The two children are in the middle, both smiling. The background is filled with rows of grapevines under warm, golden light.

**Murray River Organics
Group Limited**
Annual Report
2016/17

ABN 46 614 651 473

A sustainable source of
healthy food for current
and future generations

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Chairman's Letter

A strong platform has been created from which future growth for the company and its shareholders will be delivered.



Dear Shareholder,

On behalf of the Board of Directors of Murray River Organics Group Limited (MRG), I present you the Company's inaugural Annual Report for the year ended 30 June 2017 (FY17).

This first year of being an ASX listed company was a challenging one for MRG. Dried vine fruit yields were lower than usual across the Sunraysia region, including at MRG's vineyards, being impacted by an unusually wet spring. Poor weather and operational challenges, impacted negatively on harvest outcomes, and consequently financial performance. Project management issues resulted in delays of the refurbishment and consolidation of the Sunraysia processing facility and of the commissioning of the packing facility in Dandenong.

FY17 was also a milestone year for MRG. Since the listing on the ASX in December 2016, the Company has:

- Commissioned its organically certified consumer packaged goods facility in Dandenong;
- Fully integrated the businesses, customers, suppliers and brands of Food Source International and Australian Organic Holdings, both of which were acquired in Q2 FY17;
- Acquired and integrated Fifth Street vineyard and gained control of the Nangiloc property;

- Converted 476 acres from wine grapes to certified organic dried vine fruit and prepared 468 acres of greenfield planting to certified organic dried vine fruit at the Colignan vineyard;
- Continued its consolidation and improvements of the Sunraysia processing facility;
- Implemented a Company-wide single-solution ERP; and
- Continued to deepen and broaden its customer relationships domestically and globally with key retailers and to wholesale and industrial customers.

The Company invested \$48.2 million in FY17. The investments have cemented the Company's position as the world's largest vertically integrated producer of certified organic dried vine fruit, and a leading manufacturer, marketer and seller of certified organic, natural and better-for-you food products. With a maturity profile of planted acreage which is expected to see the Company's production of certified organic dried vine fruit nearly doubling in the coming four years, coupled with owning significant farmland to cater for future growth, the Company is now uniquely positioned to take advantage of the continuing global trend of consumers demanding more organic, healthy and better-for-you food products.

As this planned significant capital expenditure program is now at the final phase, the Company's 12,253 acres of high-quality farmland, along with organically certified world-class processing and packing facilities, a strong platform has been created from which future growth for the Company and its shareholders will be delivered.

On 28 August, MRG announced a \$12.1 million capital raise which was supported by both existing and new shareholders. The capital raised strengthens MRG's balance sheet by reducing debt and provides more working capital flexibility.

MRG also announced in August that one of the two co-founders, Chief Operating Officer and Executive Director, Jamie Nemtsas, left the business. At the same time a review of MRG's organisational structure led to the creation of two new key positions and the promotion of two key appointments to fill these positions; James Tudehope as Head of Packing & Processing Operations and Daniel Turner as Head of Farming Operations. James and Daniel have many years of directly relevant operational leadership experience and will be crucial in delivering efficiencies and driving consistency of processes through the operations of the Company. The Board is confident that this revised structure will improve MRG's operational performance and deliver on the Company's operational goals.

To further strengthen, broaden and complement the skillset of the Board, we have commenced a search for an additional non-executive Director with a deeper background in farming, agriculture or food production and distribution. We expect to make further announcements in this respect in the near term.

With the new leadership team, a high-quality asset base and improved processes in place, I am confident that MRG is well-placed to capitalise on its investments and will deliver sustainable shareholder value for the long term. I would like to thank my fellow Board members, the leadership team and all employees at MRG for their commitment this year and I look forward to building on these foundations in FY18.

Lastly, I would like to thank you, our shareholders, for your continued support.

Craig Farrow
Chairman

Managing Director's Letter



Dear Shareholder,

FY17 was a year of significant transformation for Murray River Organics Group Limited.

The Company listed on the ASX, undertook several strategic investments and continued its progress of implementing significant projects - all with the objective of cementing MRG's position as the world's largest vertically integrated producer of certified organic dried vine fruit, and a leading manufacturer, marketer and seller of certified organic, natural and better-for-you food products.

It was not a year without challenges, the key ones being:

- The Sunraysia region, where our vineyards are located, experienced a very warm Autumn resulting in continuous growth of the vines at our vineyards during the Autumn. In doing so they used up carbohydrates rather than going into dormancy and storing these carbohydrates, as would be the case in more normal weather conditions with colder Autumn. The warm Autumn was followed by one of the wettest Winter periods since the early 1900's. The wet weather led to soil temperatures remaining elevated resulting in root zones of the vines being water logged and turning the surrounding soil into an anaerobic state. Anaerobic soil in turn leads to a reduction in nutrient uptake. The wet weather further led to reduced sunlight hours,

negatively affecting the vines ability to perform photosynthesis, which in turn generates the energy for the vine to grow. The anaerobic soil and the reduced ability of the vines to perform photosynthesis resulted in acid levels in the fruit to not accumulate to normal levels.

The conversion of acid to sugar, post veraison, is a significant and important contributor to the weight of the fruit.

With the lack of acid in the fruit MRG's harvest results, similarly to those of other growers in the region, was significantly below our expectations. The reduced crop size had a significant negative impact on our financial result.

- Limited visibility of fruit ripening progress and delayed harvest led to further negative impact on harvest results and consequently financial result.
- Project management issues and unanticipated delays caused by local councils and regulatory approvals led to delays in the completion and commissioning of our new Packaging Facility in Dandenong, the exit of warehousing capacity acquired through Australian Organic Holdings and the refurbishment and consolidation of the Company's Processing Facilities in Sunraysia.
- Having to write off inventory which was deemed to be of substandard quality and unsuitable for the markets for which it was intended.

We have worked extensively on addressing matters that are within our control, including those operational matters listed above. With the leadership team structure in place that was announced in August, there is a heightened focus and discipline throughout the Company on process, cost and quality together with a tangible drive, energy and passion to deliver on the Company's objectives.

Financial performance and capital raise

MRG's pro forma revenue of \$63 million was \$15.4 million lower than our Prospectus Forecast, attributed to:

- Approximately \$4 million due to the poor growing conditions, and the resultant lower than anticipated crop size;
- Approximately \$10 million due to the delay in harvest and slower than anticipated uptake in sales following delays of the refurbishment of the Sunraysia Processing Facility; and
- A write-down of Clusters of approximately \$1.8 million.

We anticipate that approximately \$8 million of the revenue missed due to harvest and operational delays in FY17 will be picked up in FY18.

To strengthen MRG's balance sheet and provide the company more working capital flexibility, MRG completed a \$12.1 million Entitlement Offer in September which was strongly supported by existing shareholders and new investors.

Operational update

During the year we invested \$48.2 million through several significant acquisitions and undertook major capital projects. All investments were made with the objective of strengthening MRG's ability to continue servicing the growing number of consumers globally who are demanding more organic, healthy and better-for-you food products, and thereby delivering growth and robust returns to our shareholders while providing a safe, sustainable, fun and exciting workplace for our employees.

MRG now owns or controls 12,253 acres of high quality farmland in the Sunraysia region. Of the farmland held, 4,760 acres are already planted (or planned to be planted). Having substantially completed the growth capital expenditure program for our planted acreage, the maturity profile of this acreage is expected to see us

nearly doubling our production of certified organic dried vine fruit in the coming four years. Meanwhile, we hold more than 5,000 acres of high-quality land which is available for development, providing the Company with additional optionality.

Safety is everyone's responsibility at MRG. I am immensely proud that the ownership and seriousness with which all employees approach staying safe is paying off, with our Lost Time Injury Frequency Rate improving by 30% from FY16. We will not stop there. Our goal is for zero incidents for people and product.

Farming Operations

MRG has fully integrated the Fifth Street vineyard acquired in December 2016. This property is planted with grape varieties that are in high demand, servicing both domestic and high-growth international markets in Asia as either fresh table grapes or as Clusters.

In Q4 MRG gained control of the Nangiloc property, the acquisition of which was completed at the end of July for consideration of \$7.2 million. While predominantly planted with 157 acres of highly sought after citrus varieties, all sold to premium Asian markets, the scale of this property provides MRG future optionality. The 5,980 acres of vacant arable land is suitable for planting tree nuts, citrus, vines, grains, ancient grains and high protein beans and legumes. We look to commence harvesting our first crop of chick peas from this property during the month of November.

We will also be exploring value creation opportunities for the approximately 1,100 acres of non-arable land on the property.

The two significant growth projects at the Colignan vineyard are well progressed. Conversion of the 476 acres of vines from wine to dried vine fruit varieties took place during Q2 and we have just completed the second pass to ensure the grafts have taken as required. We plan to commence installing trellis systems on this acreage in July 2018 and commence harvest from this acreage in 2019.



Having substantially completed the growth capital expenditure program for our planted acreage, the maturity profile of this acreage is expected to see us nearly doubling our production of certified organic dried vine fruit in the coming four years.

The planting out of 468 vacant acres with dried vine fruit varieties is well progressed and tracking according to budget on cost and time. The irrigation system is in place, planting of all vines will be completed by end November and approximately 50% of posts required have been rammed. Harvest from this acreage is on track for 2020.

The strength of our farming operations was bolstered with the appointment in August of Daniel Turner who, as a key member of our Leadership Team, now oversees all MRG's farming activities. Daniel's leadership and commitment to instilling disciplined farming processes is expected to result in improved vine-health monitoring, cost reductions, increased yield and enhancement of product quality.

Processing and Packaging Operations

The processing facilities in Sunraysia have undergone a significant upgrade over the past year to deliver increased productivity, improved product quality and reduction in costs.

Four key sites are being consolidated to one, to simplify operations and reduce costs. The entire project is expected to be completed by the end of 2017 at which point the previously used and owned facilities will be offered for sale.

Our Dandenong packing facility is now fully operational. While delayed, as referred to above, it is still with immense pride that we in less than nine months have managed to establish a new corporate office and an organically certified 4,219 sqm facility, accredited to high food safety standards with its six packaging rooms and warehouse space fully operational. The facility offers MRG the ability to service our large and growing global customer base with a variety of food products packed in multiple consumer-packaged goods formats. A new packaging line is planned to be installed by end of the year. This line will significantly increase our ability to efficiently provide innovative solutions and in demand products to the high-growth healthy convenience snacking markets globally.

We are on track to achieve our target of \$3 million run-rate in synergies at end of FY18, we have recently launched a web-based consumer portal, we are firming up our Branding strategy and we are continuously increasing our global sales efforts on key products, such as our Clusters.

The businesses we acquired during Q2, Food Source International and Australian Organic Holdings, as well as their customers, suppliers and brands, have been fully integrated with all packaging previously performed by these businesses now done at our Dandenong facility. Our engagement with the customers of these businesses is strong and has grown, both in terms of the customers we service and in the products we supply to them. We are also well progressed in bringing parts of this product portfolio to customers in overseas markets. Pleasingly, the activities previously performed by these businesses are trading approximately 25% ahead of the same time last year.

Leading all our Processing and Packing Operation since his appointment in August is James Tudehope. He is a key member of our Leadership Team and since his appointment we have seen significant improvements across the areas of cost management, project management, process implementation and productivity.

Implementation of group-wide single-solution ERP – “SAP”

MRG consolidated its four previously utilised systems and successfully integrated in SAP across the Group. While implementing this system placed the team involved under immense pressure, they did a fantastic job to complete it in the short time they did, and the system now enables improved reporting and analysis to assist management drive efficiencies across the business.

I am excited by the significant, unique and very high quality asset base with significant embedded production growth that MRG now controls. We look forward to maximising the returns from the investments made to secure this position.

Outlook

The FY17 financial results were extremely disappointing. The key issues that impacted the results have been identified and dealt with. With the new Leadership Team in place and the significant investments and activities undertaken in the year gone by, I believe the foundations are in place for MRG to deliver strong and sustainable returns to our investors.

With a significant growth phase behind us, we are now focused on driving profits and efficiencies throughout the Company. We are on track to achieve our target of \$3 million run-rate in synergies at end of FY18, we have recently launched a web-based consumer portal, we are firming up our Branding strategy and we are continuously increasing our global sales efforts on key products, such as our Clusters. In this respect, some of the key goals I have set for the Company, that the Leadership Team and I will be working diligently towards achieving include:

Zero Incidents

- People
- Food products

Customers

- Grow number of customers
- Increase sales per customer

EBITDA Margin

- target of 25% by end 2025

Grow own Brand sales

- target of 33% of sales by 2025

Geographical Orientation

- target more than 50% of sales from export by 2020

The experience of a very light crop in FY2017 appears not to have been isolated to MRG and Australian agricultural companies. A key driver of global dried vine fruit pricing and the largest competitor to MRG is California who typically complete the harvest of their dried vine fruit in the month of October. This year, early in the season, following an extremely hot Spring and Summer, dried vine fruit growers in California experienced unusually low bunch counts,

pointing to the possibility of a lighter-than-usual harvest. Significant and late rain encouraged growth of mould on the drying fruit, resulting in an estimated loss of approximately 10% of the crop and will likely lead to extra processing or reconditioning of the remaining crop.

The extreme heat, low bunch counts, rain and a continuous significant reduction in acreage planted with dried vine fruit has led to the Raisin Administrative Committee in California expecting for the 2017 crop to be the lowest since 1998, and approximately 20% lower than 2016.

As at 7 Oct, of the 27,395 tonnes that had been delivered to packers from growers (down from 59,012 tonnes same time last year) only 1,286 tonnes were organic. We are experiencing increased demand for our certified organic dried vine fruit. As we have already committed all our 2017 loose berry crop we have commenced customer engagements for our 2018 crop with the first significant orders in place from customers in the USA.

Finally, I would like to thank our customers, our employees and our investors who have supported MRG during this challenging and transformational year. I am extremely pleased, humbled and proud to be surrounded by our team of dedicated, skilful, passionate and honest people. I am confident that we have the right structure in place to create value for our shareholders.

I look forward to FY18 with confidence in being able to deliver returns on the investments we have made, and capitalising on the many growth opportunities available to us.



Erling Sorensen
Managing Director

Financial Statements

for the year ended 30 June 2017



Directors' Report

The directors of Murray River Organics Group Limited submit herewith the annual report of the Company for the financial year ended 30 June 2017. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' Report as follows:

Murray River Organics Group Limited was incorporated on 6 September 2016 and became the parent of the consolidated group following a group restructure on 9 November 2016. Prior to this the parent entity was Murray River Organics Limited.

1. 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	Board member since	Special Responsibilities / Particulars
Craig Farrow	6 September 2016	Board Chair
Lisa Hennessy	6 September 2016	Chair – Nomination and Remuneration Committee
Don Brumley	6 September 2016	Chair – Audit and Risk Committee
Erling Sorensen	6 September 2016	Managing Director
Jamie Nemtsas	6 September 2016	Chief Operating Officer

The above-named Directors held office since incorporation unless otherwise stated.

Ian Sinclair was appointed the secretary of the Group on 6 September 2016 and has remained so since the end of the financial year.

2. Directorships of other listed companies

Directorships of listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Director	Company	Period of directorship
Craig Farrow	Vocus Group Ltd	Since February 2016
	M2 Group Ltd (merged with Vocus)	December 1999 – February 2016
	Bulletproof Group Ltd	Since August 2016

3. 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		Audit and Risk Committee		Nomination and Remuneration Committee	
	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
Erling Sorensen	12	12	1	1	1	1
Jamie Nemtsas	12	12	1	1	1	1
Craig Farrow	11	11	3	3	2	2
Lisa Hennessy	11	11	3	3	2	2
Don Brumley	11	11	3	3	2	2

4. Directors' shareholdings (no. of shares)

Name	Shares vested as remuneration	Shareholding at 30 June 2017
Craig Farrow	65,595	168,672
Lisa Hennessy	39,356	39,356
Don Brumley	58,586	443,586
Erling Sorensen	-	7,847,179
Jamie Nemtsas	-	9,597,179
Total	163,537	18,095,972

5. Principal activities

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

The Company's mission is to anticipate and exceed consumer expectations globally in healthy food by providing quality, innovation, value and convenience. Current agricultural operations focus mainly on organic dried vine fruit where the company is fully vertically integrated across the entire value chain, and citrus fruit. The business has expanded into a number of other organic, natural and "better-for-you" food products. It has a growing portfolio of certified organic products, which are sold into 26 countries. Its products include dried vine fruit, table grapes, nuts, seeds, dried berries, chia seeds, prunes, dried ginger, dried mango, quinoa, coconut products and rice. The Group's product range is targeted at the rising consumer demand globally for natural, healthy and organic foods, and is an important part of the Group's strategy. The Group's customers include industrial customers (such as cereal manufacturers, bakeries and confectionary manufacturers), retail customers (such as supermarkets, organic food stores, mass-market, e-commerce retailers and convenience stores) and food service channels (such as speciality and natural food distributors).

6. Operating review

Business acquisitions

During the financial year 2017 (FY17) the Group completed the acquisitions of Food Source International, Australian Organic Holdings, the property assets of Fifth Street vineyard, and gained control of the Nangiloc property. These acquisitions were completed to provide the Group with a broader range of healthy food products with which to service and expand its domestic and global customer base.

The businesses, operations, assets and brands of Food Source International and Australian Organic Holdings been fully integrated into the Murray River Organics Dandenong facility. The two warehouse facilities located in

Sydney that were occupied by Australian Organic Holdings have both been sub-leased, after the move of the operations to the Dandenong facility.

Fifth Street vineyard acquisition

The Fifth Street Vineyard, including its fully equipped pack-out facility with chill and cool rooms, became part of the farm operating platform in December 2016 and the fresh table grape crop acquired from the vineyard was harvested and sold, and the remaining crop has been harvested for sale as Clusters.

Nangiloc acquisition

During FY17 the Group gained control of a 7,516 acre property, referred to as Nangiloc, located adjacent to its Colignan vineyard in Victoria. The scale of the property, its location relative to the Murray River, locational access to labour and Murray River Organics' other farming assets, coupled with the versatile high-quality soil, existing plantings and existing infrastructure provides the Group with significant optionality for future growth.

This property has 205 acres planted to citrus, 65 acres planted to wine, 314 acres serviced by centre pivots and 5,787 acres vacant arable land suited to crops such as tree nuts, citrus, vines, grains, ancient grains and high protein beans and legumes. The balance of 1,145 acres is non-arable land although value creation opportunities for this acreage, for instance in the form of solar panning, will be explored.

Control and working possession of the property occurred from May 2017, and settlement with transfer of title to the Company took place on 25 July 2017.

Dandenong packing facility

In September 2016, the Group commenced a lease of a warehouse facility located in Dandenong South, Victoria for 10 years with options to extend. The purpose of the lease was to establish a new organically certified consumer goods packaging, value-add and pick-pack facility enabling the Group to service customers globally with certified organic, healthy and better-for-you food products in a variety of consumer packaged goods formats, without having to rely on external parties to undertake the packaging.

During its establishment of the Dandenong facility, some unanticipated delays were experienced in obtaining accreditations and certifications required to satisfy our customer base. This led to the Company having to operate the two warehouse facilities previously controlled by Australian Organic Holdings for longer than planned. Another area of delay was in the installation and commissioning of some of the packing equipment acquired which fell behind schedule. This resulted in a delay in realisation of efficiencies from packaging at the facility. The final area of delays experienced was in obtaining the relevant local council approvals related to the fit-out of the Dandenong facility.

Despite the challenges faced from the delays, the commissioning of the facility was completed during second half of FY17, whereby all six packaging rooms became operational and cool room, freezing and palletised storage was installed plus the required certifications to service all existing customers.

The corporate office of the Group has also been relocated to this location. The Group has invested approximately \$5.7m into this facility.

Sunraysia packing and processing

During the year, the Group invested approximately \$5.4 million upgrading its Mourquong dried fruit storage and processing facility including installing additional metal detection units, installing an additional digital laser sorter, put in place elevated walk ways, cat walks, and other pieces of processing equipment to facilitate more efficient processing and storage of dried vine fruit.

The Group has been seeking to consolidate its Sunraysia processing and storage facilities that relates to its dried vine fruit and Cluster products. The processing and storage facilities that are and have historically been used include the fully owned warehouse at Walnut Avenue Mildura, the fully owned freezer and cool-room facility at Benetook Avenue Mildura, and the existing fully owned processing and storage facility at Mourquong.

Directors' Report

The purpose of consolidating these sites to one, is to allow for dried vine fruit and Clusters, after having been harvested at a vineyard, to be stored, dried (if required), pre-cleaned, colour sorted, processed and stored all in the same location.

Murray River Organics' processing and storage facility at Mourquong is the most significant of the Sunraysia processing and storage facilities. The processing at this facility involves the fruit passing through magnets, several visual inspection points, two laser sorters and sensitive metal detectors, before being packed into plastic lined cartons undergoing atmospheric treatment before finally being sealed. The Mourquong facility has the capacity to process approx. 15,000 tons of dried vine fruit in bulk and approx. 1,000 ton of Clusters per year. This site is equipped with solar panels, servicing the operations with low cost renewable energy. As the site is also beneficially located relative to all agricultural properties, consolidation of the Company's dried vine fruit storage and processing activities has been sought to take place around this facility.

Activities undertaken to facilitate the consolidation has involved negotiating a contract to acquire a 6.8 acre property adjacent to the Mourquong facility, designing and contracting the build of 4950 square meter concrete floor warehouse, sourcing and acquiring pre-cleaning equipment, sourcing and acquiring drying equipment including a biomass boiler acting as heat source for the drying equipment and sourcing, acquiring colour sorting equipment, upgrading the electricity supply to the site by 1,185 Kva and ensuring all permits required for the consolidated site with to the new equipment being compliant.

The consolidated site is expected to be operative from mid-September 2017.

The sale process of the facilities at Walnut Avenue and at Benetook Avenue has commenced.



The Company's mission is to anticipate and exceed consumer expectations globally in healthy food by providing quality, innovation, value and convenience.

Vineyard operations

As at 30 June 2017 the Group controlled over 12,000 acres of farmland (2016: over 4,300 acres). During the year approximately 7,500 tonnes of fruit was produced from the Group's controlled vineyards (2016: approximately 3,000 tonnes of dried fruit).

FY17 saw weather having a significant negative impact on a range of crops across the nation. Sunraysia and Murray River Organics were not spared. Severe hail and storms swept across key growing areas in Sunraysia in late 2016 although our properties were not impacted by hail. Coupled with an unusual wet and cold Spring led to a reduction in the expected dried vine fruit yield. The weight of the Company's sultana crop was significantly impacted by the inclement weather. While the number of bunches counted on the Group's fruit bearing acreage planted to Sultana indicated a yield per mature acre that would typically be expected and was in line with Murray River Organics' experience from previous harvest seasons, the actual bunch weight at harvest was found to be materially lower than what would typically be expected.

The matter was not isolated to Murray River Organics and the yield per mature acre achieved by Murray River Organics in the 2016-2017 crop season was consistent with what has been reported across the Sunraysia region.

The wet and cold Spring led to a delay of some four to six weeks in the maturation of the grapes, which in turn led to a delay in the Group being able to cut the growing canes to commence the drying process of its dried vine fruit. The delay has resulted in an increased requirement to dehydrate dried vine fruit to preserve the integrity of the fruit.

Corporate integration

The following additional corporate integration activities have also been undertaken:

- Implementation of uniform operational, marketing, sales and distribution strategies;
- Broadening the range of certified organic, healthy and better-for-you food products;
- Strengthening of relationships with key Australian domestic retailers;
- Company-wide implementation of a single-solution ERP, thereby eliminating the use of four previously utilized systems; and
- The planning for an online domestic consumer shopping portal intended to go live in September 2017.

7. Financial results

The Group's loss after tax for the year ended 30 June 2017 was \$ 5,927,320 (2016: profit of \$2,594,111). Revenue has increased by 306% compared with FY16, predominately due to the acquisitions of the business of Food Source International, and Australian Organic Holdings and the Fifth Street vineyard. These acquisitions were completed to provide the Group with a broader range of healthy food products with which to service and expand its domestic and global customer base.

FY2017 was a year of significant investments and consolidation for the Group. The investments made and the consolidation efforts were specific and important steps in the execution of the Company's strategy to become a globally leading producer, marketer, manufacturer and seller of certified organic, natural and better-for-you food products. The execution of the Company's strategy can be further improved, which has partially contributed to the weaker than expected financial result for the year. We have implemented a number of internal changes in the way we operate to strengthen and improve future results.

The loss after tax was impacted by one-off IPO and acquisition costs of approximately \$3.0m (including stamp duty). Given the significant growth and organisational transformation over the year ended 30 June 2017, Proforma results are provided to allow shareholders to view the results with the following adjustments:

- One-off IPO and acquisition costs excluded;
- The inclusion of pre-acquisition earnings of acquired businesses;
- The exclusion of IPO related share-based payments; and
- The inclusion of fair value gains that would have been recognised if the acquired farms were in place from 1 July 2016.

Proforma Results

	Proforma FY17 \$m	Proforma FY16 \$m	Change
Revenue	62.6	51.9	10.7
Other income	1.2	0.9	0.3
Fair value of agricultural produce	14.7	6.4	8.3
Raw materials, finished goods consumed and change in finished goods and work in progress	(60.6)	(38.2)	(22.4)
Employee benefits expense	(5.9)	(5.4)	(0.4)
Other operating expenses	(5.7)	(7.1)	1.4
EBITDA	6.4	8.5	(2.1)
Depreciation	(4.3)	(2.1)	(2.2)
EBIT	2.1	6.4	(4.3)
Finance costs	(2.3)	(1.6)	(0.7)
Profit / (loss) before tax	(0.2)	4.8	(5.0)
Tax	0.2	(1.4)	1.6
Net profit / (loss) after tax	(0.0)	3.4	(3.4)

A reconciliation of the proforma results to the statutory results is provided below.

Directors' Report

Reconciliation of FY17 proforma results to statutory results (\$m)

	Statutory 30 June 2017	One-off costs (i)	FSI (ii)	AOH (ii)	Fifth Street (iii)	Stamp Duty (iv)	Performance Rights (v)	Nangiloc (vi)	Proforma 30 June 2017
Revenue	48.5		4.9	9.2					62.6
Other income	1.4		-	(0.2)					1.2
Fair value of agricultural produce	13.2		-	-	1.2			0.3	14.7
Raw materials, finished goods consumed and change in finished goods and work in progress	(49.9)		(4.2)	(6.4)					(60.6)
Employee benefits expense	(5.8)		(0.1)	(0.6)			0.6		(5.8)
Other operating expenses	(8.1)	2.0	(0.0)	(0.7)		1.0			(5.7)
EBITDA	(0.6)	2.0	0.6	1.3	1.2	1.0	0.6	0.3	6.4
Depreciation	(4.3)	-	-	-	-	-	-	-	(4.3)
EBIT	(4.9)	2.0	0.6	1.3	1.1	1.0	0.6	0.3	2.1
Finance costs	(2.3)	-	(0.1)	(0.1)	-	-	-	-	(2.3)
Profit / (loss) before tax	(7.2)	2.0	0.5	1.3	1.2	1.0	0.6	0.3	(0.2)
Tax	1.2	(0.1)	(0.2)	(0.4)	(0.4)	-	-	(0.1)	0.2
Net profit / (loss) after tax	(6.0)	2.0	0.4	0.9	0.8	1.0	0.6	0.2	(0.0)

Balance sheet (\$m)

	Statutory 30 June 2017	Statutory 30 June 2016	Change (\$m)
Total current assets	49.3	19.5	29.8
Total non-current assets	94.8	49.5	45.3
Total assets	144.1	69.0	75.1
Total current liabilities	41.0	8.0	33.0
Total non-current liabilities	36.8	31.1	5.7
Total liabilities	77.8	39.1	38.7
Net assets	66.3	29.9	36.4

The Group's net assets have increased by over \$36m compared with the previous year which is largely attributable to:

- Investment in acquired business resulting in goodwill of \$10.7m.
- Increase in inventory as a result of the growing business of \$16.2m.
- Investment in property, plant, and equipment including the farm acquisitions, upgrade of the Sunraysia processing facility, the fit-out of the Dandenong facility and associated equipment, and continued development of new and immature vineyards, of \$33.8m.
- Increases and offsets in other working capital, including trade and other receivables, agricultural produce, and trade and other payables.
- Offset by increases in borrowings of \$17.9m (inclusive of leases).

Net debt

	Statutory 30 June 2017 (\$m)	Statutory 30 June 2016 (\$m)
Net debt (including leases)	47.8	30.4
Net debt (excluding leases)	28.6	12.9
Net debt / equity (including leases)	72%	102%
Net debt / equity (excluding leases)	43%	43%
Net tangible assets	55.5	29.9
Shares on issue (m)	87.1	N/A
NTA per share	\$0.64	N/A

- Net debt facilities (excluding leases) has increased by \$15.7m predominately due to the increase in trade finance facility (used to fund inventory purchases) of \$10.6m, and the increase in property and equipment debt of \$5.3m.
 - Lease liabilities have increased by \$1.7m due to the expansion of our leased property “Colignan”
- The Group’s debt (excluding finance lease) is made up the following:
- Property related loans of \$15.1m (the group owns \$45.5m of property, inclusive of Nangiloc of which \$7.2m was debt funded post 30 June 2017)
 - Trade finance facilities of \$11.9m (the group’s inventory and trade receivables, offset by trade payables, is \$17.8m)
 - Equipment loans of \$4.3m (the Group owns \$14.6m of equipment)

8. Quality and food safety

All suppliers to Murray River Organics are formally approved prior to commencing supply. Approval to supply product that directly impacts food safety and quality must be carried out in accordance with the Group’s internal procedure ‘P-245-A Incoming Goods and Services’. This procedure documents the requirement that any food or primary packaging supplier must have a certified food safety management system in place.

Technical specifications for all purchased inputs are to be approved prior to supply, with the technical specification to detail the parameters relevant to each product.

Upon delivery, all food products are required to be accompanied by a Certificate of Analysis confirming that the supplied goods conform with the approved technical specification.

Third party growers supplying raw material to the Group are contracted to grow product to specifications and in accordance with our agronomy programme.

9. Corporate social responsibility and OH&S

The wellbeing of the Company’s people, and providing a safe, supportive working environment, is integral to our business.

The Company in October 2016 embarked on a five-year Health, Safety and Wellbeing Strategy that will provide direction and guidance for the company to achieve best practice OHS management and performance within the Rural and Food Manufacturing Sectors.

The five-year Strategy promotes a systems approach to improving and strengthening OHS management and culture with a focus on leadership and participation. The Health, Safety and Wellness Strategy comprises five key initiatives, with each underpinning the next and providing the foundation for an integrated approach:

1. Strengthening OHS management system

- Aligning Safety Management System with Australian AS/NZS 4801 and international OHSAS 18001 standards;

- Increasing employee and management knowledge of OHS;
- Focusing on areas such as managing hazards, workplace inspections;
- Improving work practices for managers engaging and supervising contractors; and
- Online enabled access to all OHS Policies, Standards, processes, procedures, forms and check lists.

2. Cultural change – gaining employee perspectives and priorities on OHS:

- Developing a broader employee engagement program through newly formed Regional OHS Committees;
- Regional Health Safety and Wellness Plans to document and record progress;
- Additional face-to-face on-the-job OHS training for Managers;
- Dedicated OHS resources for major Site construction and major redevelopments – Factory Consolidation Project Sunraysia, Factory Commissioning Dandenong South;

Directors' Report

- Online OHS training for all Farm Managers, Farm Hand and Farm Contractors; and
- Improved Bullying policies, procedures and investigation processes.

3. Targeting key injury prevention areas – working together and focusing on a systems approach to reduce the risk of:

- Manual handling;
- Slips, trips and falls;
- Factory Machine Guarding Protection Program – e.g. conveyors, elevators;
- Farm Equipment Guarding Protection Program e.g. tractors PTOs, quad bikes;
- Electrical Safety;
- Regular Tool box meetings to ensure all workers understand risks associated with Low probability - High Consequence events e.g. Falls from heights, Construction upgrade Operator and Contractor incidents; and
- Continuing to train employees to recognise report and mitigate workplace risks through site hazard team meetings and workplace inspections.

4. Injury management – developing standardised best practice early intervention and safe return to work approaches to care for injured employees:

- Automated Incident reporting and Workers compensation claims management; and
- Streamlined local medical access for injured workers.

5. Workplace wellness – enable employees, contractors together with their families and friends to access wellbeing information:

- Better manage health and make positive lifestyle choices aligned to public awareness campaigns e.g. men's and women's health issues, cancer awareness and diabetes.

10. OHS monitoring performance

Murray River Organics is introducing Lead (Incident prevention) OHS KPIs and Lag (Incident outcome) measures to provide all Sites and Departments with current performance. Once the improved monitoring measures have been introduced performance targets will be set and reviewed every year by our Board.

The aim of the strategy is to improve OHS performance and ensure that the safety is embedded in everything Murray River organics does.

It demonstrates in a simple, practical way that: Safety is everyone's responsibility. It starts with me!

11. Sustainability

We believe in working with nature, not against it. Murray River Organics is certified organic by Australian Certified Organic across its operations. This means utilizing 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 Company's ability to contribute to a more sustainable future.

12. Sustainable farming

Agriculture plays a big part in climate change and is responsible for around 14% of total greenhouse gas emissions worldwide. Adopting organic farming methods can offset some of these emissions by reducing soil and water contamination. Murray River Organics sustainable farming practices utilize 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.

13. 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 Company's facilities in Sunraysia and supply 35%-65% of the energy used. LED lighting is fitted in all manufacturing areas and provides an estimated energy efficiency of 80%-90% compared to traditional lighting.

A biomass boiler is being commissioned and will act as a heat source for drying requirements. The biomass boiler will run on waste from the farms own operations along with waste generated by growers of other produce in the Sunraysia region.

Murray River Organics' waste streams are recycled where possible, this includes recycling of all cardboard waste across all sites and the segregation of non-recyclable material. The cardboard used as part of our packaging is made using 45% recycled material.

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

14. Significant change in state of affairs

Group restructure

The Group recently undertook a restructure to simplify its corporate structure and to facilitate the IPO (Restructure). The Restructure was a mechanism by which existing securityholders of the Group exchanged their Existing Securities in Murray River Organics Limited and the Murray River Organics Property Trust, for Shares in Murray River Organics Group Limited (MROGL). The Restructure completed on 9 November 2016.

Sornem Group Pty Ltd, Sornem Capital Pty Ltd and MRO Property 2 (formerly Sornem Asset Management Advisors Pty Ltd), (collectively "The Sornem Entities") are non-operating entities, and were acquired by Murray River Organics Group Limited from entities associated with founding directors Erling Sorensen and Jamie Nemtsas (the Founders) as part of the Restructure. As part of the Restructure, the Founders agreed to indemnify Murray River Organics Group Limited for any liabilities of the Sornem Entities prior to the Restructure and for any tax liability or obligation of the Sornem Entities to the extent that such tax liability or obligation relates to any period prior to the completion of the Restructure or relates to (or results from) the Restructure.

15. Subsequent events

Settlement of the Nangiloc property with transfer of title to the Company took place on 25 July 2017 (although working possession occurred prior to year end) and owned or controlled acreage in the Sunraysia region now totals 12,242 acres.

On 22 August 2017, the Group renegotiated their banking facilities with their lender. Resultant changes include:

- Banking covenants were revised
 - Interest Cover to be greater than 3.6x and be tested six-monthly at 31 December and 30 June each year; and
 - Stock, Debtor and Inventory Cover Ratio to be greater than 1.25x and be tested six-monthly at 31 December and 30 June each year.
- The trade finance facility limit has been increased from \$12m to \$18m, but will reduce back to \$16m via reallocation to equipment finance facility in November 2017.
- \$3m of property debt is to be repaid by the Group by 31 October 2017.

16. Future developments

The Group will continue to explore further opportunities that meet the Group's long term growth and development goals. The goal is to provide a superior sustainable increase in profits. Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

17. 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 regulated by Australian Certified Organic (certificate number 11486),

18. Company dividends

No dividends were paid or declared during the period.

19. Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company, the company secretary, Ian Sinclair, 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 an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

20. 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.

Directors' Report

21. Remuneration Report (audited)

The Board presents the 2017 Remuneration Report for our first financial year as a listed entity. A key focus of this year's report is to demonstrate how our remuneration framework will be linked to the Company's performance moving forward.

The FY2017 Remuneration Framework was set in the lead up to the listing with reference to benchmark data and comparisons to other available market information and general advice. Both the Short Term Incentive Scheme (STI) and Performance Rights offered under the Long Term Incentive Scheme (LTI) set performance conditions to focus executives on achieving the performance objectives of the Company and to build sustainable growth.

Following the listing and the integration of the acquisition businesses, the Remuneration and Nomination Committee reviewed the existing remuneration framework. The Committee has refined the STI framework to reflect a Company of its increased complexity and growth. Looking forward to FY2018, the Board has incorporated a more balanced set of performance indicators to focus the Company on achieving the financial objectives of the business but also ensure the long-term success of the business.

For 2017, the board determined no STI entitlements arise for executives. The Board has also determined, upon recommendation from the Remuneration and Nomination Committee, that a performance hurdle be applied to a key component of the executive total Remuneration Package being the One-off Retention Payment. These shares were modified subsequent to year end to include a hurdle whereby the share price must have returned to the IPO price by the end of the modified Performance Period for eligibility to vest.

As a result of these changes, the executives' Total Remuneration Package (as outlined in section 4) puts a significant portion of the executives' remuneration at-risk against targets linked to the Company's short term and long term performance objectives and therefore supports the alignment between the interests of the executive, the Company and our shareholders.

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations

The Remuneration Report is divided into the following sections:

No	Section	Page Number
A.	Details of key management personnel	17
B.	Role of the Nominations and Remuneration Committee	17
C.	Engagement of Remuneration Consultants	18
D.	Remuneration Policy and Strategic Direction	18
D.1.	Executive Remuneration Structure	18
D.2	Fixed Remuneration	18
D.3	Short-term Incentive Arrangements	18
D.4	Long-term Incentive Arrangements	19
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E.	Executive Contracts	20
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J.	Key Management Personnel's Equity Holdings	23
K.	Loans to Key Management Personnel	24
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M.	Voting and Comments made at the Company's 2016 Annual General Meeting (AGM)	25

A. Details of Key Management Personnel

The key management personnel of the consolidated entity are individuals who have the authority and responsibility for planning, controlling and directing the activities of the Company, directly or indirectly, and comprise the Directors and the executives of the Company, as listed below:

	Period of Responsibility	Position
Non-Executive Directors		
Craig Farrow	Appointed 26 August 2016	Independent Non-Executive Director and Chairman
Lisa Hennessy	Appointed 19 August 2016	Independent Non-Executive Director and Chair of the Nominations and Remuneration Committee
Donald Brumley	Appointed 19 August 2016	Independent Non-Executive Director and Chair of the Audit and Risk Management Committee
Joanne Bessler	Appointed 7 May 2016 Resigned 8 August 2016	Independent Non-Executive Director and Chair of the Nominations and Remuneration Committee
Josef Czyzewski	Appointed 1 March 2016 Resigned 3 August 2016	Independent Non-Executive Director and Chairman
Neil Kearney	Appointed 23 March 2016 Resigned 8 August 2016	Independent Non-Executive Director and Chair of the Audit and Risk Management Committee
Executive Directors		
Erling Sorensen	Appointed 18 June 2012	Managing Director and Chief Executive Officer
Jamie Nemtsas	Appointed 18 June 2012	Executive Director and Chief Operating Officer
Other Key Management Personnel		
Matthew O'Brien	Appointed March 2016	Chief Financial Officer

B. Role of the Nominations and Remuneration Committee

Composition

Consistent with the Nominations and Remuneration Committee Charter Murray River Organics 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. The Remuneration and Nomination Committee is currently comprised solely of non-executive directors:

- Lisa Hennessy (Chair);
- Donald Brumley;
- Craig Farrow;
- Erling Sorensen (resigned 2 November 2016); and
- Jamie Nemtsas (resigned 2 November 2016).

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;

Directors' Report

- 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.

C. Engagement of Remuneration Consultants

A remuneration consultant has not made a recommendation in relation to any of the key management personnel for the 2017 financial year. The Remuneration and Nomination Committee will in future, from time to time, use the services of remuneration consultants.

Agility HR have provided advice to the committee post 30 June 2017 regarding future remuneration.

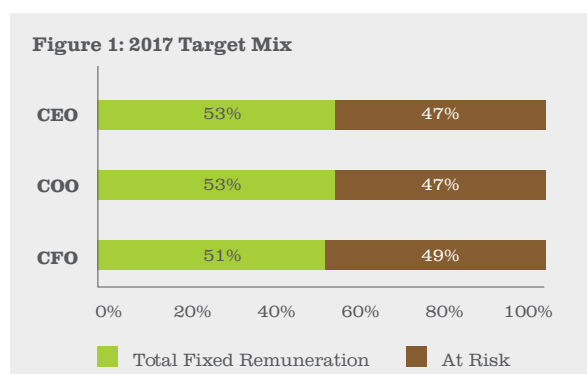
D. Remuneration Policy and Strategic Direction

D.1 Executive Remuneration Structure

Total Remuneration for CEO, COO and CFO includes both fixed and 'at risk' rewards including short term and long term incentives which are based on company's performance and individual contribution. The total remuneration package was set with regard to its appropriateness against a comparator group. The CEO, COO and CFO received fixed remuneration as outlined in section 4.2 together with 'at risk' components:

- short-term incentive (STI), as outlined in section 4.3;
- long-term incentive (LTI), as outlined in section 4.4; and
- once-off retention grant in the form of performance rights granted at the time of listing, as outlined in section 4.5.

The mix of fixed versus 'At Risk' remuneration available for the 30 June 2017 financial year for the executive KMP was as follows:



D.2 Fixed Remuneration

The fixed remuneration consists of a base salary and superannuation. The fixed remuneration was set to take into account the size and complexity of the role, individual's responsibilities, skills, capabilities and experience. During the 30 June 2017 financial year, as a once off payment, the Board approved a bonus of up to \$30,000 for the CFO in recognition of significant additional work performed during the listing process.

As part of an annual review of Fixed Remuneration of the Executive Team, the Board has approved for FY18 an increase in Fixed Remuneration for the CFO of \$30,000 (excluding superannuation). In approving this increase, the board was satisfied that this increase was necessary to ensure that the CFOs remuneration levels take into account the complexity of the role. This review was informed by benchmarking exercises. No increases have been approved for the CEO and the COO.

D.3 Short-term Incentive (STI) Arrangements

2017 Short Term Incentive Plan

The STI plan put in place prior to the time of the Company's Listing and applied during the 2017 financial year. The plan enabled the CEO, COO and CFO to receive an incentive payment in an amount equal to up to 40% of their base salary conditional on achieving qualified EBITDA hurdles as well as individual contributions. The board, in its discretion, may determine that amounts not be payable to executives, irrespective of whether performance conditions other than the FY2017 EBITDA Performance Condition has been met. The Board has determined that no STIs are to be paid to the Executives of 2016/2017

KMP	Target STI	% achieved in the year
CEO	\$100,000	0%
COO	\$100,000	0%
CFO	\$60,000	0%

2018 Short Term Incentive Plan

The table below outlines the key features of the STI plan for the 30 June 2018 financial year as it will apply to the CEO, COO and CFO:

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

D.4 Long-term Incentive (LTI) Arrangements

In the 2017 financial year, the grant of performance rights is subject to vesting conditions outlined below.

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 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).	
	Measure	Rights to Vest
	EPS	
	Below 10%	Nil
	10%	20%
	Above 10% but less than 20%	Pro-rata vesting from 20% -100%
	At or above 20%	100%
	Share Price Growth	
	Less than 10%	Nil
	10%	20%
	Above 10% but less than 20%	Pro-rata vesting from 20%-100%
	At or above 20%	100%
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.	

Directors' Report

The CEO, COO and CFO will not be granted additional shares under the LTI plan for 2018 due to the Once-off Retention Payments that were issued to the executives in FY2017 prior to the Company's Listing (as described in section 4.5 below). It is intended that issuing of Performance Rights grants under the LTI plan in FY2019 and ongoing will be determined following a review of FY18 performance. Any new grants issued under the LTI plan will vest subject to performance measures to be determined by the Board, in its discretion.

D.5 Once-off Retention Payment

Following listing, the CEO, COO and CFO received 1,153,845 performance rights (in aggregate) as a one-off retention payment (valued (in aggregate) at \$1,500,000 consistent with the offer price). As at 30 June 2016, performance rights issued as part of this once-off retention payment will vest in one tranche on 30 June 2019, provided that the relevant executive has remained in continuous employment with the Group from the date of the grant until the date of vesting.

D.6 Modification to Once-off Retention Payments

The Board has approved a modification to 1,153,845 performance rights (in aggregate) granted under the Once-off Retention Payments to include a share price hurdle such that the volume-weighted average price of the Company's shares on ASX, calculated over the 20 trading day period commencing from and including the date which is two weeks after the date on which Company lodged its preliminary full year report with ASX for FY2019, being equal to or greater than \$1.30. This modification does not result in an incremental increase in fair value. This modification extends the vesting of the entitlement date to 4 October 4 2019. The modification took place on 24 August. The share price on that date was \$0.35.

E. Executive Contracts

Murray River Organics has entered into service agreements with the following key management personnel:

Erling Sorensen	Managing Director
Expiry date	N.A.
Notice period	6 months
Termination/redundancy payment	Erling's employment may be terminated by either Erling or the company 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	12 months

Jamie Nemtsas	Chief Operating Officer
Expiry date	N.A.
Notice period	6 months
Termination/redundancy payment	Jamie's employment may be terminated by either Jamie or the company 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	12 months

Matthew O'Brien	Chief Financial Officer
Expiry date	N.A.
Notice period	3 months
Termination/redundancy payment	Matthew's employment may be terminated by either Matthew or the company by providing three 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	12 months

F. Non-executive Directors' Remuneration Structure

The Table below outlines the fees structure for Non-Executive Directors in FY2017. The annual aggregate fee pools are \$500,000 per annum and any change to the aggregate sum will need to be approved in a general meeting of shareholders. The fixed remuneration in FY2017 for Non-executive Directors was:

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

Notes: 50% of fees were paid in shares until the company's listing

In addition to the fees above, each Non-executive director received a one-off payment on the completion of the Company's listing in recognition for the additional work undertaken by the non-executive Directors to achieve a listing.

The value of the shares issued reflected 100% of the Director's fees payable to each Non-executive Director. In addition, Donald Brumley received a further one-off payment (valued at \$25,000, at the offer price) in recognition for his extra work on the due diligence committee.

As previously communicated to the market, it was the Board's intention to increase the fees payable to Directors within 12 months of listing to at least the 50% percentile of the range of Directors fees paid by Companies of comparable size and engaged in similar or related businesses. In setting the level of Non-executive Director's fees, the following factors are taken into account:

1. The risk and responsibility of the role;
2. Complexity of the business;
3. Director's skills and expertise; and
4. Publicly available benchmark data.

Therefore, the Board has approved the following fees to Directors:

Board/Committee	Chairman Fee (\$)	Director/Member Fee (\$)
Board based fee	\$150,000 (inclusive of committee work)	\$65,000
Remuneration and Nomination Committee	\$10,000	\$5,000
Risk and Audit Committee	\$10,000	\$5,000

These fees remain within the approved levels and reflect a cash equivalent fixed remuneration to that of 2016/2017.

G. Relationship between Remuneration Policy and Company Performance

	2017	2016	2015	2014	2013
EBITDA (Statutory) (\$'000)	(585)	6,945	287	1,085	(600)
% change in EBITDA - Statutory	(108%)	2,317%	(74%)	(281%)	N.A.
EBITDA (Proforma) (\$'000)	6,487	8,506	459	(3,208)	N.A.
% change in EBITDA - Proforma	(24%)	1,753%	(114%)	N.A.	N.A.
Earnings per share - Statutory	(\$0.08)	\$0.04	N.A.	N.A.	N.A.
% change in earnings per share - Statutory	(229%)	N.A.	N.A.	N.A.	N.A.
Change in share price (%)	(75%) (i)	N.A.	N.A.	N.A.	N.A.
Total remuneration of KMP (\$'000)	1,500	617	376	337	356
Total performance based remuneration (\$'000)	427	-	-	-	-

(i) Refers to the change in share price since IPO to 30 June 2017.

Directors' Report

H. Details of Key Management Personnel Remuneration

The following two tables of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of the key management personnel of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards.

2017	Short-term		Post-employment	Long-term		Equity-settled share based payments		TOTAL	Total performance related	Fixed remuneration
	Salary, fees and leave	Profit share and bonuses	Superannuation	Incentive plans	Long service leave	Shares	Performance rights			
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Josef Czyzewski	3,125	-	297	-	-	-	-	3,422	-	100
Neil Kearney	1,875	-	178	-	-	-	-	2,053	-	100
Craig Farrow	47,522	-	4,515	-	-	85,273	-	137,310	-	100
Lisa Hennessy	29,881	-	2,839	-	-	51,163	-	83,883	-	100
Donald Brumley	29,881	-	2,851	-	-	76,162	-	108,894	-	100
Erling Sorensen	259,615	-	23,750	-	4,167	-	136,716	424,248	32%	68%
Jamie Nemtsas	254,808	-	23,750	-	4,167	-	136,716	419,441	33%	67%
Matthew O'Brien	150,685	28,931 (i)	14,315	-	2,469	-	124,447	320,847	48%	52%
	777,392	28,931	72,495	-	10,803	212,598	397,879	1,500,098		

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

2016	Short-term	Post-employment	Long-term		Equity-settled share based payments		TOTAL	Total performance related	Fixed remuneration
	Salary, fees and leave	Superannuation	Incentive plans	Long service leave	Shares	Options or rights			
	\$	\$	\$	\$	\$		\$	%	%
Josef Czyzewski	12,500	1,188	-	-	-	-	13,688	-	100
Neil Kearney	5,353	509	-	-	-	-	5,862	-	100
Erling Sorensen	254,808	23,750	-	4,167	-	-	282,725	-	100
Jamie Nemtsas	254,808	23,750	-	4,167	-	-	282,725	-	100
Matthew O'Brien	29,622	2,613	-	490	-	-	32,725	-	100
	557,091	51,810	-	8,824	-	-	617,725	-	-

I. Key Management Personnel's Share-based Compensation

Shares issued on exercise of compensation performance rights

	Tranche	Grant date	Number granted	Fair value per performance right at grant date	Number vested during the year	Year in which option may be vested	Vested %	Fair value of exercised performance rights during the year	Number lapsed during the year	Year lapsed performance rights were granted	Amount paid or payable for exercised performance rights	Terms and conditions for each grant			
												Exercise price \$	Expiry date	First exercise date	Last exercise date
Erling Sorensen	One-off Retention	16 December 2016	384,615	\$1.30	-	2019	0%	-	-	-	-	-	30 June 2019 (i)	30 June 2019 (i)	30 June 2019 (i)
	LTI - EPS		96,154	\$1.30	-	2019	0%	-	-	-	-	-	30 June 2019	30 June 2019	30 June 2019
	LTI - SPG		96,154	\$0.65	-	2019	0%	-	-	-	-	-	30 June 2019	30 June 2019	30 June 2019
Jamie Nemtsas	One-off Retention	16 December 2016	384,615	\$1.30	-	2019	0%	-	-	-	-	-	30 June 2019 (i)	30 June 2019 (i)	30 June 2019 (i)
	LTI - EPS		96,154	\$1.30	-	2019	0%	-	-	-	-	-	30 June 2019	30 June 2019	30 June 2019
	LTI - SPG		96,154	\$0.65	-	2019	0%	-	-	-	-	-	30 June 2019	30 June 2019	30 June 2019
Matthew O'Brien	One-off Retention	16 December 2016	384,615	\$1.30	-	2019	0%	-	-	-	-	-	30 June 2019 (i)	30 June 2019 (i)	30 June 2019 (i)
	LTI - EPS		57,956	\$1.30	-	2019	0%	-	-	-	-	-	30 June 2019	30 June 2019	30 June 2019
	LTI - SPG		57,956	\$0.65	-	2019	0%	-	-	-	-	-	30 June 2019	30 June 2019	30 June 2019
Total			1,654,373												

(i) The terms and conditions for the one-off retention is as at 30 June 2017. Subsequent to year end there has been a modification to 1,153,845 performance rights (in aggregate) granted under the Once-off Retention Payment (refer to section 4.6), the expiry date is changed to 4 October 2019.

Shares issued on exercise of compensation performance rights

There were no shares issued on exercise of compensation performance rights.

J. Key management personnel's equity holdings

Number of performance rights held by key management personnel

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

	Balance 01/07/16	Granted as remuneration	Performance rights exercised	Lapsed	Balance 30/06/17	Vested 30/6/2017	Unvested 30/6/2017
Erling Sorensen	-	576,923	-	-	576,923	-	576,923
Jamie Nemtsas	-	576,923	-	-	576,923	-	576,923
Matthew O'Brien	-	500,527	-	-	500,527	-	500,527
	-	1,654,373	-	-	1,654,373	-	1,654,373

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 1/07/16 (stapled securities)*	Off market transactions (Pre-IPO)	Pre-IPO group reorganisation / restructure*	Sell down at IPO	Received as Remuneration	Purchases	Total balance at 30/06/17
Craig Farrow	-	-	-	-	65,595	103,077	168,672
Lisa Hennessy	-	-	-	-	39,356	-	39,356
Donald Brumley	-	-	-	-	58,586	385,000	443,586
Erling Sorensen	5,583,333	(1,818,889)	7,528,888	(3,846,154)	-	400,001	7,847,179
Jamie Nemtsas	5,583,333	(1,818,889)	7,528,888	(3,846,154)	-	2,150,001	9,597,179
Matthew O'Brien	-	-	-	-	-	-	-
	11,166,666	(3,637,778)	15,057,776	(7,692,308)	163,537	3,038,079	18,095,972

Directors' Report

* As at 30 June 2016, the units in Murray River Organics Property Trust were stapled to the shares in Murray River Organics Limited. The stapled securities were on a one-to-one basis so that one Murray River Organics Property Trust unit and one Murray River Organics Limited share formed a single stapled security. Murray River Organics Group Limited was incorporated on 6 September 2016. On 9 November 2016, the shareholders of the Company, the Directors and management undertook a group reorganisation whereby the stapled securities were unstapled via resolutions in accordance with the relevant Company constitution and Trust Deed at which time Murray River Organics Group Limited became the legal parent following the acquisition of all units in the Murray River Organics Property Trust and all the shares in Murray River Organics Limited held by each existing shareholder. The impact of the pre-IPO group reorganisation had the effect of splitting one stapled security into three shares in Murray River Organics Group Limited.

As at their resignation dates, former Directors Josef Czyzewski and Joanne Bessler, held 33,333 and 33,340 stapled securities respectively.

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.

K. Loans to Key Management Personnel

The loans to key management personnel relates to a receivable from the founding shareholders relating to the indemnification of legacy income tax obligations of the Sornem Entities (refer below) that became wholly owned subsidiaries of the Group as part of the pre-IPO restructure. These tax obligations are not due to be paid by the Group to the ATO until December 2017.

The Sornem Entities are non-operating entities, and were acquired by the Company from the Founders as part of the Restructure. The Founders previously held their interests in the Group through the Sornem Entities and this aspect of the Restructure enabled the Founders to own Shares in the Company individually (rather than through a jointly held company), to provide the Founders with commercial and legal flexibility in respect of their shareholding in the Company. As part of the Restructure, the Founders agreed to indemnify the Company for any liabilities of the Sornem Entities prior to the Restructure and for any tax liability or obligation of the Sornem Entities Sornem Group and Sornem Capital to the extent that such tax liability or obligation relates to any period prior to the completion of the Restructure or relates to (or results from) the Restructure.

Aggregate of loans made

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

	\$
Balance 1/7/2016	-
Loans advanced	1,371,909
Loan repayment received	(392,716)
	979,193
Provision for impairment	-
Balance 30/6/2017	979,193
Interest that would have been charged had loan been at arm's length	N.A.
Number of KMP with loans outstanding at 30/6/2017	2

As explained above, these tax obligations are not due to be paid by the Group to the ATO until December 2017 and therefore no interest is currently applicable. The above loan balances relate 50% to Jamie Nemtsas and 50% to Erling Sorensen.

Aggregate of loans made is greater than \$100,000

Refer to above for all loans over \$100,000.

L. Other Transactions with Key Management Personnel

During the year, the Group received \$1,853,557 from Arrow Primary Infrastructure Fund (Arrow) as funding for capital expenditure incurred on the Colignan vineyard (2016: nil). Arrow also paid \$160,385 directly to suppliers in respect to the capital expenditure at the Colignan vineyard. The total \$2,013,943 funding received from Arrow will be repaid in full by the Group by way of higher finance lease repayments as required under the lease agreement. Arrow Primary Infrastructure Fund is the lessor of the Colignan vineyard. During the year, the Group paid \$1,757,566 (2016: \$869,678) in relation to lease payments as lessee of the Colignan vineyard. The Directors, Erling Sorensen and Jamie Nemtsas hold units in the Arrow Primary Infrastructure Fund. The lease has been entered into on an arm's length terms and neither interest held represents a controlling interest in Arrow Primary Infrastructure Fund.

As at 30 June 2017, \$87,764 was receivable from Sornem Asset Management for shared services relating to shared offices. Sornem Asset Management is a related entity to Jamie Nemtsas and Erling Sorensen.

M. Voting and Comments Made at the Company's 2016 Annual General Meeting (AGM)

This is the first remuneration report prepared by Murray River Organics and therefore a remuneration report was not put to vote at Murray River Organics' most recent AGM.

22. 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 statements do not compromise the external auditor's independence, based on advice received from the Audit 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.

23. Corporate governance

A copy of the Company's Corporate Governance Statement is available at <http://www.murrayriverorganicsinvestors.com.au/>

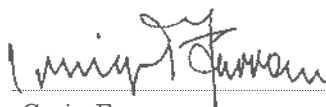
24. Auditor's independence declaration

The auditor's independence declaration is included on page 26 of the financial report.

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

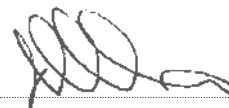
On behalf of the Directors

Director



Craig Farrow
Chairman

Director



Erling Sorensen
Managing Director

Melbourne, 26 August 2017

Auditor's declaration of independence

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 9671 7001
www.deloitte.com.au

The Board of Directors
Murray River Organics Group Limited
32 Crompton Way
DANDENONG SOUTH VIC 3175

26 August 2017

Dear Board Members

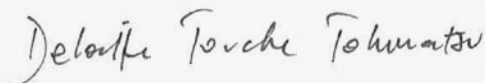
Murray River Organics Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Murray River Organics Group Limited.

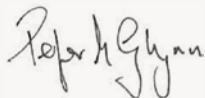
As lead audit partner for the audit of the financial statements of Murray River Organics Group Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Peter Glynn
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited



Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 9671 7001
www.deloitte.com.au

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 consolidated financial report of Murray River Organics Group Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be on the same terms if given to the directors as at the time of this auditor's report.

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

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the scope of our audit responded to the Key Audit Matters
<p>Capitalisation of bearer plant expenditure</p> <p>As disclosed in note 12.1, expenditure of \$3,486,299 was capitalised in the current financial year in respect of developing vines.</p> <p>The capitalisation of these costs is a key audit matter due to the significant judgement required to determine:</p> <ul style="list-style-type: none"> • The proportion of vineyards which are considered to be 'developing' versus 'mature'; and • The nature of costs to be capitalised. 	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the key controls and processes that management have in place to determine which expenditure to capitalise for developing vines; • Attending meetings with key operational and finance personnel to obtain an understanding as to how management determined the sections of vineyards considered developing bearer plants versus mature bearer plants; • Critically evaluating management's determination of the proportion of developing vineyards including sighting documentation to support the year of grafting or planting of the developing vines, • Challenging management's determination as to when vines become available-for-use; • Testing on a sample basis, expenditure capitalised to establish that they relate to developing vines and the nature of cost is appropriate to capitalise; and • Assess the appropriateness of the related disclosures in Note 12.1 of the consolidated financial statements.
<p>Measurement of the 2017 Crop</p> <p>As disclosed in note 4(c), management have determined the fair value less cost to sell of the 2017 Crop at the point of harvest to be \$18,465,479.</p> <p>As outlined in note 2(c) and 3(a), the 2017 Crop at the point of harvest is measured at fair value less processing and selling costs. The fair value of the 2017 Crop is a key audit matter as it is subject to significant management judgment given the assumptions used, the most significant of which include:</p> <ul style="list-style-type: none"> • Forecast sale price per class of fruit • Wastage discount rate • Estimated yield for unharvested produce. 	<p>Our audit procedures, performed in conjunction with our valuation expert, included but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of management's process to measure fair value less harvest, processing and selling costs; • Evaluating management's methodology and their documented basis for key assumptions used in their fair value model; • Attending meetings with the company agronomist and key operational and finance personnel to obtain an understanding as to the quality and yield of the 2017 Crop; • Challenging the key assumptions used as follows <ul style="list-style-type: none"> ○ (i) forecast sale prices for each class of fruit produced by comparing them to contracted customer orders and the historical and current selling prices, ○ (ii) estimated wastage rates compared to actual wastage and actual dehydration losses; and ○ (iii) estimated yield for unharvested produce compared to the actual yield of the already harvested produce; and • Assess the appropriateness of the related disclosures in Notes 2(c), 3(a) and 4(c) of the consolidated financial statements.

Group pre IPO reorganisation

As disclosed in Note 1, Murray River Organics Group Limited was incorporated on 6 September 2016 and on 9 November 2016, the shareholders of the Company, the Directors and management undertook a group reorganisation whereby the existing stapled securities were unstapled via resolutions in accordance with the relevant Company constitution and Trust Deed at which time Murray River Organics Group Limited became the legal parent following the acquisition of all units in Murray River Organics Property Trust and all the shares in Murray River Organics Limited held by each existing shareholder.

As disclosed in Note 1, this group reorganisation did not represent a business combination in accordance with AASB 3 *Business Combinations*. Instead, the Directors have treated this as a form of group reorganisation. As there are no accounting standards which govern the treatment of the transaction, the Directors have had to exercise significant judgment in accounting for this reorganisation.

The group reorganisation is a key audit matter as a result of the complexity in the steps involved affecting the reorganisation, the significant related party transactions involved and the judgement exercised in determining the accounting treatment for this transaction.

Our procedures included but were not limited to:

- Obtaining an understanding of the structure of the Group from review of contracts, registration documents and legal documents provided in connection with the Transaction;
- Obtaining an understanding of the terms and business purpose of the reorganisation, relationships and transactions with related parties and equity balances to affect the group reorganisation;
- Assessing and challenging the application of the relevant accounting standards, approaches and guidance for the transaction and to ensure the appropriateness of the group reorganisation reserve; and
- Assessing the appropriateness of the related disclosures in Note 1 of the consolidated financial statements.

Other Information

The directors are responsible for other information disclosed. The other information comprises the information included in the Directors' Report which we obtained prior to the date of this auditor's report, the other information also includes the following documents which will be included in the annual report (but does not include the financial report and our auditor's report thereon): Company Description and Results in Brief which are expected to be made available to us after that date.

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

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

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

When we read the Company Description and Results in Brief, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Deloitte.

Directors' Responsibilities 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 related 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 director's 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.

Deloitte.

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 with directors, we determine those matters that were of most significance in the audit of the financial report of the current period 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 Remuneration Report

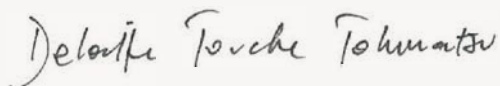
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 25 of the directors' report for the year ended 30 June 2017.

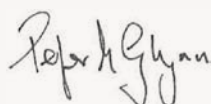
In our opinion, the Remuneration Report of Murray River Organics Group Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

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.



DELOITTE TOUCHE TOHMATSU



Peter Glynn
Partner
Chartered Accountants
Melbourne, 26 August 2017

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 s.295A of the *Corporations Act 2001*.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 32 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors

Director


.....
Craig Farrow
Chairman

Director


.....
Erling Sorensen
Managing Director

Melbourne, 26 August 2017



Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue	4a	48,521,720	11,957,553
Other income	4b	1,354,947	1,874,490
Fair value gain from agricultural produce	4c	13,185,216	6,397,600
Change in finished goods and work in progress		4,941,432	1,842,015
Raw materials and finished goods consumed		(54,805,858)	(7,747,734)
Administration expense		(736,660)	(354,983)
Selling expenses		(488,009)	(144,087)
Employee benefits expense	5	(5,753,032)	(3,993,023)
Depreciation expense	5	(4,275,874)	(1,951,990)
Repairs & maintenance		(47,725)	(296,688)
Motor vehicle expense		(92,378)	(58,252)
Utility expense		(59,838)	(854,943)
Professional fees		(3,366,931)	(518,890)
Other expense	5	(3,237,618)	(910,660)
Loss on revaluation of assets	12	-	(247,800)
Finance costs	5	(2,296,036)	(1,355,288)
(Loss) / profit before tax		(7,156,644)	3,637,320
Income tax benefit / (expense)	21	1,229,324	(1,043,209)
(Loss) / profit for the year		(5,927,320)	2,594,111
Attributed to:			
Equity holders of the parent		(5,538,340)	5,860,368
Murray River Organics Property Trust (non-controlling interests)		(388,980)	(3,266,257)
		(5,927,320)	2,594,111
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Recognition of deferred tax liability	20	(2,289,013)	-
(Loss) on revaluation of assets	12	-	(364,432)
Total other comprehensive (loss)		(2,289,013)	(364,432)
Total comprehensive (loss) / income for the year		(8,216,333)	2,229,679
Attributed to:			
Equity holders of the parent		(7,827,353)	5,860,368
Murray River Organics Property Trust (non-controlling interests)		(388,980)	(3,630,689)
		(8,216,333)	2,229,679
Basic earnings per share/stapled security (cents per share)	27	(0.08)	0.04
Diluted earnings per share/stapled security (cents per share)	27	(0.08)	0.04

Notes to the financial statements are included on pages 38 to 69.

Consolidated statement of financial position at 30 June 2017

	Notes	2017 \$	2016 \$
Current assets			
Cash and cash equivalents	6	2,723,818	2,249,108
Trade and other receivables	7	8,891,091	4,235,160
Inventories	8	27,068,584	10,894,400
Agricultural produce	9	4,406,864	624,108
Other assets	11	4,187,245	1,040,791
		47,277,602	19,043,567
Assets held for sale	10	2,068,751	411,880
Total current assets		49,346,353	19,455,447
Non-current assets			
Property, plant and equipment	12	82,240,620	48,486,749
Intangible assets	13	10,749,272	-
Deferred tax assets	21	1,784,396	1,057,313
Total non-current assets		94,774,288	49,544,062
Total assets		144,120,641	68,999,509
Current liabilities			
Trade and other payables	14	18,122,157	4,285,026
Borrowings	15	17,287,642	3,546,987
Provisions	16	4,136,076	177,197
Other financial liability	17	546,952	-
Income tax payable		946,141	-
Total current liabilities		41,038,968	8,009,210
Non-current liabilities			
Borrowings	15	33,228,053	29,096,780
Deferred tax liabilities	21	3,129,211	1,997,388
Provisions	16	445,906	30,663
Total non-current liabilities		36,803,170	31,124,831
Total liabilities		77,842,138	39,134,041
Net assets		66,278,503	29,865,468
Equity			
Equity holders of the parent			
Contributed equity	19	112,001,963	9,692,878
Reserves	20	(41,600,954)	-
(Accumulated losses) / Retained earnings		(4,122,506)	5,071,070
Parent entity interest		66,278,503	14,763,948
Equity Holders of Murray River Organics Property			
Contributed equity		-	10,737,734
Reserves	20	-	7,630,042
Retained earnings / (accumulated losses)		-	(3,266,256)
Non-controlling interest		-	15,101,520
Equity Holders of the parent		66,278,503	14,763,948
Equity Holders of Murray River Organics Property Trust (non-controlling interests)		-	15,101,520
Total equity		66,278,503	29,865,468

Notes to the financial statements are included on pages 38 to 69.

Consolidated statement of changes in equity for the year ended 30 June 2016

	Contributed equity \$	(Accumulated losses) / Retained earnings \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2015	12	(789,298)	13,713,815	12,924,529
Issue of units	-	-	5,018,394	5,018,394
Issue of shares	10,036,788	-	-	10,036,788
Equity raising costs (net of tax)	(343,922)	-	-	(343,922)
Profit / (loss) for the year	-	5,860,368	(3,266,257)	2,594,111
Other comprehensive loss	-	-	(364,432)	(364,432)
Total comprehensive income / (loss) for the year	-	5,860,368	(3,630,689)	2,229,679
Balance at 30 June 2016	9,692,878	5,071,070	15,101,520	29,865,468

Notes to the financial statements are included on pages 38 to 69.

Consolidated statement of changes in equity for the year ended 30 June 2017

	Contributed equity \$	Retained earnings / (Accumulated losses) \$	Corporate re-organisation reserve \$	Share-based payments reserve \$	Asset revaluation reserve \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2016	9,692,878	5,071,070	-	-	-	15,101,520	29,865,468
Issue of units	-	-	-	-	-	6,705,487	6,705,487
Reclassification of non-controlling interest	29,333,305	(3,655,236)	(11,890,084)	-	7,630,042	(21,418,027)	-
Issue of shares	73,973,734	-	(35,562,760)	-	-	-	38,410,974
Equity raising costs (net of tax)	(1,210,552)	-	-	-	-	-	(1,210,552)
Share-based payments	212,598	-	-	510,861	-	-	723,459
Loss for the year	-	(5,538,340)	-	-	-	(388,980)	(5,927,320)
Other comprehensive loss	-	-	-	-	(2,289,013)	-	(2,289,013)
Total comprehensive loss for the year	-	(5,538,340)	-	-	(2,289,013)	(388,980)	(8,216,333)
Balance at 30 June 2017	112,001,963	(4,122,506)	(47,452,844)	510,861	5,341,029	-	66,278,503

Notes to the financial statements are included on pages 38 to 69.

Consolidated statement of cash flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		45,575,727	9,336,279
Receipts from insurance proceeds		-	1,484,095
Payments to suppliers and employees		(53,444,966)	(13,163,751)
Interest received		49,020	45,384
Tax paid		(452,689)	-
Interest paid		(2,989,314)	(1,355,288)
Net cash used in operating activities	18(b)	(11,262,222)	(3,653,281)
Cash flows from investing activities			
Payments for property, plant & equipment		(31,497,514)	(12,841,643)
Payments for business acquisitions	13	(14,951,783)	-
Proceeds from sale of water rights		435,875	308,550
Proceeds from sale of property, plant & equipment		-	460,000
Payment to escrow account in relation to business acquisitions	11	(2,204,481)	-
Net cash used in investing activities		(48,217,903)	(12,073,093)
Cash flows from financing activities			
(Payments to) / proceeds from related party borrowings		413,503	(4,909,387)
Proceeds from borrowings		37,961,150	7,523,555
Repayment of borrowings		(22,078,905)	(1,259,250)
Proceeds from hire purchase liabilities		1,001,597	2,192,575
Repayment of equipment financing		(732,811)	(349,855)
Proceeds from issue of share capital and trust units		45,119,671	15,202,577
Transaction costs on issue of securities		(1,729,370)	(491,316)
Net cash generated by financing activities		59,954,835	17,908,899
Net increase in cash and cash equivalents		474,710	2,182,525
Cash and cash equivalents at the beginning of the year		2,249,108	66,583
Cash and cash equivalents at the end of the year	18(a)	2,723,818	2,249,108

Notes to the financial statements are included on pages 38 to 69.

Notes to the Financial Statements for the year ended 30 June 2017

1. General information and group reorganisation

These are the financial statements of Murray River Organics Group Ltd.

Stapling transaction in comparative period

In the comparative period and effective 18 December 2015, the units in Murray River Organics Property Trust were stapled to the shares in Murray River Organics Limited. The stapled securities were on a one-to-one basis so that one Murray River Organics Property Trust unit and one Murray River Organics Limited share formed a single stapled security.

Australian Accounting Standards required one of the stapled entities to be identified as the parent entity for the purposes of preparing a consolidated financial report. In accordance with this requirement, Murray River Organics Limited was deemed to be the parent entity. The results and equity attributable to the Murray River Organics Property Trust, being the other stapled entity which was not directly or indirectly held by Murray River Organics Limited have been shown separately in the financial statements as non-controlling interests.

The stapling transaction was accounted for as a common-control transaction by contract alone on the basis that the combined entity was ultimately controlled by the same parties both before and after the stapling transaction and common-control was not transitory. Murray River Organics Limited was at this time identified as the parent entity. No purchase consideration was transferred. This common-control transaction was accounted for via the 'pooling of interests-type' method which required:

- assets and liabilities of the Trust were measured at book value using consistent accounting policies to that of the Parent
- the comparative figures included both the Company and the Trust from the date on which the combining entities first came under common control
- non-controlling interests were shown as a separate item in the consolidated financial statements
- any expenses incurred on the combination were expensed in profit or loss when incurred.

The results and equity of Murray River Organics Property Trust (which was not directly owned by Murray River Organics Limited) was treated and disclosed as a non-controlling interest. Whilst the results and equity of Murray River Organics Property Trust were disclosed as a non-controlling interest, the stapled security holders of Murray River Organics Limited were the same as the stapled security holders of Murray River Organics Property Trust.

Group reorganisation

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

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

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

Accordingly the consolidated financial report of Murray River Organics Group Limited for the year ended 30 June 2017 has been presented as a continuation of the pre-existing accounting values of assets and liabilities in the Murray River Organics Limited consolidated financial statements and includes the financial results for the consolidated group under Murray River Organics Limited for the period from 1 July 2016 to 9 November 2016 and the consolidated group under Murray River Organics Group Limited from 10 November 2016 to 30 June 2017. The comparative information presented in the financial report represents the financial position and financial performance of Murray River Organics Limited and Murray River Organics Property Trust. The difference between the cost of the investment and the pre-existing contributed equity of Murray River Organics Limited and Murray River Organics Property Trust at the date of the restructure of \$47,452,844 has been accounted for as a Corporate Reorganisation Reserve. Due to the unstapling of the existing securities, and the transfer of all units in the Murray River Organics Property Trust to the parent, all non-controlling interests have been reclassified to the parent within shareholders equity.

2. Significant accounting policies

Statement of compliance

These 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.

The financial statements comprise the financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 26 August 2017.

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

(a) Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) the amount of revenue can be measured reliably;
- d) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable net of estimated customer returns, rebates, discounts and similar allowances.

Interest revenue

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

(b) 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 and processing costs 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 (depending on the stage of production).

(c) Agricultural produce

Agricultural produce represents any unharvested produce and citrus crop valued in accordance with *AASB 141 Agriculture*. Agricultural produce is measured at their fair value less harvesting, processing and selling costs on initial recognition and at each reporting date. The current year fair valuation takes into account current citrus and vine fruit selling prices and current growing, processing, and selling costs.

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

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

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

(d) 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 12.1.

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

Notes to the Financial Statements for the year ended 30 June 2017

Any revaluation increase arising on the revaluation of freehold land, buildings and bearer plants 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.

Depreciation on revalued buildings and bearer plants is charged to profit or loss. On the subsequent sale or retirement of a revalued property, 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 & freehold 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)

(e) 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(f) 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.

(g) 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.

(h) Cash and cash equivalents

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

(i) Employee benefits

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

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

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

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

(j) Financial Liabilities

Classification as debt or equity

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

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

(k) Financial liabilities at FVTPL

Financial liabilities are classified as at fair value through profit or loss (FVTPL) when the financial liability is i) contingent consideration that may be paid by an acquirer as part of a business combination to which AASB 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

(l) 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.

Notes to the Financial Statements for the year ended 30 June 2017

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.

For the purposes of measuring deferred tax liabilities and deferred tax assets for properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment

properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Tax consolidated group

As at 30 June 2017, Murray River Organics Group Limited and its wholly owned entities are not members of an income tax consolidated group. As a consequence, the consolidated tax balances are a summation of the individual tax balances of each entity. Management are continuing to analyse the relative advantages and disadvantages of forming an income tax consolidated group.

(m) Goods and services tax

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

- i. 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
- ii. 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 cash flow statement 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 as operating cash flows.

(n) 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 Murray River Organics Limited 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.

(o) Non-current asset held for sale

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

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

(p) Borrowing costs

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

(q) Foreign currency

The financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Group are expressed in Australian dollars ('\$'), which is the functional currency of the Group and the presentation currency for the financial statements.

In preparing the financial statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except that exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

(r) Financial assets

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is

written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(s) 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 the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a 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.

(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.

Notes to the Financial Statements for the year ended 30 June 2017

(u) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(v) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or 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 'Sharebased Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of 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 (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed 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 interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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 dried fruit and 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 reporting date as the selling price of the crop can only be estimated and the actual crop yield or produce not harvested

at reporting date will not be known until it is completely processed and sold. Refer to note 4 (c) 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 12.1 for further details regarding the fair value hierarchy.

(b) Colignan lease

The property leases of the company include a ~2,600 acre lease from Arrow Funds Management in which the Company has the right to harvest the vine fruit and citrus from the trees owned by the lessor for the term of the agreement. The Company 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. The present value of the minimum lease payments is greater than the fair value of the asset.

Management have determined using judgement that this transaction constitutes a finance lease and accordingly has recognised the leased asset and corresponding liability in the balance sheet. 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.

(c) Impairment of assets

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

(d) 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.

(e) Developing vine capital expenditure

Refer note 12.1

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

Refer note 12.1

4. Revenues

	2017 \$	2016 \$
a) Revenue from sale of goods	48,521,720	11,957,553
b) Other revenue:		
Change in assessment of contingent consideration (refer note 13)	474,141	-
Interest income	49,020	45,384
Insurance proceeds	70,825	1,484,095
Government grants	482,757	90,324
Rental income	42,098	25,140
Other	236,106	229,547
	1,354,947	1,874,490
c) Fair value gain of agricultural produce	13,185,216	6,397,600

The fair value gain of agricultural produce represents the fair value (less cost to sell at the point of harvest) of both harvested and unharvested produce which has been measured as outlined in Note 2(c).

Notes to the Financial Statements for the year ended 30 June 2017

The key assumption related to the 2017 crops are included in the below table:

Assumption	Loose Organic (\$/kg)	Loose Conventional (\$/kg)	Clusters (\$/kg)	Fresh (\$/kg)	Citrus (\$/kg)
Fair value less costs to sell at point of harvest	2.64	1.72	15.00	3.77	0.59

'Loose' refers to dried vine fruit sold as berries, 'Clusters' are dried vine fruit sold in its original bunch format, 'Fresh' refers to table grapes, and 'citrus' includes various varieties of oranges.

Yields (tonnes)	Total
Harvested pre 30 June 2017 (tonnes)	4,966
Estimated hanging fruit at 30 June 2017 (tonnes)	2,586
Total (tonnes)	7,552
Total crop value (\$)	18,465,479

Valuation Techniques and Significant Unobservable Inputs

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

5. Expenses

	2017 \$	2016 \$
(Loss) / Profit before tax includes the following specific expenses		
Depreciation and amortisation of non-current assets:		
Bearer plants	779,439	503,211
Buildings and property improvements	126,597	84,459
Plant and equipment	2,539,264	1,000,112
Leased asset	741,056	364,208
Leasehold improvements	89,518	-
Total depreciation of non-current assets	4,275,874	1,951,990
Employee benefits expense:		
Employee expenses	7,145,890	4,435,877
Superannuation benefits	643,611	447,262
Employee expenses capitalised to biological assets and vineyard development	(2,036,469)	(890,116)
Total employee benefits expense	5,753,032	3,993,023
Finance costs:		
Interest on related party loans	-	212,999
Interest on loans	1,033,703	456,575
Interest on obligations under finance leases	8,471	6,662
Interest on lease liability	1,947,140	982,145
Capitalised interest relating to qualifying assets	(693,278)	(303,093)
Total finance costs	2,296,036	1,355,288
Other expenses		
Bad debts	255,490	111,218
Stamp duty on group reorganisation	1,064,156	-
Insurance expense	361,939	140,986
Other expense	505,770	477,958
Rates	78,763	86,019
Rent expense	695,268	101,993
Net foreign currency losses / (gains)	276,232	(7,514)
Total other expenses	3,237,618	910,660
Profit / (loss) on sale of property, plant and equipment and intangible assets	-	(370,814)
Provision for doubtful debts	170,046	360,424
Unrealised foreign exchange losses / (gains)	546,952	(1,567)
Realised foreign exchange losses / (gains)	(270,408)	19,847
Operating lease minimum lease payments	1,273,636	653,121
One-off IPO and acquisition costs	1,993,986	-

**Notes to the Financial Statements
for the year ended 30 June 2017**

6. Cash and cash equivalents

	2017	2016
	\$	\$
Cash at bank	2,723,818	2,249,108

7. Trade and other receivables

	2017	2016
	\$	\$
Trade receivables	7,252,638	4,036,997
Provision for doubtful debts and customer returns	(170,046)	(360,424)
	7,082,592	3,676,573
GST receivable	741,541	474,032
Related party receivables (refer note 30)	1,066,958	84,555
	8,891,091	4,235,160
<i>Aging of trade receivables that are not impaired:</i>		
Not past due	6,062,216	2,360,352
Past due 1-30 days	774,005	1,661,944
Past due 31-60 days	116,043	14,628
Past due 61 days+	130,328	73
	7,082,592	4,036,997
<i>Movements in the provision for doubtful debts were:</i>		
Opening balance at 1 July	360,424	2,479
Impairment loss recognised	255,490	360,424
Amounts written off	(445,868)	(2,479)
Closing balance at 30 June	170,046	360,424
<i>Aging of provision for doubtful debts at 30 June is as follows:</i>		
Not past due	-	347,924
Past due 1-30 days	53,821	-
Past due 31-60 days	77,901	-
Past due 61 days+	38,324	12,500
	170,046	360,424

Trade receivables are non-interest bearing with credit terms generally settled within 30 days depending on the nature of the sales transaction. A provision for doubtful debts is recognised when there is objective evidence that an individual trade receivable is impaired. Doubtful debt expenses are included within other expenses in the statement of profit or loss and other comprehensive income. All trade receivables that are not impaired are expected to be received within credit terms.

8. Inventories

	2017 \$	2016 \$
Packaging stock	617,241	129,358
Raw materials	19,834,376	9,696,508
Finished goods	7,308,698	2,367,266
Provision for stock obsolescence	(691,731)	(1,298,732)
Total	27,068,584	10,894,400

9. Agricultural produce

	2017 \$	2016 \$
Dried fruit unharvested – at fair value less costs of harvest, processing and selling costs	2,681,769	165,880
Citrus unharvested – at fair value less cost of harvest, processing and selling costs	1,365,276	458,228
New season crop – at cost	359,819	-
Total	4,406,864	624,108

Costs to sell include harvest costs, processing and packing costs (if applicable), and selling costs.

Refer to note 3 (a) and 4 (c) for critical sources of judgement uncertainty relating to agricultural produce and note 4 (c) for information regarding the FY17 crop.

Reconciliation of changes in carrying amount of agricultural produce

Opening balance	624,108	-
Fair value gain of agricultural produce	13,185,216	6,397,600
Increase due to costs incurred to maintain and enhance the biological asset	4,828,979	4,923,019
Increases due to property acquisitions or gaining control of leased asset	2,530,696	5,357,162
Decreases due to harvest (transferred to inventory)	(16,762,135)	(16,053,673)
Closing balance	4,406,864	624,108

10. Assets held for sale

	2017 \$	2016 \$
Water rights	-	411,880
Property assets	2,068,751	-
Total	2,068,751	411,880

Murray River Organics has commenced selling its facilities at Walnut Avenue and at Benetook Avenue as a result of the consolidation project at Mourquong as detailed in the Directors' report. Assets held for sale are measured at the lower of existing carrying value and fair value less cost to sell.

Notes to the Financial Statements for the year ended 30 June 2017

11. Other assets

	2017 \$	2016 \$
Prepayments and other	1,982,764	1,040,791
Amounts held in escrow (refer note 13)	2,204,481	-
	4,187,245	1,040,791

12. Property, plant and equipment

	2017 \$	2016 \$
Carrying amounts of:		
Freehold land at revalued amount	8,295,918	5,084,580
Bearer plants at revalued amount	27,563,009	15,227,397
Accumulated depreciation – bearer plants	(1,249,556)	(470,117)
Buildings and property improvements at revalued amount	5,853,736	3,209,725
Accumulated depreciation – buildings and property improvements	(178,089)	(51,493)
Leasehold improvements – at cost	9,873,628	805,139
Accumulated depreciation – leasehold improvements	(53,250)	-
Leased assets – at cost	19,413,942	17,400,000
Accumulated depreciation – leased assets	(1,105,263)	(364,208)
Plant and equipment at cost	18,721,375	10,001,291
Accumulated depreciation – plant and equipment	(4,894,830)	(2,355,565)
	82,240,620	48,486,749

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
Balance at 1 July 2015	3,376,870	11,915,624	3,040,202	-	-	2,824,198	21,156,894
Additions	1,410,501	3,382,664	1,074,134	805,139	17,400,000	5,840,928	29,913,366
Disposals	-	-	-	-	-	(19,290)	(19,290)
Depreciation for the year	-	(503,211)	(84,459)	-	(364,208)	(1,000,112)	(1,951,990)
Revaluation decrement through profit and loss	(29,938)	-	(217,862)	-	-	-	(247,800)
Revaluation increment / (decrement) through asset revaluation reserve	327,148	(37,797)	(653,782)	-	-	-	(364,432)
Balance at 30 June 2016	5,084,581	14,757,280	3,158,233	805,139	17,035,792	7,645,724	48,486,749
Additions	4,072,697	12,335,612	3,847,348	9,104,758	2,013,942	8,750,374	40,124,731
Disposals	-	-	-	-	-	(26,235)	(26,235)
Depreciation for the year	-	(779,439)	(126,597)	(89,519)	(741,055)	(2,539,264)	(4,275,874)
Reclassified as held for sale	(861,360)	-	(1,203,337)	-	-	(4,054)	(2,068,751)
Balance at 30 June 2017	8,295,918	26,313,453	5,675,647	9,820,378	18,308,679	13,826,545	82,240,620

12.1 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 2017 are determined via Directors valuations, which from time to time are reconfirmed via independent external valuations. At 30 June 2016, an independent valuation was performed by CBRE. CBRE are members 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 approach adopted is a direct comparison and discounted cash flow method.

During the 12 months ended 30 June 2017, the Group capitalised \$3,486,299 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. After capitalising these costs into the carrying value of the Group's existing immature vineyards, the Directors have determined that the new carrying values are materially consistent with fair value.

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. Of the Group's vineyards where this methodology applied, approximately 33% were considered immature, or in development phase.

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.

Had the Group's freehold and buildings (other than land and buildings classified as held for sale) been measured on a historical cost basis, their carrying amount would have been as follows

	2017 \$	2016 \$
Freehold land	5,227,227	2,015,890
Bearer plants	21,905,545	10,349,372
Buildings and property improvements	5,522,204	3,004,788
Total	32,654,976	15,370,050

Notes to the Financial Statements for the year ended 30 June 2017

Property Transactions

On 16 December 2016, the Group acquired 279 acres of land called the “Fifth Street” Vineyard, which includes 179 acres of mature table grape on fresh fruit trellis, in Victoria, for \$10,424,432 cash consideration.

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

	Carrying value \$
Land	941,600
Irrigation infrastructure	474,800
Vineyard infrastructure	838,000
Bearer plants	4,446,550
Biological assets - growing crop	1,801,966
Buildings	1,480,370
Equipment	441,146
Total fair value	10,424,432

On 11 May 2017, the Group acquired 7,764 acres of land called the “Nangiloc” Vineyard, which includes 157 acres planted to citrus and 177 acres planted to wine where both are drip-irrigated, in Victoria, for \$7,922,000 cash consideration.

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

	Carrying value \$
Land	3,131,098
Irrigation infrastructure	196,522
Vineyard infrastructure	3,816,520
Biological assets - growing crop	728,730
Buildings	49,130
Total fair value	7,922,000

Other transactions

In addition, during the full year, property, plant and equipment increased in value as a consequence of the following significant capital expenditure projects:

- \$3,486,299 - Conversion and development of vineyards (including vineyard infrastructure and equipment)
- \$5,317,649 - Establishment of Dandenong packing facility
- \$5,434,369 - Upgrade of Sunraysia processing facility
- \$7,071,944 - Other vineyard PPE
- \$480,691 - Office equipment and computer software
- \$2,008,784 - Colignan leased asset improvements

13. Intangible assets

	2017 \$	2016 \$
Goodwill - balance at start of year	-	-
Additions	10,749,272	-
Balance at end of the year	10,749,272	-

Acquisition of the Food Source International business

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

Consideration transferred

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

	Carrying value \$
Cash	4,651,783
Contingent consideration (a)	900,000
Total consideration transferred	5,551,783

Contingent consideration

The Group is required to pay the sellers contingent consideration of \$900,000 (maximum) if the trading income of FSI is at least \$22,000,000 for the 12 months ended 30 June 2017 (inclusive of pre-acquisition revenue). If the trading income is less than \$22,000,000 a discount is applied to the contingent consideration. At acquisition date, Management anticipated that the full contingent consideration would be payable. This assessment did not change at 30 June 2017.

Identifiable assets acquired and liabilities assumed

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

	Carrying value \$
Inventory	2,926,142
Deferred tax asset	39,612
Employee liabilities	(7,407)
Foreign currency contracts	(124,633)
Total fair value	2,833,714

Goodwill arising on acquisition

	Carrying value \$
Consideration transferred	5,551,783
Less: fair value of identifiable net assets	(2,833,714)
Goodwill arising on acquisition	2,718,069

Transaction costs of \$136,032 have been expensed and are included in professional fees in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

Notes to the Financial Statements for the year ended 30 June 2017

Acquisition of Australian Organic Holdings Pty Ltd business assets

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

Consideration transferred

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

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

Contingent consideration

The Group is required to pay the sellers additional consideration of \$2,200,000 (maximum) if the trading income of Australian Organic Holdings is at least \$25,000,000 for the 12 month ended 30 June 2017 (inclusive of pre-acquisition revenue). If the trading income is less than \$25,000,000 a discount is applied to the contingent consideration at year-end. Management have now determined that the full earnout is not likely to be payable and the contingent consideration has been reduced by \$474,141 which is reflected in 'other income'.

Identifiable assets acquired and liabilities assumed

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

	Carrying value \$
Inventory	4,373,298
Plant and equipment	321,504
Deferred tax asset	96,859
Employee liabilities	(44,676)
Foreign currency contracts	(278,188)
Total fair value	4,468,797

Goodwill arising on acquisition

	Carrying value \$
Consideration transferred	12,500,000
Less: fair value of identifiable net assets	(4,468,797)
Goodwill arising on acquisition	8,031,203

Transaction costs of \$147,481 have been expensed and are included in professional fees in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

Contingent consideration recognised through these business combinations is measured at fair value at the end of each reporting period. The following table gives this information about how the fair values of these financial liabilities are determined.

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30/06/17	30/06/16		
Contingent consideration in a business combination	Liabilities - \$2,625,859 (i)	Nil	Level 2	Contingent consideration is dependent on Food Source International and Pacific Organics meeting revenue targets (refer above) The carrying value of the contingent consideration has been determined based on actual revenue achieved in relation to the revenue target for their performance period which is the 2017 financial year.

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

Impairment tests for goodwill

Goodwill is allocated to the Company's single cash-generating unit (CGU) identified according to its operating segment. The recoverable amount of the Group's single CGU is determined based on a value-in-use calculation which require the use of assumptions. This calculation uses cash flow forecast based on financial projections by management covering a five year period based on growth rates taking into account past performance and its expectations in the future. Assumptions include; the impact of the maturity profile of developing agricultural assets, new product development, and the growth in national and global sales teams will improve EBITDA over the forecast period. Cash flow projections beyond the five-year period are not extrapolated, but a terminal value is included in the calculation. A real pre-tax weighted average cost of capital of between 16.5% and 17.8% has been used to discount the cashflow projections.

Other key assumptions include:

- Revenue growth from the full year impact of the acquisition businesses and growth through new customers
- Yields and EBITDA margin increasing over time to reflect long term averages
- Cost indexation
- Long term growth rate of 2%

The recoverable amount of the goodwill exceeds the carrying amount at 30 June 2017.

A change in the underlying assumptions could result in the carrying value of the CGU exceeding its recoverable amount. The Group experienced a challenging year in FY2017 with regard to crop size, harvest timing, and crop quality, which has materially impacted earnings. The cash flow projections used in the valuation of recoverable amount assumes that crop sizes and harvest will normalise to long-term average yields over time, and that quality issues will improve. Should yields, harvest timing, and quality of the Cluster product not recover as anticipated, absent any changes in other assumptions the carrying value of the CGU could exceed its recoverable amount.

Impact of acquisitions on the results of the Group

Had these business combinations have effected at 1 July 2016, the revenue of the Group would have been \$62.6m, and the loss of the year would have been reduced by \$1.3m. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

Notes to the Financial Statements for the year ended 30 June 2017

14. Trade and other payables

	2017 \$	2016 \$
Trade payables	8,364,318	3,759,807
Other accruals and payables	2,533,518	498,084
Deferred income	52,321	27,135
Amount due under contract (Nangiloc)	7,172,000	-
Total	18,122,157	4,285,026

15. (a) Borrowings

	2017 \$	2016 \$
Current		
<i>Secured borrowings:</i>		
Bank loans (i)	14,919,836	1,259,250
Hire purchase liability (ii)	980,010	638,237
Lease liability (iii - refer to 15 (b))	1,387,796	1,649,500
Total	17,287,642	3,546,987
Non-current		
<i>Secured borrowings:</i>		
Bank loans (i)	12,116,630	11,300,000
Hire purchase liability (ii)	3,313,953	1,981,966
Lease liability (iii - refer to 15 (b))	17,797,470	15,814,814
Total	33,228,053	29,096,780

- (i) Bank loans are secured by registered mortgage freeholds over the land and buildings of the Group. The carrying value of assets pledged as security is \$32,363,018. The maturity date of non-current loans is April 2019 (\$3,000,000), October 2019 (\$8,300,000), and March 2020 (\$816,630).
- (ii) Hire purchase liabilities are secured over the assets under hire purchase.
- (iii) The leased liability is secured by the underlying leased asset which had a carrying value of \$21,819,609 (2016: \$18,308,679). The leased asset to which the leased liability relates is summarised in note 3 (b).

Refer note 22 for the weighted average of fixed and floating interest rates.

Before the end of the financial year ended 30 June 2017, the Group was forecasting to breach its banking covenant in relation to interest cover ratio. Before a breach occurred, the Group renegotiated its banking covenants which meant that no interest cover ratio was applicable for the year ended 30 June 2017. Revised covenants are in place for the year ending 30 June 2018, which the Directors are forecast to be compliant with.

15. (b) Finance lease liability

The company has a finance lease for which the future minimum lease payments amounts to \$57,014,077 (2016: \$52,878,335). They relate to the lease of the Colignan vineyard. It is a non-cancellable lease with an implicit interest rate of 11.33% and has a remaining term of 24 years. Reimbursements of eligible capital expenditure incurred on the vineyard results in an increase to the lease liability (and lease asset).

	2017 \$	2016 \$
Not later than one year	1,387,796	1,649,500
Later than one year and not later than five years	7,785,066	8,499,075
Later than five years	47,841,215	42,729,760
Minimum lease payments	57,014,077	52,878,335
Less future finance charges	(37,828,811)	(35,414,021)
Total recognised as liability at 30 June	19,185,266	17,464,314

16. Provisions

	2017 \$	2016 \$
Current		
Employee entitlements	469,663	177,197
Provision for stamp duty payable (i)	1,040,554	-
Contingent consideration	2,625,859	-
Total	4,136,076	177,197
Non-Current		
Employee entitlements	48,367	30,663
Make good liability	397,539	-
Total	445,906	30,663

(i) Estimate of stamp duty payable following corporate reorganisation, refer to note 5.

17. Other financial liability

	2017 \$	2016 \$
Foreign currency contracts – fair value through profit or loss	546,952	-
Total	546,952	-

**Notes to the Financial Statements
for the year ended 30 June 2017**

18. Notes to the cash flow statement

	2017 \$	2016 \$
(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 overdrafts. 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:		
	1,365,276	458,228
Cash at bank	2,723,818	2,249,108
(b) Reconciliation of profit/ (loss) for the year to net cash flows from operating activities		
(Loss) / profit for the year	(5,930,523)	2,594,111
<i>Adjustment for items not involving the outlay of cash:</i>		
Bad and doubtful debts	(190,378)	357,945
(Profit)/loss on sale of assets	(23,995)	(370,820)
Fair value gain of agricultural produce	(13,185,216)	(6,397,600)
Impairment of property, plant and equipment	-	247,800
Share based payment expense	723,458	-
Unrealised foreign exchange loss	546,952	-
Depreciation and amortisation	4,275,874	1,951,990
Earn out release	(474,141)	-
Capitalisation of borrowing cost	(693,278)	(303,093)
	(14,951,247)	(1,919,667)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	(3,215,641)	(3,289,824)
Inventories	(8,874,744)	(744,643)
Other assets	(1,209,160)	(1,017,350)
Biological assets	12,193,414	-
Current tax asset	-	63,891
Increase/(decrease) in liabilities:		
Deferred tax liabilities	(1,678,810)	1,233,554
Trade and other payables	4,777,786	2,129,037
Provisions	1,696,182	(108,279)
Net cash used in operating activities	(11,262,222)	(3,653,281)

19. Issued capital

Refer to note “1. General Information and group reorganisation” for details of the stapling transaction in the comparative period and the Group reorganisation which occurred in the current period.

Equity securities issued	Year ended 30 June 2017		Year ended 30 June 2016	
	Number	\$	Number	\$
Opening balance (1 July)	16,976,170	9,692,878	12	12
Share split	-	-	11,999,988	-
Issue of shares	-	-	4,976,170	10,036,788
Issue of shares before group reorganisation	5,587,922	13,410,974	-	-
Issue of shares to acquire Non-controlling interest (Murray River Organics Property Trust)	22,564,076	29,333,305	-	-
Issue of shares as part of the group reorganisation (Murray River Organics Limited)	22,564,076	35,562,760	-	-
Issue of shares at initial public offering	19,230,769	25,000,000	-	-
Issue of shares to non-executive directors	163,537	212,598	-	-
Equity raising costs (net of tax)	-	(1,210,552)	-	(343,922)
Closing balance (30 June)	87,086,550	112,001,963	16,976,170	9,692,878

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

20. Reserves

		2017 \$	2016 \$
Reserves comprise:			
Asset revaluation reserve	(a)	5,341,029	7,620,042
Share based payment reserve	(b)	510,861	-
Group reorganisation reserve	(c)	(47,452,844)	-
		(41,600,954)	7,620,042
(a) Asset revaluation reserve			
Balance at the beginning of the year		7,630,042	7,994,474
Revaluation (decrements) / increments		(2,289,013)	(364,432)
Balance at the end of the financial year		5,341,029	7,630,042

The asset revaluation reserve arises on the revaluation of freehold land, buildings and bearer plants. Where a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset and is effectively realised is transferred directly to retained profits. Prior to the reorganisation as outlined in Note 1, no income tax was payable by Murray River Organics Property Trust, nor by the Trustee of the Trust provided the unitholders were presently entitled to the income of the trust as determined in accordance with the Trust Deed. As a result of the reorganisation, all units are held by Murray River Organics Group Limited and all income of the Trust will be taxed in Murray River Organics Group Limited. Consequently, the deferred tax impact in respect of prior period gains on the revaluation of property, plant & equipment is required to be recognised in accordance with AASB 112 Income Tax. The deferred tax impact of \$2,289,013 on prior period revaluation gains has therefore been recognised in Other Comprehensive Income in the current year.

		2017 \$	2016 \$
(b) Share-based payments reserve			
Balance at the beginning of the year		-	-
Share-based payments		723,459	-
Amounts vested and transferred to share capital		(212,598)	-
Balance at the end of the financial year		510,861	-

Notes to the Financial Statements for the year ended 30 June 2017

The share-based payments reserve is used to record the fair value of shares or equity-settled share-based payment performance rights issued to employees.

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

The fair value of shares and performance rights 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 for continued employment ('One-off retention payment') and performance rights subject to an earnings per share ('EPS') vesting condition are not subject to any market based vesting conditions. Performance rights that have a share-price growth ('SPG') performance condition, is a market based vesting condition. The fair value of market based performance rights issued was measured using a binomial option pricing model.

The SPG vesting 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 IPO (\$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.

The following table summarises the equity settled transactions during the year (2016: nil) and the inputs used in measuring their fair values:

	Non-Executive Directors	KMP			Other employees
Shares					
Number issued	163,537				-
Fair value at grant date	\$1.30				-
Performance rights		One-off retention	Performance - EPS	Performance - SPG	One-off retention
Number issued	-	1,153,845	250,264	250,264	153,845
Fair value at grant date	-	\$1.30	\$1.30	\$0.65	\$1.30
Share price at grant date	-	\$1.30	\$1.30	\$1.30	\$1.30
Expected volatility	-	47.5%	47.5%	47.5%	47.5%
Expected dividend yield	-	0.0%	0.0%	0.0%	0.0%
Risk-free rate	-	1.85%	1.85%	1.85%	1.85%
Vesting date	-	30/06/2019 (i)	30/06/2019	30/06/2019	15/12/2017

(i) Subsequent to the modification of the 1,153,845 performance rights (in aggregate) granted under the Once-off Retention Payment (refer to section 4.6 of the Remuneration Report), the expiry date is changed to 4 October 2019.

Volatility is a measure of the degree to which an underlying asset's market price changes during a period of time. Murray River Organics Group Limited was listed on the ASX on the valuation date and was not publically traded prior to this date. As such, the volatilities of a range of appropriate peer group companies are used as a proxy.

Following listing, the CEO, COO and CFO (KMP's) received approximately 1,153,845 performance rights (in aggregate) as a 'one-off retention payment' (valued (in aggregate) at \$1,500,000). Performance rights issued as part of this once-off retention payment will vest in one tranche on 30 June 2019, provided that the relevant executive has remained in continuous employment with the Group from the date of the grant until the date of vesting. These performance rights are not subject to any other vesting conditions.

250,264 performance rights were issued to KMP's subject to EPS hurdles.

250,264 performance rights were issued subject to SPG hurdles.

Performance rights totalling 153,845 were also issued to other employees and will vest if the employees remain in continuous employment until December 2017.

Non-executive directors received a one-off issue 163,537 shares (in total) on the completion of the Company's listing in recognition for the additional work undertaken by the non-executive Directors.

(c) Corporate re-organisation reserve	2017 \$	2016 \$
Balance at the beginning of the year	-	-
Arising on group reorganisation (refer to Note 1)	(47,452,844)	-
Balance at the end of the financial year	(47,452,844)	-

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

21. Income tax

The prima facie income tax expense on pre-tax accounting loss from operations of Murray River Organics Limited reconciles to the income tax expense/(credit) in the financial statements as follows

	2017 \$	2016 \$
(Loss) / profit before tax	(7,156,644)	3,637,320
Income tax expense / (benefit) calculated at 30%	(2,146,993)	1,091,196
Tax effect of:		
Effect of non-deductible share based payment	224,328	-
Effect of non-deductible IPO costs and stamp duty	843,474	-
Effect of expenses that are not deductible in determining taxable profit	78,940	8,103
Effect of other deductible expenses in determining taxable profit	(81,876)	(49,837)
Effect of non-assessable income in determining taxable profit	(142,242)	
Effect of non-recognised trust income tax expense	-	(13,801)
	(1,224,369)	1,035,661
Adjustments recognised in the current year in relation to prior years	(4,955)	7,548
Income tax (benefit)/expense recognised in profit or loss	(1,229,324)	1,043,209
<i>Deferred tax liabilities</i>		
Fair value uplift recognised in cost base of inventory	(302,804)	(1,732,048)
Biological Assets	(547,730)	(187,232)
Property, plant and equipment	(2,278,677)	(78,108)
	(3,129,211)	(1,997,388)
<i>Deferred tax assets</i>		
Employee entitlements	155,409	62,358
Accrued expenses	138,551	37,248
Deferred revenue	117,143	8,140
Deductible lease payments (Colignan)	430,795	160,482
Tax losses	165,795	560,167
Foreign exchange derivatives	164,086	-
Expenditure incurred but deductible over time	552,344	120,439
Other	60,273	108,479
	1,784,396	1,057,313
Net deferred tax liability	(1,344,815)	(940,075)
Reconciliation of deferred taxes		
Opening balance 1 July	(940,427)	63,874
Recognised in profit or loss	1,069,283	(1,735,731)
Recognised directly in equity	(1,770,202)	147,395
Acquisitions/ disposals	136,471	-
Tax losses	155,087	560,167
Other	4,973	24,220
Closing balance at 30 June	(1,344,815)	(940,075)

Notes to the Financial Statements for the year ended 30 June 2017

22. Financial Risk Management

The Group's activities expose it to various types of risks. The most important types of financial risks to which the Group is exposed are market risk, credit risk and liquidity risk. The Company is responsible for determining objectives and risk policies. The exposure to each of these risks, as well as the Group's policies and processes for managing these risks are described below.

(a) Market risk

Market risk embodies the potential for both loss and gains and would normally include currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk of financial loss relating to financial instruments arising from changes in foreign currencies. The Group has exposure to currency risk as a proportion of purchases are denominated in US dollars. The Group seeks to take out forward contracts and options in order to mitigate the risk of fluctuating AUD:USD.

ii) Interest rate risk

The Group has exposure to interest rate risk. Interest-bearing financial assets and liabilities are limited to cash and cash equivalents, and borrowings which have variable interest rate terms.

The Group's exposure to interest risk rate at reporting date, including sensitivity to changes in market interest rates that were reasonably possible, is as follows:

	Floating Interest Rate		Fixed Interest Rate Maturing In:						Non-Interest Bearing		Total Carrying Amount as per the Balance Sheet		Weighted Average Effective Interest Rate		
	2017	2016	1 Year or Less	Over 1 to 5 Years	More than 5 Years	2017	2016	2017	2016	2017	2016	2017	2016		
Financial Instruments	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
(i) Financial Assets															
Cash	2,723,818	2,249,108	-	-	-	-	-	-	-	-	2,723,818	2,249,108	-	-	-
Trade Receivables	-	-	-	-	-	-	-	-	7,252,638	4,397,421	7,252,638	4,397,421	-	-	-
Total Financial Assets	2,723,818	2,249,108	-	-	-	-	-	-	7,252,638	4,397,421	9,976,456	6,646,529	-	-	-
(ii) Financial Liabilities															
Equipment Loans	-	-	1,113,003	704,778	3,718,131	2,239,199	-	-	-	-	4,293,962	2,620,147	4.87%	5.06%	-
Trade Finance	-	-	11,985,953	1,270,556	-	-	-	-	-	-	11,919,836	1,259,250	4.13%	5.29%	-
Colignan Lease Finance	-	-	1,387,796	1,649,500	7,785,066	8,499,075	47,841,215	42,729,760	-	-	19,185,266	17,464,314	11.33%	11.33%	-
Borrowings	13,451,973	-	131,100	493,810	3,106,676	12,384,430	-	-	-	-	15,116,630	11,300,000	4.45%	4.37%	-
Trade Creditors	-	-	-	-	-	-	-	-	18,122,157	4,285,026	8,122,157	4,285,026	-	-	-
Total Financial Liabilities	13,451,973	-	14,617,852	4,118,644	14,609,873	23,122,704	47,841,215	42,729,760	18,122,157	4,285,026	58,637,851	36,928,737	-	-	-

(b) Credit risk

Credit risk is the risk that a party to the financial instrument will cause a financial loss to the Group by failing to discharge an obligation. The Group is exposed to credit risk through the financial assets it holds, the value of which represents the maximum exposure to credit risk.

The Group manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of an appropriate credit rating or do not show a history of defaults. Cash at bank of \$2,723,818 (2016: \$2,249,108) is held with reputable financial institutions.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Group monitors its exposure to liquidity risk by ensuring that there is sufficient cash on hand to meet the contractual obligations of financial liabilities as they fall due.

There is no material difference between the fair value and the carrying value of financial liabilities. The Group manages liquidity risk by continuously monitoring forecasts and actual cash flows.

Financing arrangements

The following debt facilities are held with the National Australia Bank. The usage of the facilities in place at 30 June 2017 is below:

30 June 2017 Debt facilities	Facility limit (\$)	Used (\$)	Unused facility (\$)
Term debt	19,583,000	15,116,630	4,466,370
Trade finance	12,000,000	11,873,360 (i)	126,640
Bank guarantee	1,530,000	1,513,670	16,330
Equipment loans	4,500,000	4,214,202	285,798

(i) Excludes accrued interest of \$46,477

The following debt facilities are held with other financial institutions:

30 June 2017 Debt facilities	Facility limit (\$)	Used (\$)	Unused facility (\$)
Equipment loans	79,760	79,760	-

(d) Fair values

The aggregate fair values and carrying amount of financial assets and financial liabilities are not materially different from the book values disclosed in the statement of financial position and in the notes to the financial statements.

Capital management

The Group manages its banking facilities 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. The Group's overall strategy remains unchanged from 2016. The capital structure of the Group consists of net debt (borrowings as detailed in note 15 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in note 20). The Group is not subject to any externally imposed capital requirements.

Notes to the Financial Statements for the year ended 30 June 2017

Key net debt metrics are included in the following table:

	Statutory 30 June 2017 (\$m)	Statutory 30 June 2016 (\$m)
Net debt (including leases)	47.8	30.4
Net debt (excluding leases)	28.6	12.9
Net debt / equity (including leases)	72%	102%
Net debt / equity (excluding leases)	43%	43%
Net tangible assets	55.4	29.9

Financial risk management objectives

Management monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

These derivative financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (the valuation techniques and inputs used).

Financial assets / financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30/06/17	30/06/16		
Foreign currency contracts	Liabilities - \$546,952	Nil	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risks of various counterparties.

23. Key management personal compensation

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

	2017 \$	2016 \$
Short-term employee benefits	806,323	557,091
Post-employment benefits	72,495	51,810
Long term employee benefits	10,803	8,824
Equity settled share-based payments	610,477	-
Total	1,500,098	617,725

24. Remuneration of auditor

	2017 \$	2016 \$
Audit or review of the financial report	173,000	65,850
Tax services	105,840	20,000
Transaction services	530,000	-
Other assurance activities	152,100	-
Total	960,940	85,850

The auditor of Murray River Organics Group Limited is Deloitte Touche Tohmatsu. 'Other services' predominately includes due diligence work associated with the business acquisitions and initial public offering.

25. Contingent liabilities

Contingent liabilities include guarantees totalling \$1,513,670 provided in respect of property leases (2016: \$824,750). The Group is currently not liable for these amounts.

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 91% of the Group's revenue is attributed to domestic customers, and the remainder relates to exports to USA (1%), Asia (4%), Europe (3%) and others (1%). In 2017, two customers contributed greater than ten percent of the Group's revenue amounting to \$28,556,423. (2016: one customer amounting to \$2,046,576).

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.

Notes to the Financial Statements for the year ended 30 June 2017

27. Earnings per share (EPS)

(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.

	2017 \$	2016 \$
Basic earnings per share	(0.08)	0.04
Diluted earnings per share	(0.08)	0.04
Earnings used to calculate basic and diluted earnings per share		
Profit / (Loss) for the year attributable to equity holders of Murray River Organics Group	(5,927,320)	2,594,111
Number of share		
Weighted average number of share outstanding during the year used in calculating basic earnings per share	77,509,645	58,628,772
Weighted average number of performance rights options on issue	888,093	-
Weighted average number of share outstanding during the year used in calculating dilutive earnings per share	78,397,738	58,628,772

Weighted average number of shares takes into consideration share splits which occurred and also the change in capital structure following the group reorganisation as outlined in Note 1.

28. Obligations under finance leases

The Group leases property assets under a finance lease. The lease term is 24 years (2016: 25). Refer to note 15 for further details.

29. Obligations under operating leases

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

	2017 \$	2016 \$
Not later than one year	1,439,091	1,034,453
Later than one year and not later than five years	3,862,090	4,788,300
Later than five years	2,029,645	2,582,218
	7,330,826	8,404,971

30. Related party transactions

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

	2017 \$	2016 \$
	Amounts owed by related parties	
Sornem Asset Management	87,764	84,555
Sorensen Family Trust	489,597	-
Jamel Family Trust	489,597	-

Interest on related party loans 2017 was nil (2016: \$212,999).

Notes

- 1) The Sorensen Family Trust and the Jamel Family Trust are entities associated with the Directors, Erling Sorensen and Jamie Nentsas respectively. Amounts owed by these Trusts relate to pre-acquisition tax liabilities of the Sornem Group which they have indemnified MROGL. Post 30 June 2017, these receivables have been paid.
- 2) Sornem Asset Management Pty Ltd is a related entity which used shared services with the Group during FY17.

During the year, the Group received \$1,853,557 from Arrow Primary Infrastructure Fund (Arrow) as funding for capital expenditure incurred on the Colignan vineyard (2016: nil). Arrow also paid \$160,385 directly to suppliers in respect to the capital expenditure at the Colignan vineyard. The total \$2,013,943 funding received from Arrow will be repaid in full by the Group by way of higher finance lease repayments as required under the lease agreement. Arrow Primary Infrastructure Fund is the lessor of the Colignan vineyard. During the year, the Group paid \$1,757,566 (2016: \$869,678) in relation to lease payments as lessee of the Colignan vineyard. The Directors, Erling Sorensen and Jamie Nentsashold units currently on issue in the Arrow Primary Infrastructure Fund. The lease has been entered into on an arm's length terms and neither interest held represents a controlling interest in Arrow Primary Infrastructure Fund.

31. Events subsequent to reporting date

The settlement of the Nangiloc acquisition (referred to in note 12) was settled on 25 July 2017, funded by bank debt of approximately \$7.5m. This debt was made up of the drawdown of unused available facilities in place at 30 June 2017 and an increase to this facility subsequent to 30 June 2017 of approximately \$3m.

On 22 August 2017, the Group renegotiated their banking facilities. Resultant changes include:

- Banking covenants were revised
 - Interest Cover to be greater than 3.6x and be tested six-monthly at 31 December and 30 June each year; and
 - Stock, Debtor and Inventory Cover Ratio to be greater than 1.25x and be tested six-monthly at 31 December and 30 June each year.
- The \$3m increase to facilities referred to above is to be repaid by the Group by 31 October 2017
- The trade finance facility limit has been increased from \$12m to \$18m, but will reduce back to \$16m via reallocation to equipment finance facility in November 2017

Notes to the Financial Statements for the year ended 30 June 2017

32. Controlled entities

	Country of incorporation	Percentage owned (%)	
		30 June 2017	30 June 2016
Parent entity:			
Murray River Organics Group Limited	Australia	100	-
Subsidiaries of Murray River Organics Limited (i)			
Murray River Organics Limited	Australia	100	100
Murray River Organics Property Trust	Australia	100	-
Murray River Organics Property Trust 2	Australia	100	-
Murray River Organics Property Pty Ltd (ATF Murray River Organics Property Trust)	Australia	100	100
Murray River Organics Property 2 Pty Ltd (ATF Murray River Organics Property Trust 2)	Australia	100	-
Sornem Group Pty Ltd	Australia	100	-
Sornem Capital Pty Ltd	Australia	100	-

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

Refer to note 1 for information regarding the Group reorganisation.

33. Parent entity financial information

	2017 \$
Balance sheet	
Current assets	-
Total assets	111,901,688
Current liabilities	-
Total liabilities	-
Net Assets	111,901,688
Equity	
Issued capital	(112,001,962)
Reserves	(510,861)
Accumulated losses	611,135
Total equity	(111,901,688)
Loss for the year	611,135
Other comprehensive income	-
Total comprehensive income	611,135

MROGL was incorporated on 06/09/2016 and therefore has no comparative period.

34. Adoption of new and revised Accounting Standards

34.1 Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2016.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the entity include:

AASB 1057 Application of Australian Accounting Standards and AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The above have not had any material impact to the financial statements.

34.2 New and revised Australian Accounting Standards in issue but not yet effective

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15' and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128	1 January 2018	30 June 2019
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112)	1 January 2017	30 June 2018
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	1 January 2017	30 June 2018
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	30 June 2019

The Directors are yet to determine whether the above Standards and Interpretations will have a material impact on the financial statements, however plan to perform an exercise in the 2018 financial year to determine the impact of adopting AASB9, AASB15 and AASB16.

ASX additional information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows:

A) Distribution of equity securities

The following information is current as at 25 October 2017.

The number of shareholders, by size of holding, in each class of share is

Number of ordinary shares	Number of shareholders
1 - 1,000	154
1,001 - 5,000	557
5,001 - 10,000	383
10,001 - 100,000	757
100,001 Over	110

The number of shareholders holding less than a marketable parcel of shares is:

Number of ordinary shares	Number of shareholders
88,076	163

B) Twenty largest shareholders

The following information is current at 25 October 2017.

The names of the twenty largest registered holders of quoted shares are:

	Number of shares	Percentage of shares
1 UBS Nominees Pty Ltd	18,918,690	14.85%
2 Melanie Alderton	10,286,304	8.07%
3 Kim Sorensen	9,987,319	7.84%
4 HSBC Custody Nominees (Australia) Limited - A/C 2	4,898,786	3.84%
5 BNP Paribas Noms Pty Ltd <Drp>	4,479,881	3.52%
6 ARGO Investments Ltd	3,834,526	3.01%
7 SHWL Holdings Pty Ltd	3,213,622	2.52%
8 SHWL Holdings Pty Ltd	3,171,034	2.49%
9 BLBD Pty Ltd <Blbd Super Fund A/C>	3,132,710	2.46%
10 SCALZO Trading Co Pty Ltd	2,850,088	2.24%
11 Meredith Nominees Pty Ltd <Meredith Investment A/C>	2,752,710	2.16%
12 J P Morgan Nominees Australia Limited	2,244,492	1.76%
13 Mr Alessandro Luigi Piccinini	1,553,830	1.22%
14 Urban Land Nominees Pty Ltd	1,269,512	1.00%
15 Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	1,254,680	0.98%
16 National Nominees Limited	1,000,000	0.78%
17 Meredith Nominees Pty Ltd <Meredith Investment A/C>	987,585	0.77%
18 Citicorp Nominees Pty Limited	896,020	0.70%
19 Yabby Capital Pty Ltd	880,723	0.69%
20 H & G Limited	800,000	0.63%

C) Substantial shareholders

The names of substantial shareholders are:

	Number of ordinary shares
TIGA Trading Pty Ltd	20,042,143
Melanie Alderton	10,576,688
Kim Sorensen	9,987,319
Meredith Group	6,873,005
SHWL Holdings Pty Ltd	6,384,656

D) Voting rights

All ordinary shares carry one vote per share without restriction.

The company is listed on the Australian Stock Exchange. The home exchange is Melbourne.

E) Voluntary escrow

As at 25 October 2017, a total of 11,048,202 ordinary shares were subject to voluntary escrow. These shares will be released from escrow on the trading day after the day that is 3 trading days after the Company's Appendix 4E report for FY2018.



MRO™



Murray River Organics Group Limited

Head Office:

32 Crompton Way
Dandenong South
3175 VIC Australia

Contact

Tel +61 3 8792 8500
info@murrayriverorganics.com.au
www.murrayriverorganics.com.au



A sustainable source of
healthy food for current
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