



Vitalharvest

FREEHOLD TRUST

**INTERIM REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

Vitalharvest Freehold Trust
ARSN 626 537 362
Appendix 4D

Details of Reporting Period

This interim report is for the half-year from 1 July 2019 to 31 December 2019. The previous corresponding period was from 14 June 2018 to 31 December 2018.

The Directors of The Trust Company (RE Services) Limited, the Responsible Entity of Vitalharvest Freehold Trust (the "Trust") announce the reviewed results of Vitalharvest Freehold Trust and its controlled entities (the "Group") for the half-year ended 31 December 2019 as follows:

Results for announcement to the market

Key Information	Half-year ended 31 December 2019	Period 14 June 2018 to 31 December 2018
	\$'000	\$'000
Revenue from ordinary activities	9,453	10,748
Profit/(loss) for the period	14,319	(8,156)
Total comprehensive profit/(loss) for the period	12,135	(8,141)

Distribution

The Directors have declared a distribution of 3.25 cents per ordinary unit, totalling \$6,013,000. The record date of the distribution is 13 March 2020 and the distribution is expected to be paid on 27 March 2020. There was no distribution reinvestment plan in operation during the period.

Distribution	Half-year ended 31 December 2019	Period 14 June 2018 to 31 December 2018
Interim distribution – period ended 31 December 2019 (CPU)	3.25	4.00
Interim distribution – period ended 31 December 2019 (\$'000)	6,013	7,400

Net Tangible Assets

	31 December 2019 \$ per unit	30 June 2019 \$ per unit
Net tangible asset backing per ordinary unit	0.74	0.69
Net tangible asset backing (including water rights) per ordinary unit	0.95	0.90

Other Information

There was no gain or loss of control of entities during the current period.

The Group had an interest in associate in relation to Kangara Community Water Pty Ltd (64.8% ordinary shares) during the current period.

The Trust is not a foreign entity.

This Appendix 4D is based on the interim financial statements which have been reviewed by the Trust's Auditors.

Vitalharvest Freehold Trust and its controlled entities

ARSN 626 537 362

Interim report

For the half-year ended 31 December 2019

Vitalharvest Freehold Trust and its controlled entities

ARSN 626 537 362

Interim report

For the half-year ended 31 December 2019

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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the period 14 June 2018 to 30 June 2019 and any public announcements made in respect of Vitalharvest Freehold Trust during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This interim report covers Vitalharvest Freehold Trust and its controlled entities as a consolidated group. The Responsible Entity of Vitalharvest Freehold Trust is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). The Responsible Entity's registered office is:

Level 18 Angel Place
123 Pitt Street
Sydney NSW 2000

Vitalharvest Freehold Trust and its controlled entities
Directors' Report
For the half-year ended 31 December 2019

Directors' Report

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity (the "Responsible Entity") of Vitalharvest Freehold Trust (the "Trust"). The directors of the Responsible Entity (the "Directors") present their report together with the interim financial statements of Vitalharvest Freehold Trust and its controlled entities (the "Group") for the half-year ended 31 December 2019.

Principal Activities

The Trust is a registered managed investment scheme domiciled in Australia.

The Trust's objective is to provide unitholders with exposure to real agricultural property assets whose earnings profile and underlying value are exposed to the growing global agricultural demand for nutritious, healthy food.

The Trust listed on the ASX (ASX:VTH) and commenced operations on 1 August 2018.

The Trust did not have any employees during the period.

There were no significant changes in the nature of the Trust's activities during the half-year.

Directors

The Directors of The Trust Company (RE Services) Limited during the half-year and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

Name	Date of appointment/resignation
Glenn Foster	
Michael Vainauskas	Resigned as Director on 27 September 2019
Andrew McIver	Resigned as Alternate Director for Michael Vainauskas on 2 September 2019 Appointed as Alternate Director for Glenn Foster on 2 September 2019 Resigned as Alternate Director for Glenn Foster on 27 September 2019
Vicki Riggio	
Phillip Blackmore	Alternate Director for Vicki Riggio
Richard McCarthy	
Simone Mosse	Appointed as Director on 27 September 2019

Vitalharvest Freehold Trust and its controlled entities
Directors' Report (continued)
For the half-year ended 31 December 2019

Directors' Report (continued)

Review and results of operations

During the half-year, the Trust invested in accordance with the investment objective and guidelines as set out in the governing documents of the Trust and in accordance with the provision of the Trust's Constitution.

Results

The consolidated net profit of the Group for the half-year ended 31 December 2019 amounted to \$14,319,000. The consolidated total comprehensive income of the Group for the half-year ended 31 December 2019 amounted to \$12,134,000.

Funds from operations (FFO) - Non IFRS information (unaudited)

The Group holds agricultural property and bearer plants at fair value and water entitlements at cost. After adjusting for the effects of certain costs and non-cash accounting adjustments such as fair value adjustments, impairment charges, depreciation, amortisation of upfront debt costs and other non distributable items such as grant income, the funds from operations (FFO) for the half-year ended 31 December 2019 was \$6,706,000.

	Half-year ended	For the period
	31 December	14 June 2018 to
	2019	31 December
	\$'000	2018
		\$'000
Profit/(loss) for the period	14,319	(8,156)
<i>Plus/(Less) FFO Adjustments</i>		
Grant income	(1,485)	(1,372)
Change in fair value of interest rate swaps	(130)	3,484
Change in fair value of investment property	(16,962)	-
Change in fair value of plant and equipment - bearer plants	4,925	-
Depreciation expense	5,946	5,141
Borrowing costs (amortised)	93	77
Loss on disposal of non-current assets	-	1,557
Initial Public Offering related costs	-	7,508
FFO	6,706	8,239
FFO cents per unit	3.62	4.45

The Trust intends to pay from FFO, its half-year distribution in March 2020 for the half-year ended 31 December 2019.

Vitalharvest Freehold Trust and its controlled entities
Directors' Report (continued)
For the half-year ended 31 December 2019

Directors' Report (continued)

Funds from operations (FFO) - Non IFRS information (unaudited) (continued)

	Half-year ended	For the period
	31 December	14 June 2018 to
	2019	31 December
		2018
Distribution payable (\$'000)	6,013	7,400
Distribution (cents per unit)	3.25	4.00
Ratio of FFO paid or payable	90%	90%

Financial position

At 31 December 2019, the Group had net assets amounting to \$176,212,000 and total assets amounting to \$282,559,000.

The following depicts the net assets of the Group:

	31 December	30 June
	2019	2019
Net assets per Statement of Financial Position (\$'000)	176,212	167,131
NAV per unit (\$)	0.95	0.90

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Trust that occurred during the half-year.

Matters subsequent to the end of the financial period

The Directors have declared an interim distribution of 3.25 cents per unit, totalling \$6,013,000 in respect of the half-year ended 31 December 2019, to be paid to unitholders on 27 March 2020.

In January 2020 bushfires burning in southern NSW impacted the Tumbarumba berry farm, which accounts for around 6% of VTH's berry plantings. Plants were not materially impacted and VTH has insurance policies covering the building infrastructure on farm that was damaged by fire.

Weather and water challenges at VTH's Corindi berry farm continued into January 2020 prior to significant rainfall events in late January 2020. As a consequence of little rainfall, run-off into the on-farm water storages and the available irrigation water supply at Corindi berry farm was low. A plan was implemented to manage the water requirements which included removal of a significant part of the current annual raspberry crop and early pruning of some of the lower value blueberry varieties to conserve the priority crop.

Directors' Report (continued)

Matters subsequent to the end of the financial period (continued)

Other than has been disclosed above, no matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

- (i) the operations of the Trust in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Trust in future financial years.

Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust's Constitution.

The results of the Trust's operations could be affected by a number of factors including, but not limited to, weather and climate risks, commodity price fluctuations, exchange rates, increasing competition, access to water, and disease and other horticultural risks.

Investment performance is not guaranteed, and the future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Group in regard to the insurance cover provided to either the officers of the Responsible Entity or the auditors of the Group. So long as the officers of the Responsible Entity act in accordance with the Trust's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust.

Insurance premiums are paid for out of the assets of the Group in regard to the insurance cover provided to the officers of the trustee companies for each of Vitalharvest Leasehold Trust and Vitalharvest Finance Trust.

The auditors of the Group are in no way indemnified out of the assets of the Group.

Units in the Trust

There was no movement in units on issue in the Trust during the period.

Directors' Report (continued)

Climate-related risks

The results of the Group's operations can be affected by weather and climate risks through agricultural exposure. The Group owns properties across three states which have been impacted to varying degrees by climate and weather events such as the ongoing drought conditions across eastern Australia and the bushfires across Australia over the 2019-20 summer.

Climate change has a direct impact to agricultural production systems through changing rainfall patterns, temperature variability and exposure to extreme weather events. The Group is exposed to climatic conditions through Variable Rent from the citrus and berry leases. Any effect of climate change on individual production regions and systems may vary. The Group aims to mitigate climate change risks through geographical spread, adaptation and investment in capital projects to limit downside risk in these regions. In addition, the ongoing management and continuing investment into the properties aims to reduce negative influences from climate change.

Environmental regulation

The operations conducted at the berry and citrus properties are subject to environmental regulations under Commonwealth, State or Territory law including without limitation the use of water assets and the storage and use of chemicals used during agricultural production such as pesticides, herbicides and fertilisers.

Compliance with all Commonwealth, State or Territory laws are the responsibility of the tenant under the terms of the leases for the berry and citrus properties.

The Group has not been notified of any significant breaches of any environmental requirements applicable to the assets of the Group.

Rounding of amounts to the nearest thousand dollars

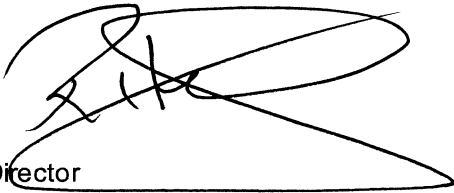
The Trust is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Directors' Report (continued)

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

This report is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.

A handwritten signature in black ink, appearing to be 'R. H.', written over a horizontal line that serves as a baseline for the signature.

Director
The Trust Company (RE Services) Limited
Sydney
27 February 2020

Board of Directors
The Trust Company (RE Services) Limited as the Responsible Entity
of Vitalharvest Freehold Trust ("Responsible Entity")
Level 18, 123 Pitt Street
Sydney NSW 2000

27 February 2020

Dear Board members

Auditor's Independence Declaration to Vitalharvest Freehold Trust

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Vitalharvest Freehold Trust.

As lead audit partner for the review of the financial report of Vitalharvest Freehold Trust for the period ended 31 December 2019 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Samuel Vorweg
Partner
Chartered Accountants

Vitalharvest Freehold Trust and its controlled entities
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

		Half-year ended	For the period
		31 December	14 June 2018
		2019	to 31 December
	Notes	\$'000	2018
			\$'000
Income			
Revenue	3	9,453	10,748
Other income		1,800	1,663
Total income		11,253	12,411
Expenses			
Depreciation expense		(5,946)	(5,141)
Finance costs		(1,987)	(1,849)
Responsible Entity's fees		(81)	(72)
Management fees		(276)	(274)
Professional fees		(392)	(326)
Initial Public Offering related costs		-	(7,508)
Change in fair value of interest rate swaps		130	(3,484)
Change in fair value of investment property	5	16,962	-
Change in fair value of bearer plants	6	(4,925)	-
Loss on disposal of non-current assets		-	(1,557)
Other expenses		(419)	(357)
Total expenses		3,066	(20,567)
Profit/(loss) for the period		14,319	(8,156)
Other comprehensive income			
Change in fair value of bearer plants		(2,184)	-
Reserves arising on business combination		-	15
Other comprehensive income/(loss)		(2,184)	15
Total comprehensive income/(loss)		12,135	(8,141)
Total comprehensive income/(loss) attributable to:			
Unitholders of Vitalharvest Freehold Trust		12,135	(8,156)
Non-controlling interests		(1)	15
		12,134	(8,141)
Earnings per unit			
Basic earnings/(loss) per unit (cents)		7.74	(4.41)
Diluted earnings/(loss) per unit (cents)		7.74	(4.41)

The above Statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Vitalharvest Freehold Trust and its controlled entities
Statement of financial position
As at 31 December 2019

		As at	
		31 December	Restated*
	Notes	2019	30 June
		\$'000	2019
			\$'000
Current assets			
Cash and cash equivalents		6,846	7,239
Trade and other receivables		139	6,118
Other assets		27	282
Total current assets		7,012	13,639
Non-current assets			
Intangible assets	4	39,989	39,675
Investment property	5	124,189	102,333
Property, plant and equipment		127	387
Property, plant and equipment - bearer plants	6	111,242	124,285
Total non-current assets		275,547	266,680
Total assets		282,559	280,319
Current liabilities			
Trade and other payables		1,049	3,508
Other financial liabilities		1,281	1,205
Other liabilities		803	5,431
Total current liabilities		3,133	10,144
Non-current liabilities			
Borrowings	7	96,223	95,846
Other financial liabilities		6,991	7,198
Total non-current liabilities		103,214	103,044
Total liabilities		106,347	113,188
Net assets		176,212	167,131
Trust funds			
Issued units		180,037	180,037
Asset revaluation reserve*		11,819	14,003
Accumulated losses*		(15,668)	(26,934)
Trust funds attributable to unitholders of Vitalharvest		176,188	167,106
Non-controlling interests		24	25
Total trust funds		176,212	167,131

The above Statement of financial position should be read in conjunction with the accompanying notes.

** Refer to Note 2 Plant and Equipment - bearer plants for details of restatement*

Vitalharvest Freehold Trust and its controlled entities
Statement of changes in trust funds
For the half-year ended 31 December 2019

31 December 2019	Issued units	Restated accumulated losses*	Restated asset revaluation reserve*	Non- controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2019	180,037	(26,934)	14,003	25	167,131
Comprehensive income/(loss) for the period					
Profit for the period	-	14,319	-	(1)	14,318
Change in fair value of bearer plants	-	-	(2,184)	-	(2,184)
Total comprehensive income/(loss) for the period	-	14,319	(2,184)	(1)	12,134
Transactions with unitholders					
Distributions to unitholders	-	(3,053)	-	-	(3,053)
Total transactions with unitholders in their capacity as owners	-	(3,053)	-	-	(3,053)
Balance at 31 December 2019	180,037	(15,668)	11,819	24	176,212
31 December 2018	Issued units	Accumulated losses	Asset revaluation reserve	Non- controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 14 June 2018	-	-	-	-	-
Comprehensive income/(loss) for the period					
Loss for the period	-	(8,156)	-	-	(8,156)
Reserves arising on business combination	-	-	-	15	15
Total comprehensive income/(loss) for the period	-	(8,156)	-	15	(8,141)
Transactions with unitholders					
Units issued during the period	185,000	-	-	-	185,000
Issue costs	(4,963)	-	-	-	(4,963)
Share capital arising on business combination	-	-	-	9	9
Distributions to unitholders	-	-	-	-	-
Total transactions with unitholders in their capacity as owners	180,037	-	-	9	180,046
Balance at 31 December 2018	180,037	(8,156)	-	25	171,905

The above Statement of changes in trust funds should be read in conjunction with the accompanying notes.

* Refer to Note 2 Plant and Equipment - bearer plants for details of restatement

Vitalharvest Freehold Trust and its controlled entities
Statement of cash flows
For the half-year ended 31 December 2019

	Half-year ended 31 December 2019 \$'000	For the period 14 June 2018 to 31 December 2018 \$'000
Cash flows from operating activities		
Receipts from customers	11,549	4,568
Operating grant receipts	2,173	1,502
Payments to suppliers	(4,633)	(8,542)
Interest received	11	27
Finance costs	(2,050)	(1,119)
Net cash inflow/(outflow) from operating activities	7,050	(3,564)
Cash flows from investing activities		
Payments for investment property	(4,616)	(1,359)
Payments for bearer plants	(10)	(250)
Payments for intangible assets	(314)	-
Proceeds from sale of investment property	-	1
Proceeds from sale of property, plant and equipment	259	-
Net cash outflow on acquisition of assets on business	-	(209,782)
Net cash inflow/(outflow) from investing activities	(4,681)	(211,390)
Cash flows from financing activities		
Proceeds from issue of units	-	185,000
Costs in relation to unit issue	-	(4,963)
Proceeds from borrowings	48,403	95,000
Repayment of borrowings	(48,112)	(54,110)
Payment for debt issue costs	-	(741)
Distributions paid	(3,053)	-
Net cash inflow/(outflow) from financing activities	(2,761)	220,186
Net increase/(decrease) in cash and cash equivalents	(392)	5,233
Cash and cash equivalents at the beginning of the period	7,239	0
Cash and cash equivalents at the end of the period	6,846	5,233

The above Statement of cash flows should be read in conjunction with the accompanying notes.

Vitalharvest Freehold Trust and its controlled entities
Notes to the financial statements
For the half-year ended 31 December 2019

Notes to the financial statements

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Vitalharvest Freehold Trust and its controlled entities
Notes to the financial statements (continued)
For the half-year ended 31 December 2019

1 General information

The Trust listed on the ASX (ASX:VTH) and commenced operations on 1 August 2018.

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity of the Trust (the "Responsible Entity"). The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

The interim financial statements are presented in Australian dollars, which is the functional currency of the Group.

The Responsible Entity is incorporated and domiciled in Australia.

The investment manager of the Trust is goFARM Asset Management Pty Ltd (the "Manager").

The Trust's objective is to provide unitholders with exposure to real agricultural property assets whose earnings profile and underlying value are exposed to the growing global agricultural demand for nutritious, healthy food.

The interim financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors") on 27 February 2020. The Directors have the power to amend and reissue the interim financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these interim financial statements for Vitalharvest Freehold Trust and its controlled entities (the "Group") are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

(a) Basis of preparation

These interim financial statements have been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2019 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the half year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

2 Summary of significant accounting policies (continued)

(b) Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied to the Trust's financial statements for the period 14 June 2018 to 30 June 2019, unless otherwise stated in the following text.

AASB 16 Leases

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. The date of initial application of AASB 16 for the Group was 1 July 2019.

For the half-year ended 31 December 2019, the Group has not identified any contracts for which it is a lessee. The Group is a lessor by virtue of the lease arrangements associated with its investment properties. As AASB 16 does not significantly alter lessor accounting, there has been no significant impact resulting from the adoption of AASB 16.

Variable Rent

Variable Rent totals 25% of the Earnings before Tax (EBT) derived by the tenant from the businesses operated on the berry and citrus properties in accordance with each lease agreement. The calendar year EBT is the basis of the Variable Rent, which aligns to the financial year of the tenant.

Variable Rent is invoiced twice per year. The first payment is in respect of the six-month period to 30 June and is based on 50% of the sum of the actual (1 January to 30 June) and forecast (1 July to 31 December) EBT for the calendar year. The second payment is in respect of the six-month period to 31 December which is calculated based on the actual EBT for the calendar year minus the first payment. In the event that the first payment exceeds the Variable Rent for the calendar year, a refund to the tenant can result.

Variable Rent is subject to seasonal impacts. Revenue is recognised on an accruals basis in accordance with calendar year-to-date financial information provided by the tenant. Contractually the Variable Rent cannot be less than nil as the landlord does not share in negative EBT of the tenant.

2 Summary of significant accounting policies (continued)

(b) Significant accounting policies

Variable Rent (continued)

An asset is recognised for the amount receivable from the tenant in relation to Variable Rent at 30 June and 31 December each year.

- At 30 June a corresponding liability is recognised for any unearned income which reflects the amount of the receivable which has not yet been recognised as revenue, as an amount may become refundable to the tenant on the reconciliation of the Variable Rent for the calendar year (Unearned Income Liability).
- At 31 December, in the event that the first payment of the Variable Rent exceeds the Variable Rent for the calendar year, all or any part of the Unearned Income Liability (depending on the amount of the refund), becomes refundable to the tenant, and is recognised as a separate liability.

In applying the Group's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts 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.

The Group has made an estimate in its recognition of Variable Rent for the half-year ended 31 December 2019. The Variable Rent totalling \$4,691,000 (31 December 2018: \$6,833,000) has been calculated based on financial information provided by the tenant for the half-year ended 31 December 2019 which the Directors have determined to be a reasonable estimate. Historical data, past experience with information provided by the tenant, current operational information provided by the tenant and the Manager's own assessment based on its agricultural experience supports the Directors' judgement that the financial information provided by the tenant is the best estimate of this amount at the balance date.

2 Summary of significant accounting policies (continued)

(b) Significant accounting policies

Restatement: Plant and equipment - bearer plants

Bearer plants are solely used to grow produce over their productive lives and are accounted for under AASB 116 Property, Plant and Equipment. Bearer plants are initially recognised at cost. After initial measurement, the Group adopts the fair value model and bearer plants are carried at fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses. Bearer plants comprise mature citrus orchards and berry bushes and are measured initially at acquisition cost.

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

During the period ended 30 June 2019, the Group recognised increases in the fair value of Bearer Plants in Profit or Loss and not in the Revaluation Reserve which was not in accordance with its accounting policy and the accounting standard. Consequently the financial statements have been restated to reflect the accounting policy.

The restatement to account for bearer plants has no impact on the comparative information for the Statement of profit or loss and other comprehensive income for the period 14 June 2018 to 31 December 2018 as no increases or decreases in the fair value of Bearer Plants were recognised during this period.

The restatement will be reflected in the comparative information for the Statement of profit or loss and other comprehensive income for the period 14 June 2018 to 30 June 2019 as a reallocation between other comprehensive income and the profit or loss. This restatement has no impact on the total comprehensive income of the Group and has resulted in the reclassification between components of total comprehensive income.

Vitalharvest Freehold Trust and its controlled entities
Notes to the financial statements (continued)
For the half-year ended 31 December 2019

2 Summary of significant accounting policies (continued)

(b) Significant accounting policies

Restatement: Plant and equipment - bearer plants (continued)

The restatement results in the transfer of the increases in the fair value of Bearer Plants to an Asset Revaluation Reserve with a corresponding adjustment to Accumulated Losses.

The restatement has no impact on the carrying amount of bearer plants, total assets and net assets of the Group because Bearer Plants were recognised at their fair value at 30 June 2019. This is presented below in respect of the Statement of financial position:

Statement of financial position (extract)

	As originally stated As at 30 June 2019 \$'000	Increase / (Decrease) \$'000	Restated As at 30 June 2019 \$'000
Issued units	180,037	-	180,037
Asset revaluation reserve	-	14,003	14,003
Accumulated losses	(12,931)	(14,003)	(26,934)
Trust funds attributable to unitholders of Vitalharvest Freehold Trust	167,106	-	167,106
Non-controlling interests	25	-	25
Total trust funds	167,131	-	167,131

(c) Rounding of amounts

The Trust is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with the ASIC Corporations Instrument, unless otherwise indicated.

Vitalharvest Freehold Trust and its controlled entities
Notes to the financial statements (continued)
For the half-year ended 31 December 2019

3 Revenue

	Half-year ended	For the period
	31 December	14 June 2018 to
	2019	31 December
	\$'000	2018
		\$'000
Base rent	4,751	3,888
Variable rent	4,691	6,833
Interest revenue	11	27
	<u>9,453</u>	<u>10,748</u>

4 Intangible assets

	31 December	30 June
	2019	2019
	\$'000	\$'000
Water rights at cost	<u>39,989</u>	<u>39,675</u>

(a) Reconciliations

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

Water rights at cost		
Opening balance	39,675	-
Additions through business combination	-	41,232
Additions	314	-
Disposals	-	(1,557)
Closing balance	<u>39,989</u>	<u>39,675</u>

5 Investment property

	31 December	30 June
	2019	2019
	\$'000	\$'000
Investment property at fair value		
Opening carrying amount	102,333	-
Additions through business combination	-	91,995
Additions	4,894	2,786
Change in fair value of investment property	16,962	7,552
Closing carrying amount	<u>124,189</u>	<u>102,333</u>

Vitalharvest Freehold Trust and its controlled entities
Notes to the financial statements (continued)
For the half-year ended 31 December 2019

5 Investment property (continued)

(a) Change in fair value

Independent valuations were obtained for the Berry properties as at 31 December 2019 and the Directors have adopted valuations equal to or below the valuations from the independent valuers. The properties where Directors have adopted values below those valuations of the independent valuers are discussed below.

The Directors have adopted an adjustment to the independent valuation for two of the Berry properties. This is on the basis of predicted diminished cash flows generated by these two properties from reduced variable rent in the short term as a likely impact of environmental conditions.

Independent valuations were not obtained for the Citrus properties as there has been no significant change to the industry and geographic conditions since the independent valuers last assessed these properties at 30 June 2019. Internal valuations were performed by the Manager's internal property valuation specialist and have been reviewed and approved by the Directors.

For the half-year ended 31 December 2019	Citrus property	Berry property	Total
	\$'000	\$'000	\$'000
Opening net book amount	50,550	51,783	102,333
Additions	2,031	2,863	4,894
Change in fair value	2,000	14,962	16,962
Closing net book amount	<u>54,581</u>	<u>69,608</u>	<u>124,189</u>

For the period 14 June 2018 to 30 June 2019	Citrus property	Berry property	Total
	\$'000	\$'000	\$'000
Opening net book amount	-	-	-
Additions through business combination	36,733	55,262	91,995
Additions	1,573	1,213	2,786
Change in fair value	12,244	(4,692)	7,552
Closing net book amount	<u>50,550</u>	<u>51,783</u>	<u>102,333</u>

(b) Fair value measurement of investment property

The relationship of unobservable inputs to fair value are:

- The higher the discount rate, the lower the fair value
- The higher the capitalisation rate, the lower the fair value

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Vitalharvest Freehold Trust and its controlled entities
Notes to the financial statements (continued)
For the half-year ended 31 December 2019

6 Property, plant and equipment - bearer plants

	31 December 2019 \$'000	30 June 2019 \$'000
Bearer plants	111,242	124,285
	111,242	124,285

Bearer plants are solely used to grow produce over their productive lives and are accounted for in accordance with AASB 116 *Property, Plant and Equipment*.

(a) Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment - bearer plants at the beginning and end of the current financial period

Property, plant and equipment - bearer plants

For the half-year ended 31 December 2019	Citrus property \$'000	Berry property \$'000	Total \$'000
Opening carrying amount	65,945	58,340	124,285
Additions	10	-	10
Depreciation	(1,497)	(4,447)	(5,944)
Change in fair value - profit or loss	404	(5,329)	(4,925)
Change in fair value - other comprehensive income	1,576	(3,760)	(2,184)
Closing carrying amount	66,438	44,804	111,242

For the period 14 June 2018 to 30 June 2019	Citrus property \$'000	Berry property \$'000	Total \$'000
Opening carrying amount	-	-	-
Additions through business combination	69,469	62,973	132,442
Additions	509	-	509
Depreciation	(2,819)	(8,545)	(11,364)
Change in fair value - profit or loss*	(11,090)	(215)	(11,305)
Change in fair value - other comprehensive income*	9,876	4,127	14,003
Closing carrying amount	65,945	58,340	124,285

Refer to Note 8 for detailed fair value inputs.

* Refer to Note 2 *Plant and Equipment - bearer plants for details of restatement*

Vitalharvest Freehold Trust and its controlled entities
Notes to the financial statements (continued)
For the period 14 June 2018 to 30 June 2019

7 Borrowings

	31 December	30 June
	2019	2019
	\$'000	\$'000
NON CURRENT		
Secured liabilities		
Bank loans	95,000	95,000
Capex facility drawn	1,708	1,417
Capitalised borrowing costs	(485)	(571)
	96,223	95,846

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

At 31 December 2019 debt facilities available to the Group totalled \$110,000,000, and due to expire on 31 July 2021 (\$62,500,000) and 31 July 2023 (\$47,500,000). As at 30 June 2019 the Group had active interest rate swaps totalling 80.0% of the bank loan amount as at establishment of the facility (\$95,000,000) to manage interest rate risk. Loan amounts are provided at the Bankers' floating rate, plus a margin.

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

During the half-year ended 31 December 2019 the Group settled on the refinancing of 50% of its bank liabilities from National Australia Bank to Cooperatieve Rabobank U.A. This reduces liquidity risk for the Group should a significant favourable purchase materialise and the Group has two banks sharing the finance risk.

Bank loans are secured by first priority general security agreement over all the assets and undertakings of the Group (excluding assets held under Kathleen Drive Pty Ltd ("KD") and Kangara Community Water Pty Ltd ("KCW"). First ranking registered mortgages are over all Properties (excluding assets held by KD and KCW).

(b) Loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the period ending 31 December 2019.

Vitalharvest Freehold Trust and its controlled entities
Notes to the financial statements (continued)
For the half-year ended 31 December 2019

8 Fair value measurement

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis.

- Property, plant and equipment - bearer plants
- Investment property
- Derivative financial instruments

The Group has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy;

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

Recognised fair value measurements

The following table provides the fair value classification of those assets and liabilities held by the group that are measured either on a recurring or non-recurring basis at fair value.

31 December 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Non-financial assets</i>				
Property, plant and equipment - bearer plants	-	-	111,242	111,242
Investment property	-	-	124,189	124,189
Total non-financial assets	-	-	235,431	235,431
<i>Financial liabilities</i>				
Hedging instruments	-	8,272	-	8,272
Total non-financial assets	-	8,272	-	8,272

(a) Valuation techniques and inputs used in level 2 fair value measurements

Financial liabilities

Interest rate hedging instrument	
Fair value (\$)	8,272,000
Valuation technique	Discounted cash flows
Description of valuation technique and inputs used	The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves

8 Fair value measurement (continued)

(b) Valuation techniques, significant unobservable inputs used in level 3 fair value measurements and the relation of unobservable inputs to fair value

Non-financial assets

Bearer plants at fair value	
Fair value (\$)	111,242,000
Valuation technique	Discounted cash flows
Description of valuation technique and inputs used	Fair value is measured by reference to market rental values (annual rent per sqm) and planted land capitalised with a market capitalisation rate. The Directors determine the fair value of bearer plants as the residual value after deducting the fair value of land and water entitlements from the value of the agricultural assets
Significant unobservable inputs and range	Market capitalisation rate 7.75% - 9.00%
Relation of unobservable inputs to fair value	The higher the capitalisation rate, the lower the fair value.
Investment property at fair value	
Fair value (\$)	124,189,000
Valuation technique	Discounted cash flows
Description of valuation technique and inputs used	Fair value is measured by reference to market rental values (annual rent per sqm) and unplanted land capitalised with a market capitalisation rate.
Significant unobservable inputs and range	Market capitalisation rate 7.75% - 9.00%
Relation of unobservable inputs to fair value	The higher the capitalisation rate, the lower the fair value.

(c) Climate-related risks

The Group owns properties across three states which have been impacted to varying degrees by climate and weather events such as the ongoing drought conditions across eastern Australia and the bushfires across Australia over the 2019-20 summer. The Group is exposed to climatic conditions through Variable Rent from the citrus and berry leases and considers discounted cash flow projections in its fair value inputs. Any effect of climate change on individual production regions and systems may vary.

The Group aims to mitigate climate change risks through geographical spread, adaptation and investment in capital projects to limit downside risk in these regions. The ongoing management and continuing investment into the properties aims to reduce negative influences from climate change such as protected cropping and water efficiency capital investments.

9 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Trust if they have the ability, directly or indirectly, to control or exercise significant influence over the Trust in making financial and operating disclosures. Related parties may be individuals or other entities.

Responsible Entity

The Responsible Entity of Vitalharvest Freehold Trust is The Trust Company (RE Services) Limited (ABN 45 003 278 831). The Manager of the Trust is goFARM Asset Management Pty Ltd.

Other transactions within the Group

Rhonda Amott is general counsel to Costa Asset Management on a consultancy basis and, depending on the nature of the matter is also engaged from time to time on a consultancy basis to provide legal services to goFARM Asset Management Pty Ltd and Vitalharvest Freehold Trust.

Rhonda received the following fees in relation to the provision of legal services to the Group during the half-year in the ordinary course of business - \$92,240.

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Group since the beginning of the financial period and there were no material contracts involving Director's interests existing at period end.

Responsible Entity's/Manager's fees and other transactions

Under the terms of the Trust's Constitution, the Responsible Entity is entitled to receive a fee of up to 2% (exclusive of GST) per annum of the gross asset value of the Trust. The Manager is entitled to receive a management and performance fee at the rates stipulated in the Trust's governing documents.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the period and amounts payable at period end between the Trust and the Responsible Entity were as follows:

	Half-year ended	For the period
	31 December	14 June 2018 to
	2019	31 December
	\$'000	2018
		\$'000
Responsible Entity's fees for the period paid and payable by the Trust to the Responsible Entity	81	72
Management fees for the period paid and payable by the Trust to the Manager	319	274
Aggregate amounts payable to the Manager at reporting date	42	42
Aggregate amounts payable to the Responsible Entity at reporting date	81	72

Vitalharvest Freehold Trust and its controlled entities
Notes to the financial statements (continued)
For the half-year ended 31 December 2019

10 Earnings per unit

Basic earnings per unit are calculated on net profit attributable to unitholders of the Group divided by the weighted average number of issued units.

	Half-year ended	For the period
	31 December	14 June 2018 to
	2019	31 December
	\$'000	2018
		\$'000
Basic earnings/(loss) per unit (cents)	7.74	(4.41)
Diluted earnings/(loss) per unit (cents)	7.74	(4.41)

11 Events occurring after the reporting period

The Directors have declared an interim distribution of 3.25 cents per unit, totalling \$6,013,000 in respect of the half-year ended 31 December 2019, to be paid to unitholders on 27 March 2020.

In January 2020 bushfires burning in southern NSW impacted the Tumbarumba berry farm, which accounts for around 6% of VTH's berry plantings. Plants were not materially impacted and VTH has insurance policies covering the building infrastructure on farm that was damaged by fire.

Weather and water challenges at VTH's Corindi berry farm continued into January 2020 prior to significant rainfall events in late January 2020. As a consequence of little rainfall, run-off into the on-farm water storages and the available irrigation water supply at Corindi berry farm was low. A plan was implemented to manage the water requirements which included removal of a significant part of the current annual raspberry crop and early pruning of some of the lower value blueberry varieties to conserve the priority crop.

Other than has been disclosed above, the Directors are not aware of any event or circumstance since the end of the half-year not otherwise addressed within these interim financial statements that has affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years. The Group continues to operate as a going concern.

12 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2019 (30 June 2019: \$nil).

13 Auditor's remuneration

The auditor of the Group is Deloitte Touche Tohmatsu. The fees payable for services provided by the auditor for the half-year review are \$20,000 (31 December 2018: \$24,000).

Vitalharvest Freehold Trust and its controlled entities
Directors' declaration
For the half-year ended 31 December 2019

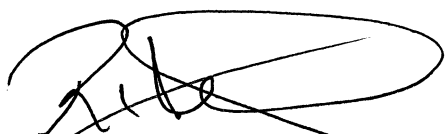
Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the interim financial statements and notes set out on pages 9 to 26 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.

- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.



Director
The Trust Company (RE Services) Limited
Sydney
27 February 2020

Independent Auditor's Review Report to the unitholders of Vitalharvest Freehold Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Vitalharvest Freehold Trust (the "Trust") and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2019, and the condensed consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the condensed consolidated statement of changes in trust funds for the six month period to 31 December 2019, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half Year Financial Report

The directors of the Trust are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Trust's financial position as at 31 December 2019 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vitalharvest Freehold Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Vitalharvest Freehold Trust, would be in the same terms if given to the directors as at the time of this auditor's review report.

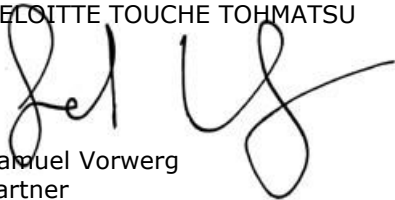
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Vitalharvest Freehold Trust is not in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for period ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Samuel Vorweg
Partner

Chartered Accountants

Melbourne, 27 February 2020



Responsible Entity:

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