Vitalharvest

FREEHOLD TRUST

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

Vitalharvest Freehold Trust
ARSN 626 537 362
Appendix 4E

Details of Reporting Period

This report is for the year ended 30 June 2020. The previous corresponding period was from 14 June 2018 to 30 June 2019 with operations recognised from acquisition date (1 August 2018) to the balance date (30 June 2019), an eleven month period.

The Directors of The Trust Company (RE Services) Limited, the Responsible Entity of Vitalharvest Freehold Trust (the "Trust") announce the audited results of Vitalharvest Freehold Trust and its controlled entities (the "Group") for the year ended 30 June 2020 as follows:

Results for announcement to the market

Key Information	Year ended 30 June 2020	Period 14 June 2018 to 30 June 2019	Increase/ (decrease) over corresponding period	
	$'000	$'000	$'000	%
Revenue from ordinary activities	14,318	15,436	(1,118)	-7%
Profit/(loss)	10,716	(19,534)	30,250	155%
Total comprehensive profit/(loss)	10,115	(5,516)	15,631	283%

Brief explanation of results

The Profit for the year of $10,716,000 represented a large increase from the prior year. The increase operating profit/(loss) for the year was a function of positive variances in Initial Public Offering related costs and change in fair value of bearer plants, investment property and interest rate swaps compared to the period ended 30 June 2019.

Distribution

An interim distribution of 3.25 cents per ordinary unit, totalling $6,013,000, was paid on 27 March 2020 with the record date of the distribution being 13 March 2020.

The Directors have declared a distribution of 1.50 cents per ordinary unit, totalling $2,775,000. The record date of the distribution is 1 July 2020 and the distribution is expected to be paid on 30 September 2020. There was no distribution reinvestment plan in operation during the year.

Distribution	Year ended 30 June 2020		Period 14 June 2018 to 30 June 2019	
	$'000	CPU	$'000	CPU
Interim distribution period ended 31 December	6,013	3.25	7,400	4.00
Final distribution period ended 30 June	2,775	1.50	3,053	1.65
Total distributions	8,788	4.75	10,453	5.65

Net Tangible Assets

	30 June 2020 $ per unit	30 June 2019 $ per unit
Net tangible asset backing per ordinary unit	0.67	0.69
Net tangible asset backing (including water rights) per ordinary unit	0.91	0.90

Control gained or lost over entities during the year

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

Details of associates and joint venture entities

The Trust had an interest in an associate, Kangara Community Water Pty Ltd, during the current year.

Other Information

The Trust is not a foreign entity.

Independent audit report

This Appendix 4E is based on the year-end financial statements which have been audited by the Trust's Auditors – Deloitte Touche Tohmatsu.

Vitalharvest Freehold Trust and its controlled entities

ARSN 626 537 362

Annual financial report
For the year ended 30 June 2020

Vitalharvest Freehold Trust and its controlled entities

ARSN 626 537 362

Annual financial report
For the year ended 30 June 2020

Contents

These financial statements cover Vitalharvest Freehold Trust and its controlled entities.

The Responsible Entity of Vitalharvest Freehold Trust is The Trust Company (RE Services) Limited (ABN 45 003 278 831). The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney, NSW 2000.

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 financial statements of the Vitalharvest Freehold Trust and its controlled entities (the "Group") for the year ended 30 June 2020.

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 and commenced operations on 1 August 2018 and the Trust's first financial year for the scheme was for the period 14 June 2018 until 30 June 2019. Comparatives for the Statement of comprehensive income, Statement of changes in equity and the Statement of cash flows correspond to the period from 14 June 2018 until 30 June 2019 with operations recognised from acquisition date (1 August 2018) to the balance date (30 June 2019), an eleven month period.

The Trust did not have any employees during the year.

The Trust is currently listed on the Australian Securities Exchange (ASX) under the ASX code VTH.

Directors' Report (continued)

Directors

The Directors of The Trust Company (RE Services) Limited during the 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:

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

Review and results of operations

During the 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.

The Group receives two forms of revenue, base rent and variable rent which exposes VTH to agricultural operations. The impacts of COVID-19 on the Group have been considered to be immaterial on the basis that demand for fresh produce has increased since the commencement of the impact of the COVID-19 pandemic and that supply of fresh produce has been largely unaffected.

The impacts of COVID-19 have been considered in relation to the valuations of the Group's investment properties and bearer plants at 30 June 2020. In particular, the key assumptions included in the Directors' valuation at the balance date, including discount rates and terminal yields have been corroborated by a limited scope independent valuation obtained by the Director's for this purpose.

Directors' Report (continued)

Results

The consolidated net profit of the Trust for the year ended 30 June 2020 amounted to $10,716,000 (2019: loss $19,534,000). The consolidated total comprehensive income of the Trust for the year ended 30 June 2020 amounted to $10,115,000 (2019: loss $5,516,000).

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

The Trust 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 year ended 30 June 2020 was $8,807,000 (2019: $10,463,000).

	Year ended 30 June 2020 $'000	For the period 14 June 2018 to 30 June 2019 $'000
Profit/(loss)	10,716	(19,534)
Plus/(Less) FFO Adjustments		
Grant income	(1,485)	(2,514)
Change in fair value of interest rate swaps	2,800	8,403
Change in fair value of investment property	(16,537)	(7,552)
Change in fair value of plant and equipment - bearer plants	1,805	11,305
Depreciation expense	11,318	11,383
Borrowing costs (amortised)	190	170
Loss on disposal of non-current assets	-	1,557
Initial Public Offering related costs	-	7,245
FFO	8,807	10,463
FFO cents per unit	4.76	5.66

The Trust intends to pay from FFO, its full year distribution in September 2020 for the year ended 30 June 2020.

	Year ended 30 June 2020	For the period 14 June 2018 to 30 June 2019
Distribution paid and payable ($'000)	8,788	10,453
Distribution (cents per unit)	4.75	5.65
Ratio of FFO paid or payable	100%	100%

Directors' Report (continued)

Financial position

At 30 June 2020, the Trust had net assets amounting to $168,182,000 (2019: $167,131,000) and total assets amounting to $285,631,000 (2019: $280,319,000).

The following depicts the net assets of the Trust:

	30 June 2020	30 June 2019
Net assets per Consolidated Statement of Financial Position ($'000)	168,181	167,131
NAV per unit ($)	0.91	0.90

Earnings per Unit

	30 June 2020	30 June 2019
Total comprehensive income/(loss) attributable to unitholders of Vitalharvest Freehold Trust ($'000)	10,115	(5,531)
Weighted average number of units on issue during the year ('000)	185,000	185,000
Basic and diluted earnings/(loss) per unit (total) (cents)	5.47	(2.99)

Significant changes in state of affairs

goFARM Holdings Pty Ltd sold its 100% interest in goFARM Asset Management Pty Ltd (goFARM), the external manager of the Vitalharvest Freehold Trust (ASX:VTH). The transaction, by way of a share sale to Primewest Group Limited (ASX:PWG), was entered into and completed on 18 June 2020. The Manager of the Trust changed its name to Primewest Agrichain Management Pty Ltd (Primewest), formerly named goFARM Asset Management Pty Ltd, and the Board was replaced with Primewest representatives, Jim Litis, David Schwartz and John Bond as Chair. goFARM Holdings and its management team will provide transitional services and support to Primewest for three months to 18 September 2020 to ensure a seamless transition to Primewest's management team. Transitional services include the provision of all services required for the orderly transition of the management services under the Management Agreement.

The Directors continue to assess the potential financial and other impacts of the coronavirus (COVID-19) outbreak to the Fund. The current high-level of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

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

Directors' Report (continued)

Valuation of investments for financial statements purposes

Details of accounting policies and valuation methodologies adopted in respect to the valuation of investments are disclosed in the financial statements.

Matters subsequent to the end of the financial year

On 31 August 2020 the Directors declared a final distribution of 1.50 cents per unit, totalling $2,775,000 in respect of the year ended 30 June 2020, to be paid to unitholders on 30 September 2020.

Other than as specified above, no matter or circumstance has arisen since 30 June 2020 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 Trust in regard to the insurance cover provided to either the officers of the Responsible Entity or the auditors of the Trust. 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 Trust 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 Trust are in no way indemnified out of the assets of the Trust.

Directors' Report (continued)

Fees paid to and interests held in the Trust by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Trust's property during the year are disclosed in Note 31 of the financial statements.

No fees were paid out of the Trust's property to the Directors during the year.

The Responsible Entity and its associates did not hold any units for the financial year.

Units in the Trust

The movement in units on issue in the Trust during the year is disclosed in Note 18 of the financial statements.

The value of the Trust's assets and liabilities is disclosed in the Statement of Financial Position and derived using the basis set out in Note 2 of the financial statements.

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 drought conditions across eastern Australia for most of the year and the bushfires across Australia over the 2019-20 summer. Since late January 2020, rainfall conditions have improved across Eastern Australia, easing the drought conditions. An individual weather event of a hail storm impacted the Citrus farms in the South Australian Riverland in November 2019.

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.

Directors' Report (continued)

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

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.

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 9.

This report 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
28 August 2020

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The 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

28 August 2020

Dear Board members

Auditor's Independence Declaration – 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 audit of the financial report of Vitalharvest Freehold Trust for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Samuel Vorwerg
Partner
Chartered Accountants

	Notes	Year ended 30 June 2020 $'000	Restated* For the period 14 June 2018 to 30 June 2019 $'000
Income			
Revenue	4	14,318	15,436
Other income	5	1,809	2,833
		16,127	**18,269**
Expenses			
Depreciation expense	6	(11,318)	(11,383)
Finance costs	6	(3,919)	(3,674)
Responsible Entity's fees		(163)	(152)
Management fees		(670)	(547)
Professional fees		(782)	(659)
Initial Public Offering related costs		-	(7,245)
Change in fair value of interest rate swaps	6	(2,800)	(8,403)
Change in fair value of investment property	11	16,537	7,552
Change in fair value of plant and equipment - bearer plants*	13	(1,805)	(11,305)
Loss on disposal of non-current assets		-	(1,557)
Other expenses		(491)	(430)
		(5,411)	**(37,802)**
Profit/(Loss)		**10,716**	**(19,534)**
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Change in fair value of bearer plants*		(601)	14,003
Reserves arising on business combination	20	-	15
Other comprehensive income/(loss)		**(601)**	**14,017**
Total comprehensive income/(loss)		**10,115**	**(5,516)**
Total comprehensive income/(loss) attributable to:			
Unitholders of Vitalharvest Freehold Trust		10,115	(5,531)
Non-controlling interests		-	15
		10,115	**(5,516)**
Earnings per unit			
Basic and diluted profit/(loss) per unit (cents)		5.47	(2.99)

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

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

		As at	
			Restated*
	Notes	**30 June 2020 $'000**	30 June 2019 $'000
Current assets			
Cash and cash equivalents	7	4,982	7,239
Trade and other receivables	8	318	6,118
Other assets	9	5	282
Total current assets		5,305	13,639
Non-current assets			
Investments accounted for using equity method	22	-	-
Intangible assets - water rights	10	43,916	39,675
Investment property	11	125,466	102,333
Property, plant and equipment	12	126	387
Property, plant and equipment - bearer plants	13	110,818	124,285
Total non-current assets		280,326	266,680
Total assets		285,631	280,319
Current liabilities			
Trade and other payables	14	1,758	3,508
Other financial liabilities	15	1,885	1,205
Other liabilities	16	2,069	5,431
Total current liabilities		5,712	10,144
Non-current liabilities			
Borrowings	17	102,420	95,846
Other financial liabilities	15	9,318	7,198
Total non-current liabilities		111,738	103,044
Total liabilities		117,450	113,188
Net assets		168,181	167,131
Trust funds			
Issued units	18	180,037	180,037
Asset Revaluation Reserve*	20	13,402	14,003
Accumulated losses	19	(25,283)	(26,934)
Trust funds attributable to unitholders of Vitalharvest Freehold		168,156	167,106
Non-controlling interests	21	25	25
Total trust funds		168,181	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*

30 June 2020	Issued units	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 year					
Profit for the year	-	10,716	-	-	10,716
Change in fair value of bearer plants	-	-	(601)	-	(601)
Total comprehensive income/(loss) for the year	-	10,716	(601)	-	10,115
Transactions with unitholders					
Distributions to unitholders	-	(9,065)	-	-	(9,065)
Total transactions with unitholders in their capacity as owners	-	(9,065)	-	-	(9,065)
Balance as at 30 June 2020	180,037	(25,283)	13,402	25	168,181

30 June 2019	Issued units	Restated accumulated losses*	Restated 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	-	(19,534)	-	-	(19,534)
Reserves arising on business combination	-	-	-	15	15
Change in fair value of bearer plants	-	-	14,003	-	14,003
Total comprehensive income/(loss) for the period	-	(19,534)	14,003	15	(5,516)
Transactions with unitholders					
Units issued during the period	185,000	-	-	-	185,000
Issue costs	(4,963)	-	-	-	(4,963)
Share capital arising on business combination	-	-	-	10	10
Distributions to unitholders	-	(7,400)	-	-	(7,400)
Total transactions with unitholders in their capacity as owners	180,037	(7,400)	-	10	172,647
Balance at 30 June 2019	180,037	(26,934)	14,003	25	167,131

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*

	Notes	**Year ended 30 June 2020 $'000**	For the period 14 June 2018 to 30 June 2019 $'000
Cash flows from operating activities			
Receipts from customers		18,804	18,206
Operating grant receipts		2,228	2,164
Payments to suppliers		(5,652)	(11,251)
Interest received		14	58
Finance costs		(3,901)	(2,787)
Net cash inflow/(outflow) from operating activities	27	11,492	6,390
Cash flows from investing activities			
Payments for investment property	11	(6,596)	(3,064)
Payments for bearer plants	13	(255)	(509)
Payments for intangible assets	10	(4,241)	-
Proceeds from sale of investment property		-	1
Net cash outflow on acquisition of assets on business combination		-	(209,782)
Net cash inflow/(outflow) from investing activities		(11,092)	(213,354)
Cash flows from financing activities			
Proceeds from issue of units		-	185,000
Costs in relation to unit issue		-	(4,963)
Proceeds from borrowings		54,520	96,417
Repayment of borrowings		(48,112)	(54,110)
Payment for debt issue costs		-	(741)
Distributions paid		(9,065)	(7,400)
Net cash inflow/(outflow) from financing activities		(2,657)	214,203
Net increase/(decrease) in cash and cash equivalents		(2,257)	7,239
Cash and cash equivalents at the beginning of the year	7	7,239	-
Cash and cash equivalents at the end of the year		4,982	7,239

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

Notes to the financial statements

1 General information

These financial statements include Vitalharvest Freehold Trust (the "Trust") and its controlled entities (the “Group”). 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 investment manager of the Trust is Primewest Agrichain Management Pty Ltd (the "Manager"). The Manager changed its name on 19 June 2020 from goFARM Asset Management Pty Ltd.

goFARM Holdings Pty Ltd sold its 100% interest in goFARM Asset Management Pty Ltd (goFARM), the external manager of the Vitalharvest Freehold Trust (ASX:VTH). The transaction, by way of a share sale to Primewest Group Limited (ASX:PWG), was entered into and completed on 18 June 2020. The Manager of the Trust changed its name to Primewest Agrichain Management Pty Ltd (Primewest), formerly named goFARM Asset Management Pty Ltd, and the Board was replaced with Primewest representatives, Jim Litis, David Schwartz and John Bond as Chair. goFARM Holdings and its management team will provide transitional services and support to Primewest for three months to 18 September 2020 to ensure a seamless transition to Primewest’s management team. Transitional services include the provision of all services required for the orderly transition of the management services under the Management Agreement.

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 financial statements of the Trust are for the year ended 30 June 2020. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors") on 28 August 2020. The Directors have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* in Australia. The Trust is a for-profit entity for the purpose of preparing the financial statements.

Historical Cost Convention

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

Fair value measurement

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Compliance with International Financial Reporting Standards

The financial statements of the Trust also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) Going Concern

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

The Group has a current asset deficiency as at 30 June 2020 of $407,000 (2019: nil). This has arisen due to timing factors relating to unearned income liabilities which are unlikely to result in cash payable. The group has strong reliability of rental income received into the future, has predictable expenditure patterns and has ability to determine its distribution amounts. At 30 June 2020 debt facilities available to the Group totalled $110,000,000 drawn to $102,420,000 therefore maintaining headroom in meeting any current obligation.

On the basis of the above, the financial statement have been approved by the Directors on a going concern basis.

(iii) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and all of the entities the parent controls. The Group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non-controlling interests. Non-controlling interests are initially recognised either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Non-controlling interests in the results of subsidiaries are shown separately in the Statement of profit or loss and other comprehensive income and Statement of financial position respectively.

2 Summary of significant accounting policies (continued)

(b) Significant accounting policies

(i) New and amended standards

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial 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.

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 year ended 30 June 2020, 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.

(ii) Significant accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements, estimates and assumptions in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Management has identified the following accounting policies for which significant judgements, estimates and assumptions are made.

- Variable rent - refer to Note 2(b)(iii)
- Non-consolidation of entities with ownership interest of more than 50% - refer to Note 2(e)
- Investment property valuation - refer to Note 2(f)
- Bearer plants valuation - refer to Note 2(g)
- Impairment of intangibles assets - refer to Note 2(i)

2 Summary of significant accounting policies (continued)

(b) Significant accounting policies (continued)

(iii) 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 calendar year.

- The first payment for the calendar year is in respect of the six-month period to 30 June and is based on 50% of the sum of the forecast EBT for the calendar year (1 January to 31 December). For the year ended 30 June 2020 the first payment was invoiced and the payment was received before 30 June 2020 calculated based on the calendar year forecast including three months actualised and nine months forecast.

- 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. A liability is recognised as at 30 June 2020 for unearned income in respect of the Variable Rent payment received exceeding the revenue recognised.

An asset is recognised for any amount receivable from the tenant in relation to Variable Rent at 30 June and 31 December each year in accordance with the contractual agreements with the tenant. As at 30 June 2020 no receivable is recognised because Variable Rent had been invoiced and payment received prior to 30 June 2020.

- At 30 June a liability is recognised for any unearned income which reflects the amount received or 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.

The Variable Rent totalling $4,691,000 (2019: $6,833,000) has been calculated based on financial information provided by the tenant for the year ended 30 June 2020.

2 Summary of significant accounting policies (continued)

(b) Significant accounting policies (continued)

(iv)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 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 is 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.

2 Summary of significant accounting policies (continued)

(iv)Restatement: Plant and equipment - bearer plants (continued)

Statement of profit or loss and other comprehensive income (extract)

	As originally stated For the period 14 June 2018 to 30 June 2019 $'000	Increase / (Decrease) $'000	Restated For the period 14 June 2018 to 30 June 2019 $'000
Change in fair value of plant and equipment - bearer plants	2,698	(14,003)	(11,305)
	(23,800)	**(14,003)**	**(37,802)**
Profit/(loss) for the period	**(5,531)**	**(14,003)**	**(19,534)**
Reserves arising on revaluation - bearer plants	-	14,003	14,003
Other comprehensive income/(loss)	**15**	**14,003**	**14,017**
Total comprehensive income/(loss)	**(5,516)**	**-**	**(5,516)**

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

2 Summary of significant accounting policies (continued)

(c) Cash and cash equivalents

Cash comprises deposits held at banks. Cash equivalents are short-term, highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(d) Trade and other receivables

Trade and other receivables arise from the Trust's transactions with its customer and are normally settled within 30 days.

Consistent with both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost, except when the effect of discounting is not material, in which case the financial asset is carried at its nominal amount. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

The Group has chosen to apply the simplified approach under AASB 9 to measuring impairment provisions for receivables, including lease receivables. Under the AASB 9 Financial Instruments simplified approach, the Group determines the impairment provision for receivables on the basis of the lifetime expected credit losses of the receivable. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the receivable.

All investment property is leased by one tenant which is listed on the ASX and has no history of default on payments to the Group. The risk of impairment is assessed to be negligible.

(e) Financial Assets - Investments in associates and joint ventures

Financial assets comprises investments in associates and joint ventures. Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about the relevant activities are required. Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations of the parties to the arrangement.

The group's interest in joint ventures are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits or losses of the joint venture are recognised in the group's profit or loss and the group's share of the joint venture's other comprehensive income is recognised in the group's other comprehensive income.

2 Summary of significant accounting policies (continued)

(e) Financial Assets - Investments in associates and joint ventures (continued)

Non-consolidation of entities with ownership interest of more than 50%

The Group owns 64.7955% of the shares in Kangara Community Water Pty Ltd ("KCW"), which represents the relative proportion of the land that is watered from the KCW Dam. Under its Constitution all decisions of the Board must be passed by 80% or more of the votes with one vote per share. As a consequence, the Group does not control KCW and KCW has been recognised in the financial statements of the Group as a joint arrangement.

(f) Investment Property

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

Investment property is initially recorded at cost. After initial measurement, the Trust adopts the fair value model and investment properties are carried at fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses. Gains or losses arising from a change in the fair value of investment properties are recognised immediately in profit or loss.

The Directors consider independent valuations and market evidence where appropriate to determine the fair value to adopt. Independent valuations are undertaken by independent valuers who hold recognised and relevant qualifications and have recent experience in the location and category of the investment properties being valued. Independent valuations are obtained in accordance with the predetermined schedule, or more often where appropriate, ensuring that each property will have been independently valued every three years. Independent valuations are not obtained on the remaining properties where the Directors deem there has been no material change to the industry and geographical conditions of the properties in which the independent valuers previously assessed these assets.

Investment property valuation

At each balance date the Directors update their assessment of fair value of each property, taking into account the most recent independent valuations. The Directors determine a property’s value within a range of reasonable fair value estimates.

The main level 3 inputs used by the Trust include discount rates and terminal yields estimated in the respective valuations based on comparable transactions and industry data. Changes in level 3 fair values are analysed at each reporting date during the valuation discussion between management and external valuers. Refer to Note 24 for details of fair value measurements.

2 Summary of significant accounting policies (continued)

(f) Investment Property (continued)

The Variable Rent portion of rental income generated from properties is a key assumption. Variable rent is based on 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. 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 methodology for this key assumption.

(g) 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.

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Bearer plants valuation

At each balance date the Directors update their assessment of fair value of bearer plants, taking into account the most recent independent valuations. The Directors determine a bearer plants' value within a range of reasonable fair value estimates.

The main level 3 inputs used by the Group include discount rates and terminal yields estimated in the respective valuations based on comparable transactions and industry data. Changes in level 3 fair values are analysed at each reporting date during the valuation discussion between management and external valuers. Refer to Note 24 for details of fair value measurements.

(h) Plant and equipment

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

2 Summary of significant accounting policies (continued)

(i) Intangible assets - water rights

Indefinite useful life intangible assets are tested annually for impairment. Determining whether an intangible asset is impaired requires an estimation of the recoverable amount of the intangible asset.

Water Rights

The Group owns permanent water rights are recorded at historical cost less accumulated impairment losses. Water rights are an indefinite life intangible asset because Management consider water rights to have indefinite useful lives because water rights have no legal term or expiry date. The carrying value is tested annually for impairment as well as for possible reversal of impairment. If events or changes in circumstances indicate impairment, or reversal of impairment, the carrying value is adjusted to take account of impairment losses.

Where developed water markets and entitlements are actively traded for a class this is used to determine a water right's recoverable amount. Where no appropriate market evidence exists to determine recoverable amount, Directors take into account the most recent independent valuation and consider that they remain a reasonable estimate. When independent valuations on the Group’s properties are obtained, independent valuation reports contain information with which judgement is applied in order to allocate values to investment property, bearer plants and intangible assets.

(j) Trade and other payables

Payables include liabilities and accrued expenses owed by the Trust which are unpaid as at the end of the reporting period. Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

2 Summary of significant accounting policies (continued)

(k) Borrowings

Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, in which case the costs are capitalised until the asset is ready for its intended use or sale.

(l) Financial liabilities at fair value through profit or loss - Derivatives

(i)Classification

The Trust holds derivative financial instruments to mitigate its risk exposures from interest rate movements. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

(ii)Recognition/derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Trust has transferred substantially all risks and rewards of ownership.

(iii)Measurement

Financial assets and liabilities at fair value through profit or loss

At initial recognition, the Trust measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the year in which they arise.

2 Summary of significant accounting policies (continued)

(m) Revenue

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

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

Variable rental income is recognised when the right to receive variable rental income has been established. Refer to Note 2(b)(iii).

Grant income is recognised in the profit and loss over the year in which the conditions attached to the grant are satisfied.

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

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

(n) Expenses

All expenses, including management fees, Responsible Entity's fees, administration fees and custody fees, are recognised in the Statement of profit or loss and other comprehensive income on an accrual basis.

(o) Income tax

Under current legislation, the Trust is not subject to income tax as unitholders are presently entitled to the income of the Trust.

(p) 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 the assets transferred to the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

2 Summary of significant accounting policies (continued)

(q) Business combinations (continued)

The Group's assets and liabilities acquired through business combination were valued at fair value. The fair value of investment property, bearer plants and water rights were established based on an independent valuation. At the acquisition date, the identifiable assets acquired and the liabilities assumed were recognised at their fair value.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a business combination-by-business combination basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in AASB 3.

(r) Goods and services tax (GST)

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

(a) 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

(b) 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 within operating cash flows.

(s) Comparatives

Pursuant to ASIC Instrument 18-1141, the Trust's first financial year for the scheme was for the period 14 June 2018 until 30 June 2019. As a result of the Trust being a shell as at 30 June 2018 (with the IPO occurring on 1 August 2018) this necessitated the need for ASIC relief in order to extend the first financial year for the Trust beyond the normal 12-month period. Hence comparatives for the Statement of comprehensive income, Statement of changes in equity and the Statement of cash flows correspond to the period from 14 June 2018 until 30 June 2019 with operations recognised from acquisition date (1 August 2018) to the balance date (30 June 2019), an eleven month period. For the Statement of financial position, the previous corresponding date is 30 June 2019.

2 Summary of significant accounting policies (continued)

(t) 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.

(u) Climate-related and other emerging risks

The Trust considers where climate-related risk and other emerging risks affects any amounts recognised or disclosed in the financial statements in an agricultural environment. The Trust considers where this may be relevant for accounting estimates including assumptions used to arrive at a fair value estimate and potential impairment. Currently the Trust deems there is no material impact on fair values or impairment as a result of climate-related risk due to the Trust actively undertaking projects to mitigate this risk such as protected cropping and water efficiency capital investments.

(v) COVID-19 related risks

The impacts of COVID-19 have been considered in relation to the valuations of the Group's investment properties and bearer plants at 30 June 2020. In particular, the key assumptions included in the Directors' valuation at the balance date, including discount rates and terminal yields have been corroborated by a limited scope independent valuation obtained by the Director's for this purpose.

The Group receives two forms of revenue, base rent and variable rent which exposes VTH to agricultural operations. The impacts of COVID-19 on the Group have been considered to be immaterial on the basis that demand for fresh produce has increased since the commencement of the impact of the COVID-19 pandemic and that supply of fresh produce has been largely unaffected.

3 Financial risk management

(a) Overview

The Trust's activities expose it to a variety of financial risks. The management of these risks is undertaken by the Trust's Manager who has been appointed by the Responsible Entity under a Management Agreement to manage the Trust's assets in accordance with the Investment Objective and Strategy.

3 Financial risk management (continued)

The Responsible Entity has in place a framework which includes:

- The Manager providing the Responsible Entity with regular reports on their compliance with the Management Agreement;
- Completion of regular reviews on the Service Provider which may include a review of the Manager's risk management framework to manage the financial risks of the Trust; and
- Regular reporting on the liquidity of the Trust in accordance with the Trust's Liquidity Risk Management Statement.

The Trust's Manager has in place a framework to identify and manage the financial risks in accordance with the investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments in the Trust. Specific controls the Manager applies to manage the financial risks are detailed under each risk specified below.

The Trust's investing activities expose it to the following risks from its use of financial instruments:

- market risk (interest rate risk),
- liquidity risk, and
- fair values compared with carrying amounts.

The Trust's financial instruments as at the reporting date are classified for measurement purposes as follows:

	30 June 2020 $'000	30 June 2019 $'000
Financial assets		
Cash and cash equivalents	4,982	7,239
Trade receivables	311	868
Other receivables	7	5,250
	5,300	13,357
Financial liabilities		
Bank loans	102,420	95,846
Trade creditors	89	285
Accrued expenses	1,110	837
Other payables	559	2,386
Financial liabilities at fair value through profit or loss	11,202	8,403
	115,380	107,757

3 Financial risk management (continued)

(b) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group's interest risk exposure is limited to cash and borrowings at floating rates. Interest rate swaps are used to hedge movement in interest rates. The Group's exposure to interest rate risk in relation to future cashflows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Interest rate risk is managed using a floating rate debt and through the use of interest rate swap contracts. The Group does not speculate in the trading of derivative instruments.

As at 30 June 2020	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
Financial assets					
Cash	4,982	-	-	4,982	0.25%
Trade and other receivables	-	-	318	318	-
Total financial assets	4,982	-	318	5,300	
Financial liabilities					
Bank loans	102,420	-	-	102,420	2.38%
Trade and other payables	-	-	1,758	1,758	-
Financial liabilities at fair value through profit or loss	-	11,202		11,202	4.23%
Total Financial liabilities	102,420	11,202	1,758	115,380	

As at 30 June 2019	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
Financial assets					
Cash	7,239	-	-	7,239	1.00%
Trade and other receivables	-	-	6,118	6,118	-
Total financial assets	7,239	-	6,118	13,357	
Financial liabilities					
Bank loans	95,846	-	-	95,846	3.17%
Trade and other payables	-	-	3,508	3,508	-
Financial liabilities at fair value	-	8,403		8,403	4.22%
Total Financial liabilities	95,846	8,403	3,508	107,757	

3 Financial risk management (continued)

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

As at 30 June 2020 the Group had active interest rate swaps totalling 80.0% of the drawn down balance (excluding the capex facility) to manage interest rate risk. Loan amounts are provided at the Bankers' floating rate, plus a margin.

(b) Liquidity risk

Liquidity risk is the risk that the Trust may not be able to generate sufficient cash resources to settle its obligations in full as they fall due and can only do so on terms that are materially disadvantageous.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Refer to Note 17(b) for any defaults and breaches.

Maturity analysis

The table below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

2020	< 6 months	6-12 months	1-5 years	5-10 years	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000
Payables	1,758	-	-	-	1,758	1,758
Borrowings	-	-	102,825	-	102,825	102,825
Financial liabilities at fair value through profit or loss	942	942	6,870	2,449	11,203	11,203
Net maturities	2,700	942	109,695	2,449	115,785	115,786

2019	< 6 months	6-12 months	1-5 years	5-10 years	Total contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000
Payables	3,508	-	-	-	3,508	3,508
Borrowings	-	-	96,417	-	96,417	96,417
Financial liabilities at fair value through profit or loss	603	603	4,688	2,509	8,403	8,403
Net maturities	4,111	603	101,105	2,509	108,328	108,328

3 Financial risk management (continued)

(c) Fair values compared with carrying amounts

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in condensed consolidated statement of financial position and notes to financial statements.

4 Revenue

	Year ended 30 June 2020 $'000	For the period 14 June 2018 to 30 June 2019 $'000
Base rent	9,613	8,545
Variable rent	4,690	6,832
Interest	15	59
	14,318	15,436

5 Other income

Outgoings recovered	324	318
Grant income	1,485	2,514
Other income	-	1
	1,809	2,833

6 Operating Profit

Profit / (losses) before income tax has been determined after:

Finance costs		
- Interest expense	3,729	3,504
- Borrowing costs (amortised)	190	170
	3,919	3,674
Depreciation		
- Plant and equipment	2	19
- Bearer plants	11,316	11,364
	11,318	11,383
Loss on fair value adjustments		
- Financial liabilities at fair value through profit and loss	2,800	8,403

7 Cash and cash equivalents

	30 June 2020 $'000	30 June 2019 $'000
Cash at bank	4,982	7,239
	4,982	7,239

8 Trade and other receivables

CURRENT		
Trade debtors	311	868
Other receivables		
Accrued variable rental income	-	4,646
Other debtors	7	604
	318	6,118

The Trust provides for impairment loss based on the lifetime expected credit losses of the receivable. The impairment at 30 June 2020 is nil (2019: nil)

9 Other current assets

Prepayments	5	4
Property deposits	-	278
	5	282

10 Intangible assets - water rights

	30 June 2020 $'000	30 June 2019 $'000
Water rights at cost	43,916	39,675

(a) Reconciliations

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

Water rights at cost		
Opening balance	39,675	-
Additions through business combination	-	41,232
Additions	4,241	-
Disposals	-	(1,557)
Closing balance	43,916	39,675

(b) Impairment tests for intangible assets with indefinite useful lives

The following intangibles have been assessed as having indefinite useful lives:
- Water rights

Water rights and entitlements are recorded at historical cost less accumulated impairment losses and are not depreciated. The carrying value is tested annually for impairment. If events or changes in circumstances indicate impairment, the carrying value is adjusted to take account of impairment losses. The book value of the water rights at 30 June 2020 is $43,916,000 (2019: $39,675,000)

Refer to Note 2(i) for details of impairment testing.

11 Investment property

	30 June 2020 $'000	30 June 2019 $'000
Investment property at fair value		
Opening carrying amount	102,333	-
Additions through business combination	-	91,995
Additions	6,596	2,786
Change in fair value of investment property	16,537	7,552
Closing carrying amount	125,466	102,333

The Group undertake regular valuations of investments properties. Such valuations will take into account any of the interests of any leases granted for use of property by third parties. The fair value of the investment properties will be reviewed by the Responsible Entity at each reporting date. The Responsible Entity may determine the requirement for a valuation at any time but has adopted a valuation program where the investment property is independently valued once every three years so that over the course of three years all of the properties are revalued. Changes in market conditions may necessitate more frequent independent valuations of the Property Portfolio.

(a) Amounts recognised in profit and loss for investment properties

Base rent	9,613	8,545
Variable rent	4,690	6,832
	14,303	15,377

(b) Leasing arrangements

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

Within one year	9,759	9,401
Later than one year but not later than 5 years	39,035	37,604
Later than 5 years	9,955	18,998
	58,749	66,003

Variable rent component is based on a profit share of the tenant's earnings from the properties. Variable rent is calculated annually and payable semi-annually based on forecast and actual EBT for the tenant.

11 Investment property (continued)

(c) Change in fair value

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

The Group receives two forms of revenue, base rent and variable rent which exposes VTH to agricultural operations. The impacts of COVID-19 on the Group have been considered to be immaterial on the basis that demand for fresh produce has increased since the commencement of the impact of the COVID-19 pandemic and that supply of fresh produce has been largely unaffected.

The impacts of COVID-19 have been considered in relation to the valuations of the Group's investment properties and bearer plants at 30 June 2020. In particular, the key assumptions included in the Directors' valuation at the balance date, including discount rates and terminal yields have been corroborated by a limited scope independent valuation obtained by the Director's for this purpose.

2020	Citrus property $'000	Berry property $'000	Total $'000
Opening net book amount	50,550	51,783	102,333
Additions through business combination	-	-	-
Additions	2,031	4,565	6,596
Change in fair value	3,187	13,350	16,537
Closing net book amount	55,768	69,698	125,466

2019	Citrus property $'000	Berry property $'000	Total $'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	50,550	51,783	102,333

(d) 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 terminal yield, the lower the fair value

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

12 Property, plant and equipment

	30 June 2020 $'000	30 June 2019 $'000
Land and buildings		
Land and buildings at cost	131	131
Accumulated depreciation	(5)	(2)
	126	129
Plant and equipment		
Plant and equipment at cost	-	275
Accumulated depreciation	-	(17)
	-	258
Total property, plant and equipment	126	387

(a) Reconciliations

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

Land and buildings		
Opening carrying amount	129	-
Additions through business combination	-	131
Depreciation expense	(3)	(2)
Closing carrying amount	126	129
Plant and equipment		
Opening carrying amount	258	-
Additions through business combination	-	275
Depreciation expense	-	(17)
Disposal	(258)	-
Closing carrying amount	-	258

13 Property, plant and equipment - bearer plants

	30 June 2020 $'000	30 June 2019 $'000
Bearer plants	110,818	124,285
	110,818	124,285

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

The bearer plants are measured at fair value. Any change in the carrying amount above cost is recognise in asset revaluation reserve, and any decrease in the carrying amount below cost is recognised in the Statement of profit or loss and other comprehensive income.

(a) Reconciliations

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

Property, plant and equipment - bearer plants

2020	Citrus property $'000	Berry property $'000	Total $'000
Opening carrying	65,945	58,340	124,285
Additions through business combination	-	-	-
Additions	245	10	255
Depreciation	(3,018)	(8,298)	(11,316)
Change in fair value - profit or loss	1,890	(3,695)	(1,805)
Change in fair value - other comprehensive	2,797	(3,398)	(601)
Closing carrying	67,859	42,958	110,818

2019	Citrus property $'000	Berry property $'000	Total $'000
Opening carrying	-	-	-
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	9,876	4,127	14,003
Closing carrying	65,945	58,340	124,285

Refer to Note 24 for detailed fair value inputs.

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

13 Property, plant and equipment - bearer plants (continued)

When the Trust was listed on the ASX the capital paid for units was above the fair value of the independent assets. This was treated as an uplift to property related assets and apportioned across investment property and bearer plants as part of the AASB 3 PPA assessment.

14 Trade and other payables

	30 June 2020 $'000	30 June 2019 $'000
CURRENT		
Unsecured liabilities		
Trade creditors	89	285
GST Input Credits	132	(13)
Amounts payable to Costa Asset Management	-	1,999
Other payables	427	-
Income tax payable	-	400
Accrued expenses	1,110	837
	1,758	3,508

15 Financial liabilities at fair value through profit or loss

	30 June 2020 $'000	30 June 2019 $'000
CURRENT		
Financial liabilities at fair value through profit or loss		
Interest rate swaps	1,885	1,205
NON CURRENT		
Financial liabilities at fair value through profit or loss		
Interest rate swaps	9,318	7,198

Interest rate swaps are classified as 'financial liabilities at fair value through profit or loss'. Although the Trust uses derivative financing instruments in economic hedges of interest rate risk, it does not hedge account for these transactions.

All of the Trust's derivative financial instruments that are not designated as hedging instruments in accordance with AASB 9 are accounted for at fair value through profit and loss.

16 Other current liabilities

	30 June 2020 $'000	30 June 2019 $'000
CURRENT		
Rent received in advance	814	785
Unearned income - variable rental income	1,255	4,646
	2,069	5,431

17 Borrowings

	30 June 2020 $'000	30 June 2019 $'000
NON-CURRENT		
Secured liabilities		
Bank loans	95,000	95,000
Capex facility drawn	7,825	1,417
Capitalised borrowing costs	(405)	(571)
	102,420	95,846

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

At 30 June 2020 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 2020 the Group had active interest rate swaps totalling 80.0% (2019: 80.0%) of the bank loans to manage interest rate risk. Loan amounts are provided at the Bankers' floating rate, plus a margin.

During the year 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 year ended 30 June 2020.

18 Issued units

		30 June 2020 $'000	30 June 2019 $'000
Issued units	(a)	180,037	180,037

(a) Issued and paid up units

	Number ('000)	**$ ('000)**
2020		
Opening balance	185,000	180,037
Units issued	-	-
Issue costs capitalised	-	-
Closing balance	185,000	180,037
2019		
Opening balance	-	-
Units issued	185,000	185,000
Issue costs capitalised	-	(4,963)
Closing balance	185,000	180,037

Capital management

When managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to unitholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

19 Accumulated losses

	30 June 2020 $'000	30 June 2019 $'000
Accumulated losses at beginning of the year	(26,934)	-
Net profit/(loss)	10,716	(19,534)
Distributions Paid	(9,065)	(7,400)
	(25,283)	(26,934)

On 30 September 2019, the Trust paid a distribution of $3,052,500 (1.65 cents per unit).

On 28 March 2020, the Trust paid a distribution of $6,013,000 (3.25 cents per unit).

20 Asset Revaluation Reserve

	30 June 2020 $'000	30 June 2019 $'000
Accumulated reserves at beginning of the year	14,003	-
Change in fair value of bearer plants	(601)	14,003
	13,402	14,003

21 Non-controlling interests

Capital	10	10
Reserves	15	15
	25	25

22 Interests in associates and joint arrangements

(a) Associates and Joint Ventures

Investments in associates and joint ventures are accounted for using the equity method. Interests are held in the following associated companies:

Associate	Nature of relationship	Ownership interest 30 June 2020 %	Measurement basis	Quoted fair value (if available) 30 June 2020
Kangara Community Water Pty Ltd	Interest	64.7955	Equity accounted	-

Country of incorporation: Australia

23 Interests in subsidiaries

(a) Subsidiaries

The following are the Group's significant subsidiaries:

Subsidiaries of Vitalharvest Freehold Trust:	**Country of incorporation**	**Ownership interest held by the group** **30 June 2020 $’000** %	**Ownership interest held by NCI** **30 June 2020 $’000** %
Vitalharvest Leasehold Trust	Australia	100	-
Vitalharvest Finance Trust	Australia	100	-
Vitalharvest Pty Ltd	Australia	100	-
Vitalharvest Finance Pty Ltd	Australia	100	-
Kathleen Drive Pty Ltd	Australia	86	14

Ownership interest are the same as voting rights for all subsidiaries.

24 Fair value measurement

The Trust 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 Trust 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)

(i)Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting year without any deduction for estimated future selling costs.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(ii) Valuation techniques used to derive level 2 and level 3 fair value

The fair value of financial assets and liabilities that are not exchange-traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(iii) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to unitholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of borrowings (note 17) and equity of the Group comprising issued capital, reserves, retained earnings and non-controlling interests (notes 18 to 21).

24 Fair value measurement (continued)

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting year applicable for an instrument with similar terms and conditions.

The determination of what constitutes 'observable' requires significant judgment by management. Management consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

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.

2020	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Non-financial assets				
Property, plant and equipment - bearer plants	-	-	110,818	110,818
Investment property	-	-	125,466	125,466
Total non-financial assets	-	-	236,284	236,284
Financial liabilities				
Hedging instruments	-	11,203	-	11,203
Total non-financial assets	-	11,203	-	11,203

2019	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Non-financial assets				
Property, plant and equipment - bearer plants	-	-	124,285	124,285
Investment property	-	-	102,333	102,333
Total non-financial assets	-	-	226,618	226,618
Financial liabilities				
Hedging instruments	-	8,403	-	8,403
Total non-financial assets	-	8,403	-	8,403

24 Fair value measurement (continued)

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

Financial liabilities

Interest rate hedging instrument	
Fair value ($)	11,203,000
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

(c) 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 ($)	110,818,000
Valuation technique	Discounted cash flows
Description of valuation technique and inputs used	Fair value is measured by reference to market rental values and discounted cash flows resulting from the leases. The Directors determine the fair value of bearer plants and land as the residual value after deducting the water entitlements from the value of the agricultural assets.
Significant unobservable inputs and range	Discount rate 9.25% - 10.00%
Relation of unobservable inputs to fair value	The higher the discount rate, the lower the fair value.

Investment property at fair value	
Fair value ($)	125,466,000
Valuation technique	Discounted cash flows
Description of valuation technique and inputs used	Fair value is measured by reference to market rental values and discounted cash flows resulting from the leases.
Significant unobservable inputs and range	Discount rate 9.25% - 10.00%
Relation of unobservable inputs to fair value	The higher the discount rate, the lower the fair value.

24 Fair value measurement (continued)

(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.

(d) COVID-19

The Group is exposed to the impacts of COVID-19 through Variable Rent from the citrus and berry leases. The impacts of COVID-19 on the Group have been considered to be immaterial on the basis that demand for fresh produce has increased since the commencement of the impact of the COVID-19 pandemic and that supply of fresh produce has been largely unaffected.

25 Auditor’s remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Trust:

	30 June 2020	30 June 2019
	$	$
Deloitte Touche Tohmatsu		
Audit or review of financial reports	79,500	119,500
Statutory assurance services required by legislation to be provided by the auditor	-	-
Other assurance and agreed-upon procedures under other legislation or contractual arrangements	11,000	51,000
	90,500	170,500
PricewaterhouseCoopers		
Other services:		
- Compliance Plan Audit	2,475	2,475

26 Segment information

The Group operates as a single operating segment and internal management reporting systems present financial information as a single segment. The segment derives rental income from long term lease contracts of agricultural property situated in Australia to wholly owned subsidiaries of Costa Group Holdings Ltd ACN 151 363 129 (ASX Code: CGC) being the Group's only customer.

27 Reconciliation of loss to net cash from operating activities

	Year ended 30 June 2020 $'000	For the period 14 June 2018 to 30 June 2019 $'000
(a) Reconciliation of cash		
Cash at bank	4,982	7,239
(b) Reconciliation of cash flow from operations with profit after		
Profit / (loss) from ordinary activities after income tax	10,716	(19,534)
Adjustments and non-cash items		
Depreciation	11,318	11,383
Net gain on disposal of financial instruments	-	(1)
Loss on disposal of other non-current assets	-	1,557
Fair value adjustment to financial instruments	2,800	8,403
Change in fair value of investment property	(16,537)	(7,552)
Change in fair value of plant and equipment - bearer plants	1,805	11,305
Amortisation on borrowing costs	190	170
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	5,799	3,347
(Increase) / decrease in other assets	-	(4)
Increase / (decrease) in payables	(1,237)	(8,115)
Increase / (decrease) in other liabilities	(3,363)	5,431
Net cash inflow/(outflow) from operating activities	11,492	6,390

28 Business Combination

On 2 August 2018, the Group acquired 100% of the share capital of Vitalharvest Pty Ltd from Costa Asset Management Pty Ltd ATF Costa Asset Management Unit Trust.

The primary reason for the business combination was to offer the assets to outside investors and thereby provide Unitholders with exposure to agricultural assets whose earnings profile and underlying value benefit from growing global demand for healthy nutritious food.

Details of the purchase consideration	**$'000**
Consideration - Initial	209,803
Consideration - Subsequent	1,978
Total purchase consideration	211,781

Assets and liabilities acquired

	Recognised on acquisition at fair value $'000
Assets and liabilities acquired as a result of the business combination were:	
Assets and liabilities held at acquisition date:	
Trade receivables and other receivables	9,465
Investment properties	91,836
Bearer plants	132,333
Water rights	41,232
Plant and equipment	427
Cash	226
Other liabilities	(9,628)
Bank debts	(54,110)
	211,781
Non-controlling interests	24
Total purchase consideration	211,805

Transaction costs

Transaction costs of $12.47 million were incurred in relation to the acquisition. These costs are included with Initial Public Offering related costs expenses in the Statement of profit or loss and other comprehensive income and with units issued in the Statement of financial position.

29 Parent entity details

Summarised presentation of the parent entity, Vitalharvest Freehold Trust, financial statements:

(a) Summarised statement of financial position

	30 June 2020 $'000	30 June 2019 $'000
Assets		
Current assets	93	218
Non-current assets	171,223	171,218
Total assets	171,316	171,436
Liabilities		
Current liabilities	174	183
Non-current liabilities	7,041	7,210
Total liabilities	7,215	7,393
Net assets	164,101	164,043
Equity		
Trust funds	180,037	180,037
Retained earnings	(15,936)	(15,994)
Total equity	164,101	164,043

(b) Summarised statement of comprehensive income

	Year ended 30 June 2020	For the period 14 June 2018 to 30 June 2019
Profit/(loss)	9,123	(8,594)
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss)	9,123	(8,594)

30 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.

Total comprehensive income/(loss) attributable to unitholders of Vitalharvest Freehold Trust	10,115	(5,531)
Weighted average number of units on issue during the period ('000)	185,000	185,000
Basic and diluted profit/(loss) per unit (cents)	5.47	(2.99)

31 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 Trustee is a wholly owned subsidiary in the Perpetual Limited Group (ASX: PPT). Perpetual Corporate Trust Limited, a related party of the Trustee, provides custody services to the Trust. Amounts presented under the Responsible Entity fees include fees paid for Responsible Entity services and custody services. The Manager of the Trust is Primewest Agrichain Management Pty Ltd (formerly named goFARM Asset Management Pty Ltd).

Key management personnel

(a)Directors

Key management personnel includes persons who were Directors of the Responsible Entity at any time during the financial year as follows:

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

31 Related party transactions (continued)

Key personnel for the provision of the services under the Management Agreement to the Trust are:

- John Bond - Director (Primewest Agrichain Management Pty Ltd) appointed 19 June 2020
- David Schwartz - Director (Primewest Agrichain Management Pty Ltd) appointed 19 June 2020
- Jim Litis - Director (Primewest Agrichain Management Pty Ltd) appointed 19 June 2020
- David Creasy - CFO (Primewest Agrichain Management Pty Ltd)
- Nick Anthony – Accounts Manager (Trust), Finance Manager (goFARM Asset Management Pty Ltd)
- Liza Whitmore – Director (goFARM Asset Management Pty Ltd) resigned 18 June 2020, CEO (Costa Asset Management)
- Liam Lenaghan – Managing Director (goFARM Asset Management Pty Ltd) resigned 18 June 2020
- Ken Gillespie – Director (goFARM Asset Management Pty Ltd) resigned 18 June 2020
- Richard Bligh – Chief Operating Officer (goFARM Asset Management Pty Ltd)
- Rhonda Arnott – General Counsel (goFARM Asset Management Pty Ltd) resigned 18 June 2020, Director (Costa Asset Management)

(b) Other key management personnel

There were no other persons responsible for planning, directing and controlling the activities of the Trust, directly or indirectly during the financial year.

Key management personnel unitholdings

During or since the end of the year, none of the Directors or Director related entities or Key Personnel under the Management Agreement held units in the Trust, either directly, indirectly or beneficially.

Neither the Responsible Entity nor its affiliates held units in the Trust at the end of the year.

Key management personnel compensation

Key management personnel do not receive any remuneration directly from the Trust. They receive remuneration from a related party of the Responsible Entity in their capacity as Directors or employees of the Responsible Entity or its related parties or the Manager or its related parties.

Consequently, the Trust does not pay any compensation to its key management personnel. Payments made from the Trust to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

31 Related party transactions (continued)

Key management personnel loan disclosures

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

Other transactions within the Trust

Rhonda Arnott 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 fees in relation to the provision of legal services to the Group during the year in the ordinary course of business totalling $181,089 (2019: $91,860).

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Trust since the end of the previous financial year and there were no material contracts involving Director's interests existing at year 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 for managing the Trust and making it available to investors. 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 year and amounts payable at year end between the Trust and the Responsible Entity were as follows:

	30 June 2020 $'000	30 June 2019 $'000
Responsible Entity's fees for the year paid and payable by the Trust to the Responsible Entity	163	152
Management fees for the year paid and payable by the Trust to the Manager	670	547
Aggregate amounts payable to the Manager at reporting date	-	42
Aggregate amounts payable to the Responsible Entity at reporting date	91	48

31 Related party transactions (continued)

Related party unitholdings

Parties related to the Trust (including The Trust Company (RE Services) Limited, its related parties and other schemes managed by The Trust Company (RE Services) Limited), hold no units in the Trust.

Investments

The Trust did not hold any investments in The Trust Company (RE Services) Limited or of its affiliates or funds managed by Primewest Agrichain Management Pty Ltd (formerly named goFARM Asset Management Pty Ltd) during the year.

32 Events occurring after year end

On 31 August 2020 the Directors declared a final distribution of 1.50 cents per unit, totalling $2,775,000 in respect of the year ended 30 June 2020, to be paid to unitholders on 30 September 2020.

Other than as specified above, no matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2020, of the Group, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2020, of the Group.

33 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2020 (2019: nil).

The without prejudice discussion with Costa Group Holding Limited (ASX:CGC) in relation to the disputes as to the format and transparency of the financial information being provided by CGC under the terms of its leases (as previously disclosed in VTH market announcement on 30 August 2019), continue.

During the course of these without prejudice discussion VTH has become aware of a specific issue in relation to the category of Royalties generated under CGC’s licensing arrangements from R&D and berry genetics developed on VTH farms, in particular at Corindi NSW, that should be included in the Variable Rent calculation. The amount of any misallocation of Royalties is under investigation and accordingly cannot be quantified at this point in time. However, VTH anticipates that any impact on the Variable Rent arising from the miscalculation of Royalties, if this was found to be the case, will be a positive impact and will not result in any loss to VTH.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 10 to 55 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 30 June 2020 and of its performance, for the financial year ended on that date,

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

(c) note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Director

Sydney
28 August 2020

Deloitte.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vitalharvest Freehold Trust (the "Trust") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity 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 2020 and of its financial performance for the period 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 (including Independence Standards)* (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 directors of The Trust Company (RE Services) Limited (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

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.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter

Valuation of investment properties
(Refer to note 11) $125.466m
 	
Investment properties are carried at fair value.
 	
All agricultural assets, which comprise investment properties, bearer plants and water entitlements, have been externally valued in the last twelve months. The Citrus agricultural assets were externally valued at 30 June 2019 and the Berry agricultural assets were externally valued at 31 December 2020.
 	
At 30 June 2020, an internal valuation specialist completed the following for all of the Citrus and Berry agricultural assets:
• Prepared an internal valuation model for the assets.
• Obtained an external independent desktop valuation to support key valuation assumptions included in the internal valuation models.
• Considered whether any significant market indicators suggested that the valuation has changed and as such an updated external valuation is needed.
 	
Significant assumptions in the valuation model included discount rates, terminal capitalisation rates and market yields.
 	
Factors such as prevailing market conditions, and the individual nature, condition, location and the expected future income of these properties impacted these variables.
	In conjunction with our valuation specialists, our procedures included, but were not limited to:
	• Compared a sample of inputs used in the valuation model, such as rental income and lease terms, to the relevant tenancy schedules and lease agreements.
	• Inspected the final internal valuation reports and agreed the fair value as per the valuation to the value recorded in the Group's accounting records.
	• Challenged the appropriateness of the valuation techniques and the assumptions used, including discount rates, terminal capitalisation rates and market yields used in the valuation models with reference to industry practice, external market data and the external desktop valuations.
	• In relation to the external desktop valuations we:
	  ○ Assessed the competency, independence and objectivity of the external valuers used by the Group.
	  ○ Compared the inputs used in the desktop valuations including discount rates, terminal capitalisation rates and market yields to those used in the internal valuation specialist's valuation models.
	
	We have also assessed the appropriateness of the disclosures in Note 11 to the financial statements.

Valuation of Bearer Plants (Refer to note 13) $110.818m The Group's bearer plants include citrus and berry trees, which are classified as plant and equipment and carried at fair value. The valuations described in the Valuation of investment properties in the first KAM are determined for the agricultural assets as a whole. The valuers also determine the value of the investment property in isolation. Consequently, the directors determine the fair value of bearer plants as the residual value after deducting the fair value of land and the value of water entitlements from the value of the agricultural assets. For reference, water entitlements are carried at historic cost and assessed for impairment annually.	In addition to the audit procedures described in the Valuation of investment properties KAM above, our procedures included, but were not limited to: • Reperformed the calculation of the fair value of bearer plants, by deducting the fair value of land and the value of water entitlements from the fair value of the agricultural asset. • Assessed the methodology used to account for the value of bearer plants to confirm it was in line with the requirements of the relevant accounting standards. We have also assessed the appropriateness of the disclosures in Note 13 to the financial statements.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Signficant judgement is applied due to the; • Inherently subjective nature and sensitivity of the internal valuations of agricultural assets due to the use of assumptions and estimates • Size of the bearer plants on the consolidated statement of financial position, and • Quantum of revaluation gains/losses from bearer plant that could directly impact other comprehensive income.	

Other Information

The directors of the Responsible Entity (the "Directors") are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors 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 ability of the Group 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

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detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the 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.

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Samuel Vorwerg
Partner
Chartered Accountants
Melbourne, 28 August 2020

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