



Vitalharvest

FREEHOLD TRUST

INTERIM REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Vitalharvest Freehold Trust
ARSN 626 537 362
Appendix 4D

Details of Reporting Period

This interim report is for the half-year from 1 July 2020 to 31 December 2020.

The Directors of The Trust Company (RE Services) Limited, the Responsible Entity of Vitalharvest Freehold Trust (the "Trust") announce the reviewed results of Vitalharvest Freehold Trust and its controlled entities (the "Group") for the half-year ended 31 December 2020 as follows:

Results for announcement to the market

Key Information	Half-year ended 31 December 2020 \$'000	Half-year ended 31 December 2019 \$'000
Revenue from ordinary activities	13,788	9,453,000
Profit/(loss) for the period	15,952	14,317,684
Total comprehensive profit/(loss) for the period	23,696	12,135

Distribution

A conditional distribution is payable for the six months ended 31 December 2020 (see note 11 to the financial statements for the half year ended 31 December 2020). The record date of the distribution is expected to be 10 March 2021 and the distribution is expected to be paid on 17 March 2021. There was no dividend reinvestment plan in operation during the period.

	Half-year ended 31 December 2020	Half-year ended 31 December 2019
Distribution		
Interim distribution – period ended 31 December 2020 (CPU)	2.50	3.25
Interim distribution – period ended 31 December 2020 (\$'000)	4,625	6,013

Net Tangible Assets

	31 December 2020 \$ per unit	30 June 2020 \$ per unit
Net tangible asset backing per ordinary unit	0.78	0.69
Net tangible asset backing (including water rights) per ordinary unit	1.02	0.90

Other Information

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

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

The Trust is not a foreign entity.

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

Vitalharvest Freehold Trust and its controlled entities

ARSN 626 537 362

Interim report

For the half-year ended 31 December 2020

Vitalharvest Freehold Trust and its controlled entities

ARSN 626 537 362

Interim report

For the half-year ended 31 December 2020

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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made in respect of Vitalharvest Freehold Trust during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Level 18 Angel Place
123 Pitt Street
Sydney NSW 2000

Directors' Report

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity (the "Responsible Entity") of Vitalharvest Freehold Trust (the "Trust"). The directors of the Responsible Entity (the "Directors") present their report together with the interim financial statements of Vitalharvest Freehold Trust and its controlled entities (the "Group") for the half-year ended 31 December 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 (ASX:VTH) and commenced operations on 1 August 2018.

The Trust did not have any employees during the period.

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

Directors

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

Name	Date of appointment/resignation
Glenn Foster	Resigned as a Director on 23 October 2020. Appointed as a Non-Executive Director on 1 February 2021
Vicki Riggio	
Phillip Blackmore	Alternate Director for Vicki Riggio
Richard McCarthy	
Simone Mosse	

Directors' Report (continued)

Review and results of operations

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

Results

The consolidated net profit of the Group for the half-year ended 31 December 2020 amounted to \$15,953,000. The consolidated total comprehensive income of the Group for the half-year ended 31 December 2020 amounted to \$23,696,000.

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

The Group holds agricultural property and bearer plants at fair value and water entitlements at cost. After adjusting for the effects of certain costs and non-cash accounting adjustments such as fair value adjustments, impairment charges, depreciation, amortisation of upfront debt costs and other non distributable items such as grant income, the funds from operations (FFO) for the half-year ended 31 December 2020 was \$9,724,000, inclusive of \$1,548,000 of transaction costs related to the MIRA proposal.

	Half-year ended	Half-year ended
	31 December	31 December
	2020	2019
	\$'000	\$'000
Profit/(loss) for the period	15,952	14,319
<i>Plus/(Less) FFO Adjustments</i>		
Grant income	-	(1,485)
Change in fair value of interest rate swaps	(775)	(130)
Change in fair value of investment property	(6,647)	(16,962)
Change in fair value of plant and equipment - bearer plants	(4,245)	4,925
Depreciation expense	5,343	5,946
Borrowing costs (amortised)	96	93
FFO	9,724	6,706
FFO cents per unit	5.26	3.62

Vitalharvest Freehold Trust and its controlled entities
Directors' Report (continued)
For the half-year ended 31 December 2020

Directors' Report (continued)

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

	Half-year ended 31 December 2020	Half-year ended 31 December 2019
Distribution payable (\$'000)	4,625	6,013
Distribution (cents per unit)	2.50	3.25
Ratio of FFO paid or payable	48%	90%

The 2.5c per unit distribution for the half year ended 31 December 2020 is conditional upon the meeting of Vitalharvest Freehold Trust (to consider the scheme implementation deed entered into by the responsible entity on 17 November, or in the alternative the asset sale transaction) being held on or before 15 March 2021, subject to possible limited extension. The Responsible Entity currently expects this timing condition to be met (refer to section below titled "Matters subsequent to the end of the financial period").

Financial position

At 31 December 2020, the Group had net assets amounting to \$189,102,000 and total assets amounting to \$304,966,000.

The following depicts the net assets of the Group:

	31 December 2020	31 December 2019
Net assets per Statement of Financial Position (\$'000)	189,102	176,212
NAV per unit (\$)	1.02	0.95

Significant changes in state of affairs

On 9 November 2020 the Responsible Entity for the Trust announced that it had received a conditional proposal from an agricultural fund managed by Macquarie Infrastructure and Real Assets (MIRA) to acquire all of the issued units in the Trust at \$1.00 per unit, by way of a trust scheme, or failing approval of the trust scheme the purchase of the assets of the Trust for a cash consideration of \$300 million.

On the 17 November 2020 the Responsible Entity for the Trust announced that it had entered into a scheme implementation deed with Macquarie Agricultural Funds Management Limited ("MAFM") as trustee of Macquarie Agricultural Fund - Crop Australia 2, to acquire all of the issued units in the Trust at \$1.00 per unit by way of a trust scheme ("Trust Scheme") or if the trust scheme is not approved by the requisite majority of unitholders, the purchase of the assets of the Trust for a cash consideration of \$300 million ("Asset Sale").

Matters subsequent to the end of the financial period

On 1 February 2021 the Responsible Entity of the Trust announced that it had negotiated with MAFM, on behalf of unitholders, that MAFM agreed to waive a restriction under the scheme implementation deed to permit the payment of a distribution to unitholders of 2.5c per unit for the half year ended 31 December 2020. The Responsible Entity announced that a unitholders meeting will be held on 4 March 2021, with a view to implementing the Trust Scheme or completing the Asset Sale (as applicable) by around the end of the first quarter of calendar year 2021.

Directors' Report (continued)

On 1 February 2021 Glenn Foster was appointed as a Non-Executive Director.

The directors are not aware of any event or circumstance since 31 December 2020 not otherwise addressed within the Directors Report that has affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in the future.

Likely developments and expected results of operations

The board of directors of the Responsible Entity of the Trust unanimously recommends that, in the absence of a superior proposal, unitholders vote in favour of the Trust Scheme, subject to the Independent Expert concluding and continuing to conclude that the scheme is fair and reasonable to, and in the best interests of unitholders, and the Asset Sale (subject to the Independent Expert concluding and continuing to conclude that the Asset Sale is fair and reasonable to, and in the best interests of unitholders), on the basis that it will only be implemented if the Trust Scheme is not approved by the requisite majority of unitholders.

The Trust's largest unitholder, Primewest Management Ltd as responsible entity for the Primewest Property Fund ("Primewest") which controls the votes representing approximately 19.87% of the total units on issue, has indicated to the Responsible Entity that, subject to no superior proposal emerging, it intends to vote in favour of the Trust Scheme.

Primewest Agrichain Management Pty Ltd the manager of the Trust and a wholly owned subsidiary of Primewest have entered into a Facilitation Deed that will see the manager novate the management agreement for the Trust to MAFM if the Trust Scheme is implemented for a fee of \$8 million. The Facilitation Deed is conditional on the Trust Scheme being approved by the requisite majority of unitholders.

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

Indemnification and insurance of officers and auditors

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

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

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

Units in the Trust

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

Directors' Report (continued)

Climate-related risks

The results of the Group's operations can be affected by weather and climate risks through agricultural exposure. The Group owns properties across three states which have in the past been impacted to varying degrees by climate and weather events.

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

Environmental regulation

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

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

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

Rounding of amounts to the nearest thousand dollars

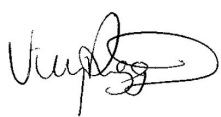
The Trust is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have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

Directors' Report (continued)

Auditor's Independence Declaration

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

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

A handwritten signature in black ink, appearing to be 'Vital', with a large, stylized loop at the end.

Director
The Trust Company (RE Services) Limited
Sydney
24 February 2021

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

24 February 2021

Dear Board members

Auditor's Independence Declaration to Vitalharvest Freehold Trust

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

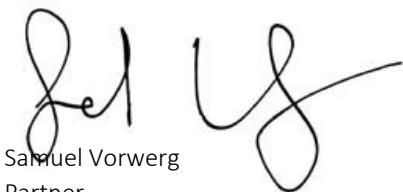
As lead audit partner for the review of the financial report of Vitalharvest Freehold Trust for the period ended 31 December 2020 I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Samuel Vorweg
Partner
Chartered Accountants

Vitalharvest Freehold Trust and its controlled entities
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

		Half-year ended	Half-year ended
		31 December	31 December
		2020	2019
	Notes	\$'000	\$'000
Income			
Revenue	3	13,788	9,453
Other income		348	1,800
Total income		14,136	11,253
Expenses			
Depreciation expense		(5,343)	(5,946)
Finance costs		(1,899)	(1,987)
Responsible Entity's fees		(282)	(81)
Management fees		(355)	(276)
Professional fees		(1,585)	(392)
Change in fair value of interest rate swaps		775	130
Change in fair value of investment property	5	6,647	16,962
Change in fair value of bearer plants	6	4,245	(4,925)
Other expenses		(386)	(420)
Total expenses		1,816	3,065
Profit/(loss) for the period		15,952	14,318
Other comprehensive income			
Change in fair value of bearer plants		7,744	(2,184)
Other comprehensive income/(loss)		7,744	(2,184)
Total comprehensive income/(loss)		23,696	12,135
Total comprehensive income/(loss) attributable to:			
Unitholders of Vitalharvest Freehold Trust		23,697	12,136
Non-controlling interests		(1)	(1)
		23,696	12,135
Earnings per unit			
Basic earnings/(loss) per unit (cents)		8.62	7.74
Diluted earnings/(loss) per unit (cents)		8.62	7.74

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

Vitalharvest Freehold Trust and its controlled entities
Statement of financial position
As at 31 December 2020

		As at	
		31 December	30 June
		2020	2020
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents		2,513	4,982
Trade and other receivables		7,451	318
Other assets		2	5
Total current assets		9,966	5,305
Non-current assets			
Investments accounted for using equity method		-	-
Intangible assets	4	43,916	43,916
Investment property	5	133,494	125,466
Property, plant and equipment		125	126
Property, plant and equipment - bearer plants	6	117,464	110,818
Total non-current assets		295,000	280,326
Total assets		304,966	285,631
Current liabilities			
Trade and other payables		2,070	1,758
Borrowings	7	55,325	-
Other financial liabilities		1,932	1,885
Other liabilities		852	2,069
Total current liabilities		60,179	5,712
Non-current liabilities			
Borrowings	7	47,191	102,420
Other financial liabilities		8,495	9,318
Total non-current liabilities		55,686	111,738
Total liabilities		115,865	117,450
Net assets		189,102	168,181
Issued units		180,037	180,037
Asset revaluation reserve		21,146	13,402
Accumulated losses		(12,104)	(25,283)
Trust funds attributable to unitholders of Vitalharvest		189,079	168,156
Non-controlling interests		24	25
Total trust funds		189,102	168,181

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

Vitalharvest Freehold Trust and its controlled entities
Statement of changes in trust funds
For the half-year ended 31 December 2020

31 December 2020	Issued units \$'000	Accumulated losses \$'000	Asset revaluation reserve \$'000	Non- controlling interest \$'000	Total \$'000
Balance as at 1 July 2020	180,037	(25,283)	13,402	25	168,181
Comprehensive income/(loss) for the period					
Profit for the period	-	15,953	-	(1)	15,952
Change in fair value of bearer plants	-	-	7,744	-	7,744
Total comprehensive income/(loss) for the period	-	15,953	7,744	(1)	23,696
Transactions with unitholders					
Distributions to unitholders	-	(2,775)	-	-	(2,775)
Total transactions with unitholders in their capacity as owners	-	(2,775)	-	-	(2,775)
Balance at 31 December 2020	180,037	(12,104)	21,146	24	189,102
31 December 2019	Issued units \$'000	Accumulated losses \$'000	Asset revaluation reserve \$'000	Non- controlling interest \$'000	Total \$'000
Balance as at 1 July 2019	180,037	(26,934)	14,003	25	167,131
Comprehensive income/(loss) for the period					
Profit for the period	-	14,319	-	(1)	14,318
Change in fair value of bearer plants	-	-	(2,184)	-	(2,184)
Total comprehensive income/(loss) for the period	-	14,319	(2,184)	(1)	12,134
Transactions with unitholders					
Distributions to unitholders	-	(3,053)	-	-	(3,053)
Total transactions with unitholders in their capacity as owners	-	(3,053)	-	-	(3,053)
Balance at 31 December 2019	180,037	(15,668)	11,819	24	176,212

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

Vitalharvest Freehold Trust and its controlled entities
Statement of cash flows
For the half-year ended 31 December 2020

	Half-year ended	Half-year ended
	31 December	31 December
Notes	2020	2019
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	5,884	11,549
Operating grant receipts	-	2,173
Payments to suppliers	(1,861)	(4,633)
Interest received	-	11
Finance costs	(1,772)	(2,050)
Net cash inflow/(outflow) from operating activities	<u>2,251</u>	<u>7,050</u>
Cash flows from investing activities		
Payments for investment property	(1,945)	(4,616)
Payments for bearer plants	-	(10)
Payments for intangible assets	-	(314)
Proceeds from sale of property, plant and equipment	-	259
Net cash inflow/(outflow) from investing activities	<u>(1,945)</u>	<u>(4,681)</u>
Cash flows from financing activities		
Proceeds from borrowings	-	48,403
Repayment of borrowings	-	(48,112)
Distributions paid	(2,775)	(3,053)
Net cash inflow/(outflow) from financing activities	<u>(2,775)</u>	<u>(2,761)</u>
Net increase/(decrease) in cash and cash equivalents	(2,469)	(392)
Cash and cash equivalents at the beginning of the period	4,982	7,239
Cash and cash equivalents at the end of the period	<u>2,513</u>	<u>6,847</u>

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

Vitalharvest Freehold Trust and its controlled entities
Notes to the financial statements
For the half-year ended 31 December 2020

Notes to the financial statements

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1 General information

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

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

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

The Responsible Entity is incorporated and domiciled in Australia.

The investment manager of the Trust is Primewest Agrichain Management Pty Ltd (the "Manager").

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

The interim financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors") on 24 February 2021. The Directors have the power to amend and reissue the interim financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2020 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the half year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

2 Summary of significant accounting policies (continued)

(b) Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied to the Trust's financial statements for the year ended 30 June 2020, unless otherwise stated in the following text.

Going Concern

The consolidated financial statements for the Vitalharvest Freehold Trust and its controlled entities has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

As at 31 December 2020 the Trust had net current asset deficiency of \$50,213,000. Current liabilities include \$55,325,000 of drawn bank borrowings, from a borrowing facility of \$62,500,000 which is due to expire on 31 July 2021 (refer Note 7). Preliminary negotiations to refinance these borrowing prior to 31 July 2021 were suspended in November 2020 following the proposal received from MAFM to acquire all the issued units of the Trust for \$185,000,000 (the "Trust Scheme"), or if the trust scheme is not approved by the requisite majority of unitholders, the purchase of the assets of the Trust for a cash consideration of \$300 million ("Asset Sale") (refer Note 11).

The directors of the Responsible Entity are confident that in the event that the Trust Scheme and the Asset Sale are not approved by the requisite majority of unitholders at the meeting to be held in March 2021 there will be adequate time to negotiate the refinancing of the borrowing facility prior to 31 July 2021. The Trust has complied with all financial covenants of its borrowing facilities to date, including interest cover covenants and loan to valuation ratios. In the event the Trust Scheme is not approved, but the Asset Sale is approved, the total bank borrowing facility (\$102,825,000 as at 31 December 2020), and associated interest rate swap liabilities (\$10,427,000 as at 31 December 2020) will be repaid in full out of the sale proceeds of \$300,000,000.

Variable Rent

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

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

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

2 Summary of significant accounting policies (continued)

(b) Significant accounting policies

Variable Rent (continued)

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

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

In applying the Group's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The Group has made an estimate in its recognition of Variable Rent for the half-year ended 31 December 2020. The Variable Rent totalling \$8,674,000 (31 December 2019: \$4,691,000) has been calculated based on financial information provided by the tenant for the half-year ended 31 December 2020 which the Directors have determined to be a reasonable estimate. Historical data, past experience with information provided by the tenant, current operational information provided by the tenant and the Manager's own assessment based on its agricultural experience supports the Directors' judgement that the financial information provided by the tenant is the best estimate of this amount at the balance date.

2 Summary of significant accounting policies (continued)

(b) Significant accounting policies

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.

(c) Rounding of amounts

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

Vitalharvest Freehold Trust and its controlled entities
Notes to the financial statements (continued)
For the half-year ended 31 December 2020

3 Revenue

	Half-year ended	Half-year ended
	31 December 2020 \$'000	31 December 2019 \$'000
Base rent	5,114	4,751
Variable rent	8,674	4,691
Interest revenue	-	11
	<u>13,788</u>	<u>9,453</u>

4 Intangible assets

	31 December 2020 \$'000	30 June 2020 \$'000
Water rights at cost	<u>43,916</u>	<u>43,916</u>

(a) Reconciliations

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

Water rights at cost		
Opening balance	43,916	39,675
Additions	-	4,241
Disposals	-	-
Closing balance	<u>43,916</u>	<u>43,916</u>

5 Investment property

	31 December 2020 \$'000	30 June 2020 \$'000
Investment property at fair value		
Opening carrying amount	125,466	102,333
Additions	1,381	6,596
Change in fair value of investment property	6,647	16,537
	<u>133,494</u>	<u>125,466</u>

5 Investment property (continued)

(a) Change in fair value

Internal valuations as at 31 December 2020 were prepared by the Manager and have been reviewed and approved by the directors. In assessing the valuations to be adopted the directors have considered both (a) the asset sale proposal received from MAFM to acquire 100% of the assets of the Trust for an amount of \$300 million (refer Note 11), as well as (b) independent valuations of both the berry and citrus properties dated 1 December 2020. These valuations were commissioned by the Independent Expert pursuant to the report commissioned by the directors for an independent expert opinion as to whether or not the scheme and asset sale proposals received from MAFM are fair and reasonable (refer Note 11). Some of the assumptions adopted in these independent valuations do not comply with the relevant Australian Accounting Standard AASB 140 "Investment Properties", and therefore the directors have adopted certain different valuation assumptions in assessing the property valuations to be adopted for the purposes of the financial statements for the half year ended 31 December 2020.

For the half-year ended 31 December 2020	Citrus property \$'000	Berry property \$'000	Total \$'000
Opening net book amount	55,768	69,698	125,466
Additions	-	1,380	1,380
Change in fair value	300	6,347	6,647
Closing net book amount	56,068	77,425	133,494

For the year ended 30 June 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

(b) Fair value measurement of investment property

The relationship of unobservable inputs to fair value are:

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

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

Vitalharvest Freehold Trust and its controlled entities
Notes to the financial statements (continued)
For the half-year ended 31 December 2020

6 Property, plant and equipment - bearer plants

	31 December 2020 \$'000	30 June 2020 \$'000
Bearer plants	117,464	110,818
	117,464	110,818

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

(a) Reconciliations

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

Property, plant and equipment - bearer plants

For the half-year ended 31 December 2020	Citrus property \$'000	Berry property \$'000	Total \$'000
Opening carrying amount	67,624	43,193	110,818
Additions	-	-	-
Depreciation	(1,529)	(3,813)	(5,343)
Change in fair value - profit or loss	1,521	2,724	4,245
Change in fair value - other comprehensive income	308	7,436	7,744
Closing carrying amount	67,924	49,540	117,464

For the year ended 30 June 2020	Citrus property \$'000	Berry property \$'000	Total \$'000
Opening carrying amount	65,945	58,340	124,285
Additions	10	245	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 income	2,797	(3,398)	(601)
Closing carrying amount	67,624	43,194	110,818

Refer to Note 8 for detailed fair value inputs.

Vitalharvest Freehold Trust and its controlled entities
Notes to the financial statements (continued)
For the half-year ended 31 December 2020

7 Borrowings

	31 December 2020 \$'000	30 June 2020 \$'000
CURRENT		
Bank loans	47,500	-
Capex facility drawn	7,825	-
Total	<u>55,325</u>	<u>-</u>
NON CURRENT		
Secured liabilities		
Bank loans	47,500	95,000
Capex facility drawn	-	7,825
Capitalised borrowing costs	(309)	(405)
Total	<u>47,191</u>	<u>102,420</u>

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

At 31 December 2020 debt facilities available to the Group totalled \$110,000,000 (drawn amount - \$102,825,000, undrawn capex facility -\$7,175,000). \$62,500,000 of the facility is due to expire on 31 July 2021 and \$47,500,000 of the facility is due to expire on 31 July 2023. As at 31 December 2020 the Group had active interest rate swaps totalling 80.0% of the bank loan amount as at establishment of the facility (\$95,000,000) to manage interest rate risk. Loan amounts are provided at the Bankers' floating rate, plus a margin.

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

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

(b) Loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the period ending 31 December 2020.

8 Fair value measurement

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

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

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

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

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

Recognised fair value measurements

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

31 December 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Non-financial assets</i>				
Property, plant and equipment - bearer plants	-	-	117,464	117,464
Investment property	-	-	133,494	133,494
Total non-financial assets	-	-	250,959	250,959
<i>Financial liabilities</i>				
Hedging instruments	-	10,427	-	10,427
Total financial liabilities	-	10,427	-	10,427

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

Financial liabilities

Interest rate hedging instrument

Valuation technique	Discounted cash flows
Description of valuation technique and inputs used	The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves

8 Fair value measurement (continued)

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

Non-financial assets

Bearer plants at fair value	
Fair value (\$)	117,464,000
Valuation technique	Discounted cash flows
Description of valuation technique and inputs used	Fair value is measured by reference to market rental values (annual rent per sqm) and planted land capitalised with a market capitalisation rate. The Directors determine the fair value of bearer plants as the residual value after deducting the fair value of land and water entitlements from the value of the agricultural assets
Significant unobservable inputs and range	Discount rate 7.50% - 8.20%
Relation of unobservable inputs to fair value	The higher the discount rate, the lower the fair value.
Investment property at fair value	
Fair value (\$)	133,494,000
Valuation technique	Discounted cash flows
Description of valuation technique and inputs used	Fair value is measured by reference to market rental values (annual rent per sqm) and unplanted land capitalised with a market capitalisation rate.
Significant unobservable inputs and range	Discount rate 7.50% - 9.00%
Relation of unobservable inputs to fair value	The higher the discount rate, the lower the fair value.

(c) Climate-related risks

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

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

9 Related party transactions

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

Responsible Entity & Manager

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

Other transactions within the Group

No key management personnel have entered into a material contract with the Group since the beginning of the financial period and there were no material contracts involving Director's interests existing at period end.

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

Under the terms of the Trust's Constitution, the Responsible Entity is entitled to receive a fee 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 period and amounts payable at period end between the Trust and the Manager and the Responsible Entity were as follows:

	Half-year ended 31 December 2020 \$'000	Half-year ended 31 December 2019 \$'000
Responsible Entity's fees for the period paid and payable by the Trust to the Responsible Entity	282	81
Management fees for the period paid and payable by the Trust to the Manager	355	319
Aggregate amounts payable to the Manager at reporting date	-	42
Aggregate amounts payable to the Responsible Entity at reporting date	250	81

10 Earnings per unit

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

	Half-year ended 31 December 2020 \$'000	Half-year ended 31 December 2019 \$'000
Basic earnings/(loss) per unit (cents)	8.62	7.74
Diluted earnings/(loss) per unit (cents)	8.62	7.74

11 Events occurring after the reporting period

On the 17 November 2020 the Responsible Entity for the Trust announced that it had entered into a scheme implementation deed with Macquarie Agricultural Funds Management Limited ("MAFM") as trustee of Macquarie Agricultural Fund - Crop Australia 2, to acquire all of the issued units in the Trust at \$1.00 per unit by way of a trust scheme ("Trust Scheme") or if the trust scheme is not approved by the requisite majority of unitholders, the purchase of the assets of the Trust for a cash consideration of \$300 million ("Asset Sale").

On 1 February 2021 the Responsible Entity of the Trust announced that it had negotiated with MAFM, on behalf of unitholders, that MAFM agreed to waive a restriction under the scheme implementation deed to permit the payment of a distribution to unitholders of 2.5c per unit for the half year ended 31 December 2020. The Responsible Entity also noted that a unitholders meeting will be held as soon as practical and prior to 15 March 2021, with a view to implementing the Trust Scheme, or completing the Asset Sale (as applicable) by around the end of the first quarter of 2021.

On 1 February 2021 Glenn Foster was appointed as a non-executive director.

The Directors are not aware of any event or circumstance since the end of the financial half year not otherwise addressed within these interim financial statements, that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in future financial periods. The Trust continues to operate as a going concern.

12 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2020 (30 June 2020: \$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 provided by CGC under the terms of the leases continue (as previously disclosed in VTH market announcement on 30 August 2019). VTH anticipates that if there is any impact arising from the resolution of these discussions, it will be a positive financial impact and will not result in any loss to VTH.

13 Auditor's remuneration

The auditor of the Group is Deloitte Touche Tohmatsu. The fees payable for services provided by the auditor for the half-year review are \$40,000 (31 December 2019: \$20,000).

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the interim financial statements and notes set out on pages 9 to 26 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Director
The Trust Company (RE Services) Limited.
Sydney
24 February 2021

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Vitalharvest Freehold Trust (the "Trust") and its controlled entities (the "Group"), which comprises the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in the trust funds for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Directors' Responsibilities for the Half-year Financial Report

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

Auditor's Responsibilities for the Review of the Half-year Financial Report

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read 'S. Vorwerg', with a long horizontal stroke extending to the right.

Samuel Vorwerg
Partner

Chartered Accountants

Melbourne, 24 February 2021



Responsible Entity:

The Trust Company (RE Services) Limited

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