



Vitalharvest

FREEHOLD TRUST

FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDING 31 DECEMBER 2018

Vitalharvest Freehold Trust
ARSN 626 537 362

Appendix 4D

Reporting Period

Reporting Period	Half Year Ended 31 December 2018
Previous Reporting Period	This is the first period of operations of the Trust and hence there are no prior period comparatives.

Results for announcement to the market

Key Information	Half year ended 31 December 2018 \$'000
Revenue from ordinary activities	12,411
Profit/(loss) for the period	(8,156)
Total comprehensive profit/(loss) for the period	(8,141)

Distribution

The Directors have declared a distribution of 4.0 cents per ordinary unit, totalling \$7,400,000. The record date of the distribution is 14 March 2019 and the distribution is expected to be paid on 28 March 2019. There was no distribution reinvestment plan in operation during the period.

Distribution	Cents per unit	Franking
Interim distribution – half year ended 31 December 2018	4.0	0%

Net Tangible Assets

Net tangible asset backing per ordinary unit	Half-year ended 31 December 2018 \$ per unit
Net tangible asset backing per ordinary unit	0.71
Net tangible asset backing (including water rights) per ordinary unit	0.93

Further Information

During the period the Trust purchased all of the shares in Vitalharvest Pty Ltd from Costa Asset Management Pty Ltd as trustee for the Costa Asset Management Unit Trust (Transaction) and undertook a restructure resulting in Vitalharvest Leasehold Trust (the Trust's wholly owned sub trust) owning citrus and berry farms, water rights (Initial Assets) and the shares in Kathleen Drive Pty Ltd (78% of A Class and 88% of B Class shares) and Kangara Community Water Pty Ltd (64.8% ordinary shares) (Restructure).

Additional Appendix 4D disclosure requirements can be found in the notes to the Consolidated Interim Financial Statements, the interim Directors' Report and Half Year Results Announcement.

**Vitalharvest Freehold Trust
and its controlled entities**

**(Trustee: The Trust Company (RE
Services) Limited)**

(ACN: 003 278 831)

Consolidated financial report
For the half year ended 31 December
2018

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This interim report covers 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) (AFSL 235150).

The Responsible Entity's registered office is:
Level 18
123 Pitt Street
Sydney, NSW 2000.

**VITALHARVEST FREEHOLD TRUST
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

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 Trust for the half year ended 31 December 2018.

Summary of ASIC relief – Change of Balance Date

Pursuant to ASIC Instrument 18-1141, the Trust's first half year for the scheme is for the period 14 June 2018 until 31 December 2018. 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 half year for the Trust beyond the normal 6-month period. Hereafter each half year period for the Trust will be from 1 July to 31 December in each calendar year.

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's investment and growth strategies will be to focus on mature, operating agricultural assets which are:

- strategically located in productive farming locations in Australia and New Zealand
- leased to quality operators/managers
- diversified by crop, geography and tenant
- subject to long-term leases and attractive lease terms
- adhere to capital structure and capital management considered by the Manager to be appropriate for the Trust and consistent with the investment objective and strategy of the Trust.

The Trust's mandate is to pursue synergistic acquisitions, divestments and investment opportunities in Australia and New Zealand.

The Trust currently owns the following 3 citrus properties:

- Kangara (SA) – approximately 856 planted hectares of mandarins, oranges, lemons, avocado and persimmons.
- Yandilla (SA) – approximately 596 planted hectares of mandarins, grapefruit, oranges, lemons, avocados and wine grapes.
- Solara (SA) – approximately 441 planted hectares of mandarins, grapefruit and oranges.

The Trust currently owns the following 4 berry properties:

- Corindi (NSW) – approximately 281 planted hectares of blueberries and raspberries.
- Tumbarumba (NSW) – approximately 23 planted hectares of blueberries.
- 9 Mile (TAS) – approximately 49 planted hectares of blueberries and raspberries.
- Dunorlan (TAS) – approximately 17 planted hectares of blackberries.

The Trust currently owns 13,302.25 ML of various water entitlements across the berry and citrus properties.

**VITALHARVEST FREEHOLD TRUST
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

Directors' Report (continued)

The Trust derives income from leasing these well established, operationally proven and strategically located citrus and berry properties to the tenant, ASX-listed Costa Group (ASX:CGC) – Australia's leading horticultural company and fresh produce supplier.

Under the terms of the leases for the berry and citrus properties, the Trust receives 2 components of rent:

- Base Rent: calculated on the basis of original acquisition costs of the properties plus the landlord's contribution to capex on the properties during the term of the lease, and
- Variable Rent: calculated on the basis of the EBIT derived by the tenant from the businesses operated on the berry and citrus properties.

The Trust listed on the ASX (VTH:ASX) 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 period.

Directors

The Directors of The Trust Company (RE Services) Limited during the period 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	Appointed as a Director on 31 July 2015
Christopher Green	Resigned as Director on 17 October 2018
Michael Vainauskas	Appointed as a Director on 2 March 2015
Andrew McIver	Appointed as Alternate Director for Michael Vainauskas on 13 January 2017
Vicki Riggio	Appointed as a Director on 20 April 2018
Gillian Larkins	Resigned as Alternate Director for Glenn Foster on 12 October 2018
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on 6 July 2018 Resigned as Alternate Director for Christopher Green on 17 October 2018
Richard McCarthy	Appointed as a Director on 17 October 2018

VITALHARVEST FREEHOLD TRUST
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Directors' Report (continued)

Review and results of operations

During the period, 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 loss after income tax of the Trust for the half year ended 31 December 2018 amounted to \$8,156,228. The consolidated total comprehensive loss of the Trust for the half year ended 31 December 2018 amounted to \$8,141,355.

The Trust holds agricultural property and bearer plants at fair value and water entitlements at cost. After adjusting for the effects of certain costs including the establishment of the Trust, the Restructure (as defined in 'Significant Changes In State Of Affairs' section on page 4 of this Report) and the Trust's initial public offering), and non-accounting cash 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 period ending 31 December 2018 was \$8,239,007.

Funds from operations (FFO)

The performance of the Trust, as represented by the results of its operations, was as follows:

	31 December 2018
	\$'000
Net loss after income tax	(8,156)
Loss of fair value adjustment	3,484
Depreciation	5,141
Amortisation - borrowing costs	77
Impairment movements	1,557
Grant related income	(1,372)
Transaction costs	7,508
FFO	8,239
FFO cents per unit	4.45

The Trust intends to pay from FFO, its first distribution in March 2019 for the period ending 31 December 2018.

Financial position

At 31 December 2018, the Trust had net assets amounting to \$171,904,893 and total assets amounting to \$283,283,036.

The following depicts the net assets of the Trust.

31 December 2018

Net assets per Consolidated Statement of Financial Position (\$'000)	171,905
NAV per unit	0.93

**VITALHARVEST FREEHOLD TRUST
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

Directors' Report (continued)

Banking Facilities

The core debt facilities of the Trust are \$95.0 million, which as at 31 December 2018 were fully drawn. The Trust also has a 3-year \$15.0 million capital expenditure (CapEx) facility, which was undrawn at 31 December 2018.

The Trust has interest rate swaps with its financiers to mitigate against interest rate risk. At 31 December 2018, the Trust had active interest rate swaps totaling 80% of the core debt with a weighted average expiry term of 7.46 years.

Earnings per Unit

	31 December 2018
Net loss after income tax for the period (\$'000)	(8,156)
Weighted average number of units on issue during the period ('000)	185,000
Basic and diluted earnings per unit (total) (cents)	(4.41)

Indirect Cost Ratio

The indirect cost ratio (ICR) is the ratio of the Trust's management costs over the Trust's net assets value for the relevant period, expressed as a percentage. The ICR for the Trust as at 31 December 2018 was 0.40%.

Significant changes in state of affairs

During the period the Trust purchased all of the shares in Vitalharvest Pty Ltd from Costa Asset Management Pty Ltd as trustee for the Costa Asset Management Unit Trust (Transaction) and undertook a restructure resulting in Vitalharvest Leasehold Trust (the Trust's wholly owned sub trust) owning citrus and berry farms, water rights (Initial Assets) and the shares in Kathleen Drive Pty Ltd and Kangara Community Water Pty Ltd (Restructure). All of the Initial Assets are leased to wholly-owned subsidiaries of Costa Group Holdings Ltd ACN 151 363 129 (ASX Code: CGC).

On 1 August 2018 the Trust listed on the ASX raising \$185 million via an issue of units and simultaneously drew down \$95 million of its debt facilities, for the purposes of settling the Transaction and undertaking the Restructure.

The Responsible Entity has made an irrevocable election to apply the Attribution Managed Investment Trust (AMIT) provisions for income tax purposes and believes that the Trust is eligible to apply the regime. The Responsible Entity will provide an update to Unitholders to the extent that the Trust does not qualify for the AMIT provisions.

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 period

On 28 February 2019, the directors declared an interim distribution of 4.0 cents per unit, totaling \$7,400,000 in respect of the period ended 31 December 2018, to be paid to unitholders on 28 March 2019.

Other than as specified above, no matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect:

**VITALHARVEST FREEHOLD TRUST
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

Directors' Report (continued)

- (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'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 will continue to be managed in accordance with these investment objectives. The Trust will continue to generate its core revenue from the holding and leasing of agricultural property, bearer plants and water entitlement assets. The manager of the Trust, goFARM Asset Management Pty Ltd, is actively pursuing new agricultural opportunities to grow and diversify the portfolio.

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 either 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.

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 period are disclosed in Note 28 of the financial statements.

No fees were paid out of the Trust's property to the Directors of the Responsible Entity during the period.

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 period is disclosed in Note 18 of the financial statements.

**VITALHARVEST FREEHOLD TRUST
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

Directors' Report (continued)

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 1 of the financial statements.

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.

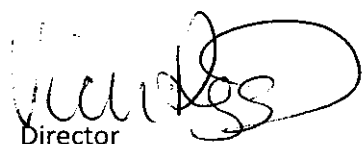
Rounding of amounts to the nearest thousand dollars

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 7.

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
27 February 2019

27 February 2019

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

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 2018, 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 Vorwerg
Partner
Chartered Accountants

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	Note	For the period 14 June to 31 December 2018 \$
Revenue	5	12,411,130
Less: expenses		
Depreciation expense	6	(5,141,288)
Finance costs	6	(1,848,610)
Responsible Entity fees		(71,520)
Management fees		(274,431)
Professional fees		(325,864)
Initial Public Offering related costs		(7,507,759)
Loss on fair value adjustments	6	(3,484,096)
Loss on disposal of non-current assets	6,11a	(1,556,750)
Other expenses		<u>(357,040)</u>
		<u>(20,567,358)</u>
Loss for the period		<u>(8,156,228)</u>
Other comprehensive income		
<i>Items that will not be reclassified to profit and loss</i>		
Reserves arising on business combination	20	<u>14,873</u>
		<u>14,873</u>
Other comprehensive income for the period		<u>14,873</u>
Total comprehensive loss		<u><u>(8,141,355)</u></u>
Total comprehensive loss is attributable to:		
- Owners of Vitalharvest Freehold Trust		(8,156,228)
- Non-controlling interests		<u>14,873</u>
		<u><u>(8,141,355)</u></u>
Loss per unit for profit attributable to the equity holders of the parent entity:		
Basic loss per unit		(0.044)
Diluted loss per unit		(0.044)

The accompanying notes form part of these financial statements.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 December 2018 \$
Current assets		
Cash and cash equivalents	7	5,232,750
Receivables	8	16,155,148
Other assets	9	<u>3,420</u>
Total current assets		<u>21,391,318</u>
Non-current assets		
Investments accounted for using equity method	10	3,325,187
Intangible assets	11	39,675,049
Investment properties	12	92,910,404
Property, plant and equipment	13	<u>125,981,078</u>
Total non-current assets		<u>261,891,718</u>
Total assets		<u>283,283,036</u>
Current liabilities		
Payables	14	12,782,319
Other financial liabilities	15	464,620
Other liabilities	16	<u>775,319</u>
Total current liabilities		<u>14,022,258</u>
Non-current liabilities		
Borrowings	17	94,336,409
Other financial liabilities	15	<u>3,019,476</u>
Total non-current liabilities		<u>97,355,885</u>
Total liabilities		<u>111,378,143</u>
Net assets		<u>171,904,893</u>
Trust funds		
Unitholders of Vitalharvest Freehold Trust		
Issued units	18	180,036,888
Accumulated losses	19	<u>(8,156,228)</u>
Trust funds attributable to unitholders of Vitalharvest Freehold Trust		171,880,660
Non-controlling interests	20	<u>24,233</u>
Total trust funds		<u>171,904,893</u>

The accompanying notes form part of these financial statements.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN TRUST FUNDS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	Contributed equity \$	Retained earnings \$	Non-controlling interests \$	Total equity \$
Consolidated				
Balance as at 14 June 2018	-	-	-	-
Loss for the half year	-	(8,156,228)	-	(8,156,228)
Reserves arising on business combination	-	-	14,873	14,873
Total comprehensive income for the half year	-	(8,156,228)	14,873	(8,141,355)
Transactions with owners in their capacity as owners:				
Issue of units	185,000,000	-	-	185,000,000
Issue costs capitalised	(4,963,112)	-	-	(4,963,112)
Share capital arising on business combination	-	-	9,360	9,360
Total transactions with owners in their capacity as owners	180,036,888	-	9,360	180,046,248
Balance as at 31 December 2018	<u>180,036,888</u>	<u>(8,156,228)</u>	<u>24,233</u>	<u>171,904,893</u>

The accompanying notes form part of these financial statements.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	For the period 14 June to 31 December 2018 \$
Note	
Cash flow from operating activities	
Receipts from customers	4,568,323
Operating grant receipts	1,501,665
Payments to suppliers	(8,542,148)
Interest received	26,965
Finance costs	<u>(1,118,706)</u>
Net cash used in operating activities	24(b) <u><u>(3,563,901)</u></u>
Cash flow from investing activities	
Proceeds from sale of investments	1,177
Payment for property, plant and equipment	(249,755)
Payment for investment property	(1,359,234)
Net cash outflow on acquisition of assets on business combination	<u>(209,781,795)</u>
Net cash used in investing activities	<u><u>(211,389,607)</u></u>
Cash flow from financing activities	
Proceeds from units' issue (net of unit raising costs)	185,000,000
Costs in relation to unit issue	(4,963,112)
Proceeds from borrowings	95,000,000
Repayment of borrowings	(54,109,667)
Payment for debt issue costs	<u>(740,963)</u>
Net cash provided by financing activities	<u><u>220,186,258</u></u>
Reconciliation of cash	
Cash and cash equivalents at beginning of the period	-
Net increase in cash held	<u>5,232,750</u>
Cash and cash equivalents at end of period	24(a) <u><u>5,232,750</u></u>

The accompanying notes form part of these financial statements.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This condensed consolidated financial report for the half-year ended 31 December 2018 has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The condensed financial statements comprise the consolidated financial statements of the Vitalharvest Freehold Trust and its controlled entities ("the Group"). Vitalharvest Freehold Trust is a for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the Directors of the Responsible Entity as at the date of the Directors' Report.

The following are the significant accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied throughout the period, unless otherwise stated.

(a) Basis of preparation of the financial report

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.

Significant accounting estimates and judgements

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 3 to the financial statements.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Going concern

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

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity ("the Group"), 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 condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of financial position respectively.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue

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

Rent revenue is recognised on a straight-line basis over the rental term. Rent revenue arising from variable rent is recognised in the reporting period in which it is earned.

Variable rental income is based on 25% on the tenant's relevant business unit earnings before tax and is recognised when the right to receive variable rental income has been established.

Grant income is recognised in the profit and loss over the period necessary to match it to the costs that they are intended to compensate.

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).

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions.

(f) Financial instruments

Financial assets

Financial assets recognised by the Group are initially measured at fair value and are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or FVtPL on the basis of both:

- (i) the Group's business model for managing the financial assets; and
- (ii) the contractual cash flow characteristics of the financial asset.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Trade and other receivables

Trade and other receivables arise from the Group's transactions with its customers 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.

Financial liabilities

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.

Derivative financial instruments

The Group 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.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Plant and equipment

Bearer plants

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.

Depreciation

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.

(h) Investment properties

Investment properties 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 Group adopts the fair value model and investment properties are carried at fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses. Fair values of investment properties are determined annually by independent valuers who hold recognised and relevant qualifications and have recent experience in the location and category of the investment properties being valued. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from a change in the fair value of investment properties are recognised immediately in profit or loss.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Interests in joint arrangements

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.

Joint ventures

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. Details of the group's interests in joint ventures are disclosed in Note 21.

(j) Intangibles

Intangible assets

Except for indefinite useful life intangible assets, which are not amortised but are tested annually for impairment, intangible assets are amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to an intangible asset is consistent with the estimated pattern of consumption of economic benefits of the asset.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets are amortised over their estimated useful lives and are carried at cost less accumulated amortisation and any impairment losses.

Water Rights

Water rights are measured initially at their cost of acquisition. Water rights are an indefinite life intangible asset and are therefore tested for impairment annually. Management consider water rights to have indefinite useful lives because water rights have no legal term or expiry date.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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 by 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.

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

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

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

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.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of non-financial assets

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use. Refer to Note 3 for a description of how management determines value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease in accordance with AASB 116. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

(m) Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

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.

(n) 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.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Comparatives

The Trust was established pursuant to a trust deed dated 29 June 2018. As a result, no comparative figures have been disclosed in the half year financial report. The Trust's first half year for the scheme is for the period 14 June 2018 until 31 December 2018. Operations of the Group have commenced on 2 August 2018.

NOTE 2: ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset and would account for each type of lease in a manner consistent with the current approach under AASB 117.

The adoption of AASB 16 is not expected to have on initial application a material impact on the Group's financial statements. The Group is predominantly a lessor and AASB 16 largely retains the requirements applicable to lessors from AASB 117.

NOTE 3: 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.

(a) Bearer plants valuation

At the end of each annual reporting period, 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.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 3: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The main level 3 inputs used by the Group include discount rates and capitalisation rates 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 23 for details of fair value measurements.

(b) Investment property valuation

At the end of each annual reporting period, 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 Group include discount rates and capitalisation rates 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 23 for details of fair value measurements.

(c) Fair value judgements as part of business combination

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.

(d) Accrued variable rent

The Group is entitled to variable rental income based on 25% of the tenant's relevant business unit earnings before tax in accordance with each lease agreement. Consequently, variable rental income fluctuations are subject to the seasonal and climatic impacts on volume, and the quality of fruit produced and broader domestic and global markets which impact price. Variable rental income is forecast based on the forecast earnings before tax for each underlying business unit of the tenant as it relates to the farming properties.

(e) 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 in accordance with Note 1(i).

(f) Impairment of intangibles assets

All intangible assets are assessed for impairment at each annual reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the Group. Determining whether intangible asset is impaired requires an estimation of the value in use of the cash generating units to which intangible asset has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 4: FINANCIAL RISK MANAGEMENT

The Group is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

- (a) Market risk - Interest rate risk
- (b) Liquidity risk
- (c) Fair values compared with carrying amounts

The directors of the Responsible Entity have overall responsibility for identifying and managing operational and financial risks.

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

	31 December 2018 \$
Financial assets at amortised cost	
Cash and cash equivalents	5,232,750
Trade receivables	35,361
Other receivables	<u>16,119,787</u>
	<u>21,387,898</u>
Financial liabilities	
Bank loans	94,336,409
Trade creditors	252,811
Accrued expenses	2,115,174
Other payables	10,414,334
Hedging instruments	<u>3,484,096</u>
	<u>110,602,824</u>

(a) 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:

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk - Interest rate risk (Continued)

31 December 2018

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
	\$	\$	\$	
<i>Financial assets</i>				
Cash	5,232,750	-	5,232,750	1.0% Floating
Trade receivables	-	35,361	35,361	0.0%
Other receivables	-	16,119,787	16,119,787	0.0%
	<u>5,232,750</u>	<u>16,155,148</u>	<u>21,387,898</u>	
<i>Financial liabilities</i>				
Bank and other loans	94,336,409	-	94,336,409	3.80% Floating
Trade creditors	-	252,811	252,811	0.0%
Accrued expenses	-	2,115,174	2,115,174	0.0%
Other payables	-	10,414,334	10,414,334	0.0%
Hedging instruments	<u>3,484,096</u>	<u>-</u>	<u>3,484,096</u>	3.00% Fixed
	<u>97,820,505</u>	<u>12,782,319</u>	<u>110,602,824</u>	

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

As at 30 June 2018 the Group had active interest rate swaps totalling 80.0% of the drawn down balance 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 an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

Maturity analysis

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

Year ended 31 December 2018	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
Payables	12,782,319	-	-	12,782,319	12,782,319
Borrowings	-	-	95,000,000	95,000,000	95,000,000
Hedging instruments	<u>232,310</u>	<u>232,310</u>	<u>3,019,476</u>	<u>3,484,096</u>	<u>3,484,096</u>
Net maturities	<u>13,014,629</u>	<u>232,310</u>	<u>98,019,476</u>	<u>111,266,415</u>	<u>111,266,415</u>

(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.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

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NOTE 5: REVENUE AND OTHER INCOME

Revenue	
Base rent	3,888,329
Variable rent	<u>6,832,671</u>
	<u>10,721,000</u>
Interest income	26,965
Outgoings recovered	289,958
Grant income	1,372,030
Other revenue	<u>1,177</u>
	<u>1,690,130</u>
	<u><u>12,411,130</u></u>

NOTE 6: OPERATING PROFIT

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

Finance costs	
- Interest expense	1,771,238
- Borrowing costs	<u>77,372</u>
	1,848,610
Depreciation	
- Plant and equipment	8,802
- Bearer plants	<u>5,132,486</u>
	5,141,288
Loss on fair value adjustments	
- Financial liabilities at fair value through profit and loss	3,484,096
Net loss on disposal of non-current assets	
- Loss on disposal of other non current assets	1,556,750

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

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NOTE 7: CASH AND CASH EQUIVALENTS

Cash on hand	199
Cash at bank	<u>5,232,551</u>
	<u><u>5,232,750</u></u>

NOTE 8: RECEIVABLES

CURRENT

Trade debtors	35,361
Other receivables	
Accrued variable rental income	7,737,000
Pre-acquisition accrued variable rental receivable	8,014,786
GST Input Credits	346,464
Other debtors	<u>21,537</u>
	<u>16,119,787</u>
	<u><u>16,155,148</u></u>

The accrued variable rental component of rental income amount at 31 December 2018 is an estimate due to the final variable rental income for the half year not being determined until the Costa Group Holdings Ltd's audited financial statements for the half year ended 31 December 2018 are completed.

NOTE 9: OTHER ASSETS

CURRENT

Prepayments	<u><u>3,420</u></u>
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NOTE 10: INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

NON CURRENT

Equity accounted associated entities	<u><u>3,325,187</u></u>
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Refer to Note 21 for details of associated entity.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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NOTE 11: INTANGIBLE ASSETS

Water rights at cost	<u>39,675,049</u>
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(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	-
Additions through business combination	41,231,799
Disposals	<u>(1,556,750)</u>
Closing balance	<u>39,675,049</u>

(b) Water rights disposal

Water rights disposal relates to water licences that the Group had to forgo to the South Australian Government in order to obtain a \$3,400,000 government grant.

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

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

- Water rights

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 31 December 2018 is \$39,675,049.

Independent valuations during half year ending 31 December 2018 were received on the properties and infrastructure that attribute a value to the water entitlements held by the Group. Based on the valuations obtained the Directors of the Responsible Entity believe that no indicators for impairment exist at the reporting date.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

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NOTE 12: INVESTMENT PROPERTIES

Investment property at fair value

Opening carrying amount	-
Additions through business combination	90,377,824
Additions	<u>2,532,580</u>
Closing carrying amount	<u><u>92,910,404</u></u>

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.

At 31 December 2018 the investment properties were considered to be carried at fair value which does not materially differ from acquisition cost.

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

Base rent	3,888,329
Variable rent	6,832,671
Direct operating expenses	<u>-</u>
	<u><u>10,721,000</u></u>

(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	9,302,977
Later than one year but not later than 5 years	37,109,554
Later than 5 years	<u>12,540,297</u>
	<u><u>58,952,828</u></u>

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

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13: PROPERTY, PLANT AND EQUIPMENT

Land and buildings

At cost	130,688
Accumulated depreciation	<u>(1,137)</u>
	<u>129,551</u>

Plant and equipment

Plant and equipment at cost	275,220
Accumulated depreciation	<u>(7,587)</u>
	267,633

Furniture, fixtures and fittings at cost	203
Accumulated depreciation	<u>(78)</u>
	125

Bearer plants	130,716,255
Accumulated depreciation	<u>(5,132,486)</u>
	<u>125,583,769</u>

Total plant and equipment	<u>125,851,527</u>
Total property, plant and equipment	<u><u>125,981,078</u></u>

(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	-
Additions through business combination	130,688
Depreciation expense	<u>(1,137)</u>
Closing carrying amount	<u><u>129,551</u></u>

Plant and equipment

Opening carrying amount	-
Additions through business combination	275,220
Depreciation expense	<u>(7,587)</u>
Closing carrying amount	<u><u>267,633</u></u>

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliations (Continued)

Furniture, fixtures and fittings

Opening carrying amount	-
Additions through business combination	203
Depreciation expense	(78)
Closing carrying amount	<u>125</u>

Bearer plants

Opening carrying amount	-
Additions	249,755
Additions through business combination	130,466,500
Depreciation expense	(5,132,486)
Closing carrying amount	<u>125,583,769</u>

Total property, plant and equipment

Carrying amount at 14 June	-
Additions subsequent to business combination	249,755
Additions through business combination	130,872,611
Depreciation expense	(5,141,288)
Carrying amount at 31 December	<u>125,981,078</u>

NOTE 14: PAYABLES

CURRENT

Unsecured liabilities

Trade creditors	252,811
Pre acquisition variable rental payable	8,014,786
Amounts payable to Costa Asset Management	20,653
Other payables	1,978,444
Income tax payable	400,451
Accrued expenses	<u>2,115,174</u>
	<u>12,782,319</u>

Other payables

This balance relates to an outstanding Tasmanian stamp duty exemption claim arising from the listing and consequential legal transfer of the Tasmanian properties, which amount was withheld from the purchase price payable to Costa Asset Management. If the exemption is granted this amount is payable to Costa Asset Management.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

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NOTE 15: OTHER FINANCIAL LIABILITIES

CURRENT

Hedging instruments

Interest rate swaps	464,620
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NON CURRENT

Hedging instruments

Interest rate swaps	3,019,476
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NOTE 16: OTHER LIABILITIES

CURRENT

Rent received in advance	775,319
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NOTE 17: BORROWINGS

NON CURRENT

Secured liabilities

Bank loans	95,000,000
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Capitalised borrowing costs	(663,591)
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	94,336,409
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(a) Terms and conditions and assets pledging as security relating to the above financial instruments

At 31 December 2018 debt facilities available to the Group was \$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 2018 the Group had active interest rate swaps totalling 80.0% of the drawn down balance to manage interest rate risk. Loan amounts are provided at the Bankers' floating rate, plus a margin.

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 over all Properties (excluding assets held by KD and KCW).

(b) Defaults and breaches

Loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the period ending 31 December 2018.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**31 December
2018
\$**

NOTE 18: ISSUED UNITS

Issue costs capitalised		(4,963,112)
185,000,000 Issued and paid up units	(a)	<u>185,000,000</u>
		<u><u>180,036,888</u></u>

**31 December 2018
Number \$**

(a) Issued and paid up units

Consolidated

Opening balance	-	-
Units issued:		
2 August 2018	<u>185,000,000</u>	<u>185,000,000</u>
Issue costs capitalised	<u>-</u>	<u>(4,963,112)</u>
At reporting date	<u><u>185,000,000</u></u>	<u><u>180,036,888</u></u>

Parent

Opening balance	-	-
Units issued:		
2 August 2018	<u>185,000,000</u>	<u>185,000,000</u>
Issue costs capitalised	<u>-</u>	<u>(4,963,112)</u>
At reporting date	<u><u>185,000,000</u></u>	<u><u>180,036,888</u></u>

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.

During the half-year ending 31 December 2018, management paid no distributions.

NOTE 19: ACCUMULATED SURPLUS / (LOSSES)

Accumulated surplus at beginning of half year	-
Net loss	<u>(8,156,228)</u>
	<u><u>(8,156,228)</u></u>

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**31 December
2018
\$**

NOTE 20: NON-CONTROLLING INTERESTS

Capital	9,360
Reserves	<u>14,873</u>
	<u><u>24,233</u></u>

NOTE 21: 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:

	Nature of relationship	Ownership interest 31 December 2018 %	Measurement basis	Quoted fair value (if available) 31 December 2018 \$
Associate				
Kangara Community Water Pty Ltd	Interest	64.7955	Equity accounted	-
Country of incorporation: Australia				

NOTE 22: 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 31 December 2018 %	Ownership interest held by NCI 31 December 2018 %
Vitalharvest Leasehold Trust	Australia	100.00	-
Vitalharvest Finance Trust	Australia	100.00	-
Vitalharvest Pty Ltd	Australia	100.00	-
Vitalharvest Finance Pty Ltd	Australia	100.00	-
Kathleen Drive Pty Ltd	Australia	85.71	14.29

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

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 23: FAIR VALUE MEASUREMENT

(a) Fair Value Hierarchy

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.

	Level 1	Level 2	Level 3	Total
31 December 2018	\$	\$	\$	\$
Recurring fair value measurements				
<i>Non-financial assets</i>				
Bearer plants at fair value	-	-	125,583,769	125,583,769
Investment property at fair value	-	-	92,910,404	92,910,404
Total non-financial assets	-	-	218,494,173	218,494,173
<i>Financial liabilities</i>				
<i>Hedging instruments</i>				
Interest rate hedging instrument	-	3,484,096	-	3,484,096
Total financial liabilities	-	3,484,096	-	3,484,096

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

	Fair value	Valuation technique	Description of valuation technique and inputs used
31 December 2018	\$		
Fair value measurements			
<i>Financial liabilities</i>			
<i>Hedging instruments</i>			
Interest rate hedging instrument	3,484,096	Discounted cash flows	The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 23: FAIR VALUE MEASUREMENT (CONTINUED)

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

	Fair value \$	Valuation technique	Description of valuation technique and inputs used	Significant unobservable inputs and range	Relation of unobservable inputs to fair value
31 December 2018					
Fair value measurements					
<i>Non-financial assets</i>					
Bearer plants at fair value	125,583,769	Transaction price paid for an identical or a similar asset	Fair value is measured by reference to market rental values (annual rent per sqm) and planted land capitalised with a market capitalisation rate.	- Market capitalisation rate 8.0-10.0%	The estimated fair value would increase if capitalisation rate were lower.
Investment property at fair value	92,910,404	Transaction price paid for an identical or a similar asset	Fair value is measured by reference to market rental values (annual rent per sqm) and unplanted land capitalised with a market capitalisation rate.	- Market capitalisation rate 8.0-10.0%	The estimated fair value would increase if capitalisation rate were lower.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

**31 December
2018
\$**

NOTE 24: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the condensed consolidated statement of cash flows is reconciled to the related items in the condensed consolidated statement of financial position is as follows:

Cash on hand	199
Cash at bank	<u>5,232,551</u>
	<u><u>5,232,750</u></u>

(b) Reconciliation of cash flow from operations with profit after income tax

Profit / (loss) from ordinary activities after income tax	(8,156,228)
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Adjustments and non-cash items

Depreciation	5,141,288
Net gain on disposal of financial instruments	(1,177)
Loss on disposal of other non-current assets	1,556,750
Fair value adjustment to financial instruments	3,484,096
Amortisation on borrowing costs	77,372
Other non-operating costs	12,406
Other costs incurred on business combination	258,761

Changes in operating assets and liabilities

(Increase) / decrease in receivables	(6,690,622)
(Increase) / decrease in other assets	(3,420)
Increase / (decrease) in payables	(18,446)
Increase / (decrease) in other liabilities	<u>775,319</u>
Cash flows from operating activities	<u><u>(3,563,901)</u></u>

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 25: BUSINESS COMBINATIONS

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

	\$
Consideration paid	<u>209,802,448</u>
Total purchase consideration	<u><u>209,802,448</u></u>

Assets and liabilities acquired

Assets and liabilities acquired as a result of the business combination were:

	Recognised on acquisition at fair value
	\$
Assets and liabilities held at acquisition date:	
- Trade receivables and other receivables	9,464,526
- Investment properties	90,377,824
- Bearer plants	130,466,500
- Water rights	41,231,799
- Investments in Associates	3,476,899
- Plant and equipment	275,220
- Cash	226,113
- Other liabilities	(11,606,766)
- Bank debts	<u>(54,109,667)</u>
Net identifiable assets acquired	209,802,448
Non-controlling interests	<u>24,233</u>
Total purchase consideration	<u><u>209,826,681</u></u>

Transaction costs

Transaction costs of \$12,470,871 were incurred in relation to the acquisition. These costs are included with Initial Public Offering related costs expenses in the Condensed consolidated statement of profit or loss and other comprehensive income and with units issued in the Condensed consolidated statement of financial position.

Provisional accounting

This business combination is provisional as at 31 December 2018 and will be finalised within 12 months in accordance with the accounting standards.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 26: SEGMENT REPORTING

The Group operates as a single operating segment. Internal management reporting systems present financial information as a single segment. The segment derives its rental income from long term lease contracts.

NOTE 27: PARENT ENTITY DETAILS

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

(a) Summarised statement of financial position

Assets

Current assets	1,640,255
Non-current assets	<u>171,217,671</u>
Total assets	<u>172,857,926</u>

Liabilities

Current liabilities	735,459
Non-current liabilities	<u>-</u>
Total liabilities	<u>735,459</u>

Net assets	<u><u>172,122,467</u></u>
------------	---------------------------

Equity

Trust funds	176,867,889
Retained earnings	<u>(4,745,422)</u>
Total equity	<u><u>172,122,467</u></u>

(b) Summarised statement of comprehensive income

Loss for the period	(4,745,422)
Other comprehensive income for the period	<u>-</u>
Total comprehensive income for the period	<u><u>(4,745,422)</u></u>

NOTE 28: 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.

Basic loss per unit	(0.044)
Diluted loss per unit	(0.044)

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 29: 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 decisions. 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 Investment Manager of the Trust is 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	Appointed as a Director on 31 July 2015
Christopher Green	Director	Resigned as Director on 17 October 2018
Michael Vainauskas	Director	Appointed as a Director on 2 March 2015
Vicki Riggio	Director	Appointed as a Director on 20 April 2018
Richard McCarthy	Director	Appointed as Director on 17 October 2018
Andrew McIver	Alternate Director	Appointed alternate Director for Michael Vainauskas on 13 January 2017
Gillian Larkins	Alternate Director	Resigned as Alternate Director for Glenn Foster on 12 October 2018
Phillip Blackmore	Alternate Director	Appointed as Alternate Director for Vicki Riggio on 6 July 2018

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

Liza Whitmore – Director (goFARM Asset Management Pty Ltd), CEO (Costa Asset Management)

Liam Lenaghan – Managing Director (goFARM Asset Management Pty Ltd)

Richard Bligh – Chief Operating Officer (goFARM Asset Management Pty Ltd)

Nick Raleigh – Chief Farming Officer (goFARM Asset Management Pty Ltd)

Rhonda Arnott – Director (Costa Asset Management) and General Counsel (goFARM Asset Management Pty Ltd)

Charles Condro – Accounts Manager (Trust), Financial Controller (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.

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 29: RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel unitholders

During or since the end of the year, none of the Directors or Key Personnel under the Management Agreement nor any of their related entities 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 the Responsible Entity or the Manager 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.

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

During the IPO process of the Trust, legal fees totalling \$438,064 were paid to Rhonda Arnott, the legal counsel of goFARM and Costa Asset Management. Legal fees paid to Rhona Arnott in the ordinary course of business were \$33,620.

Apart from those details disclosed in this note, no key management personnel have entered into any other material contracts 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/Investment Manager's fees and other transactions

Under the terms of the Trust's Constitution, the Responsible Entity is entitled to receive a fee of up to 2% (exclusive of GST) per annum of the gross asset value of the Trust.

The Investment 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:

	31 December 2018
	\$
Responsible Entity's fees for the year paid and payable by the Trust	71,520
Management fees for the year paid and payable by the Trust to the Investment Manager	<u>274,431</u>
	<u>345,951</u>

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

NOTE 29: RELATED PARTY TRANSACTIONS (CONTINUED)

Related party unit holdings

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 during the year.

NOTE 30: EVENTS SUBSEQUENT TO REPORTING DATE

On 28 February 2019, the directors declared an interim distribution of 4.0 cents per unit, totalling \$7,400,000 in respect of the period ended 31 December 2018, to be paid to unitholders on 28 March 2019.

Other than has been disclosed above there has been no matter or circumstance, which has arisen since 31 December 2018 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2018, of the Group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 December 2018, of the Group.

NOTE 31: ENTITY DETAILS

The registered office of the Group is:

Vitalharvest Freehold Trust
89 Cubitt Street
Cremorne VIC 3121

The Responsible Entity's registered office is:

Level 18
123 Pitt Street
Sydney NSW 2000

VITALHARVEST FREEHOLD TRUST AND ITS CONTROLLED ENTITIES

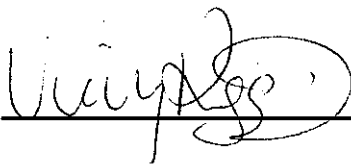
DIRECTORS' DECLARATION OF THE TRUSTEE COMPANY

In the opinion of the Directors of The Trust Company (RE Services) Limited, the Responsible Entity of Vitalharvest Freehold Trust:

- (a) the financial statements and notes of the Trust, as set out on pages 8 - 41 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 Trust's financial position as at 31 December 2018 and of its performance for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Trust 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: _____



Sydney
27 February 2019

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Vitalharvest Freehold Trust (the "Trust") and its controlled entities (the "Group"), which comprises the condensed consolidated statement of profit or loss and other comprehensive income as at 31 December 2018, and the condensed consolidated statement of financial position, the condensed consolidated statement of changes in trust funds for the period from 14 June 2018 to the 31 December 2018, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Trust's financial position as at 31 December 2018 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vitalharvest Freehold Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for period ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read 'S. Vorweg', written over the printed name.

Samuel Vorweg
Partner
Chartered Accountants
Melbourne, 27 February 2019

Responsible Entity:

The Trust Company (RE Services) Limited
ABN 45 003 278 831 AFS Licence 235150
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