Vitalharvest

FREEHOLD TRUST

ANNUAL FINANCIAL REPORT
FOR THE PERIOD 14 JUNE 2018 TO 30 JUNE 2019

Vitalharvest Freehold Trust
ARSN 626 537 362
Appendix 4E

Reporting Period	Period 14 June 2018 to 30 June 2019
Previous Reporting Period	This is the first period of operations of the Vitalharvest Freehold Trust (the "Trust") and hence there are no prior period comparatives.

Results for announcement to the market

Key Information	Period 14 June 2018 to 30 June 2019 $'000
Revenue from ordinary activities	15,436
Profit/(loss) for the period	-5,531
Total comprehensive profit/(loss) for the period	-5,516

Distribution

An interim distribution of 4.0 cents per ordinary unit, totalling $7,400,000, was paid on 28 March 2019 with the record date of the distribution being 14 March 2019.

The Directors have declared a distribution of 1.65 cents per ordinary unit, totalling $3,052,500. The record date of the distribution is 2 July 2019 and the distribution is expected to be paid on 30 September 2019. There was no distribution reinvestment plan in operation during the period.

Distribution	Cents per unit	Franking
Interim distribution – period ended 31 December 2018	4.00	0%
Final distribution – period ended 30 June 2019	1.65	0%

Net Tangible Assets

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

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 4E disclosure requirements can be found in the notes to the 2019 Financial Statements and 2019 Directors' Report.

Vitalharvest Freehold Trust and its controlled entities
ARSN 626 537 362
Annual financial report
For the period 14 June 2018 to 30 June 2019

Vitalharvest Freehold Trust and its controlled entities

ARSN 626 537 362

Annual financial report
For the period 14 June 2018 to 30 June 2019

Contents

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 period 14 June 2018 to 30 June 2019.

Summary of ASIC relief - Change of Balance Date

Pursuant to ASIC Instrument 18-1141, the Trust's first financial year for the scheme is for the period 14 June 2018 until 30 June 2019. As a result of the Trust being a shell as at 30 June 2018 (with the IPO occurring on 1 August 2018) this necessitated the need for ASIC relief in order to extend the first financial year for the Trust beyond the normal 12-month period. Hereafter each annual financial report for the Trust will be from 1 July to 30 June.

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.

Directors' Report (continued)

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

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.

Directors' Report (continued)

Results

The consolidated net loss after income tax of the Trust for the period 14 June 2018 to 30 June 2019 amounted to $5,531,000. The consolidated total comprehensive loss of the Trust for the period 14 June 2018 to 30 June 2019 amounted to $5,516,000.

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

The Trust holds agricultural property and bearer plants at fair value and water entitlements at cost. After adjusting for the effects of certain costs including the establishment of the Trust, the Restructure (as defined in 'Significant Changes In State Of Affairs' section on page 5 of this Report) and the Trust's initial public offering), 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 period ending 30 June 2019 was $10,463,000.

	30 June 2019 $'000
Loss for the period	(5,531)
Plus/(Less) FFO Adjustments	
Grant income	(2,514)
Change in fair value of interest rate swaps	8,403
Change in fair value of investment property	(7,552)
Change in fair value of plant and equipment - bearer plants	(2,698)
Depreciation expense	11,383
Borrowing costs (amortised)	170
Loss on disposal of non-current assets	1,557
Initial Public Offering related costs	7,245
FFO	10,463
FFO cents per unit	5.66

The Trust intends to pay from FFO, its full year distribution in September 2019 for the period ending 30 June 2019.

Distribution paid and payable ($'000)	10,453
Distribution (cents per unit)	5.65
Ratio of FFO paid or payable	100%

Directors' Report (continued)

Financial position

At 30 June 2019, the Trust had net assets amounting to $167,130,000 and total assets amounting to $280,319,000.

The following depicts the net assets of the Trust:

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

Earnings per Unit

	30 June 2019
Loss for the period ($'000)	(5,531)
Weighted average number of units on issue during the period ('000)	185,000
Basic and diluted earnings per unit (total) (cents)	(2.99)

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.

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

Directors' Report (continued)

Valuation of investments for financial statements purposes

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

Matters subsequent to the end of the financial period

On 17 July 2019 the Trust settled on the purchase of a property for $1.90 million including transaction costs.

On 29 July 2019 the Trust paid Costa Asset Management $1.98 million in relation to the acquisition of Vitalharvest Pty Ltd (as disclosed in Note 26) in accordance with the contractual sale arrangements between the two parties.

On 6 August 2019 the Trust settled on the refinancing of 50% of its bank liabilities from National Australia Bank to Cooperatieve Rabobank U.A. This reduces liquidity risk for the Trust should a significant favourable purchase materialise and the Trust has two banks sharing the finance risk.

On 30 August 2019 the Directors declared a final distribution of 1.65 cents per unit, totalling $3,052,500 in respect of the period ended 30 June 2019, to be paid to unitholders on 30 September 2019.

Other than as specified above, no matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

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

Directors' Report (continued)

Likely developments and expected results of operations

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

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

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

Indemnification and insurance of officers and auditors

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

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

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

Directors' Report (continued)

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

Fees paid to the Responsible Entity and its associates out of Trust's property during the period are disclosed in Note 30 of the financial statements.

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

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

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.

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

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.

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 10.

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

Richard McCarthy

Director
The Trust Company (RE Services) Limited

Sydney
29 August 2019

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

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

29 August 2019

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 audit of the financial report of Vitalharvest Freehold Trust for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

DELOITTE TOUCHE TOHMATSU
DELOITTE TOUCHE TOHMATSU

Samuel Vorwerg
Partner
Chartered Accountants

	Notes	For the period 14 June 2018 to 30 June 2019 $'000
Income		
Revenue	4	15,436
Other income	5	2,833
		18,269
Expenses		
Depreciation expense	6	(11,383)
Finance costs	6	(3,674)
Responsible Entity's fees		(152)
Management fees		(547)
Professional fees		(659)
Initial Public Offering related costs		(7,245)
Change in fair value of interest rate swaps - net gains/(losses)	6	(8,403)
Change in fair value of investment property - net gains/(losses)	11	7,552
Change in fair value of plant and equipment - bearer plants - net gains/(losses)	13	2,698
Loss on disposal of non-current assets	6, 10a	(1,557)
Other expenses		(430)
		(23,800)
Loss for the period		**(5,531)**
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Reserves arising on business combination	20	15
Other comprehensive income/(loss)		**15**
Total comprehensive income/(loss)		**(5,516)**
Total comprehensive income/(loss) attributable to:		
Unitholders of Vitalharvest Freehold Trust		(5,531)
Non-controlling interests		15
		(5,516)
Earnings per unit		
Basic loss per unit (cents)		(2.99)
Diluted loss per unit (cents)		(2.99)

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

	Notes	As at 30 June 2019 $'000
Current assets		
Cash and cash equivalents	7	7,239
Trade and other receivables	8	6,118
Other assets	9	282
Total current assets		13,639
Non-current assets		
Investments accounted for using equity method	21	-
Intangible assets	10	39,675
Investment property	11	102,333
Property, plant and equipment	12	387
Property, plant and equipment - bearer plants	13	124,285
Total non-current assets		266,680
Total assets		280,319
Current liabilities		
Trade and other payables	14	3,508
Other financial liabilities	15	1,205
Other liabilities	16	5,431
Total current liabilities		10,144
Non-current liabilities		
Borrowings	17	95,846
Other financial liabilities	15	7,198
Total non-current liabilities		103,044
Total liabilities		113,188
Net assets		167,131
Trust funds		
Issued units	18	180,037
Accumulated losses	19	(12,931)
Trust funds attributable to unitholders of Vitalharvest Freehold Trust		167,106
Non-controlling interests	20	25
Total trust funds		167,131

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

2019	Notes	**Issued units $'000**	**Accumulated losses $'000**	**Non-controlling interest $'000**	**Total $'000**
Balance as at 14 June 2018		-	-	-	-
Comprehensive income/(loss) for the period					
Loss for the period	19	-	(5,531)	-	(5,531)
Reserves arising on business combination		-	-	15	15
Total comprehensive income/(loss) for the period		-	(5,531)	15	(5,516)
Transactions with unitholders					
Units issued during the period	18	185,000	-	-	185,000
Issue costs	18	(4,963)	-	-	(4,963)
Share capital arising on business combination		-	-	10	10
Distributions to unitholders	19	-	(7,400)	-	(7,400)
Total transactions with unitholders in their capacity as owners		180,037	(7,400)	10	172,647
Total equity at the end of the period		180,037	(12,931)	25	167,131

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

	Notes	For the period 14 June 2018 to 30 June 2019 $'000
Cash flows from operating activities		
Receipts from customers		18,206
Operating grant receipts		2,164
Payments to suppliers		(11,251)
Interest received		58
Finance costs		(2,787)
Net cash inflow/(outflow) from operating activities		6,390
Cash flows from investing activities		
Payments for investment property		(3,064)
Payments for bearer plants		(509)
Proceeds from sale of investment property		1
Net cash outflow on acquisition of assets on business combination		(209,782)
Net cash inflow/(outflow) from investing activities		(213,354)
Cash flows from financing activities		
Proceeds from issue of units		185,000
Costs in relation to unit issue		(4,963)
Proceeds from borrowings		96,417
Repayment of borrowings		(54,110)
Payment for debt issue costs		(741)
Distributions paid		(7,400)
Net cash inflow/(outflow) from financing activities		214,203
Net increase/(decrease) in cash and cash equivalents		7,239
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		7,239

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

Notes to the financial statements

1 General information

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

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

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

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

The financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors") on 29 August 2019. The Directors have the power to amend and reissue the financial statements.

The Trust's investment and growth strategies are 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.
- Solora (SA) – approximately 441 planted hectares of mandarins, grapefruit and

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.

1 General information (continued)

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

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 capital expenditure on the properties during the term of the lease, and
- Variable Rent: calculated on the basis of the Earnings before Interenst and Tax (EBIT) derived by the tenant from the businesses operated on the berry and citrus properties.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements for Vitalharvest Freehold Trust and its controlled entities (the "Group") are set out below.

(a) Basis of preparation

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

Historical Cost Convention

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

Fair value measurement

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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 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.

- Accrued variable rent - refer to Note 2(c)
- Non-consolidation of entities with ownership interest of more than 50% - refer to Note 2(d)
- Investment property valuation - refer to Note 2(e)
- Bearer plants valuation - refer to Note 2(f)
- Impairment of intangibles assets - refer to Note 2(i)
- Fair value judgements as part of business combination - refer to Note 2(q)

(i) Compliance with International Financial Reporting Standards

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New and amended standards adopted by the Trust

AASB 9 Financial Instruments

AASB 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139.

AASB 9 has been applied by the Trust to Trade and other receivables as described in Note 1(c) and Financial assets as described in Note 1(d).

AASB 15 Revenue from Contracts with Customers

AASB 15 became effective for annual periods beginning on or after 1 January 2018. It addresses recognition of contracted revenue when control of a good or service transfers to a customer with the notion of control replaces the existing notion of risks and rewards.

Lease contracts within the scope of AASB 16 are outside the scope of AASB 15. VTH primarily derives revenue from leases of agricultural property and a lease is not deemed to be a “Contract with a Customer” under AASB 15.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 1 July 2018 that will affect the current or future periods.

(iii) New and amended standards not yet adopted by the Trust

AASB 16 Leases

AASB 16 is 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 because the Group currently has no operating leases. The Group is only a lessor and AASB 16 largely retains the requirements applicable to lessors from AASB 117.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) Going Concern

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

(v) 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 Statement of profit or loss and other comprehensive income and Statement of financial position respectively.

(b) Cash and cash equivalents

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

(c) Trade and other receivables

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

2 Summary of significant accounting policies (continued)

(c) Trade and other receivables (continued)

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

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

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

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.

(d) 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.

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

2 Summary of significant accounting policies (continued)

(d) Financial Assets (continued)

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.

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.

(e) Investment Property

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

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

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

Investment property valuation

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

The main level 3 inputs used by the Trust include discount rates and 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.

2 Summary of significant accounting policies (continued)

(f) 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 Trust 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.

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

Bearer plants valuation

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

The main level 3 inputs used by the Group include discount rates and 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.

(g) Plant and equipment

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

2 Summary of significant accounting policies (continued)

(h) 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.

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.

(i) 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.

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 an 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.

2 Summary of significant accounting policies (continued)

(i) Intangible assets (continued)

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.

(j) Trade and other payables

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

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

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

(k) Other current liabilities

Other current liabilities relate to unearned income. The Trust 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 invoiced twice per year based on an actual and forecast earnings before tax for each underlying business unit of the tenant as it relates to the farming properties.

2 Summary of significant accounting policies (continued)

(l) Borrowings

Borrowing costs

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

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

(m) Financial liabilities at fair value through profit or loss

(i) Classification

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

(ii) Recognition/derecognition

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

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

(iii) Measurement

Financial assets and liabilities at fair value through profit or loss

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

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

2 Summary of significant accounting policies (continued)

(n) Revenue

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

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

Variable rental income is 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).

(o) Expenses

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

(p) Income tax

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

(q) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

2 Summary of significant accounting policies (continued)

(q) Business combinations (continued)

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

(r) Goods and services tax (GST)

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

(a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense, or
(b) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(s) Comparatives

The Trust was established pursuant to a trust deed dated 29 June 2018. As a result, no comparative figures have been disclosed in the financial report. The Trust’s first period for the scheme is for the period 14 June 2018 until 30 June 2019. Operations of the Group commenced on 2 August 2018.

(t) Rounding of amounts

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

2 Summary of significant accounting policies (continued)

(t) Climate-related and other emerging risks

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

3 Financial risk management

(a) Overview

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

The Responsible Entity has in place a framework which includes:

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

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

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

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

3 Financial risk management (continued)

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

	30 June 2019 $'000
Financial assets	
Cash and cash equivalents	7,239
Trade receivables	868
Other receivables	5,250
	13,357
Financial liabilities	
Bank loans	95,846
Trade creditors	285
Accrued expenses	837
Other payables	2,386
Financial liabilities at fair value through profit or loss	8,403
	107,757

(b) Market risk

Interest rate risk

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

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

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
Financial assets					
Cash	7,239	-	-	7,239	1.00%
Trade and other receivables	-	-	6,118	6,118	-
	7,239	-	6,118	13,357	

3 Financial risk management (continued)

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
Financial liabilities					
Bank loans	95,846	-	-	95,846	3.27%
Trade and other payables	-	-	3,508	3,508	-
Financial liabilities at fair value through profit or loss	-	8,403		8,403	4.22%
	95,846	8,403	3,508	107,757	

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

As at 30 June 2019 the Group had active interest rate swaps totalling 80.0% of the drawn down balance (excluding the capex facility) to manage interest rate risk. Loan amounts are provided at the Bankers' floating rate, plus a margin.

(b) Liquidity risk

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

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

Maturity analysis

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

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

(c) Fair values compared with carrying amounts

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

4 Revenue

	For the period 14 June 2018 to 30 June 2019 $'000
Base rent	8,545
Variable rent	6,832
Interest revenue	59
	15,436

5 Other income

Outgoings recovered	318
Grant income	2,514
Other income	1
	2,833

6 Operating Profit

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

Finance costs	
- Interest expense	3,504
- Borrowing costs (amortised)	170
	3,674
Depreciation	
- Plant and equipment	19
- Bearer plants	11,364
	11,383
Loss on fair value adjustments	
- Financial liabilities at fair value through profit and loss	8,403
Net loss on disposal of non-current assets	
- Loss on disposal of other non current assets	1,557

7 Cash and cash equivalents

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

8 Trade and other receivables

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

The accrued variable rental income at 30 June 2019 is the receivable from Costa Group Holdings Ltd calculated in accordance with the lease agreements.

Other debtors includes grant income receivable at 30 June 2019.

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

9 Other current assets

Prepayments	4
Property deposits	278
	282

10 Intangible assets

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

(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	-
Additions through business combination	41,232
Disposals	(1,557)
Closing balance	39,675

(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

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

Independent valuations as at 30 June 2019 were received on the Citrus properties and infrastructure that attribute a value to the water entitlements held by the Group. Based on the valuations obtained the value of water rights recognised are reasonable and there is no impairment at the reporting date.

Independent valuations were not required for the Berry properties as it was determined that there has been no material change to the industry and geographic conditions since the independent valuers last assessed these properties. Based on estimates of the fair value there is no impairment of water rights attached to the Berry properties at the reporting date.

11 Investment property

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

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

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

Base rent	8,545
Variable rent	6,832
	15,377

(b) Leasing arrangements

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

Within one year	9,401
Later than one year but not later than 5 years	37,604
Later than 5 years	18,998
	66,003

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

11 Investment property (continued)

(c) Change in fair value

Independent valuations were obtained for the Citrus properties and the Directors have adopted all of the valuations from the independent valuers.

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

2019	Citrus property $'000	Berry property $'000	Total $'000
Opening net book amount	-	-	-
Additions through business combination	36,733	55,262	91,995
Additions	1,573	1,213	2,786
Change in fair value	12,244	(4,692)	7,552
Closing net book amount	50,550	51,783	102,333

(d) Fair value measurement of investment property

The relationship of unobservable inputs to fair value are:

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

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

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

12 Property, plant and equipment

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

(a) Reconciliations

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

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

13 Property, plant and equipment - bearer plants

	30 June 2019 $'000
Bearer plants	124,285
	124,285

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

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

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

(a) Reconciliations

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

Property, plant and equipment - bearer plants

	Citrus property $'000	Berry property $'000	Total $'000
Opening carrying amount	-	-	-
Additions through business combination	69,469	62,973	132,442
Additions	509	-	509
Depreciation	(2,819)	(8,545)	(11,364)
Change in fair value	(1,214)	3,912	2,698
Closing carrying amount	65,945	58,340	124,285

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

Refer to Note 23 for detailed fair value inputs.

14 Trade and other payables

	30 June 2019 $'000
CURRENT	
Unsecured liabilities	
Trade creditors	285
GST Input Credits	(13)
Amounts payable to Costa Asset Management	1,999
Income tax payable	400
Accrued expenses	837
	3,508

14 Trade and other payables (continued)

Amounts payable to Costa Asset Management

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

Income tax payable

The balance relates to the IPO transaction and will be paid when the 2019 income tax return is lodged. No tax is payable by the Trust.

15 Financial liabilities at fair value through profit or loss

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

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

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

16 Other current liabilities

	30 June 2019 $'000
CURRENT	
Rent received in advance	785
Unearned income - variable rental income	4,646
	5,431

17 Borrowings

	30 June 2019 $'000
NON CURRENT	
Secured liabilities	
Bank loans	95,000
Capex facility drawn	1,417
Capitalised borrowing costs	(571)
	95,846

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

At 30 June 2019 debt facilities available to the Group totalled $110,000,000, and due to expire on 31 July 2021 ($62,500,000) and 31 July 2023 ($47,500,000). As at 30 June 2019 the Group had active interest rate swaps totalling 80.0% of the bank loans 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 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 30 June 2019.

18 Issued units

		30 June 2019 $'000
185,000,000 Issued and paid up units	(a)	185,000
Issue costs capitalised		(4,963)
		180,037

18 Issued units (continued)

(a) Issued and paid up units

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

Capital management

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

19 Accumulated losses

	30 June 2019 $'000
Accumulated losses at beginning of the period	-
Net loss	(5,531)
Distributions Paid	(7,400)
	(12,931)

On 28 March 2019, the Trust paid a distribution of $7.4 million (4.0 cents per unit).

20 Non-controlling interests

Capital	10
Reserves	15
	25

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:

Associate	Nature of relationship	Ownership interest June 30, 2019 %	Measurement basis	Quoted fair value (if available) June 30, 2019
Kangara Community Water Pty Ltd	Interest	64.7955	Equity accounted	-

Country of incorporation: Australia

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** June 30, 2019 $'000 %	**Ownership interest held by NCI** June 30, 2019 $'000 %
Vitalharvest Leasehold Trust	Australia	100	-
Vitalharvest Finance Trust	Australia	100	-
Vitalharvest Pty Ltd	Australia	100	-
Vitalharvest Finance Pty Ltd	Australia	100	-
Kathleen Drive Pty Ltd	Australia	86	14

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

23 Fair value measurement

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

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

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

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

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

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

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

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

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

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

23 Fair value measurement (continued)

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

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

Recognised fair value measurements

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

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

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

Financial liabilities	
Interest rate hedging instrument	
Fair value ($)	8,403,000
Valuation technique	Discounted cash flows
Description of valuation technique and inputs used	The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves

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

Non-financial assets	
Bearer plants at fair value	
Fair value ($)	124,285,000
Valuation technique	Transaction price paid for an identical or a similar asset
Description of valuation technique and inputs used	Fair value is measured by reference to market rental values (annual rent per sqm) and planted land capitalised with a market capitalisation rate. The Directors determine the fair value of bearer plants as the residual value after deducting the fair value of land and water entitlements from the value of the agricultural assets
Significant unobservable inputs and range	Market capitalisation rate 7.2% - 10.9%
Relation of unobservable inputs to fair value	The higher the capitalisation rate, the lower the fair value.
Investment property at fair value	
Fair value ($)	102,333,000
Valuation technique	Transaction price paid for an identical or a similar asset
Description of valuation technique and inputs used	Fair value is measured by reference to market rental values (annual rent per sqm) and unplanted land capitalised with a market capitalisation rate.
Significant unobservable inputs and range	Market capitalisation rate 7.2% - 10.9%
Relation of unobservable inputs to fair value	The higher the capitalisation rate, the lower the fair value.

24 Reconciliation of loss to net cash from operating activities

	For the period 14 June 2018 to 30 June 2019
	$ ('000)
(a) Reconciliation of cash	
Cash at bank	7,239
(b) Reconciliation of cash flow from operations with profit after income tax	
Profit / (loss) from ordinary activities after income tax	(5,531)
Adjustments and non-cash items	
Depreciation	11,383
Net gain on disposal of financial instruments	(1)
Loss on disposal of other non-current assets	1,557
Fair value adjustment to financial instruments	8,403
Change in fair value of investment property	(7,552)
Change in fair value of plant and equipment - bearer plants	(2,698)
Amortisation on borrowing costs	170
Changes in operating assets and liabilities	
(Increase) / decrease in receivables	3,347
(Increase) / decrease in other assets	(4)
Increase / (decrease) in payables	(8,115)
Increase / (decrease) in other liabilities	5,431
Net cash inflow/(outflow) from operating activities	6,390

25 Auditor's remuneration

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

	2019
Deloitte Touche Tohmatsu	**$**
Audit and other assurance services	
Audit of financial statements	119,500
Audit of financial statements - prior year	51,000
Total remuneration for audit and other assurance services	170,500
Total remuneration of Deloitte Touche Tohmatsu	170,500

26 Business combination

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

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

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

Assets and liabilities acquired

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

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

Transaction costs

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

27 Segment reporting

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

28 Parent entity details

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

(a) Summarised statement of financial position

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

(b) Summarised statement of comprehensive income

Loss for the period	(8,594)
Other comprehensive income/(loss) for the period	-
Total comprehensive income/(loss) for the period	(8,594)

29 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 (cents)	(2.99)
Diluted loss per unit (cents)	(2.99)

30 Related party transactions

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

Responsible Entity

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

Key management personnel

(a) Directors

Key management personnel includes persons who were Directors at any time during the financial period 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
Andrew McIver	Alternate Director	Appointed alternate Director for Michael Vainauskas on 13 January 2017
Vicki Riggio	Director	Appointed as a Director on 20 April 2018
Gillian Larkins	Alternate Director	Resigned as Alternate Director for Glenn Foster on 12 October 2018
Phillip Blackmore	Alternate Director	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	Director	Appointed as Director on 17 October 2018

30 Related party transactions (continued)

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)
- Ken Gillespie – 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)
- Nick Anthony – Accounts Manager (Trust), Finance Manager (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 period.

Key management personnel unitholdings

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

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

Key management personnel compensation

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

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

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 period.

30 Related party transactions (continued)

Other transactions within the Trust

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

Rhonda received the following fees in relation to the provision of legal services to the Trust during the year:

- IPO process of the Trust - $438,064
- Ordinary course of business - $91,860.

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

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

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

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

	30 June 2019 $'000
Responsible Entity's fees for the period paid and payable by the Trust to the Responsible Entity	157
Management fees for the period paid and payable by the Trust to the Manager	547
Aggregate amounts payable to the Manager at reporting date	42
Aggregate amounts payable to the Responsible Entity at reporting date	48

30 Related party transactions (continued)

Related party unitholdings

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

Investments

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

31 Events occurring after the reporting period

On 17 July 2019 the Trust settled on the purchase of a property for $1.90 million including transaction costs.

On 29 July 2019 the Trust paid Costa Asset Management $1.98 million in relation to the acquisition of Vitalharvest Pty Ltd (as disclosed in Note 26) in accordance with the contractual sale arrangements between the two parties.

On 6 August 2019 the Trust settled on the refinancing of 50% of its bank liabilities from National Australia Bank to Cooperatieve Rabobank U.A. This reduces liquidity risk for the Trust should a significant favourable purchase materialise and the Trust has two banks sharing the finance risk.

On 30 August 2019 the Directors declared a final distribution of 1.65 cents per unit, totalling $3,052,500 in respect of the period ended 30 June 2019, to be paid to unitholders on 30 September 2019.

Other than has been disclosed above there has been no matter or circumstance, which has arisen

(a) the operations, in financial years subsequent to 30 June 2019, of the Trust, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2019, of the Trust.

32 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2019.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 11 to 52 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 June 30, 2019 and of its performance, for the financial period ended on that date,

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

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

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

Director

Richard McCarthy

Sydney
29 August 2019

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vitalharvest Freehold Trust (the "Trust") and its controlled entities (the "consolidated entity"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the period 14 June 2018 to 30 June 2019, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Vitalharvest Freehold Trust and its controlled entities, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its financial performance for the period then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to directors of The Trust Company (RE Services) Limited (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

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

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

Valuation of investment properties
(Refer to note 11) $102.333m
 	
Investment properties are carried at fair value.
 	
All agricultural assets, which comprise investment properties, bearer plants, and water entitlements, have been externally valued in the last twelve months as part of the IPO of the Trust in August 2018.
 	
External valuations were also obtained at 30 June 2019 in relation to all Citrus properties which included investment properties, bearer plants and water entitlements.
 	
For those agricultural assets which have not been externally valued at the balance date, an internal valuation specialist:
 	
• Completed an update to the internal valuation model for the assets
 	
• Considered whether any significant market indicators suggested that the valuation has changed and as such an updated external valuation is needed.
 	
Significant assumptions in the valuation model included discount rates, capitalisation rates, passing rents and comparable sales. Factors such as prevailing market conditions, and the individual nature, condition, location and the expected future income of these properties impacted these variables.
	In conjunction with our valuation specialists, our procedures included, but were not limited to:
	
	• Where an external valuation of investment properties was obtained:
	
	    o Assessed the competency, independence and objectivity of the external valuers used by the Group
	
	    o Read the valuers' terms of engagement to ensure their where no limitations placed on their work
	
	    o Inspected the final valuation reports and agreed the fair value as per the valuation to the value recorded in the Group's accounting records.
	
	    o Assessed the appropriateness of the valuation techniques and the inputs used, including market rents, discount rates and capitalisation rates used in the valuation models.
	
	• Where a valuation was completed by an internal valuation specialist and approved by the Directors:
	
	    o Compared a sample of inputs used in the valuation model, such as rental income and lease terms, to the relevant tenancy schedules and lease agreements.
	
	    o Inspected the final valuation reports and agreed the fair value as per the valuation to the value recorded in the Group's accounting records.
	
	    o Challenged the appropriateness of the valuation techniques and the inputs used, including market rents, discount rates and capitalisation rates used in the valuation models with reference to industry practice and external benchmark market data.
	
	We have also assessed the appropriateness of the disclosures in Note 11 to the financial statements.

Valuation of Bearer Plants (Refer to note 13) $124.285m The Group's bearer plants include citrus and berry trees, which are classified as plant and equipment and carried at fair value. The valuations described in the Valuation of	In addition to the audit procedures described in the Valuation of investment properties key audit matter above, our procedures included, but were not limited to:

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

investment properties above are determined for the agricultural assets as a whole. The valuers also determine the value of the investment property and water entitlements in isolation.
 	
Consequently, 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.
 	
The fair value of water entitlements are determined based on the volume of water and the market rates for water. For reference, water entitlements are carried at historic cost and assessed for impairment annually.
 	
Significant judgement is applied due to the;
 	
• Inherently subjective nature and sensitivity of the valuations due to the use of assumptions and estimates
 	
• Size of the bearer plants on the consolidated statement of financial position, and
 	
• Quantum of revaluation gains that could directly impact the consolidated statement of comprehensive income through the net fair value gain/loss of bearer plants.
	• Reperformed the calculation of the fair value of bearer plants, by deducting the fair value of land and infrastructure and water entitlements from the fair value of the agricultural asset.
	
	• Assessed the methodology used to determine the value of bearer plants was in line with the requirements of the relevant accounting standards.
	
	• In respect of the fair value of water entitlements, we:
	
	  ○ Agreed the volume of water to water entitlements certificates, and
	
	  ○ Agreed the water rate to market rates as quoted by the external valuers engaged to value the agricultural assets.
	
	We have also assessed the appropriateness of the disclosures in Note 13 to the financial statements.

Accounting for Business Combination
(Refer to note 26)
 	
On 2 August 2018, the Group acquired 100% of the share capital of Vitalharvest Pty Ltd from Costa Asset Management Pty Ltd as trustee for the Costa Asset Management Unit Trust (Costa Asset Management).
 	
The accounting for a business combination can be complex and involves several significant judgments and estimates including:
 	
• The determination of the consideration paid in accordance with the Sales Agreement;
 	
• The identification and measurement of the assets acquired including investment properties, bearer plants and water rights.
 	
• The allocation of the premium paid over and above the fair value of assets acquired and liabilities assumed.
	Our procedures included, but were not limited to:
	
	• Understanding the Sale and Purchase Agreements that detailed the terms and conditions of the acquisition and evaluating management's application in accordance with the relevant accounting standard;
	
	• Assessing management's purchase price allocation in relation to the acquisition, including assessing information that management obtained from valuation experts.
	
	• Assessing the recognition and measurement of the allocation of the premium paid over and above the fair value of assets acquired and liabilities assumed in accordance with the relevant accounting guidance.
	
	• In conjunction with our valuation specialists challenging the work performed by management:
	
	  ○ Assessed the competency, qualifications, independence and objectivity of the external valuers used by the Group
	
	  ○ Read the valuers' terms of engagement to ensure their where no limitations placed on their work

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
	○ Inspected the final valuation reports and agreed the fair value as per the valuation to the value recorded in the Group's accounting records. ○ Reperformed the calculation of the fair value of bearer plants, by deducting the fair value of land and infrastructure and water entitlements from the fair value of the agricultural asset. We also assessed the appropriateness of the disclosures in Note 26 to the financial statements.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

Deloitte.

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Samuel Vorwerg
Partner
Chartered Accountants
Melbourne, 29 August 2019

Responsible Entity:
The Trust Company (RE Services) Limited
ABN 45 003 278 831 AFS Licence 235150
Level 18
123 Pitt Street
Sydney NSW 2000

Vitalharvest Freehold Trust
89 Cubitt Street Cremorne VIC 3121
T: +61 3 9046 1998
http://www.vitalharvest.com.au