Vitalharvest

FREEHOLD TRUST

Managed by:

goFARM

ASSET MANAGEMENT

Blackberries under tunnels, Dunorlan TAS

ASX Small & Mid-Cap Conference

5 September 2019

IMPORTANT INFORMATION AND DISCLAIMER

General information

This document was prepared by goFARM Asset Management Pty Ltd Authorised Representative No. 1264243 for AFSL No 486217 (**goFARM**), the manager of the Vitalharvest Freehold Trust ARSN 626 537 362 (**Vitalharvest REIT**). The Responsible Entity of Vitalharvest REIT is The Trust Company (RE Services) Limited ACN 003 278 831 AFSL 235150 **(Responsible Entity)**. Vitalharvest REIT is an Australian registered managed investment scheme.

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Definitions

Unless defined otherwise, all capitalised words in this document have the same meaning as set out in the PDS.

Vitalharvest offers unitholders exposure to real agricultural property assets whose earnings profile and underlying value are exposed to the growing global demand for healthy, nutritious food

- The largest aggregation of berry and citrus farms in Australia
- Proven production and earnings from strategically diversified, investment-grade assets
- Citrus and Berry properties leased to Costa Group (**ASX:CGC**)
- Vitalharvest receives two rental streams:
  - 8% Base Rent on historical acquisition price (2011) plus capital expenditure contributed by Vitalharvest
  - Variable Rent equivalent to 25% of Tenant's Earnings Before Tax (EBT) generated from operations on the properties
- Growth through capital expenditure contributions
  - Delivers 8% per annum to unitholders through increase to Base Rent
  - Productivity improvements may lead to an increase to profit share (Variable Rent)
- Vitalharvest is managed by goFARM Asset Management Pty Ltd
- Vitalharvest listed on the ASX on 1 August 2018
- Accordingly, there are only 11 months of trading activities during the financial year ending 30 June 2019

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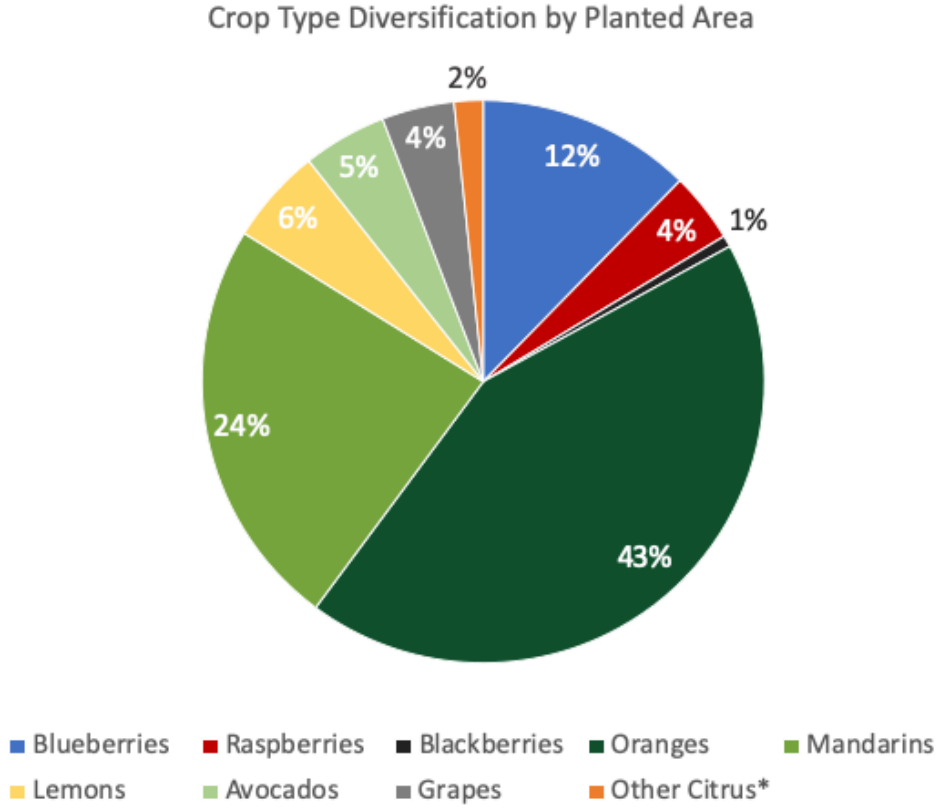
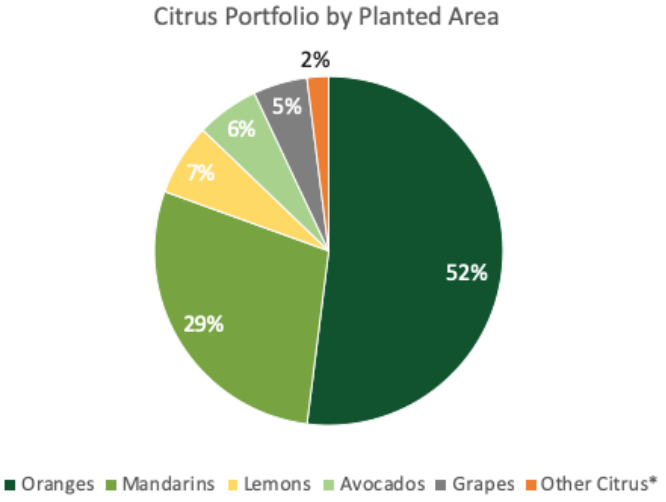
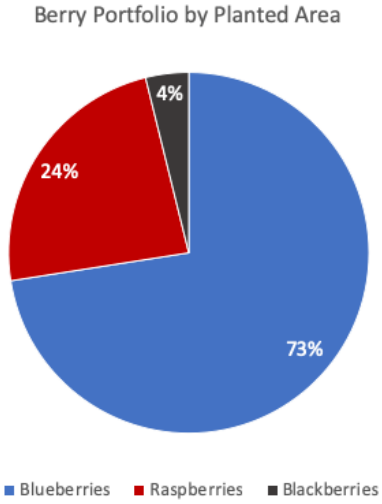
Blueberries at 9 Mile TAS

Investment Overview

Diversified Portfolio





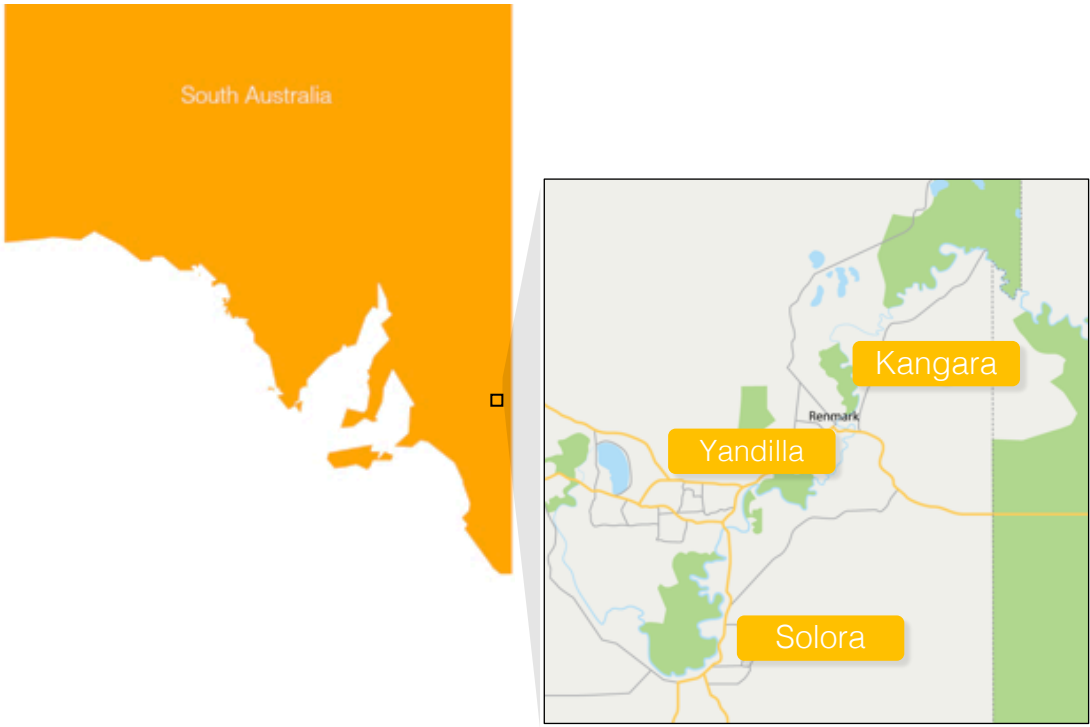


**Other Citrus represents persimmons and grapefruit*

VTH is diversified across its crop types – healthy, nutritious, plant-based foods

Citrus Portfolio

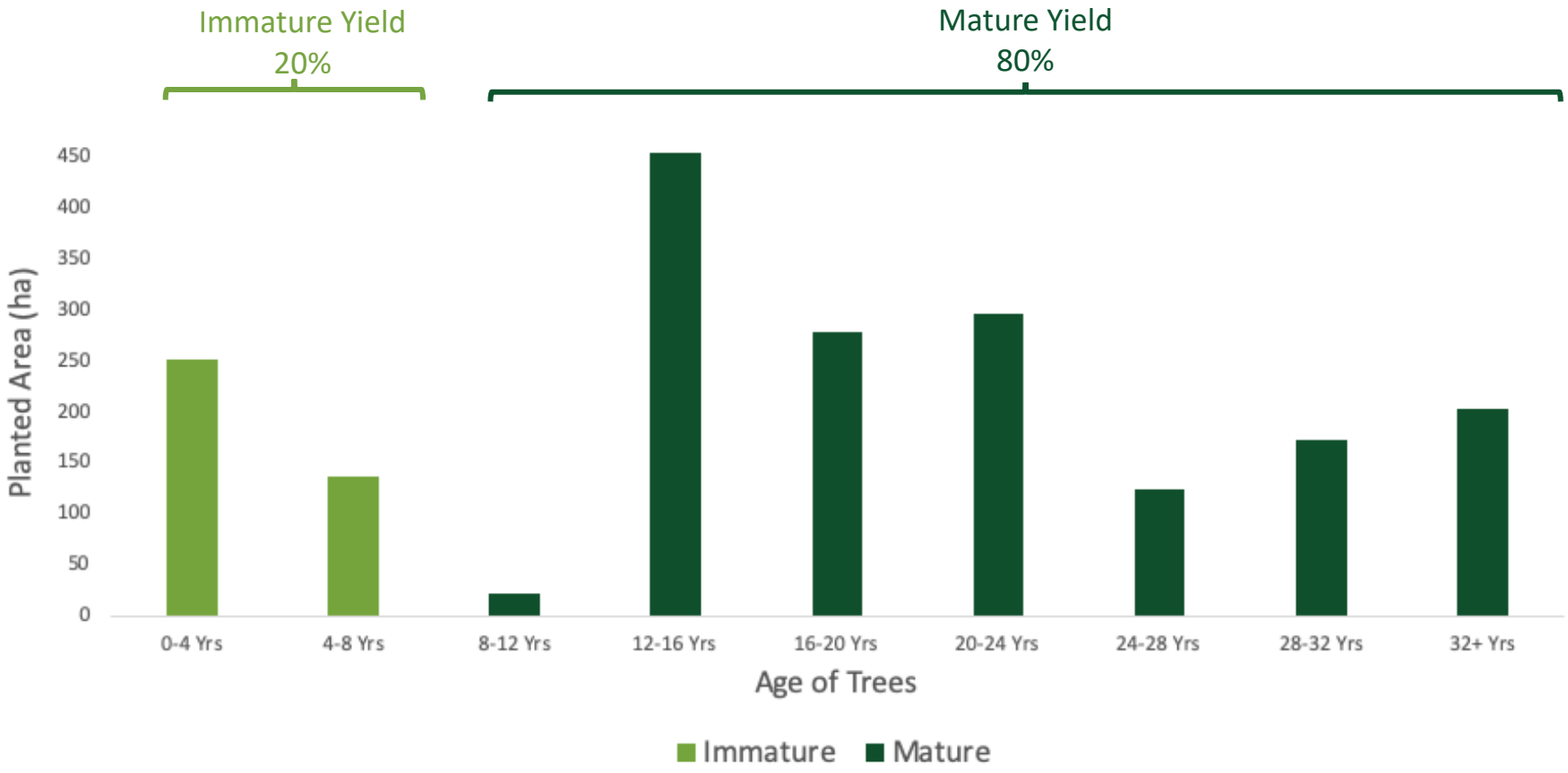
Property	Varieties	Planted (ha)	Lease Expiry	Independently Valued
Solora	Orange Mandarin Lemon Grapefruit Avocado	464	30 June 2026	30 June 2019
Kangara	Orange Mandarin Lemon Persimmon Avocado	867	30 June 2026	30 June 2019
Yandilla	Orange Mandarin Lemon/Lime Grapefruit Wine Grapes Avocado	611	30 June 2026	30 June 2019
TOTAL		**1,942**		



- The Citrus properties are situated in the Riverland region of South Australia
- The Riverland has been growing citrus for over 100 years
- Vitalharvest Citrus properties represent ~23% of total citrus plantings in the Riverland[1]
- The properties are in close proximity to the Murray River water source

[1]Citrus Australia 2018, 'Australian 2017 Citrus Tree Census'; Vitalharvest

Citrus Maturity Profile



- Well established, operationally proven and strategically located Citrus portfolio
- Recent plantings contributing to future growth opportunities (represents 20% planted area)
- Citrus trees are at or near 100% mature yield after 8 years

~20% of Citrus trees yet to reach full production

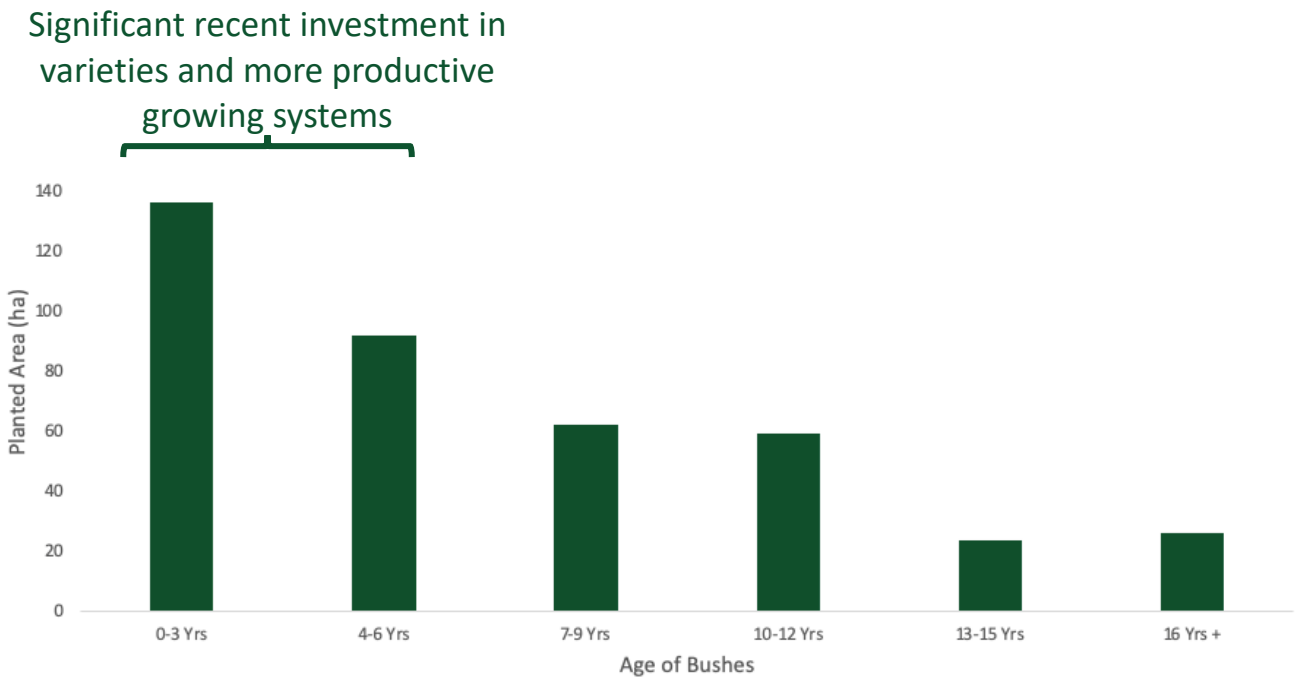
Berry Portfolio

Property	Varieties	Planted (ha)	Lease Expiry	Independently Valued
Corindi	Blueberries Raspberries Blackberries	311	30 June 2026	31 May 2018
Tumbarumba	Blueberries	23	30 June 2026	31 May 2018
9 Mile	Blueberries	49	30 June 2026	31 May 2018
Dunorlan	Blackberries	16	30 June 2027	31 May 2018
TOTAL		**399**		

- Vitalharvest owns one of Australia's largest aggregations of Berry farms
- The Berry properties are geographically spread to lengthen the production season and lower production risk
- Vitalharvest's total berry plantings area of 399ha represent around 15% of total Australian berry plantings[1] (excluding strawberries)

[1]ABS 2017; Vitalharvest

Berry Maturity Profile



Berries in Substrate

- Blueberries: ~33%
- Raspberries: ~100%
- Blackberries: ~50% (90% under tunnels)

New Plantings

- Vitalharvest has contributed to capital expenditure since FY14:
  - 81ha new plantings
  - 67ha of blueberries and raspberries converted to substrate

How Rent is Paid

Base Rent

- Paid monthly in advance
- 8% of historical acquisition cost base in 2011 plus capital expenditure contributions contributed by Vitalharvest
  - Opening cost base from 2011 $79.6m *(Base Rent: 8% x $79.6m = $6.4m)*
  - Capital Expenditure Contributions $37.3m
  - Cost base at 30 June 2019 $116.9m *(Base Rent: 8% x $116.9m = $9.4m)*
- Base Rent resets to 8% of independent unencumbered[1] market valuation in 2026 if the option to extend is exercised by the Tenant (and the Variable Rent continues)
  - Encumbered valuation[1] at 30 June 2019 $266.7m *(Base Rent: 8% x $266.7m = $21.4m)*

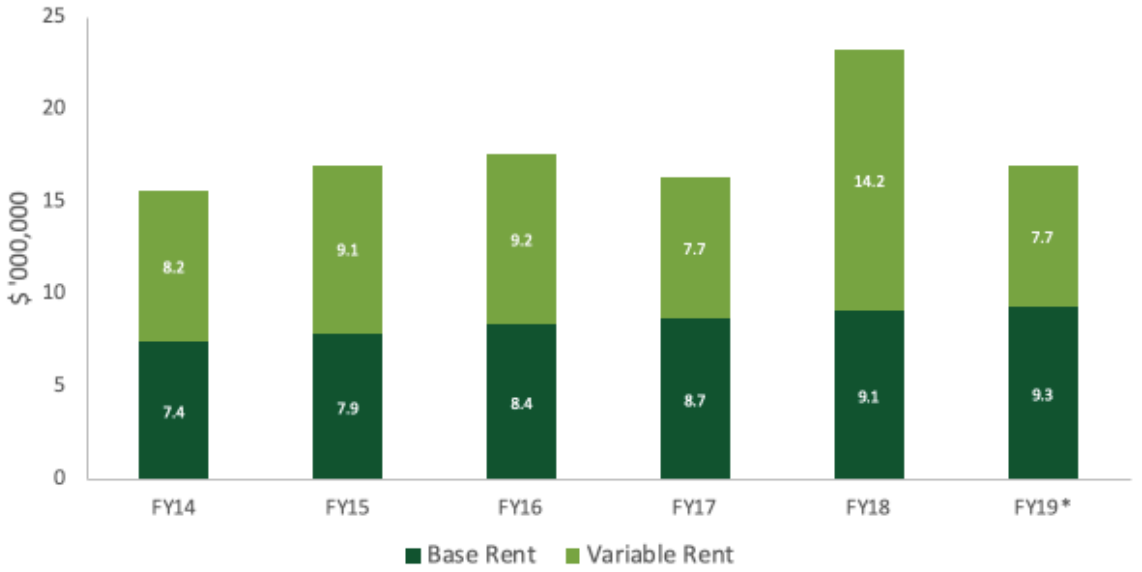
Variable Rent

- 25% of the Tenant's EBT generated from operations on the properties
- Calculated on a 12 month basis, noting the Tenant reports on a calendar year basis
- Paid twice yearly
- The first payment (received in or around September) is calculated as the Tenant's actual EBT for January to June plus Tenant forecast EBT for July to December period divided by 2
- The second payment (received in or around March) is the remaining Variable Rent for January to December period (adjusted to actual EBT)
- The Citrus and Berry Variable Rent is calculated independently of each other and do not net off against one another
- In the event of negative earnings, Vitalharvest does not share in the loss and there is no carry forward of loss with an annual reset

[1]The Berry and Citrus properties are valued on an encumbered basis subject to current leases. If the option to extend the leases is exercised by the Tenant, the properties will be independently valued on an unencumbered market value at 30 June 2026

Base Rent provides safe income stream while Variable Rent provides growth opportunities

Rental Revenue

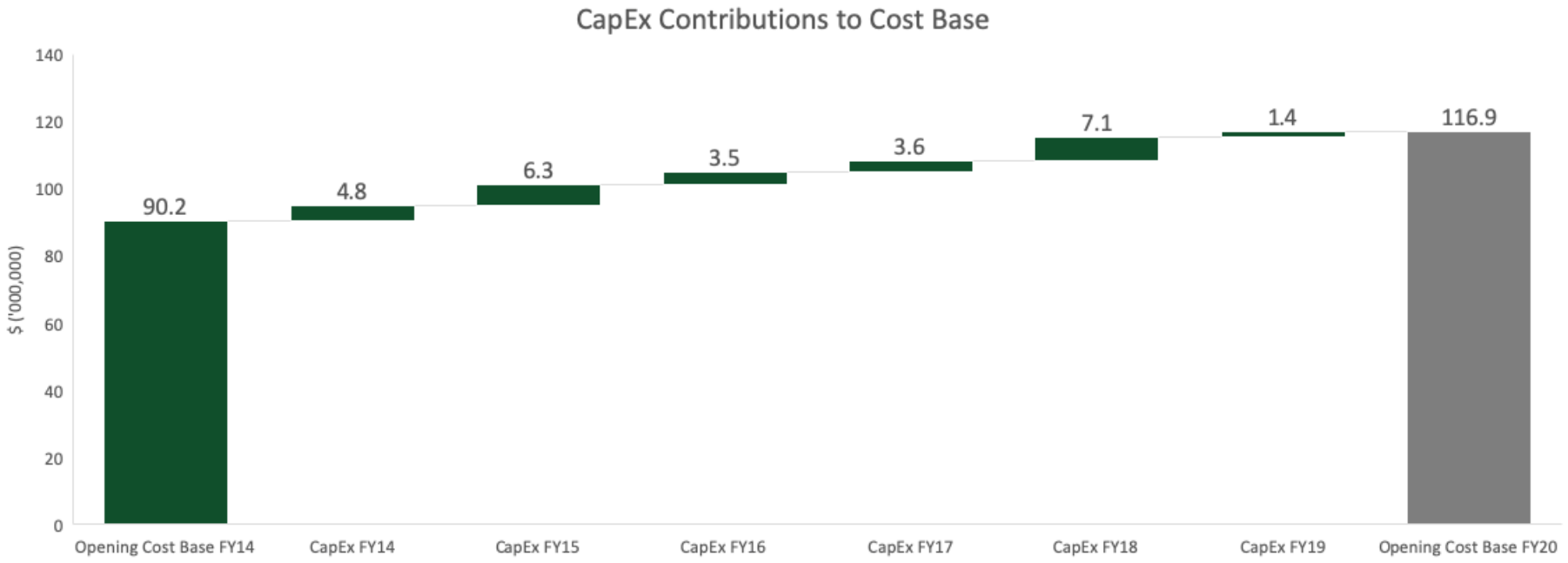


- Base Rent has continued to increase due to capital expenditure investment ($37.3m since FY12)
- Variable Rent historically has ranged between $7.7m and $14.2m subject to pricing, volume and costs
- FY19 Variable Rent lowest in 6 years
- Citrus Variable Rent was negatively impacted by an "off year" due to the biennial bearing nature of the crop[1], higher water allocation prices[2] due to ongoing drought conditions and delay of 2019 harvest commencement due to seasonal conditions with only 25% of the crop harvested at 30 June 2019[2]
- Berry Variable Rent impacted by crumbly fruit in raspberries[2] resulting in higher wastage and increased labour costs, unfavourable crop timing for raspberries[1] and lower pricing in blueberries over peak summer period

**FY19 rental revenue on a pro forma 12 month comparable basis*
[1]Costa Group ASX Announcement, 'Chairman's AGM Speech', 30 May 2019
[2]Costa Group ASX Announcement, '1H CY2918 Results Presentation', 23 August 2019

Base Rent increasing while Citrus and Berries both faced challenges in FY19

Capital Expenditure Investment



Base Rent adjusts with Capital Expenditure

- Vitalharvest receives Base Rent calculated as 8% of historical cost base plus capital expenditure contributions
- Opening cost base for FY20 is $116.9m
- Base Rent adjusts with asset market review in 2026 (last occurred in 2011) if the option to extend the leases is exercised by the Tenant

VTH is steadily growing its Base Rent generation through capital expenditure investment

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Afourer mandarins, Kangara SA

Portfolio Outlook

Portfolio Outlook - Citrus

- Strong volumes expected for upcoming harvest[1]
- The Tenant has informed the market that the Citrus harvest is running late with only 25% harvested at 30 June 2019, with the remainder to be harvested from July to November[2]
- Additional costs to treat fruit from fruit fly exclusion zone for export market[2] (which impacts a portion of VTH planted area)
- Higher water allocation costs due to ongoing drought conditions across the southern Murray Darling Basin[2]
- Export demand remains favourable, supported by low AUD/USD and AUD/JPY
- Strong growth in domestic citrus export volumes for oranges and mandarins, particularly to China[3]

Oranges, Kangara SA

[1]Costa Group Investor Call, 29 May 2019
[2]Costa Group ASX Announcement, '1H CY2019 Results Presentation', 23 August 2019
[3]UN Comtrade Database, 2019

Tenant has advised of strong volumes for 2019 Citrus harvest

Portfolio Outlook - Berries

- Australian berry consumption continues to increase
  - Domestic consumption of blueberries projected to increase by 20% from 2018 to 2022[1]
  - Domestic consumption of raspberries projected to increase by 40% from 2017 to 2021[2]
- Strong growth in domestic berry supply[3]
- Blueberries:
  - Investment into innovative growing methods supporting strong production volumes
  - Vitalharvest contributing capital expenditure investment to develop premium Arana plantings at Corindi
  - Potential for lower pricing due to increased supply in northern NSW[4]
- Raspberries:
  - Crumbly fruit issues in one variety – *Maravilla*
  - *Maravilla* represents approximately 35% of Vitalharvest raspberry plantings
  - The issue is being managed by a transition to long cane plantings[4]
- Blackberries:
  - A growing category off a small base

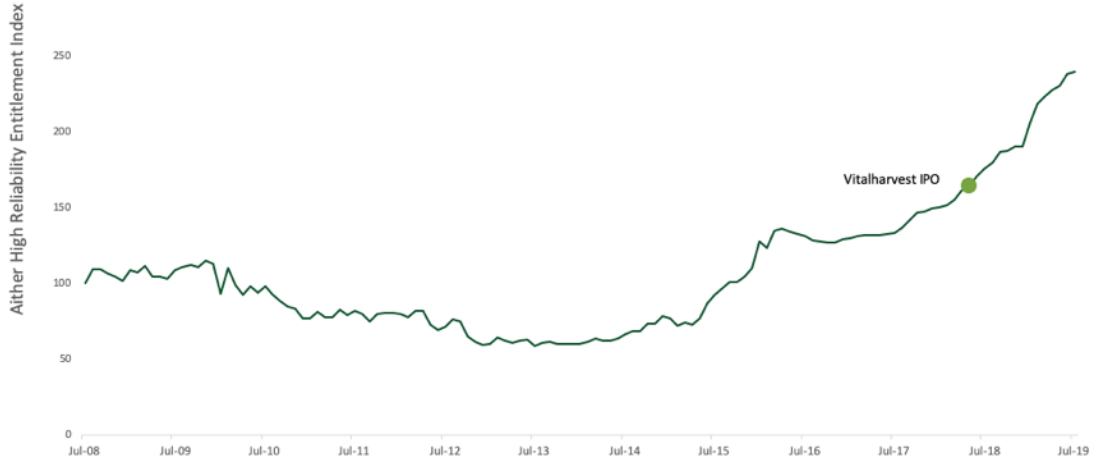
[1]*Australian Blueberry Industry, 'Strategic Investment Plan 2018-2022'*
[2]*Raspberries and Blackberries Australia (RABA), 'Strategic Investment Plan 2017-2021*
[3]*Hort Innovation, 'Horticulture Industry Statistics Handbook'*
[4]*Costa Group ASX Announcement, '1H CY2019 Results Presentation', 23 August 2019*

Raspberries, Corindi NSW

Strong production volumes at Corindi with exposure to Arana blueberries, raspberries facing some challenges

Portfolio Outlook - Water

- Water entitlement values continue to rise with the Aither High Reliability Entitlement Index[1] up 46% since Vitalharvest IPO to 31 July 2019
- Water entitlement values are driven by:
  - A diminishing consumptive pool due to government environmental buybacks
  - Expanding demand
  - Impacted by a drought overlay
- SA water entitlements expected to reach 100% allocation by the end of the water season (2019/20)[2]
- Temporary water allocation prices remain high due to ongoing drought influences (low supply) which may impact farm earnings for the Citrus portfolio



[1]*The Aither High Reliability Entitlement Index tracks the change in capital value of a group of major high reliability water entitlement types across the southern Murray Darling Basin*

[2]*South Australian Government, 'South Australia's River Murray Allocation Statement' 15 August 2019*

Murray River, SA

Vitalharvest's water asset values have appreciated but higher temporary water costs for the Tenant

Avocados, Yandilla SA

Growth Strategy

Growth – Capital Expenditure

Increase to Base Rent

- $37.3m of capital expenditure invested since FY12 (44% of portfolio opening cost base)
- Capital expenditure delivers 8% per annum return to unitholders

Increase to Variable Rent

Berries:

- New plantings - 81ha developed since FY14
- Investment in new growing systems - 67ha of blueberries and raspberries converted to substrate since FY14
- Acquisition of 3.3ha raspberry farm at Corindi (post 30 June 2019)
- Reduced weather risk from protective tunnel investment
- Access to more water at Corindi via dam expansion

Citrus:

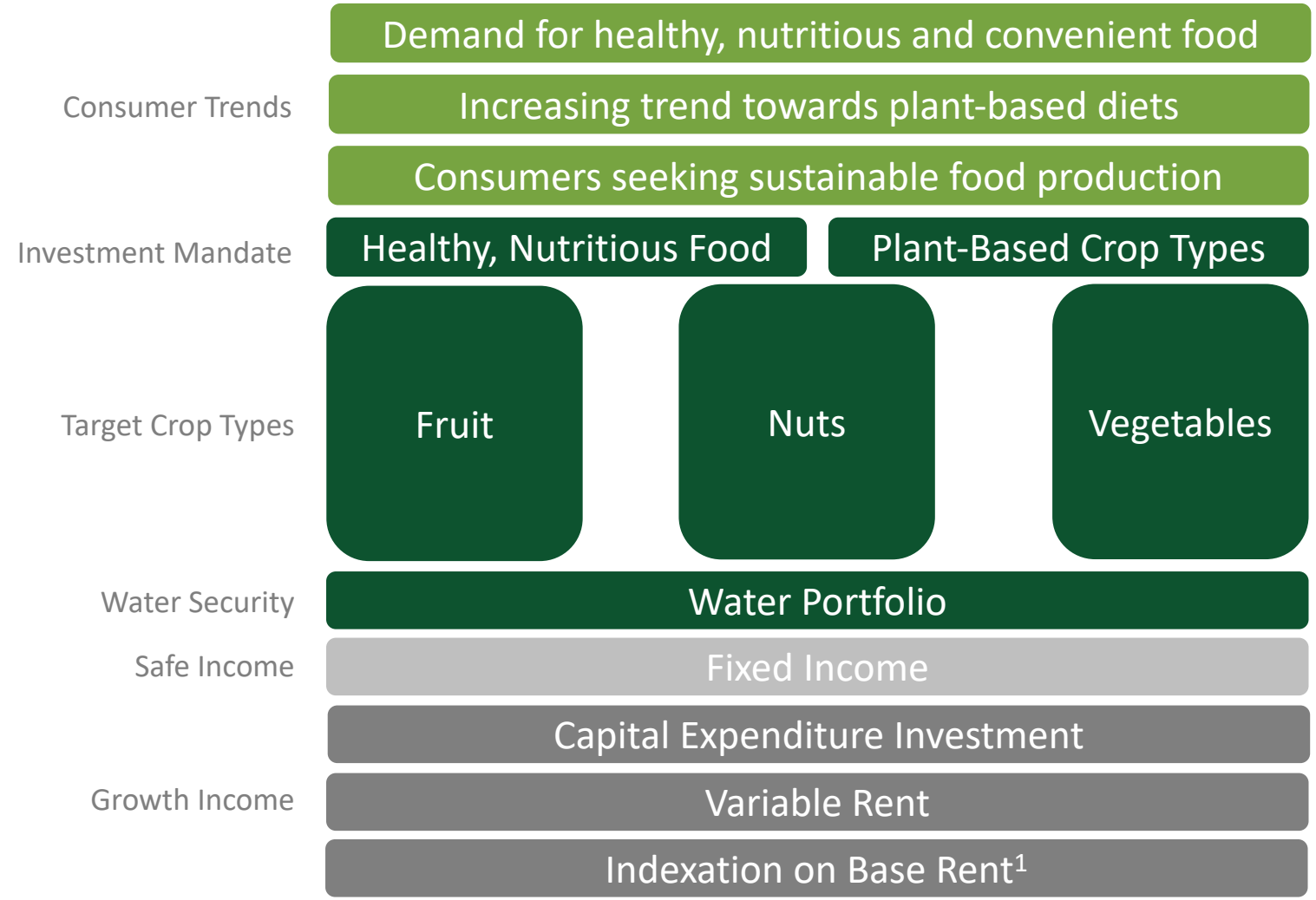
- New plantings:
  - 300ha of citrus (17% of citrus planted area)
  - 70ha of avocado plantings (60% of avocado planted area)
  - 20ha persimmons (80% of persimmon planted area)
- Increased citrus yields and reduced costs from protective netting over 18ha Afourer mandarins at Solora and 9ha citrus and persimmons at Kangara
- Installation of overhead cooling on avocados at Solora
- Extensive irrigation system upgrades

Afourer mandarins under netting, Solora SA

CapEx demonstrates commitment to investing in the long-term productivity and profitability of the properties

Growth - Acquisitions

Acquisition Strategy



[1] *Future opportunities, not a component of current Citrus and Berry Leases*

Vitalharvest to capitalise on global food trends

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Oranges, Kangara SA

Financial Results

Financial Results - Summary

Income and Earnings *($'000)*	Pro Forma FY18 (12 Months)	Pro Forma FY19 (12 Months)	FY19 Statutory Period Since IPO (11 Months)
Rental revenue	21,284	17,057	15,377
PBT and NPAT	8,742	(6,912)	(5,531)
Funds From Operations	16,361	11,359	10,463
Funds From Operations (cents per unit)	8.84	6.14	5.66

Distributions *(cents)*	FY19 Statutory Period Since IPO (11 Months)
Distribution – Interim	4.00
Distribution – Final	1.65
Total Distribution FY19	**5.65**
Payout ratio of Funds From Operations	~100%

Note:
The IPO of VTH was completed 1 August 2018, accordingly there are only 11 months of trading activities by VTH during the 12 month reporting period ending 30 June 2019. A pro forma 12 month period (inclusive of July 2018) is presented for comparability.

The pro forma Information is adjusted to reflect the restructure and on-going operations of VTH as a listed public entity post IPO.

[1]See slide 34 for reconciliation of significant items

Income and Earnings

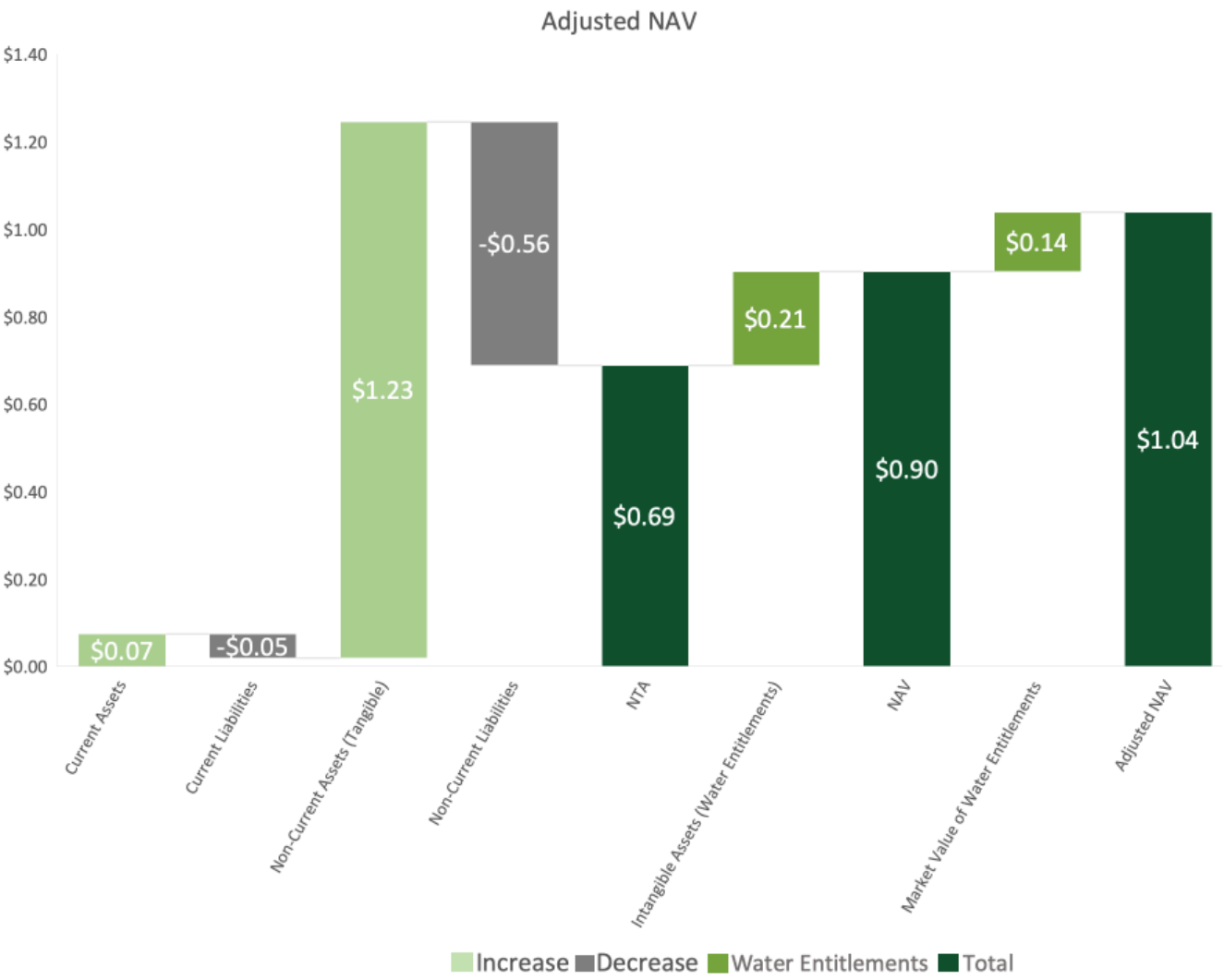
- Rental revenue of $15.4m for the 11 month Statutory Period
  - Base Rent totalled $8.5m
  - Variable Rent totalled $6.8m
  - Net loss after tax of $5.5m and total comprehensive loss of $5.5m for the 11 months from IPO and restructure
- Rental revenue of $17.1m on a pro forma 12 month basis

Final Distribution

- Funds From Operations (FFO) of $10.5m from the 11 months from IPO, representing 5.66 cents per unit
- **Final distribution of 1.65 cents per unit**
  - Record date: 2 July 2019
  - Payment date: 30 September 2019

FY19 distribution of 5.65 cents per unit for the 11-month period

Adjusted Net Asset Value



Key Metrics

- Net Tangible Assets (NTA) per unit: $0.69
- Net Asset Value (NAV) per unit (includes carrying value of water entitlements): $0.90
- NAV Adjusted per unit (includes market value of water entitlements): $1.04

Adjusted NAV of $1.04 per unit - including current market value of water entitlements

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Lemons, Solora SA

Summary

Summary & Outlook

Results

- Funds From Operations of $10.5m (11 months of trading since the IPO)
- FY19 distribution of 5.65 cents per unit (11 months of trading since the IPO)

Assets

- Vitalharvest holds proven, strategically diversified, investment-grade agricultural assets
- Base Rent provides consistent income stream while Variable Rent provides growth opportunity upside exposure
- Upcoming Citrus harvest appears favourable
- Strong demand and consumption trends for berries
- Strong production volumes at Corindi but raspberries facing some challenges
- Vitalharvest's water asset values have appreciated significantly but higher temporary water costs anticipated
- Market value of water entitlements is 63% higher than carried on the balance sheet

Growth

- Base Rent increasing due to continued capital expenditure investment
- Capital expenditure demonstrates commitment by the Landlord and the Tenant to investing in the long-term productivity and profitability of the properties
- 20% of Citrus trees yet to reach full maturity
- Ongoing capital expenditure to develop premium Arana variety

VTH delivered Funds From Operations of $10.5m in a challenging, short financial year

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Substrate plantings, Corindi NSW

Supporting Information

Performance Snapshot

Financial Performance

$10.5m	$280.3m	$0.90
Funds From Operations (FFO)	Total Assets	NAV per unit
5.66cents	5.65cents	~100%
FFO per unit	Distribution per unit	Payout Ratio

Portfolio Performance

4	100%	7.0yrs
Production Regions	Occupancy	WALE

Capital Management

36.7%	2.95yrs	3.8x
Gearing	Weighted Average Debt Maturity	Interest Cover

Corporate Snapshot

Source: nabtrade at 27 August 2019

Responsible Entity

- The Trust Company (RE Services) Limited

Manager

- goFARM Asset Management Pty Ltd ('goFARM')
- Successful track record of identifying and negotiating the acquisition and management of agricultural properties
- Experienced in negotiating attractive lease terms with operators/managers

Major Unitholders at 22 Jul 2019	% Unitholding
Auscap Asset Management	8.1%
Lennox Capital Partners	7.1%
Australian Ethical Investments	6.6%
Telstra Super	6.0%
Costa Asset Management	5.8%

Source: Orient Capital, 22 July 2019

Berries Pricing and Production Volumes

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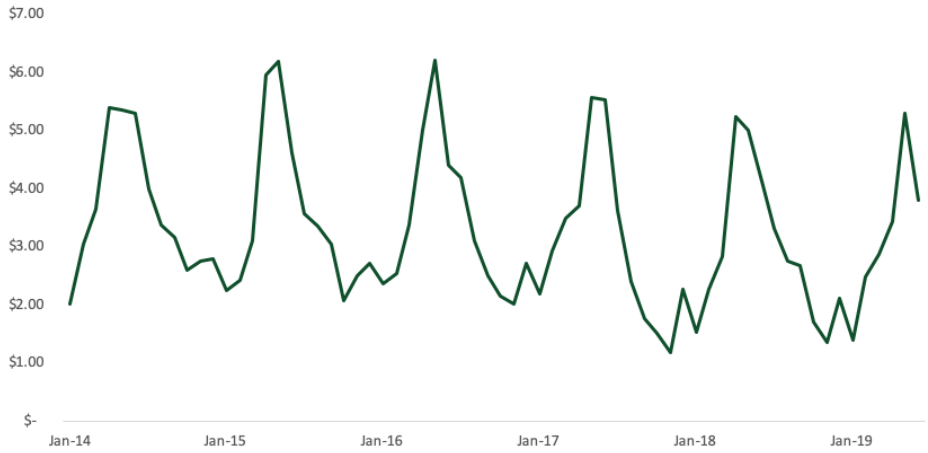
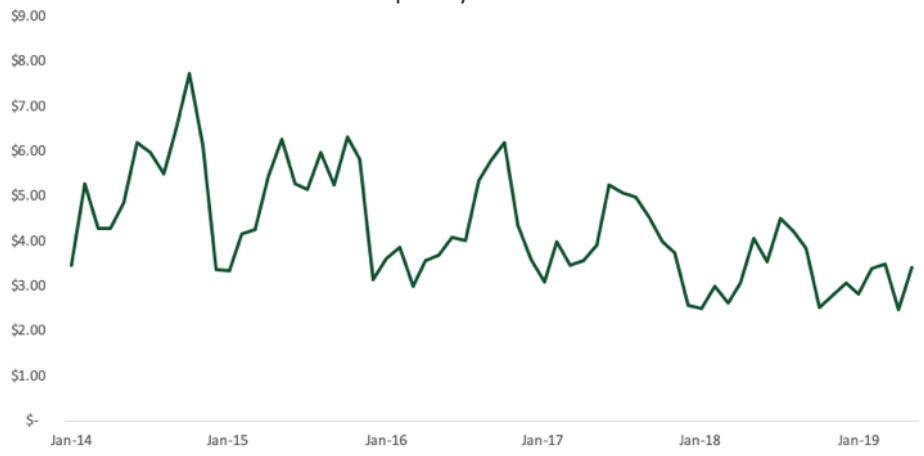
Blueberry Price[1]

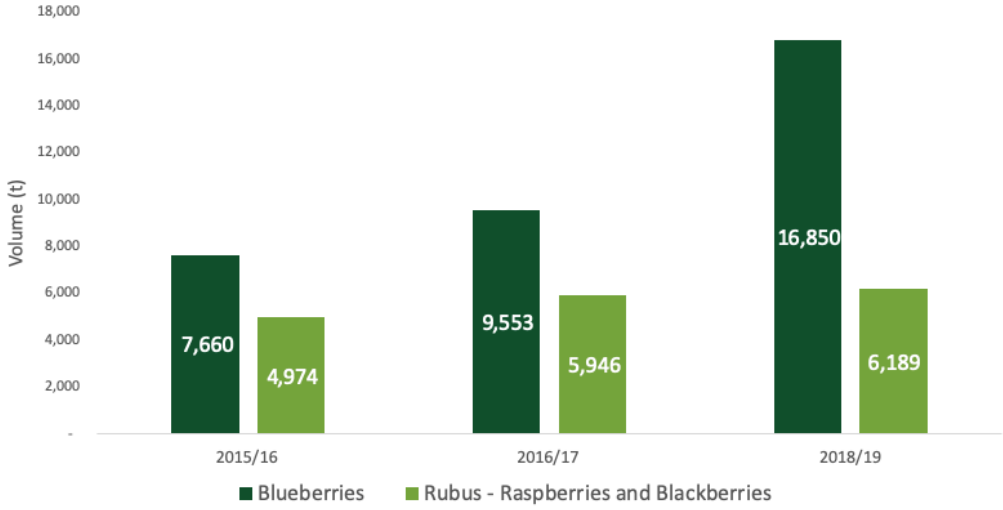


Raspberry Price[1]



Blackberry Price[1]

Berry Production Volumes[2]

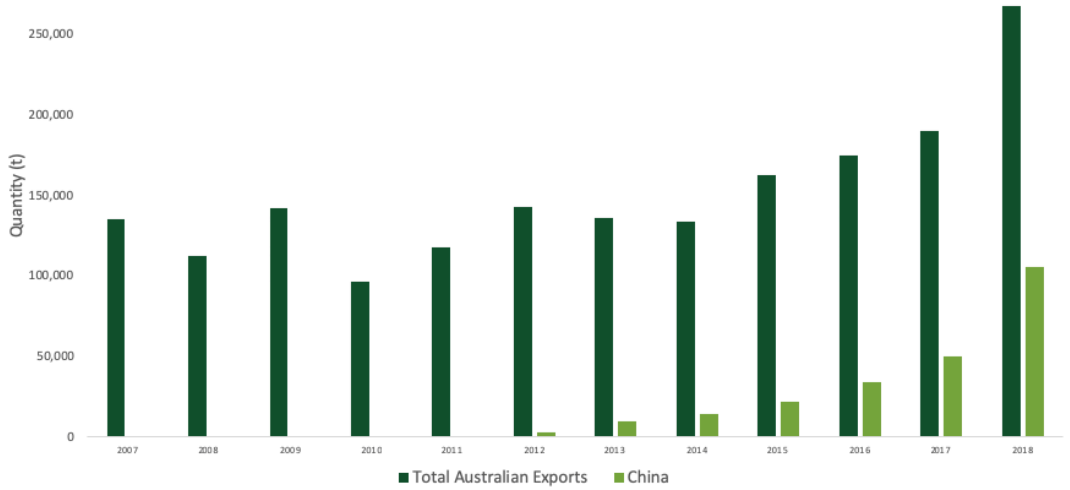


[1]*Sydney Markets wholesale data for 125g punnet, Sydney Produce Surveyors*
[2]*Hort Innovation, Australian Horticulture Statistics Handbooks: Fruit*

Increasing supply leading to lower pricing

Citrus Export Volumes

Australian Orange Exports[1]



Australian Mandarin Exports[1]

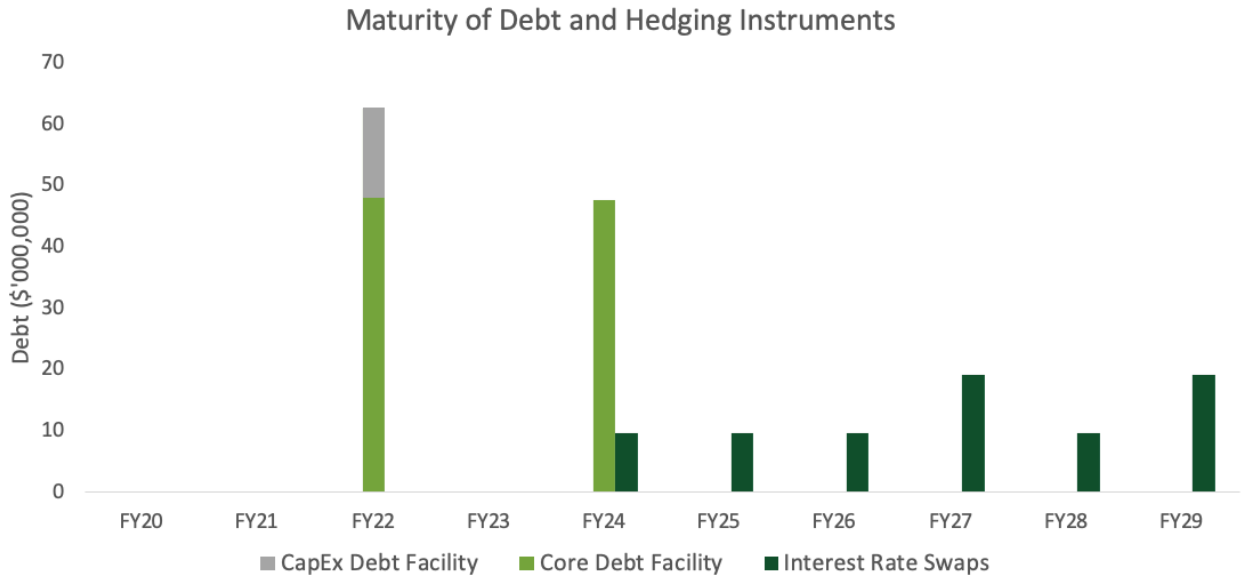
[1]*UN Comtrade Database 2019*

Strong Australian citrus export growth

Debt

- Core debt comprises:
  - $47.5m facility with initial 3 year maturity
  - $47.5m facility with initial 5 year maturity
- $15.0m capital expenditure facility with initial 3 year term
- 80% of core debt is hedged via interest rate swaps
- Gearing of 36.7% at 30 June 2019

Capital Management	31 December 2018	30 June 2019	Movement
Debt Facilities limit ($'000)	$110,000	$110,000	-
Debt drawn ($'000)	$95,000	$96,417	↑
Debt Headroom ($'000)	$15,000	$13,583	↓
Interest Cover Ratio	5.0x	3.8x	↓
Gearing[1]	39.6%	36.7%	↓
Target Gearing Ratio	40.0%		-



[1]*Interest bearing liabilities divided by the sum of the market value of the property portfolio plus the amount of capital expenditure paid in relation to or in respect of each asset in the property portfolio since the last independent valuation of that particular asset.*

Reconciliation of Investment Property

Investment Property *($'000)*	30 June 2019
Opening	**-**
Additions through business combinations[1] - Citrus	106,202
Additions through business combinations[1] - Berries	118,235
Additions through business combinations - Water Entitlements	41,232
Additions through business combinations - Other PPE	406
Disposal of Non-Current Assets (Water Entitlements)	(1,557)
Additions[1] - Citrus CapEx	2,082
Additions[1] - Berries CapEx	1,213
Depreciation of Bearer Plants - Citrus	(2,819)
Depreciation of Bearer Plants - Berries	(8,545)
Depreciation - Other PPE	(19)
Fair Value Change[1] - Citrus	11,030
Fair Value Change[1] - Berries	(780)
Total	**266,680**

- Properties are independently valued at least once every 3 years on an encumbered basis
- Citrus properties were independently valued at 30 June 2019
- Berry properties to be independently valued at 30 June 2020

[1]*Includes investment property and bearer plants*

Financial Results - Income Statement

Income Statement *($'000)*	Pro Forma FY18 (12 Months)	Pro Forma FY19 (12 Months)	+/-	FY19 Statutory Period Since IPO (11 Months)
Base Rent	9,088	9,321	+233	8,545
Variable Rent	12,196	7,737	-4,459	6,832
Total Rental Revenue	**21,284**	**17,057**	-4,227	**15,377**
Fair Value Adjustments	-	1,847	+1,847	1,847
Total Other Income	1,649	2,922	+1,273	2,833
Total Revenue	**22,933**	**21,827**	**-1,106**	**20,057**
Loss on Disposal of Non-Current Assets	(165)	(1,557)	-1,392	(1,557)
Administration Fees[1]	(1,202)	(1,402)	-200	(1,358)
Other Expenses	(326)	(525)	-199	(430)
Establishment Costs	-	(7,245)	-7,245	(7,245)
Total Expenses	**(1,693)**	**(10,729)**	**-9,036**	**(10,590)**
EBITDA	**21,240**	**11,099**	-10,141	**9,467**
Depreciation and Amortisation[2]	(8,623)	(13,661)	-5,038	(11,383)
EBIT	**12,617**	**(2,562)**	-15,179	**(1,916)**
Finance Costs	(3,908)	(4,409)	-501	(3,674)
Interest Income	33	59	+26	59
PBT & NPAT	**8,742**	**(6,912)**	**-15,654**	**(5,531)**
Non-cash adjustment[4]	7,619	18,271	+10652	15,994
Funds From Operations	**16,361**	**11,359**	**-5,002**	**10,463**

- Funds From Operations for the 11-month statutory period of $10.5m
- Growth in Base Rental income due to capital expenditure investment contributed by Vitalharvest
- Variable Rent income down 37%
  - Coming off record Citrus performance in FY18
  - FY19 recorded lowest Variable Rent for January to June period since FY12
- Total expenses up, due to transaction costs associated with IPO and restructure and a loss on disposal of water entitlements foregone under the 3IP[3] agreement
- Depreciation and amortisation are non-cash costs, and have increased due to increased valuation of bearer plants (trees, vines and bushes)

[1]Includes Responsible Entity Fees, Management Fees and Professional Fees
[2]Depreciation represents the amendment to the Accounting Standards requiring bearer plants to be depreciated over their useful lives from 1 July 2016.
[3]Irrigation Industry Improvement Program (3IP) is a competitive grants program designed to support a healthy Murray-Darling Basin environment
[4]See page 34 for reconciliation of Pro Forma 12 Months and FFO calculation

Funds From Operations of $10.5m for the 11-month period

Reconciliation of Financial Information

Pro Forma 12-Month Period

FY19 Statutory 11 Month Period	
PBT and NPAT	**(5,531)**
Non-cash adjustment	15,994
Funds From Operations	10,463
July 2018	
Base Rent	775
Variable Rent	904
Other Revenue	32
Outgoings Recovered	58
Administration Fees	(44)
Other Expenses	(37)
Rates and Taxes	(58)
Depreciation	(2,277)
Finance Costs	(735)
Pro forma 12 Month Period	
PBT and NPAT	9,082
Non-cash adjustment	2,277
Funds From Operations	**11,359**

July 2018

- Base Rent and Variable Rent for July 2018 are based on actuals
- Other revenue and expense items are estimates derived from the 5 month period from 1 August 2018 to 31 December 2018

Funds From Operations and Distribution

Funds From Operations *($'000)*	FY19 Statutory Period Since IPO (11 Months)
PBT and NPAT	**(5,531)**
Non-cash adjustment:	
Grant related income	(2,514)
Change in fair value - interest rate swaps	8,403
Change in fair value - investment property	(7,552)
Change in fair value - plant and equipment - bearer plants	(2,698)
Depreciation expense	11,383
Borrowing costs (Amortised)	170
Loss on disposal of non - current assets	1,557
IPO related costs	7,245
Funds From Operations	**10,463**
Distribution	
Units	185.0m
Funds From Operations (cents per unit)	5.66
Payout Ratio	~100%
FY19 Distribution (cents per unit)	**5.65**

Financial Results - Balance Sheet

Balance Sheet *($'000)*	31 December 2018	30 June 2019	+/-
Current assets			
Cash and cash equivalents	5,233	7,239	+2,006
Receivables	16,155	6,118	-10,037
Other assets	3	282	+279
Total current assets	**21,391**	**13,639**	**-7,752**
Non-current assets			
Investments accounted for using equity method	3,325	-	-3,325
Intangible assets	39,675	39,675	0
Investment properties	92,910	102,333	+9,423
Property, plant and equipment	125,981	124,672	-1,309
Total non-current assets	**261,892**	**266,680**	**+4,788**
Total assets	**283,283**	**280,319**	**-2,964**
Current liabilities			
Payables	12,782	3,508	-9,274
Other financial liabilities	465	1,205	+740
Other liabilities	775	5,431	+4,656
Total current liabilities	**14,022**	**10,144**	**-3,878**
Non-current liabilities			
Borrowings	94,336	95,846	+1,510
Other financial liabilities	3,019	7,198	+4,179
Total non-current liabilities	**97,356**	**103,044**	+5,688
Total liabilities	**111,378**	**113,188**	+1,810
Net assets	**171,905**	**167,131**	**-4,774**

- Strong balance sheet underpinned by $266.7m of investment properties (Citrus assets independently valued at 30 June 2019, Berry assets independently valued at 31 May 2018)
- Debt facility $110m with $96.4m drawn at 30 June 2019
- Vitalharvest has strong liquidity with $13.6m of headroom in the capital expenditure debt facility
- Gearing at 36.7%, in line with target of 40%
- Rabobank has formed a 50/50 banking syndicate with NAB post 30 June 2019, strengthening Vitalharvest's debt position
- Water entitlements are carried on the balance sheet as an intangible asset at $39.7m at 30 June 2019 (equivalent to 21.5 cents per unit) based on cost value at IPO. The water entitlements have an estimated market value of $64.7m at 30 June 2019 (equivalent to 35 cents per unit)

Strong balance sheet underpinned by $266.7m of investment property

Financial Results - Cash Flow

Statement of Cash Flows *($'000)*	14 June 2018 to 30 June 2019[1]
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 in cash and cash equivalents	7,239
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents for at the end of the period	**7,239**

- Vitalharvest listed on the ASX on 1 August 2018
- $280m was raised at the IPO via $185.0m of equity from unitholders and a $95.0m fully drawn core debt facility
- A $15.0m capital expenditure facility exists which was undrawn at the IPO
- Funds raised from the IPO were used to purchase investment property, bearer plants, water entitlements and other assets and liabilities of Vitalharvest
- Large cash position due to current liabilities relating to the IPO (TAS stamp duty and tax bill) and income received that is not recognised as revenue in FY19
- Interim distribution of 4.00 cents per unit ($7.4m) paid March 2019
- Final distribution of 1.65 cents per unit ($3.1m) to be paid 30 September 2019

[1]*Pursuant to ASIC Instrument 18-1141, the trust's first financial year is 14 June 2018 to 30 June 2019. The trust operated as a shell with the IPO occurring on 1 August 2018*

Final distribution of 1.65 cents per unit will be paid 30 September 2019

Lease Expiry

Lease Expiry

- The current Weighted Average Lease Expiry is 7.0 years
- The Citrus and Berry leases were signed in 2011 for a 15 year term set to expire on or around 30 June 2026
- The leases include an option for the Tenant to extend the lease for a period of 10 years
- The Dunorlan property lease is three consecutive 10-year lease terms with final lease expiring on 30 June 2036
- The Grays Rd property lease expires on 30 June 2027, if the option to extend is exercised by the Tenant, this will expire in 2037
- The Berry Leases are stapled such that the Tenant electing to exercise the option to extend on one property automatically extends the leases on the other properties (including Dunorlan and Grays Rd)
- The Citrus Leases are also stapled

Notices of Dispute

On 30 August 2019, Vitalharvest served a Dispute Notice on its tenant Costa Group Holdings (CGC)

Over the past months, Vitalharvest has been in discussions with the Tenants in relation to the content, detail and format of information that the Tenants are required to provide under the terms of the Leases.

This information is required in order to ensure that Vitalharvest is in a position to verify the calculation of the Variable Rent payable under the Leases and to be able to adequately manage Vitalharvest's underlying assets including plantings and water.

To date, negotiations have not been successful and Vitalharvest has served Dispute Notices broadly covering 2 areas of contention, namely that:

- Vitalharvest has received insufficient information from the Tenants in order to verify the calculation of the Variable Rent under the terms of the Leases in particular certain components of the Variable Rent such as the shared service costs which are apportioned by the Tenants across its operations; and

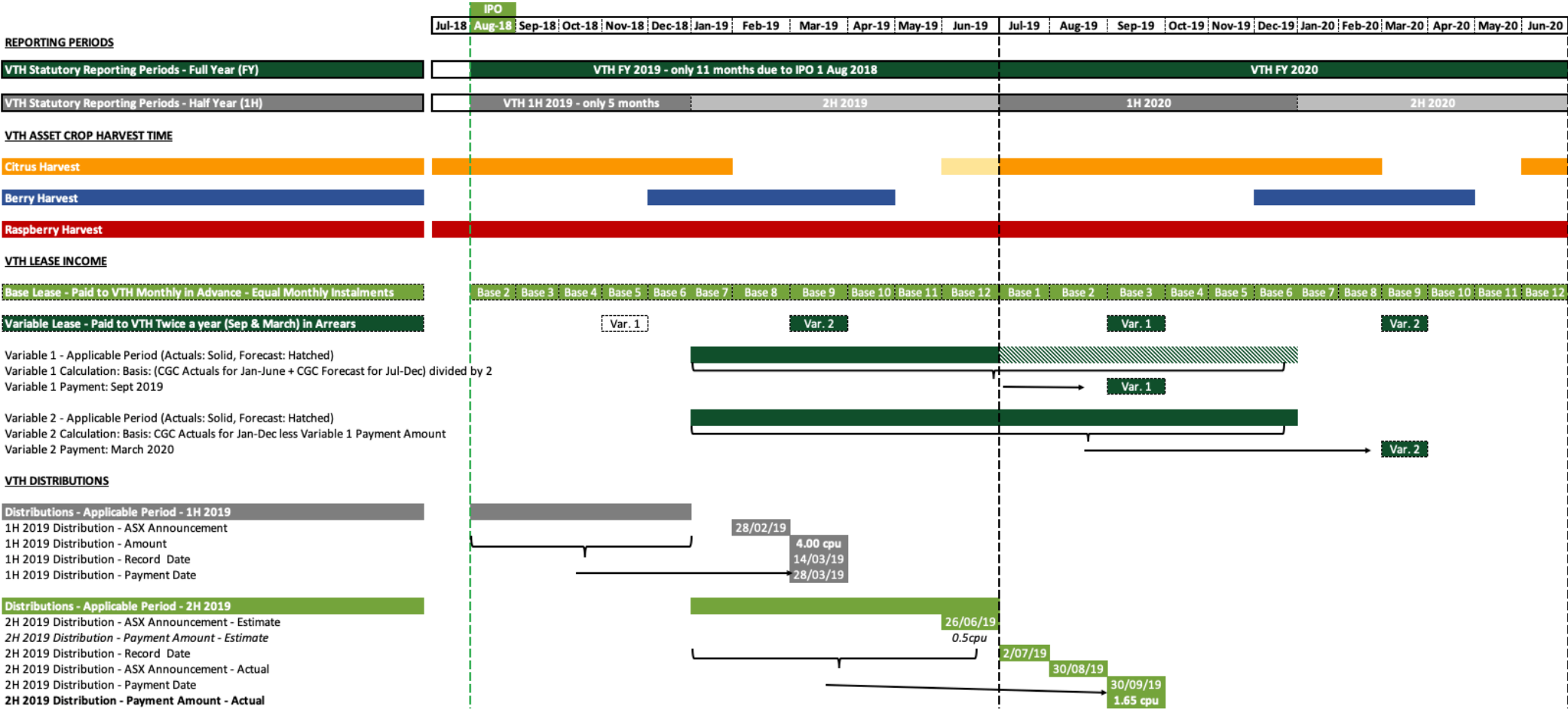
- The budget and other financial information which have been provided by the Tenants to Vitalharvest do not comply with the requirements of the Leases.

Notwithstanding the service of the Dispute Notices, the terms of the Leases require the Tenants to make payment of the undisputed portion of the Variable Rent.

Under the Leases, Vitalharvest will as an initial step seek mediation in order to resolve the issues.

Vitalharvest does not intend to make any further public announcements in relation to the disputes whilst any mediation is proposed or underway.

Lease Income – Calculation and Timing



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