

RFM Poultry (RFP)

Financial Statements

For the Year Ended 30 June 2016

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RFM Poultry

ARSN 164 851 218

Corporate Directory

Registered Office	Level 2, 2 King Street DEAKIN ACT 2600
Responsible Entity	Rural Funds Management Limited ABN 65 077 492 838 AFSL 226701 Level 2, 2 King Street DEAKIN ACT 2600 Ph: 1800 026 665
Directors	Guy Paynter David Bryant Michael Carroll
Company Secretaries	Andrea Lemmon Stuart Waight
Custodian	Australian Executor Trustees Limited ABN 84 007 869 794 Level 22, 207 Kent Street SYDNEY NSW 2000
Auditors	PricewaterhouseCoopers Darling Park 201 Sussex Street SYDNEY NSW 2000
Share Registry	Boardroom Pty Limited Level 12, 225 George Street SYDNEY NSW 2000 Ph: 1300 737 760
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000
Stock Exchange Listing	RFM Poultry units are listed on the National Stock Exchange of Australia (NSX)
NSX Code	RFP

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Directors' Report

30 June 2016

The Directors of Rural Funds Management Limited (RFM), the responsible entity of RFM Poultry (RFP or the Trust) present their report on the Trust for the year ended 30 June 2016.

Directors

The following persons held office as directors of the responsible entity during the year and up to the date of this report:

Guy Paynter	Non-Executive Chairman
David Bryant	Managing Director
Michael Carroll	Non-Executive Director

Principal activities and significant changes in nature of activities

The principal activity of RFM Poultry during the year was the growing of chickens in accordance with growing contracts including the provision of labour, management and infrastructure.

Operating results

The net profit after income tax of the Trust for the year ended 30 June 2016 amounted to \$866,573 (2015: \$1,499,214).

The net profit after income tax is in line with expectations for the year ended 30 June 2016. The higher profit in the year ended 30 June 2015 was primarily attributable to compensation for higher energy costs incurred in the previous financial year due to the introduction of RSPCA standards, the operational cycle and seasonal factors.

The chicken industry continues to experience positive conditions with per capita consumption continuing to increase. RFP holds its position as a premium chicken grower. All the sheds leased by RFM Poultry in Griffith, NSW have been endorsed as compliant with RSPCA guidelines.

Financial position

The net assets of the Trust have increased to \$7,669,530 at 30 June 2016 from \$7,474,463 at 30 June 2015.

At 30 June 2016 the Trust had total assets of \$8,978,581 (2015: \$9,517,124).

Significant changes in state of affairs

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

Distributions

	Cents per unit	Total \$
Distribution declared 1 June 2015, paid 30 July 2015	2.5125	172,382
Distribution paid 30 October 2015	2.5125	172,971
Distribution paid 29 January 2016	2.5125	172,971
Distribution paid 29 April 2016	2.5125	172,971
Distribution declared 1 June 2016, paid 29 July 2016	2.5125	172,971

Earnings per unit

Net profit after income tax for the year (\$)	866,573
Weighted average number of units on issue during the year	6,882,494
Basic and diluted earnings per unit (total) (cents)	12.59

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Directors' Report

30 June 2016

Summary of historical performance

Results and net assets attributable to unitholders for the last 3 years were as follows:

	2016	2015	2014
	\$	\$	\$
Revenue	24,324,125	25,746,811	13,163,176
Net profit after income tax	866,573	1,499,214	489,677
Total assets	8,978,581	9,517,124	8,906,106
Total liabilities	1,309,051	2,042,661	2,298,090
Net assets attributable to unitholders	7,669,530	7,474,463	6,608,016

Indirect cost ratio

The indirect cost ratio (ICR) is the ratio of the Trust's management costs over the Trust's average net assets for the year, expressed as a percentage.

Management costs include management fees and reimbursement of other expenses in relation to the Trust, but do not include transactional and operational costs such as brokerage. Management costs are not paid directly by the unitholders of the Trust.

The ICR for the Trust for the year ended 30 June 2016 is 3.52% (2015: 4.16%).

Matters subsequent to the end of the year

In August 2016, certain chicken growing contracts have been moved from Baiada Poultry to Turi Foods. These contracts relate to RFP's growing operations in Lethbridge, VIC.

No other matter or circumstance has arisen since the end of the year that has significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Likely developments and expected results of operations

RFP intends to maintain growing standards consistent with RSPCA guidelines while conducting an efficient operation that achieves competitive chicken grow-out times and feed conversion rates.

Environmental regulation

The operations of the Trust are subject to significant environmental regulations under the laws of the Commonwealth and States or Territories of Australia. There have been no known significant breaches of any environmental requirements applicable to the Trust.

Units on issue

6,884,416 units in RFM Poultry were on issue at 30 June 2016 (2015: 6,860,964). During the year 23,452 units were issued by the Trust (2015: 66,849) and nil (2015: nil) were redeemed.

Indemnity of Responsible Entity and Custodian

In accordance with the constitution, RFM Poultry indemnifies the Directors, Company Secretaries and all other officers of the Responsible Entity and Custodian when acting in those capacities, against costs and expenses incurred in defending certain proceedings.

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Directors' Report

30 June 2016

Information on Directors of the Responsible Entity

Guy Paynter	Non-Executive Chairman
Qualifications	Bachelor of Laws from The University of Melbourne
Experience	Guy Paynter is a former director of broking firm JB Were and brings to RFM more than 30 years of experience in corporate finance. Guy is a former member of the Australian Securities Exchange (ASX) and a former associate of the Securities Institute of Australia (now known as the Financial Services Institute of Australasia). Guy is also Chairman of Bill Peach Group Limited (previously known as Aircruising Australia Limited). Guy's agricultural interests include cattle breeding in the Upper Hunter region in New South Wales.
Special responsibilities	Member of Audit Committee
Directorships held in other listed entities during the three years prior to the current year	Rural Funds Group
David Bryant	Managing Director
Qualifications	Diploma of Financial Planning from the Royal Melbourne Institute of Technology and a Masters of Agribusiness from The University of Melbourne.
Experience	David Bryant established RFM in February 1997. Since then, David has led the RFM team that has acquired over \$460 million in agricultural assets across eight Australian agricultural regions. This has included negotiating the acquisition of more than 35 properties and over 79,000 megalitres of water entitlements.
Special responsibilities	Managing Director
Directorships held in other listed entities during the three years prior to the current year	Rural Funds Group
Michael Carroll	Non-Executive Director
Qualifications	Bachelor of Agricultural Science from La Trobe University and a Masters of Business Administration from The University of Melbourne's Melbourne Business School. Michael has completed the Advanced Management Program at Harvard Business School, Boston, and is a Fellow of the Australian Institute of Company Directors.
Experience	Michael Carroll serves a range of food and agricultural businesses in a board and advisory capacity. Michael is on the boards of Tassal Group Limited, Select Harvests Limited, Paraway Pastoral Company, Sunny Queen Pty Limited, and the Gardiner Dairy Foundation. Michael also has senior executive experience in a range of companies, including establishing and leading the National Australia Bank (NAB) Agribusiness division.
Special responsibilities	Chairman of Audit Committee
Directorships held in other listed entities during the three years prior to the current year	Michael is on the Board of Tassal Group Limited, Rural Funds Group and Select Harvests Limited. Michael was on the Board of Warrnambool Cheese and Butter Limited from August 2009 until May 2014.

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Directors' Report

30 June 2016

Interests of Directors of the Responsible Entity

	Guy Paynter Units	David Bryant Units
Balance at 30 June 2014	21,507	170,222
Additions	-	36,304
Balance at 30 June 2015	21,507	206,526
Additions	-	40,730
Balance at 30 June 2016	21,507	247,256

Company Secretaries of the Responsible Entity

Stuart Waight and Andrea Lemmon are RFM's joint company secretaries. Stuart joined RFM in 2003, is a Chartered Accountant and is RFM's Chief Operating Officer. Andrea has been with RFM since 1997 and is RFM's Executive Manager Funds Management.

Meetings of Directors of the Responsible Entity

During the financial year 14 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Directors meetings		Audit Committee meetings	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Guy Paynter	14	13	2	2
David Bryant	14	13	-	-
Michael Carroll	14	14	2	2

Non-audit services

During the year ended 30 June 2016 fees of \$4,408 (2015: nil) were paid or payable to PricewaterhouseCoopers for compliance audit services provided.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act* 2001 for the year ended 30 June 2016 has been received and is included on page 6 of the financial report.

The Directors' report is signed in accordance with a resolution of the Board of Directors of Rural Funds Management Limited.



David Bryant
Director

7 September 2016



Auditor's Independence Declaration

As lead auditor for the audit of RFM Poultry for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.



CMC Heraghty
Partner
PricewaterhouseCoopers

Sydney
7 September 2016

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Liability limited by a scheme approved under Professional Standards Legislation.

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Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Revenue	5	24,324,125	25,746,811
Other income	6	119,581	86,509
Gain on sale of assets		5,000	10,455
Property lease expenses		(10,467,969)	(10,366,287)
Direct grower expenses		(4,120,417)	(4,554,915)
Contractor fees		(3,894,003)	(4,172,972)
Employee expenses		(496,458)	(583,148)
Repairs and maintenance		(2,499,294)	(2,155,059)
Insurance expenses		(471,450)	(503,814)
Other indirect expenses		(666,465)	(700,494)
Management fees		(540,875)	(586,255)
Depreciation and impairment	14	(53,813)	(79,096)
Net profit before income tax		1,237,962	2,141,735
Income tax expense	7	(371,389)	(642,521)
Net profit after income tax		866,573	1,499,214
Other comprehensive income:			
Other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income attributable to unitholders		866,573	1,499,214
Earnings per unit			
Basic and diluted earnings per unit from continuing operations (cents)		12.59	21.96

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As at 30 June 2016

	Note	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	6,384,706	6,175,672
Trade and other receivables	10	2,048,855	2,711,964
Inventories	11	47,819	54,374
Other current assets	12	241,566	318,023
Income tax receivable	18	69,400	-
Total current assets		8,792,346	9,260,033
Non-current assets			
Plant and equipment	14	165,488	232,866
Deferred tax assets	19	20,747	24,225
Total non-current assets		186,235	257,091
Total assets		8,978,581	9,517,124
LIABILITIES			
Current liabilities			
Trade and other payables	15	1,111,736	1,383,087
Provisions	16	196,571	190,651
Income tax payable	17	-	468,709
Total current liabilities		1,308,307	2,042,447
Non-current liabilities			
Provisions	16	744	214
Total non-current liabilities		744	214
Total liabilities (excluding net assets attributable to unitholders)		1,309,051	2,042,661
Net assets attributable to unitholders		7,669,530	7,474,463
Total liabilities		8,978,581	9,517,124

The accompanying notes form part of these financial statements.

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Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 30 June 2016

2016	Issued units	Retained earnings	Total
	\$	\$	\$
Balance at 1 July 2015	6,621,676	852,787	7,474,463
Profit before income tax	-	1,237,962	1,237,962
Income tax expense	-	(371,389)	(371,389)
Total comprehensive income for the year	-	866,573	866,573
Issued units			
Units issued during the year	20,378	-	20,378
Issue costs	-	-	-
Total issued units	20,378	-	20,378
Distributions to unitholders	-	(691,884)	(691,884)
Balance at 30 June 2016	6,642,054	1,027,476	7,669,530
2015	Issued units	Retained earnings	Total
	\$	\$	\$
Balance at 1 July 2014	6,567,790	40,226	6,608,016
Profit before income tax	-	2,141,735	2,141,735
Income tax expense	-	(642,521)	(642,521)
Total comprehensive income for the year	-	1,499,214	1,499,214
Issued units			
Units issued during the year	53,886	-	53,886
Issue costs	-	-	-
Total issued units	53,886	-	53,886
Distributions to unitholders	-	(686,653)	(686,653)
Balance at 30 June 2015	6,621,676	852,787	7,474,463

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the year ended 30 June 2016

		2016	2015
		\$	\$
Cash flows from operating activities			
Receipts from customers		27,475,360	29,796,544
Payments to suppliers and employees		(25,746,980)	(26,754,199)
Interest received		111,339	59,999
Income tax paid		(906,020)	(323,911)
Net cash inflow from operating activities	27	933,699	2,778,433
Cash flows from investing activities			
Proceeds from sale of plant and equipment		5,000	10,455
Payments for plant and equipment		(59,648)	-
Net cash outflow from investing activities		(54,648)	10,455
Cash flows from financing activities			
Proceeds from issue of units		20,378	53,886
Distributions paid		(690,395)	(732,992)
Net cash outflow from financing activities		(670,017)	(679,106)
Net increase in cash and cash equivalents held		209,034	2,109,782
Cash and cash equivalents at the beginning of the period		6,175,672	4,065,890
Cash and cash equivalents at the end of the period	9	6,384,706	6,175,672

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements

30 June 2016

1 General information

These financial statements cover RFM Poultry (RFP or the Trust) as an individual entity. RFM Poultry is a for profit entity domiciled in Australia.

The Directors of the Responsible Entity authorised the Financial Report for issue on 7 September 2016 and have the power to amend and reissue the Financial Report.

2 Summary of significant accounting policies

Basis of preparation

The accounting policies that have been adopted in respect of the financial report are those of Rural Funds Management Limited (RFM) as responsible entity of the Trust.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting interpretations, other authoritative pronouncements of the Australian Accounting Standard Board, the Trust's constitution and the *Corporations Act 2001*. The report has been prepared on a going concern basis.

The financial statements and accompanying notes of RFM Poultry comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated. The financial statements are based on historical cost except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade and other receivables

Trade and other receivables include accrued income for poultry growing fees accrued to balance date but not receivable until the conclusion of the batch growing period.

Receivables are recognised initially at fair value and subsequently measured less of any allowance for doubtful debts. An estimate for doubtful debts is made when collection of an amount is no longer probable. Financial difficulties of the debtor, default payments or debts more than 180 days are considered objective evidence of impairment.

Amounts are generally received within 30 days of being recorded as receivable.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received.

Notes to the Financial Statements

30 June 2016

2 Summary of significant accounting policies (continued)**Plant and equipment***General information*

Each class of plant and equipment is carried at cost less, any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Trust commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Capital works in progress	Nil
Plant and equipment	5-33 years
Office furniture, fixtures and fittings	3-16 years
Motor vehicles	4-12 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Impairment of non-financial assets

At the end of each reporting year the Trust reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Financial assets and liabilities*Recognition*

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

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

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Notes to the Financial Statements

30 June 2016

2 Summary of significant accounting policies (continued)

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Trust no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or the cash flows attributable to the instrument are passed through to an independent third party.

Trade and other payables

Liabilities for creditors are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received.

Payables include outstanding settlements on distributions payable. The carrying period of payables is dictated by market conditions and is generally less than 60 days.

Provisions

Provisions are recognised when the Trust has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Employee benefits

Short term obligations

Provision is made for the employee benefits including salary and wages and annual leave arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Long term obligations

Liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the year in which the employees render the service. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows for those benefits.

Revenue

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, have been satisfied.

Revenue for managing the growth of chicken batches is recognised upon the performance of the growing service to the customer on an accruals basis, Baiada Poultry Pty Limited.

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets.

Revenue from the rental of on-farm housing is recognised in income over the rental period on an accruals basis.

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

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Notes to the Financial Statements

30 June 2016

2 Summary of significant accounting policies (continued)

Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Finance costs

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

Receivables and payables are shown inclusive of GST.

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

Income tax

The charge for current income tax expense is based on the profit adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is recognised or liability is settled. Deferred tax is credited in the Statement of Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be recognised.

The amount of benefits brought to account or which may be recognised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Trust will derive sufficient future assessable income to enable the benefit to be recognised and comply with the conditions of deductibility imposed by the law.

Earnings per unit

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

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Notes to the Financial Statements

30 June 2016

2 Summary of significant accounting policies (continued)

Issued units

Ordinary units are classified as liabilities in accordance with AASB 132 *Financial Instruments: Presentation*. Incremental costs directly attributable to the issue of ordinary units and unit options which vest immediately are recognised as a deduction from net assets attributable to unitholders, net of any tax effects. There is no equity relating to the Trust.

Distributions

In accordance with the Trust's Constitution, the Responsible Entity of the Trust has the discretion to distribute both income and capital.

New accounting standards and interpretations

Standard Name	Effective date for the Group	Requirements	Impact
AASB 15 Revenue from contracts with customers	1 Jan 2018	Recognise contracted revenue when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards.	It is not expected that this standard will have a material impact on the Trust.
AASB 16 Leases	1 Jan 2019	Introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months.	Management is currently assessing the impact of the new rules. It is expected that this standard will have an impact on the property leases of the Trust.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods.

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Notes to the Financial Statements

30 June 2016

3 Significant accounting judgements, estimates and assumptions

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.

Management has identified no reported amounts for which significant judgements, estimates and assumptions are made.

4 Operating segments

RFP operates one business segment (2015: one segment) being the growing of chickens under contract to a third party. Performance of the segment is measured on profit before tax as included in internal financial reports.

All revenue is generated in Australia, and all non-current assets are located in Australia. One external customer individually accounts for more than 10% of Trust revenues.

5 Revenue

	2016	2015
	\$	\$
Grower fees	24,153,776	25,538,940
Rental revenue	170,349	207,871
Total	24,324,125	25,746,811

6 Other income

Interest income	111,339	59,999
Other income	8,242	26,510
Total	119,581	86,509

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Notes to the Financial Statements

30 June 2016

7 Income tax expense

The major components of income tax comprise:

	2016	2015
	\$	\$
Current tax	367,911	619,909
Deferred tax	3,478	22,612
Income tax expense reported in the Statement of Comprehensive Income	371,389	642,521

Income tax expense is attributable to:

Profit from continuing operations	371,389	642,521
Total	371,389	642,521

Numerical reconciliation of income tax expense to prima facie tax payable:

Accounting profit before tax from continuing operations	1,237,962	2,141,735
At the statutory income tax rate of 30% (2015: 30%)	371,389	642,521
Total	371,389	642,521

8 Remuneration of auditors

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

PricewaterhouseCoopers Australia :		
Auditing and review of financial report	43,706	43,111
Compliance audit	4,408	-
Total	48,114	43,111

9 Cash and cash equivalents

Cash at bank	6,384,706	6,175,672
Total	6,384,706	6,175,672

Reconciliation of cash

Cash and cash equivalents reported in the Statement of Cash Flows are reconciled to the equivalent items in the Statement of Financial Position as follows:

Cash and cash equivalents	6,384,706	6,175,672
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Notes to the Financial Statements

30 June 2016

10 Trade and other receivables

	2016	2015
Current	\$	\$
Trade receivables	1,123	1,123
Accrued income	2,047,732	2,710,841
Total	2,048,855	2,711,964

Receivables are recognised and carried at original amount, less and allowance for any uncollectable amounts. An estimate for doubtful debts is made collection of an amount is no longer probable. Financial difficulties of the debtor, default payments or debts more than 180 days are considered objective evidence of impairment.

Trade receivables are non-interest bearing and are generally on 30 days terms at 30 June 2016, there were no impaired or past due receivables (2015: nil).

Accrued income includes poultry growing fees accrued to balance date but not receivable until the conclusion of the batch growing period.

11 Inventories

Current		
Gas inventory	47,819	54,374
Total	47,819	54,374

12 Other current assets

Current		
Prepayments	180,493	318,023
Lease receivable	45,946	-
Sundry debtors	15,127	-
Total	241,566	318,023

13 Minimum lease payments

Minimum lease payments under non-cancellable operating leases of land, buildings and improvements not recognised in the financial statements, are payable as follows:

Within one year	10,520,377	10,450,359
More than one year, but not later than five years	42,791,112	42,835,659
Later than five years	73,522,234	86,951,783
Total	126,833,723	140,237,801

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Notes to the Financial Statements

30 June 2016

14 Plant and equipment

	2016	2015
	\$	\$
Plant and equipment		
Cost	181,715	195,614
Accumulated depreciation	(35,339)	(28,740)
Total plant and equipment	146,376	166,874
Office furniture, fixtures and fittings		
Cost	1,974	1,974
Accumulated depreciation	(1,161)	(719)
Total office furniture, fixtures and fittings	813	1,255
Motor vehicles		
Cost	73,525	112,182
Accumulated depreciation	(55,226)	(47,445)
Total motor vehicles	18,299	64,737
Work in progress		
Cost	-	31,211
Impairment	-	(31,211)
Total work in progress	-	-
Total plant and equipment	165,488	232,866

Movement in carrying amounts of plant and equipment

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the year:

	Plant and equipment	Office furniture, fixtures and fittings	Motor vehicles	Work in progress	Total
2016	\$	\$	\$	\$	\$
Opening net book amount	166,874	1,255	64,737	-	232,866
Additions	59,648	-	-	-	59,648
Derecognised for finance lease	(46,208)	-	(27,005)	-	(73,213)
Write-off	(19,454)	-	(234)	-	(19,688)
Depreciation	(14,484)	(442)	(19,199)	-	(34,125)
Closing net book amount	146,376	813	18,299	-	165,488

	Plant and equipment	Office furniture, fixtures and fittings	Motor vehicles	Work in progress	Total
2015	\$	\$	\$	\$	\$
Opening net book amount	184,017	1,723	95,011	31,211	311,962
Impairment	-	-	-	(31,211)	(31,211)
Depreciation	(17,143)	(468)	(30,274)	-	(47,885)
Closing net book amount	166,874	1,255	64,737	-	232,866

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Notes to the Financial Statements

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15 Trade and other payables

	2016	2015
	\$	\$
Trade payables	413,477	574,264
Accruals	602,033	688,874
Sundry payables	96,226	119,949
Total	1,111,736	1,383,087

16 Provisions

Current		
Employee entitlements	15,800	11,369
Provision for distribution	180,771	179,282
Total	196,571	190,651
Non-current		
Employee entitlements	744	214
Total	744	214

17 Income tax payable

Income tax payable	-	468,709
Total	-	468,709

18 Income tax receivable

Income tax receivable	69,400	-
Total	69,400	-

19 Deferred tax

Deferred tax assets

Accruals	14,184	18,785
Provision for employee entitlements - current	5,127	3,556
Provision for employee entitlements - noncurrent	223	64
Legal costs	1,213	1,820
Total	20,747	24,225

Notes to the Financial Statements

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20 Recognised deferred tax assets and liabilities

	Current income tax		Deferred income tax	
	2016	2015	2016	2015
	\$	\$	\$	\$
Opening balance	(468,709)	(172,711)	24,225	46,837
Income tax expense	(367,911)	(619,909)	(3,478)	(22,612)
Payments	906,020	323,911	-	-
Closing balance	69,400	(468,709)	20,747	24,225
Tax expense in Statement of Comprehensive Income			371,389	642,521
Amounts recognised in the Statement of Financial Position				
Deferred tax assets			20,747	24,225
Total			20,747	24,225

21 Financial risk management*Financial risk management policies*

Risk arising from holding financial instruments are inherent in the Trust's activities and are managed through a process of ongoing identification, measurement and monitoring. The Trust is exposed to credit risk and liquidity risk.

Financial instruments of the Trust comprise cash and cash equivalents and other financial instruments such as trade debtors and creditors, which arise directly from the operations.

The Responsible entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Group from changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

Concentration of risk arise where a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentration of risk, the Trust monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces exposure or uses derivative instruments to manage excessive risk concentrations when they arrive.

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Notes to the Financial Statements

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21 Financial risk management (continued)

Liquidity risk and capital management

The table below reflects all contractually fixed repayments resulting from recognised financial assets and liabilities as at 30 June 2016. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months		6 months to 1 year		1 to 5 years		Over 5 years		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets										
Cash and cash equivalents	6,384,706	6,175,672	-	-	-	-	-	-	6,384,706	6,175,672
Trade and other receivables	2,048,855	2,711,964	-	-	-	-	-	-	2,048,855	2,711,964
Total	8,433,561	8,887,636	-	-	-	-	-	-	8,433,561	8,887,636
Financial liabilities										
Trade and other payables	1,111,736	1,383,087	-	-	-	-	-	-	1,111,736	1,383,087
Total	1,111,736	1,383,087	-	-	-	-	-	-	1,111,736	1,383,087

The Trust manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves are maintained.

The responsible entity of the Trust defines capital as net assets attributable to unit holders. The Trust's objectives when managing capital are to safeguard the going concern of the Trust and maintain an optimal capital structure.

The Trust is able to maintain or adjust its capital by divesting assets or adjusting the amount of distributions paid to unitholders.

Notes to the Financial Statements

30 June 2016

21 Financial risk management (continued)

Credit risk

The following table details the Trust's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with aging analysis and impairment provided therein. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Trust and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully paid to the trust.

	Past due but not impaired (days overdue)						Past due and impaired
	Gross amount	Within initial trade terms	<30	30-60	61-90	>90	
	\$	\$	\$	\$	\$	\$	\$
2016							
Trade receivables	2,048,855	2,048,855	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Total	2,048,855	2,048,855	-	-	-	-	-
2015							
Trade receivables	2,711,964	2,711,964	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Total	2,711,964	2,711,964	-	-	-	-	-

The Trust does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired. Receivables do not contain impaired assets.

Credit risk arises from the financial assets of the Trust, which comprise cash and cash equivalents and trade and other receivables. The Trust's exposure to risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets and accrued income.

At 30 June 2016 Baiada Poultry Pty Limited (Baiada) was the sole customer of RFP's chicken growing activities. Baiada is one of Australia's largest poultry producers with farming, processing, distribution, marketing and sales operations. Baiada contracts with RFP in relation to the provision of broiler sheds and managing the growth of chicken batches.

The credit risk is managed through careful monitoring of debtor outstanding balances and through the ongoing relationship and communication with Baiada.

The maximum exposure to credit risk (excluding the value of collateral or other security) at balance date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets. This has been disclosed in the Statement of Financial Position and notes to the financial statements.

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Notes to the Financial Statements

30 June 2016

22 Distributions

The Trust paid and declared the following distributions in the year:

	Cents per unit	Total \$
Distribution declared 1 June 2015, paid 30 July 2015	2.5125	172,382
Distribution paid 30 October 2015	2.5125	172,971
Distribution paid 29 January 2016	2.5125	172,971
Distribution paid 29 April 2016	2.5125	172,971
Distribution declared 1 June 2016, paid 29 July 2016	2.5125	172,971

23 Earnings per unit

	2016	2015
Net profit after income tax for the year (\$)	866,573	1,499,214
Weighted average number of units on issue during the year	6,882,494	6,826,606
Basic and diluted earnings per unit (total) (cents)	12.59	21.96

24 Issued units

	No of units	No of units
Units on issue at the beginning of the year	6,860,964	6,794,115
Units issued during the year	23,452	66,849
Units on issue at the end of the year	6,884,416	6,860,964

25 Key management personnel

Directors

The Directors of RFM are considered to be key management personnel of the Trust. The Directors of the Responsible Entity in office during the year and up to the date of report are:

Guy Paynter
David Bryant
Michael Carroll

Interests of Directors of the Responsible Entity

Unit in the Trust held by Directors of RFM or entities controlled by Directors of RFM as at 30 June 2016 were:

	Guy Paynter Units	David Bryant Units
Balance at 30 June 2014	21,507	170,222
Additions	-	36,304
Balance at 30 June 2015	21,507	206,526
Additions	-	40,730
Balance at 30 June 2016	21,507	247,256

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Notes to the Financial Statements

30 June 2016

25 Key management personnel (continued)

Other key management personnel

In addition to the Directors noted above, RFM, the Responsible Entity of the Trust is considered to be key management personnel with the authority for the strategic direction and management of the Trust.

The constitution of RFP is a legally binding document between the unit holders of the Trust and RFM as Responsible Entity. Under the constitution, RFM is entitled to the following remuneration:

- Contribution fee: 3% (2015: 3%) of the value of each application for units in the Trust (not applicable to units issued at formation of RFP or for units issued as part of dividends reinvestment plan);
- Asset management fees: 5% (2015: 5%) of farm operating expenses;
- Performance bonus: 15% (2015: 15%) of the amount by which return on equity in a year exceeds an amount equal to 15% per annum of the total application price of units on issue during the financial year;
- Acquisition fee: 2% (2015: 2%) of the total purchase price of an asset purchased by the Trust; and,
- Expenses: all expenses incurred by RFM in relation to the proper performance of its duties in respect of the Trust are payable or reimbursable out of the Trust assets to the extent that such reimbursements is not prohibited by corporation law.

Compensation of key management personnel

No amount is paid by the Trust directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 *Related Party Disclosures* is paid by the Trust to the Directors as key management personnel. Fees paid to RFM, the Responsible Entity are disclosed in note 26.

26 Related party transactions

Transactions between the Trust and related parties are on commercial terms and conditions.

Responsible Entity (Rural Funds Management) and related entities

Transactions between the Trust and the Responsible Entity and its associated entities are shown below:

	2016	2015
	\$	\$
Asset management fee	540,875	586,255
Total management fees	540,875	586,255
Expenses reimbursed to RFM	1,341,966	1,408,405
Expenses reimbursed to Rural Funds Group	53,804	481,569
Lease expenses paid to Rural Funds Group	10,450,360	10,348,940
Distribution paid/payable to RFM	25,674	15,836
Distribution paid/payable to Rural Funds Group	13,645	13,645
Total amount paid to RFM and related entities	12,426,324	12,854,650

Creditors

RFM	138,506	144,884
Rural Funds Group	-	2,459
Total	138,506	147,343

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Notes to the Financial Statements

30 June 2016

26 Related party transactions (continued)

Entities with influence over the Trust

	2016		2015	
	Units	%	Units	%
RFM	225,529	3.28	184,799	2.69
Rural Funds Group	108,615	1.58	108,615	1.58

27 Cash flow information

Reconciliation of net profit after income tax to cash flow from operating activities:

	2016	2015
	\$	\$
Net profit after income tax	866,573	1,499,214
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit		
Depreciation and impairment	53,813	79,096
Gain on sale of assets	(5,000)	(10,455)
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	663,109	1,486,410
Decrease/(increase) in other current assets	149,670	(154,350)
Decrease/(increase) in inventories	6,555	64,996
Decrease/(increase) in deferred taxes	3,478	22,612
(Decrease)/increase in trade and other payables	(271,351)	(451,736)
(Decrease)/increase in provisions	4,961	(53,352)
(Decrease)/increase in net income tax payable	(538,109)	295,998
Cash flow from operating activities	933,699	2,778,433

28 Economic dependence

At 30 June 2016 100% of RFP's revenue from poultry growing activities comes from growing contracts with Baiada Poultry Pty Limited (ABN 96 002 925 948) (Baiada). These contracts have a remaining term of between 8 and 20 years. RFP is therefore economically dependent on Baiada.

29 Events after the reporting date

In August 2016, certain chicken growing contracts have been moved from Baiada Poultry to Turi Foods. These contracts relate to RFP's growing operations located in Lethbridge, Victoria.

No other matter or circumstance has arisen since the end of the year that has significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

30 Likely development and expected results

The Trust is expected to continue poultry growing activities and to provide regular distributions to investors.

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Directors' Declaration

30 June 2016

In the Directors of the Responsible Entity's opinion:

- 1 The financial statements and notes of RFM Poultry set out on pages 7 to 26 are in accordance with the *Corporations Act 2001*, including:
 - a. comply with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the Trust's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- 2 There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board.

The Directors have been given the declarations by the persons performing the chief executive officer and chief financial officer functions as required by section 295A of *the Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of the Directors of Rural Funds Management Limited.



David Bryant
Director

7 September 2016



Independent auditor's report to the unitholders of RFM Poultry

Report on the financial report

We have audited the accompanying financial report of RFM Poultry (the registered scheme), which comprises the statement of financial position as at 30 June 2016, statement of comprehensive income, statement of changes in net assets attributable to unitholders, and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of Rural Funds Management Limited (the responsible entity) 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 is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion

In our opinion:

- (a) the financial report of RFM Poultry is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the registered scheme's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the registered scheme's financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'CMC Heraghty', with a long horizontal line extending to the right.

CMC Heraghty
Partner

Sydney
7 September 2016

RFM Poultry

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Additional Information for Listed Public Entities

30 June 2016

NSX Additional Information

Additional information required by National Stock Exchange of Australia Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 30 June 2016.

Distribution of equity securities

Analysis of numbers of unitholders by size of holdings:

	Unitholders
1 - 1,000	175
1,001 - 5,000	866
5,001 - 10,000	175
10,001 - 100,000	98
100,000 and over	8

RFM considers that there were 14 holders of a less than marketable parcel of units at 30 June 2016.

Substantial unitholders

The number of substantial unitholders and their associates are set out below.

Unitholders	Units held	%
J P Morgan Nominees Australia Limited	455,620	6.62

Voting rights

Ordinary Units

All ordinary units carry one vote per unit without restriction

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Additional Information for Listed Public Entities

30 June 2016

Twenty largest unitholders at 30 June 2016

	Units held	%
J P Morgan Nominees Australia Limited	455,620	6.62
Rural Funds Management Limited	225,529	3.28
Mr Stanley John Evans & Mrs Beverley Joy Evans	199,003	2.89
EGP Fund No 1 Pty Ltd	135,000	1.96
WF Super Pty Ltd	117,463	1.71
Aust Executor Trustees Ltd (Rural Funds Group)	108,615	1.58
Kaizen Global Investments Ltd	107,754	1.57
Roseman (SA) Pty Ltd	107,016	1.55
Mr J Dworkin & Mrs H Dworkin	91,823	1.33
K Little Engineering Pty Ltd	90,332	1.31
Australian Executor Trustees Ltd (Mil Multi Strategy Fund)	63,852	0.93
Sccasp Holdings Pty Ltd	51,891	0.75
Westro Pty Ltd	49,000	0.71
Netwealth Investments Limited (Wrap Services)	47,523	0.69
3KY Pty Ltd (Kenneth Yu Super Fund)	46,483	0.68
Mr John Macnaughtan & Mrs Josephine Macnaughtan	46,393	0.67
Mr John Lubberink & Mrs Amanda Lubberink	45,810	0.67
Lesral Pty Ltd	40,000	0.58
Mr Luke Gregory Ross	39,000	0.57
Mr John Joseph Grasso	36,918	0.54
	2,105,025	30.59

Securities exchange

The Trust is listed on the National Stock Exchange of Australia (NSX)

Responsible Entity

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