



RFM Poultry Annual Report

for the year ended 30 June 2016

RFM Poultry ARSN 164 851 218
Responsible Entity:
Rural Funds Management Limited
ACN 077 492 838 AFSL 226701

Issued on: 6 September 2016

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Letter from the Chief Operating Officer

Dear Unitholder

The 2015-2016 financial year (FY16) saw RFP Poultry (NSX: RFP) continue to work towards its previously stated aim of building awareness of the Fund to increase liquidity and fair valuation.

There was a 10% turnover of the registry in FY16, and 35% turnover since listing on the National Stock Exchange in 2014. The Unit Price of \$1.22 at closing on 30 June 2016 was a 40% increase for the period and represented a significant premium to NAV per unit of \$1.11.

The Fund's profit and distributions were in line with guidance. Distributions for the year totalled 14.36 cents per unit (including 4.31 cents franking credits) and a normalised profit of \$0.86m was achieved following higher profits in FY15 due to the timing of energy cost compensation.

During the period, RFP carried out broiler chicken growing activities in accordance with contracts held with Bartter Enterprises Pty Ltd, a wholly owned subsidiary of Baiada Poultry Pty Ltd. Apart from the day-to-day activities of managing the operations and infrastructure, biosecurity vigilance across all operations and compliance with RSPCA requirements on the Griffith farms remained key areas of focus for management.

RFP recently moved its Victorian growing contracts to Turi Foods, a large Victorian based chicken processor; the terms of the contracts are otherwise unchanged. Turi Foods is considered a suitable counterpart due to its Geelong plant's vicinity to the RFP Lethbridge operations and the company's strong footing as the largest chicken processor in Victoria.

RFP's Griffith operations will continue with growing contracts held with Bartter Enterprises.

RFP is forecasting FY17 distributions of 14.36 cents per unit including 4.31 cents per unit of franking credits. The fund will maintain an adequate capital position with sufficient reserves to deal with financial volatility which may arise due to operational reasons and to fund any potential growth opportunities.

I wish to thank unitholders for their ongoing support for RFP, especially those have been with the Fund for a decade or more through an investment in RFP's predecessor, the Chicken Income Fund, established in 2003.

Yours faithfully



Stuart Waight
Chief Operating Officer
Rural Funds Management Limited



Corporate governance statement

Definitions

ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange or ASX Limited
Corporations Act	Corporations Act 2001
NSX	National Stock Exchange of Australia

RFM Poultry (the Fund) is listed on the NSX and is a registered managed investment scheme under the Corporations Act. Rural Funds Management Limited (the Responsible Entity) is the Responsible Entity for the Fund and has established and oversees the corporate governance of the Fund. The Responsible Entity holds an Australian Financial Services Licence authorising it to operate the Fund. It has a duty to act in the best interest of unitholders of the Fund. The Fund has a compliance plan that has been lodged with ASIC and a copy of the compliance plan can be obtained from ASIC or by contacting the Responsible Entity. The Responsible Entity publishes a number of its corporate governance related policies on its website at:

<http://ruralfunds.com.au/about/corporate-governance/>

The Board takes its corporate governance responsibilities seriously. The Board is comprised of three directors and has a mix of the experience and skills necessary to oversee the corporate governance requirements of the Responsible Entity. This ensures the Responsible Entity operates with integrity, is accountable and acts in a professional and ethical manner. The Board works together and their collective ability facilitates effective decision making to lead a viable, profitable and efficient business.

Although the Fund is not listed on the ASX, the Board has taken the view that the Fund should, to the extent possible, comply with the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council (ASX Principles). To the extent that they are applicable and appropriate for the Fund, the Responsible Entity has adopted and complies with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition. In accordance with the ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance Council's eight principles of good corporate governance, and the extent to which there is compliance with the recommendations for each. The statement has been approved by the Board of the Responsible Entity and applies to the period 1 July 2015 to 30 June 2016 ("Statement Period").

There have been no material changes to the corporate governance policies and practices between 30 June 2016 and the time of printing this statement.

PRINCIPLE 1:

Lay solid foundations for management and oversight

A listed entity should establish and disclose the respective roles and responsibilities of its Board and management and how their performance is monitored and evaluated.

ASX RECOMMENDATION	FUND'S RESPONSE
1.1	<p>The business of the Fund is managed under the direction of the Board of the Responsible Entity comprising:</p> <ul style="list-style-type: none">• Chair: Guy Paynter (independent non-executive director)• Managing Director: David Bryant• Non-Executive Director: Michael Carroll (independent non-executive director). <p>The conduct of the Board is governed by the Constitution of the Fund and the Corporations Act. The broad functions and responsibilities of the Board are set out in sections 3.3 – 3.4 of the Corporate Governance Charter. The specific responsibilities are set out in section 3.5.</p> <p>The Board has delegated responsibility for the day-to-day management of the Fund to the Managing Director of the Responsible Entity. The delegations are outlined in the Corporate Governance Charter. The Managing Director, David Bryant, is responsible for financial, continuous disclosure and compliance oversight, media and analyst briefings and responses to member questions, and ensuring the Board is provided with information to make fully informed decisions.</p> <p>The constitution of the Fund is available by contacting the Responsible Entity. The Corporate Governance Charter is available on the Responsible Entity's website.</p>
1.2	<p>As an externally managed scheme, recommendation 1.2 does not apply to the Fund.</p>
1.3	<p>All directors of the Responsible Entity receive letters of appointment setting out the key terms and conditions of their appointment.</p> <p>All executives of the Responsible Entity enter into an employment agreement setting out the key terms and conditions of their employment including a position description, duties, rights, responsibilities, remuneration and entitlements on termination.</p>
1.4	<p>The Company Secretary of the Responsible Entity is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board. As stated in the Corporate Governance Charter, the Company Secretary reports directly to the Managing Director.</p>

1.5 The Responsible Entity has a diversity policy. The policy provides the framework by which the Responsible Entity actively manages and encourages diversity and inclusion. It recognises that its employees are one of its greatest assets, and it has a range of employees with a depth of skills and capabilities that ensure the ongoing strength, continuity and stability of the Responsible Entity. Due to the size of the Responsible Entity's Board and its senior management team, combined with the limited turnover of personnel at this level, it does not set quantitative gender diversity objectives. The Responsible Entity will endeavor to maintain, or improve its current level of gender diversity as senior management vacancies arise. A copy of the policy is available on the Responsible Entity's website.

The Responsible Entity's senior executive team includes one female executive (out of a total of three executives). Of the 70 staff, 23 or 33% are female.

1.6 The performance of the Board, its committees and individual directors is outlined in the Corporate Governance Charter.

The performance of individual Board members is reviewed annually in accordance with the timelines outlined in the Responsible Entity's Performance Management Policy.

1.7 The performance of senior executives is reviewed annually in accordance with the timelines outlined in the Responsible Entity's Performance Management Policy. The annual process reviews each individual's past performance, their achievement of key performance indicators over the previous 12 months, sets key performance indicators for the coming 12 months, and identifies training and development opportunities. The formal process provides an opportunity for the senior executive and the Managing Director to solely focus on performance and development.

PRINCIPLE 2:

Structure the board to add value

A listed entity should have a Board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

ASX RECOMMENDATION	FUND'S RESPONSE
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2.1	As an externally managed scheme, recommendation 2.1 does not apply to the Fund. Additionally, due to the small size of the Responsible Entity's Board, it is usual that all of the Board members are involved in the full spectrum of discussion and decisions on matters. As a result, they bring the full complement of skills and experience available to address matters. If and when gaps are identified, external advice is sought from senior consultants such as specialist tax, legal or business advisers to address any skills gaps.
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2.2	As an externally managed scheme, recommendation 2.2 does not apply to the Fund.
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2.3	The Responsible Entity Board comprises three members, two of whom are independent non-executive directors.
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Director	Commencement	Independent
David Bryant	17 February 1997	No
Guy Paynter	15 April 2010	Yes
Michael Carroll	15 April 2010	Yes



Independent director, Guy Paynter, holds the role of Chair of the Board.

Guy Paynter is a former director of broking firm JB Were and brings to the Responsible Entity more than 30 years of experience in corporate finance. Guy is a former member of the ASX and a former associate of the Securities Institute of Australia (now known as the Financial Services Institute of Australasia). Today, Guy is chair 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.

Guy holds a Bachelor of Laws from the University of Melbourne.



David Bryant holds the role of Managing Director.

David Bryant holds 79.68% of shares on issue in the Responsible Entity. David established the Responsible Entity in February 1997. Since then, David has led the organisation with a 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.

On a day-to-day level, David is responsible for leading the executive team, maintaining key commercial relationships and sourcing new business opportunities. David holds a Diploma of Financial Planning from the Royal Melbourne Institute of Technology University and a Master of Agribusiness from the University of Melbourne.



Michael Carroll is a non-executive director and is the Chair of the Audit Committee.

Michael Carroll serves a range of food and agricultural businesses in a Board and advisory capacity. Michael is on the Boards of Tassal Group Ltd, Select Harvests Limited, Paraway Pastoral Company, Sunny Queen Ltd and the Gardiner Dairy Foundation. Former Board

positions include the Australian Farm Institute, Warrnambool Cheese & Butter Factory Company Holdings Limited, Meat & Livestock Australia, Queensland Sugar Limited and Rural Finance Corporation of Victoria.

Michael has senior executive experience in a range of companies, including establishing and leading the National Australia Bank Agribusiness division.

Michael holds a Bachelor of Agricultural Science from La Trobe University and a Master 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.

Further information on the composition of the Responsible Entity's Board, executive management and asset and business management profiles, and the skills, knowledge and experience of the individual members can be found on the Responsible Entity's website.

The independence of the non-executive directors has been ascertained in compliance with the Corporations Act and the ASX Listing Rules and there are no other factors which might reasonably be seen as undermining their independence. All directors must declare actual or potential conflicts of interest and excuse themselves from discussions on issues where an actual or potential conflict of interest arises. The directors' interests in RFP and any subsequent changes have been disclosed to the NSX. The Responsible Entity directors are subject to director rotation consistent with the Responsible Entity's constitution.

2.4 As an externally managed scheme, recommendation 2.4 does not apply to the Fund; however, as outlined in 2.3, the Responsible Entity's Board is comprised of a majority of independent directors.

2.5 As an externally managed scheme, recommendation 2.5 does not apply to the Fund; however, independent non-executive director, Guy Paynter, holds the role of Chair of the Responsible Entity.

2.6 As an externally managed scheme, recommendation 2.6 does not apply to the Fund; however, any new directors would be provided with an induction relevant to the Responsible Entity and the Fund. Additionally, directors are provided with opportunities to develop and maintain their skills and knowledge through both formal and informal training and networking opportunities.



PRINCIPLE 3:

Act ethically and responsibly

A listed entity should act ethically and responsibly.

ASX RECOMMENDATION	FUND'S RESPONSE
3.1	<p>The Responsible Entity has adopted a Directors' Code of Conduct (the Code) that sets out the minimum acceptable standards of behaviour. The code seeks to give the directors guidance on how best to perform their duties, meet their obligations and understand the company's corporate governance practices. The code focuses on the directors' obligations to comply with codes and law, their general duties, their application of business judgement, the application of independent and sound decision making, confidentiality, improper use of information, cooperation, personal interests and conflicts, conduct and complaints.</p> <p>In addition to the Directors' Code of Conduct, the Responsible Entity has a general Code of Conduct that is applicable to directors and all staff including executive managers. The Corporate Governance Charter (which includes the Directors' Code of Conduct) and the Code of Conduct is available on the Responsible Entity's website.</p> <p>Both codes are reviewed annually to ensure that they remain current and relevant.</p>

PRINCIPLE 4:

Safeguard integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

ASX RECOMMENDATION	FUND'S RESPONSE
4.1	<p>The Board of Directors of the Responsible Entity has established an audit committee. The purpose of the Audit Committee is to assist the Board in overseeing the integrity of financial reporting, financial controls and procedures in respect of the Fund as well as the independence of the Fund's external auditors.</p> <p>The Audit Committee is comprised of two members, both of whom are non-executive independent directors. An independent director, who is not the Chair of the Board of the Responsible Entity, is Chair of the Committee. The relevant qualifications and experience of the members is available on the Responsible Entity's website.</p> <p>The Audit Committee will routinely invite other individuals to attend meetings including executive management and management members of the Responsible Entity and the Auditor of the Fund. The Audit Committee and invitees will review the financial reports and provide commentary to the Board as required.</p> <p>Two meetings of the Audit Committee were held in relation to the accounts during the Statement Period. The Audit Committee ordinarily holds two meetings per year, or more if required.</p> <p>The Audit Committee has a formal charter that details the roles and responsibilities of the Audit Committee and its obligations to report to the Board. The charter sets out the powers of the Audit Committee, the meeting procedure framework, the process for selection of external auditors and audit planning. The Audit Committee charter can be found in Schedule 2 of the Corporate Governance Charter on the Responsible Entity's website.</p>

4.2 The Board has received a declaration from the Managing Director and the Chief Operating Officer that, in their opinion:

- the financial records of the Fund have been properly maintained in accordance with section 286; and
- that the financial statements and notes referred to in paragraph 295(3)(b) for the financial year comply with the accounting standards; and
- the financial statements and notes give a true and fair view of the financial position and performance of the entity; and
- that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

4.3 As an externally managed scheme, recommendation 4.3 does not apply to the Fund. The Fund has not held an Annual General Meeting during the Statement Period.



PRINCIPLE 5:

Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

ASX RECOMMENDATION	FUND'S RESPONSE
5.1	<p>The Responsible Entity has adopted a Continuous Disclosure Policy that applies to all directors and employees of the Responsible Entity. The policy is available on the Responsible Entity's website.</p> <p>The policy reflects the desire to promote a fair market in the Fund's units, honest management and timely, full and fair disclosure. It complies with the disclosure requirements of the ASX and explains the Fund's disclosure obligations, the types of information that needs to be disclosed, and identifies who is responsible for disclosure, and explains how employees of the Responsible Entity can contribute.</p> <p>The policy underlines the Board's commitment to ensuring that unitholders are provided with accurate and timely information about the Fund's activities.</p>

PRINCIPLE 6:

Respect the rights of security holders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

ASX RECOMMENDATION	FUND'S RESPONSE
6.1	<p>The Responsible Entity is a boutique fund and asset manager specialising in the rural property sector. The Responsible Entity was established in 1997 to provide retail investors with an opportunity to invest in Australian rural assets.</p> <p>The management team includes specialist fund managers, finance professionals, horticulturists, livestock managers, and agronomists. This team provides the Responsible Entity with the specialised skills and experience required to manage the agricultural assets.</p> <p>The Responsible Entity also utilises the best available consultants and supporting resources to achieve desired outcomes and has a substantial network available to ensure that, where appropriate, tasks can be outsourced.</p> <p>The Responsible Entity has the primary responsibility for managing the Fund on behalf of unitholders.</p> <p>Information about the Responsible Entity and the Fund is available on the Responsible Entity's website.</p> <p>Information about the corporate governance practices and policies of the Responsible Entity is available on the Responsible Entity's website.</p>
6.2	<p>The Responsible Entity's website has sources of information available to unitholders to facilitate two way communication. The investment products tab on the website provides a link to the Fund's website which provides a Fund overview, sector, asset and operations information, financial information and investor communications information.</p> <p>In addition, unitholders are encouraged to contact the Responsible Entity using any of the following methods:</p> <p>Email: investorservices@ruralfunds.com.au</p> <p>Website: http://www.ruralfunds.com.au/contact/</p> <p>Phone: 1800 026 665</p> <p>Fax: 1800 625 518</p> <p>By visiting the Responsible Entity's office: Level 2, 2 King St, Deakin ACT 2600</p>

ASX RECOMMENDATION	FUND'S RESPONSE
6.3	As an externally managed scheme that does not hold periodic meetings, recommendation 6.3 does not apply to the Fund. However, if the Responsible Entity was required to hold a Unitholder meeting, it could use a web-conferencing and/or teleconferencing facility for remote Unitholders along with an online polling system provided by the Registry, enabling Unitholders to vote online at any meeting.
6.4	The Responsible Entity encourages all investors to communicate with it and with the Fund's Registry (Boardroom Pty Limited) electronically; however, the Responsible Entity continues to communicate with any investor via traditional methods (mail and phone) when appropriate.

PRINCIPLE 7:

Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

ASX RECOMMENDATION	FUND'S RESPONSE
7.1	<p>The Responsible Entity has not established a risk committee. Due to the size of the Board and the nature of the business, the Board has determined that risk oversight should be managed by the full Board. The Board has ultimate responsibility for overseeing the risk management framework and for approving and monitoring compliance with the framework. The Board receives monthly reports on all material business risks in relation to the Fund, including a report on all risks rated extreme or high. The ongoing management of the identified risks is undertaken by the relevant executive and/or asset managers of each business area who report to the Board on the effectiveness of control measures.</p> <p>The Responsible Entity has established a Risk Management Policy based on standards set out in the Australian/New Zealand Standard ISO 31000:2009, which documents the Responsible Entity's policy for the oversight and management of material business risks. The Risk Management Policy ensures that risks are identified and assessed, and that measures to monitor and manage each of the material risks are implemented.</p> <p>The Risk Management Policy is available on the Responsible Entity's website.</p>
7.2	<p>The Responsible Entity's risk management framework is reviewed annually or more often if there has been a change in the relevant legislation or in business requirements. An annual risk review was performed during the Statement Period.</p> <p>The annual risk review requires each risk owner to review each risk and assess whether the existing risk rating is appropriate. This results in all risks being re-evaluated. In some cases, the risks may be re-rated and the residual risk amended depending on changes in the likelihood of the risk occurring, the consequence if the risk did occur, and the effectiveness of control measures in place.</p>

ASX RECOMMENDATION	FUND'S RESPONSE
<p>7.3</p>	<p>The Responsible Entity has an internal compliance committee that provides assistance to the Board in evaluating the risk management framework and material business risks on an ongoing basis. Whilst not an internal audit committee, this committee reports to the Board quarterly and may make recommendations to the Board for changes to processes and systems to ensure compliance with legal and regulatory requirements.</p> <p>The Internal Compliance Committee was comprised of:</p> <ul style="list-style-type: none"> • Executive Manager Funds Management • Manager Corporate Services • Financial Controller • Client Services Manager (until 10 February 2016) • Client Services Supervisor (from 10 February 2016) • Compliance Officer • Business Manager – Rural Funds Group, Almond and Macadamia Projects (invitee) • Business Manager – StockBank, RFM Poultry and Cattle JV (invitee). <p>This broad representation of roles on the committee ensures the committee is able to be fully informed of matters, and there is sufficient skills and experience among its members to make decisions as necessary.</p>
<p>7.4</p>	<p>The Responsible Entity is committed to undertaking the Fund's business activities in a responsible and ethical manner and ensuring that it remains sustainable. Environmental, social and governance issues are embedded in many of our policies and procedures and are considered when making investment decisions.</p> <p>The table on the following page identifies material risk exposures, some of which fall into more than one category:</p>

ASX RECOMMENDATION	FUND'S RESPONSE
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Risk type	Identified risk
Economic	<ul style="list-style-type: none"> • Reduced capitalisation and greater operational leverage • Increased costs and reduction in revenue • Welfare standards and quality control • Inflation • Counterpart lease default • Lack of diversification • Pest and disease • Operational efficiency and/or farm performance • Imported chicken meat • Contracts management • Contract farm managers • Change of control • Suspension events • Climatic conditions • Water management • Interruption to business operations • Changes in political and regulatory environment • Skills shortages • Workplace health and safety risks eg. dust, low light, hot conditions, chemicals, heavy machinery, manual handling, slips/trips, electrical equipment • Litigation • Lack of liquidity
Environmental	<ul style="list-style-type: none"> • Destruction or damage of property • Climatic conditions • Water management • Regulatory changes • Asbestos • Land contamination • Workplace health and safety risks eg. dust, low light, hot conditions, chemicals, heavy machinery, manual handling, slips/trips, electrical equipment
Social	<ul style="list-style-type: none"> • Litigation • Reputation • Welfare standards

The Responsible Entity manages the above risks in accordance with its Risk Management Policy available on the Responsible Entity's website.

PRINCIPLE 8:

Remunerate fairly and responsibly

An externally managed listed entity should clearly disclose the terms governing the remuneration of the Responsible Entity.

ASX RECOMMENDATION	FUND'S RESPONSE
8.1	<p>The Responsible Entity has adopted the ASX's alternative recommendations for externally managed entities and provides the following details governing the remuneration to the Responsible Manager:</p> <ul style="list-style-type: none">• Contribution Fee – up to 3% of the amount invested• Fund Management Fee – 2.50% p.a. of the gross asset value of the Fund• Performance Fee – 15% of the returns in excess of a return on equity of 15% p.a. on the amount invested• Acquisition Fee – 2.0% of the total purchase price of an asset• Asset Management Fee – 5.0% of annual operating expenses. <p>The fees listed above represent the maximum allowed under the Fund's Constitution.</p> <p>At present, the Responsible Entity charges an asset management fee of 5% of farm operating expenses. The contribution fee, the fund management fee and the performance fee are not currently charged by the Responsible Entity.</p>
8.2	Refer to 8.1
8.3	Refer to 8.1

NSX additional information

Additional information required by the National Stock Exchange of Australia Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 25 August 2016.

(a) Total interests of all directors and officers of Rural Funds Management Limited as responsible entity of RFM Poultry

UNITHOLDER	DIRECTOR/OFFICER AND POSITION	NUMBER OF UNITS
Bryant Family Services Pty Ltd <BFS Super Fund>	David Bryant - Director	21,727
Boskenna Pty Ltd	Guy Paynter - Chair	21,507
Rural Funds Management Limited	David Bryant – Director Guy Paynter – Chair Michael Carroll – Non-Executive Director	225,529
Aust Executor Trustees Ltd <RF Active>	David Bryant – Director Guy Paynter – Chair Michael Carroll – Non-Executive Director	108,615

(b) Distribution of equity unitholders

HOLDING SIZE	UNITHOLDERS	CLASS
1 – 1,000	174	Ordinary fully paid securities
1,001 – 5,000	853	Ordinary fully paid securities
5,001 – 10,000	171	Ordinary fully paid securities
10,001 – 100,000	97	Ordinary fully paid securities
100,001 and over	8	Ordinary fully paid securities

(c) Substantial unitholders

UNITHOLDER	NUMBER OF UNITS	%
J P Morgan Nominees Australia Limited	455,620	6.618%

(d) Holders of less than marketable parcels

The number of holders of less than marketable parcels, being \$500 based on the NSX unit closing price of \$1.19 as at 25 August 2016 is set out below:

NUMBER OF UNITHOLDERS	NUMBER OF UNITS
14	3,757

(e) Voting rights

The voting rights attaching to the ordinary units, set out in Section 253C of the Corporations Act 2001, are:

- i. on a show of hands, each member of a registered scheme has 1 vote; and
- ii. on a poll, each member of the scheme has 1 vote for each dollar of the value of the total interests they have in the scheme.

(f) Ten largest unitholders at 25 August 2016

UNITHOLDER	NUMBER OF UNITS	%
J P Morgan Nominees Australia Limited	455,620	6.618%
Rural Funds Management Limited	225,529	3.276%
Mr Stanley John Evans & Mrs Beverley Joy Evans <SJ & BJ Evans S/F A/C>	217,925	3.165%
EGP Fund No 1 Pty Ltd	135,000	1.961%
WF Super Pty Ltd <Wilson Family Super Fund A/C>	117,463	1.706%
Roseman (SA) Pty Ltd <The Roseman A/C>	116,123	1.687%
Aust Executor Trustees Ltd <RF Active>	108,615	1.578%
Kaizen Global Investments Ltd	107,754	1.565%
Mr J Dworkin & Mrs H Dworkin <Dworkin Super Fund A/C>	91,823	1.334%
K Little Engineering Pty Ltd <K L Super A/C>	90,332	1.312%

(g) On-market buy-back

As at 25 August 2016, RFP confirms there is no on-market buy-back facility in operation.

Securities exchange

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



Financial statements for the year ended 30 June 2016

RFM Poultry

ARSN 164 851 218

Responsible Entity: Rural Funds Management Limited

ACN 077 492 838 AFSL 226701

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

RFM Poultry

ARSN 164 851 218

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.

RFM Poultry

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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 29 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.

RFM Poultry

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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.

RFM Poultry

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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.

RFM Poultry

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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.

RFM Poultry

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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.

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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.

RFM Poultry

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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).

RFM Poultry

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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.

RFM Poultry

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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.

RFM Poultry

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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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RFM Poultry

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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
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

RFM Poultry

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Notes to the Financial Statements

30 June 2016

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

RFM Poultry

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Notes to the Financial Statements

30 June 2016

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.

Notes to the Financial Statements
30 June 2016

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.

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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)						
	Gross amount	Within initial trade terms	<30	30-60	61-90	>90	Past due and impaired
	\$	\$	\$	\$	\$	\$	\$
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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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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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

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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 30 to 49 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*.

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Liability limited by a scheme approved under Professional Standards Legislation.



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

CMC Heraghty
Partner

Sydney
7 September 2016

