StockBank

Financial Statements

For the Year Ended 30 June 2016

RFM StockBank - ARSN 153 436 803

RFM StockBank

ARSN 153 436 803

Contents

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Corporate Directory

Registered Office	Level 2, 2 King Street DEAKIN ACT 2600
Responsible Entity	Rural Funds Management Limited ABN 65 077 492 838 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

Directors' Report
30 June 2016

The Directors of Rural Funds Management Limited (RFM) (ACN 077 492 838, AFSL 226701), the Responsible Entity of RFM StockBank (StockBank, SBK 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 the Trust during the year was livestock leasing. Under the livestock leasing operation, StockBank retains ownership of the livestock and leases them to farmers in return for a lease fee which is similar to interest, and an upfront fee. The farmer retains any return in excess of the above payments or any shortfall and bears the risks associated with the growing of livestock.

StockBank offers farmers a number of structures whereby the farmer can choose between different blends of upfront and deferred fee structures. In addition, StockBank allows farmers to provide different levels of security to manage the fees for the leased livestock.

While significant effort and resources have been applied to grow the size of StockBank, competition in the area of livestock financing has increased over the past year. Due to the fact that the scale required to operate StockBank efficiently has not been achieved, RFM has decided to wind up the Trust and return the capital back to the investors. In 2017 it is planned that the leases will either be transferred to agrifinance provider StockCo AgriCapital Pty Limited or repaid by the farmers. Capital will be returned to investors of the course of 2017.

Operating results

The net profit after income tax of the Trust for the year ended 30 June 2016 amounted to $587,000 (2015: $440,000).

During the year the level of average livestock placements grew by 20% from $13,513,000 to $16,234,000 of livestock under lease. The new placements were achieved through a combination of marketing to new livestock agents and favorable livestock conditions providing increased buying opportunities. At 30 June 2016 StockBank held 59,122 (2015: 50,480) head of sheep and 10,706 (2015: 18,150) head of cattle.

Financial position

The net assets of the Trust have decreased to $11,610,000 at 30 June 2016 from $11,637,000 at 30 June 2015.

Significant changes in state of affairs

RFM has commenced the process of returning capital to investors and winding up the Trust.

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

Banking facilities

The Trust has a revolving base borrowing facility with Australia and New Zealand Banking Group (ANZ) with a $10,000,000 limit. The facility was utilised during the year to acquire livestock and at 30 June 2016 had a drawn down balance of $1,500,000 (2015: $3,800,000). The facility expiry is unchanged, being December 2016.

Distributions

	Cents per unit	Total $
Distribution declared 30 June 2015, paid 19 August 2015	0.9500	110,460
Distribution declared 30 September 2015, paid 16 November 2015	1.1550	135,300
Distribution declared 31 December 2015, paid 15 February 2016	1.1550	135,745
Distribution declared 31 March 2016, paid 13 May 2016	1.5570	182,585
Distribution declared 30 June 2016, paid 15 August 2016	1.2000	139,515

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 2.19% (2015: 2.70%).

Matters subsequent to the end of the year

The revolving base borrowing facility of $10,000,000 with ANZ has since been cancelled in July 2016.

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

Likely developments and expected results of operations

During the upcoming financial year, RFM intends to return capital to the unitholders after the transfer of leases to StockCo is complete. StockBank will continue to earn placement fees until the full transfer of leases is finished.

Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Units on issue

11,626,246 units in RFM StockBank were on issue at 30 June 2016 (2015: 11,627,406). During the year 673,597 units were issued by the Trust (2015: 2,068,529) and 674,757 (2015: 484,671) were redeemed.

Indemnity of Responsible Entity and Custodian

In accordance with the constitution, RFM StockBank 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.

Rounding of amounts

The Trust is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and accordingly amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

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 listed entities during the three years prior to the current year	Rural Funds Group, RFM Poultry

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 listed entities during the three years prior to the current year	Rural Funds Group, RFM Poultry

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 listed entities during the three years prior to the current year	Michael is on the Board of Tassal Group Limited, Rural Funds Group, RFM Poultry 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

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 13 meetings of Directors were held. Attendances by each Director during the year were as follows:

	Directors meetings	
	No. eligible to attend	**No. attended**
Guy Paynter	13	12
David Bryant	13	12
Michael Carroll	13	13

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

28 September 2016

Auditor's Independence Declaration

As lead auditor for the audit of RFM Stockbank 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
28 September 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Revenue	5	**31,829**	19,581
Cost of livestock sold		**(31,677)**	(19,468)
Change in fair value of biological assets	9	**1,950**	1,798
Livestock monitoring fees		**(92)**	(111)
Management fees		**(325)**	(293)
Professional fees		**(535)**	(564)
Finance costs		**(186)**	(151)
Other expenses		**(125)**	(154)
Net profit before income tax		**839**	638
Income tax expense	7	**(252)**	(198)
Net profit after income tax		**587**	440
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Other comprehensive income		**-**	-
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income attributable to unitholders		**587**	440

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As at 30 June 2016

	Note	2016 $'000	2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**898**	305
Trade and other receivables	10	**745**	1,195
Biological assets	9	**13,027**	16,060
Income tax receivable	14	**72**	-
Deferred tax assets	13	**117**	-
Total current assets		**14,859**	17,560
Non-current assets			
Deferred tax assets	13	**-**	66
Total non-current assets		**-**	66
Total assets		**14,859**	17,626
LIABILITIES			
Current liabilities			
Trade and other payables	11	**1,749**	2,161
Interest bearing liabilities	12	**1,500**	-
Income tax payable	14	**-**	28
Total current liabilities		**3,249**	2,189
Non-current liabilities			
Interest bearing liabilities	12	**-**	3,800
Total non-current liabilities		**-**	3,800
Total liabilities (excluding net assets attributable to unitholders)		**3,249**	5,989
Net assets attributable to unitholders		**11,610**	11,637
Total liabilities		**14,859**	17,626

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	Note	Issued units	Retained earnings	Total
		$'000	$'000	$'000
Balance at 1 July 2015		**11,642**	**(5)**	**11,637**
Profit before income tax		**-**	**839**	**839**
Income tax expense	7	**-**	**(252)**	**(252)**
Total comprehensive income for the year		**-**	**587**	**587**
Issued units				
Units issued		**674**	**-**	**674**
Units redeemed		**(673)**	**-**	**(673)**
Issue costs		**(32)**	**-**	**(32)**
Income tax expense		**10**	**-**	**10**
Total issued units		**(21)**	**-**	**(21)**
Distributions to unitholders	20	**-**	**(593)**	**(593)**
Balance at 30 June 2016		**11,621**	**(11)**	**11,610**

2015	Note	Issued units	Retained earnings	Total
		$'000	$'000	$'000
Balance at 1 July 2014		10,065	207	10,272
Profit before income tax		-	638	638
Income tax expense	7	-	(198)	(198)
Total comprehensive income for the year		-	440	440
Issued units				
Units issued		2,124	-	2,124
Units redeemed		(484)	-	(484)
Issue costs		(49)	-	(49)
Income tax expense		15	-	15
Total issued units		1,606	-	1,606
Distributions to unitholders	20	(29)	(652)	(681)
Balance at 30 June 2015		11,642	(5)	11,637

The accompanying notes form part of these financial statements.

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Statement of Cash Flows
For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		**35,443**	22,226
Payments to suppliers		**(31,393)**	(23,563)
Interest received		**17**	20
Finance costs		**(186)**	(151)
Income tax paid	14	**(393)**	(330)
Net cash inflow/(outflow) from operating activities	21	**3,488**	(1,798)
Cash flows from financing activities			
Proceeds from issue of units		**674**	2,124
Redemption of units		**(673)**	(484)
Equity issue costs		**(32)**	(49)
Proceeds from borrowings		**1,500**	3,800
Repayment of borrowings		**(3,800)**	(3,750)
Distributions paid		**(564)**	(571)
Net cash (outflow)/inflow from financing activities		**(2,895)**	1,070
Net increase/(decrease) in cash and cash equivalents held		**593**	(728)
Cash and cash equivalents at the beginning of the period		**305**	1,033
Cash and cash equivalents at the end of the period	8	**898**	305

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
30 June 2016

1 General information

These financial statements cover RFM StockBank (StockBank, SBK or the Trust) as an individual entity. The Trust is a managed investment scheme constituted in 2011. The Responsible Entity of the Trust, Rural Funds Management Limited (RFM), is incorporated and domiciled in Australia. The registered office of the Responsible Entity is Level 2, 2 King Street, Deakin, ACT 2600.

The Directors of the Responsible Entity authorised the financial statements for issue on 28 September 2016 and have the power to amend and reissue the financial statements.

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 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 financial statements and accompanying notes of RFM StockBank 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.

Basis of accounting

In June 2016 the Board of the Responsible Entity resolved to wind up the Trust. In 2017 all leases will either be transferred to agrifinance provider StockCo AgriCapital Pty Limited or repaid by farmers and capital will be progressively returned to investors. The Trust is expected to operate until all of the leases are either transferred or repaid.

As a result of the Board resolution, the directors have determined that the going concern basis of preparation is no longer appropriate. The financial statements have been prepared on a liquidation basis and assets have been written down to the lower of their carrying amount and their net realisable values and liabilities have been presented in order of their priority in liquidation.

All non-current assets and non-current liabilities have been reclassified as current.

Going concern

In June 2016, the Board of the Responsible Entity approved the sale and transfer of livestock leases of the Trust and the subsequent wind up the Trust. The Trust continues to be in a position that would allow for the orderly realisation of assets at fair market prices rather than on a distressed basis. The Directors believe the Trust will still be able to pay its debts as and when they fall due. Once the remaining livestock leases are transferred or repaid by the farmers it will distribute the net proceeds to unitholders.

Comparative amounts

Comparative amounts are consistent with prior years, unless otherwise stated.

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.

2 Summary of significant accounting policies (continued)

Revenue (continued)

Revenue on livestock under the profit share model is recognised in accordance with AASB 141 Agriculture, which requires livestock to be measured at net market value at reporting date. Net market value is determined through price movements, weight of the livestock, and accounting for costs expected to be incurred in realising the market value (including freight and selling costs).

Under the profit share model any increase or decrease in the net fair value of biological assets is recognised as income or expense in the Statement of Comprehensive Income. The movement is determined as the difference between the net fair value at the beginning and the end of the year, adjusted for sales and purchases.

Revenue from the sale of livestock is recognised when there has been a transfer of risks and rewards to the customer through the execution of a sales agreement at the time of delivery of the goods to the customer. The carrying value of the livestock is then transferred to cost of livestock sold. The carrying value of the livestock is deemed to be its net selling price at the date of sale and accordingly sales and cost of livestock sold will offset.

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

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.

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.

2 Summary of significant accounting policies (continued)

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 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.

Biological assets

Biological assets of the Trust represent livestock. Livestock are measured at cost when purchased and at each subsequent reporting date at their fair value less estimated sales costs (net market value). Consistent with the basis of preparation noted above, livestock in the current year has been recorded on a realisation basis, being the lower of their carrying amounts and the net realisable value.

Impairment of assets

At each reporting date, the Trust reviews the carrying values of its tangible and intangible 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 income statement.

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.

Fair value

Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

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, whether or not billed to the Trust.

Payables include outstanding settlements on distributions payable. The carrying period 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.

Provisions for distributions

Provision is made for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the Trust, on or before the end of the reporting period but not distributed at the end of the reporting period.

Unit prices

Unit prices are determined in accordance with the Trust's Constitution and are calculated as the net assets attributable to unitholders of the Trust, less estimated costs, divided by the number of units on issue, on a forward pricing basis, as determined by the Responsible Entity.

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 income in the period in which they are incurred.

Distributions

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

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

2 Summary of significant accounting policies (continued)

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.	It is not expected that this standard will have a material impact on the Trust.

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 and may materially affect financial results or the financial position reported in future periods.

Management has identified the following critical accounting policies for which significant judgements, estimates or assumptions are made.

Valuations

Prior to the resolution to wind up the Trust, the fair value of livestock leased under the leasing operating model was determined having regard to the proportion of the return the Trust expected to earn as a lease fee on the livestock and other amounts recoverable by the Trust at the end of the lease. Livestock in the current year have been recorded on a realisation basis, being the lower of their carrying amounts and net realisable value.

4 Segment information

The Trust operates in one operating segment (2015: one segment), being the leasing of livestock.

5 Revenue

	2016	2015
	$'000	$'000
Livestock sales	**31,677**	19,468
Processing and administration fee	**135**	64
Interest received	**17**	20
Other income	**-**	29
Total	**31,829**	19,581

Notes to the Financial Statements
30 June 2016

6 Remuneration of auditors

	2016 $	2015 $
PricewaterhouseCoopers Australia:		
Auditing and review of the financial statements	**39,613**	37,382
Compliance audit	**4,408**	-
Total	**44,021**	37,382

7 Income tax expense

The major components of income tax comprise:

	2016 $'000	2015 $'000
Current tax	**293**	274
Deferred tax	**(41)**	(76)
Income tax expense reported in the Statement of Comprehensive Income	**252**	198

Income tax expense is attributable to:		
Profit from operations	**252**	198
Total	**252**	198

Amount recognised directly in equity:

Capitalised issue costs	**(10)**	(15)
Total	**(10)**	(15)

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

Accounting profit before tax from continuing operations	**839**	638
At the statutory income tax rate of 30% (2015: 30%)	**252**	191
Other	**-**	7
Total	**252**	198

Notes to the Financial Statements
30 June 2016

8 Cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank	**898**	305
Total	**898**	305

Reconciliation of cash

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

Cash and cash equivalents	898	305

9 Biological assets

Opening balance	**16,060**	13,321
Additions/purchases	**26,694**	20,409
Sales	**(31,677)**	(19,468)
Change in fair value	**1,950**	1,798
Total	**13,027**	16,060

Biological assets held at 30 June 2016 comprise 59,122 sheep (2015: 50,480) and 10,706 cattle (2015: 18,150).

Fair value less other costs to sell	**13,322**	16,176
Estimated non-recovery of cash on sale	**(295)**	(116)
Net realisable value/fair value less costs to sell	**13,027**	16,060

Movements in estimated non-recovery of cash on sale are a deemed cost to sell and taken to the change in fair value of biological assets in the statement of comprehensive income.

10 Trade and other receivables

Trade receivables	**667**	751
Other receivables	**78**	444
Total	**745**	1,195

Trade receivables are non-interest bearing and generally on 30 day terms. There were no impaired receivables at 30 June 2016.

11 Trade and other payables

Trade payables	**322**	367
Sundry payables and accruals	**428**	313
Short term provisions	**140**	111
Deposits	**859**	1,370
Total	**1,749**	2,161

Trade payables are generally on 30 day terms and are not interest bearing.

Notes to the Financial Statements
30 June 2016

12 Interest bearing liabilities

	2016 $'000	2015 $'000
Current		
Borrowings (ANZ)	**1,500**	-
Non-current		
Borrowings (ANZ)	**-**	3,800
Total	**1,500**	3,800

The Trust entered into a revolving base borrowing facility with Australian and New Zealand Banking Group Limited (ANZ) on 18 December 2013 for a term of three years with a limit of $10,000,000 at a floating interest rate determined by reference to the bank bill swap rate at the time of drawdown plus a commercial margin. The facility was used during the financial year for the purpose of acquiring livestock, and has a balance outstanding at 30 June 2016 of $1,500,000 (2015: $3,800,000). This facility is secured by biological assets owned by the Trust.

13 Deferred tax

Deferred tax assets

Accruals	**5**	7
Estimated non-recovery of cash on sale	**89**	34
Equity issue costs	**23**	25
Deferred tax assets	**117**	66

14 Recognised deferred tax assets and liabilities

	Current income tax		Deferred income tax	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Opening balance	**(28)**	(84)	**66**	(24)
(Charged)/credited to income	**(293)**	(274)	**41**	76
Credited to equity	**-**	-	**10**	14
Payments	**393**	330	**-**	-
Closing balance	**72**	(28)	**117**	66
Tax expense in Statement of Comprehensive Income			**252**	198

15 Financial risk management

The Trust is exposed to a variety of financial risks through its use of financial instruments. This note discloses the Trust's objectives, policies and processes for managing and measuring these risks. The Trust's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The Trust does not speculate in financial assets.

The most significant financial risks which the Trust is exposed to are described below:

Specific risks

- Market risk - interest rate risk and price risk
- Credit risk
- Liquidity risk

Financial instruments used

The principal categories of financial instruments used by the Trust are:

- Trade receivables
- Cash at bank
- Trade and other payables
- Floating rate bank loans

Financial risk management policies

Risks 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, liquidity risk and market risk.

Financial instruments of the Trust comprise cash and cash equivalents, floating rate bank debt and other financial instruments such as trade debtors and creditors, which arise directly from its 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 Trust from changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

Concentrations of risk arise where a number of financial instruments or contracts are entered into with the same counterpart, 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.

Notes to the Financial Statements

30 June 2016

15 Financial risk management (continued)

Liquidity risk and capital management

The table below reflects all contractually fixed repayments and interest 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**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets										
Cash and cash equivalents	**898**	305	-	-	-	-	-	-	**898**	305
Trade and other receivables	**745**	1,195	-	-	-	-	-	-	**745**	1,195
Total	**1,643**	1,500	-	-	-	-	-	-	**1,643**	1,500
Financial liabilities										
Trade and other payables	**1,749**	2,161	-	-	-	-	-	-	**1,749**	2,161
Borrowings	**1,500**	**-**	**-**	**-**	**-**	**3,800**	**-**	**-**	**1,500**	3,800
Total	**3,249**	2,161	-	-	-	3,800	-	-	**3,249**	5,961

The Trust manages liquidity risk by monitoring forecast cash flows. The livestock assets of the Trust are considered to be liquid in that there are active markets and assets can be sold and proceeds received within very short time frames.

The Responsible Entity of the Trust defines capital as net assets attributable to unitholders. The Trust's objective when managing capital is to realise the value of its assets in an orderly manner.

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

15 Financial risk management (continued)

Credit risk

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 credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets.

With respect to receivables, the credit risk is concentrated in the livestock growing and meat processing industries. The Trust maintains its credit risk by maintaining strong relationships with a limited number of quality customers. There are no significant concentrations of credit risk.

Price risk

The operating model applied to cattle has been amended such that StockBank earns a fixed return from the leasing of cattle. Under this model, the price risk is borne by the lessee.

Interest rate risk (sensitivity analysis)

At 30 June 2016, the effect on profit before tax and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	2016 **$'000**	**2015** **$'000**
Change in profit		
Increase in interest rate by 1%	**(6)**	(35)
Decrease in interest rate by 1%	**6**	35
Change in equity		
Increase in interest rate by 1%	**(4)**	(24)
Decrease in interest rate by 1%	**4**	24

16 Fair value measurement

This note explains the judgements and estimates made in determining the fair values of the assets and liabilities that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Trust has classified its non-financial assets into the three levels prescribed under the Australian Accounting Standards.

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy. The level in the fair value hierarchy is determined having regard to the nature of inputs used to determine fair value. The hierarchy is as follows:

Level 1 Fair value based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date (such as publicly traded equities).

Level 2 Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 One or more significant inputs to the determination of fair value is based on unobservable inputs for the asset or liability.

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30 June 2016

16 Fair value measurement (continued)

Non-financial assets

Fair value hierarchy

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2016				
Biological assets				
Livestock	**-**	**-**	**13,027**	**13,027**
Total	**-**	**-**	**13,027**	**13,027**
At 30 June 2015				
Biological assets				
Livestock	-	-	16,060	16,060
Total	-	-	16,060	16,060

There were no transfers between levels for recurring fair value measurements during the year.

The Trust's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques used to determine level 3 fair values

The Trust regularly assesses the value of its livestock assets and values them according to its contractual entitlements.

At the end of each reporting period, the Directors update their assessment of the fair value of livestock, taking into account the most recent contract performance. The Directors determine a livestock value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar livestock. However, the Trust's entitlement to value from its livestock, for livestock held under the lease fee model, is limited to the amount of the lease fee as prescribed under the lease agreement for the relevant livestock. Accordingly, the Directors consider most reliable information for valuing the Trust's livestock to be the expected future cash flow from the livestock taking into account contractual entitlements at balance date.

All resulting fair value estimates for biological assets are included in level 3.

Consistent with the basis of preparation noted above, livestock in the current year has been recorded on a realisation basis, being the lower of their carrying amounts and the net realisable value.

16 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

	Livestock 2016 $'000	Livestock 2015 $'000
Opening balance	**16,060**	13,321
Additions/purchases	**26,694**	20,409
Sales	**(31,677)**	(19,468)
Change in fair value	**1,950**	1,798
Total	**13,027**	16,060

Valuation inputs and relationship to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See above for the valuation techniques adopted.

Description	Fair value at		Range of inputs (weighted average)		Relationships of unobservable inputs to fair value
	30 June 2016 $'000	30 June 2015 $'000	30 June 2016	30 June 2015	
Livestock - lease fee model	**13,027**	16,060	**13.0%-20.0% (15.2%)**	13.0%-20.0% (15.7%)	The higher the lease fee rate, the higher the fair value

Valuation processes

The main level 3 inputs used by the Trust include the lease fee rate of individual placement contracts and livestock prices.

17 Issued capital

	30 June 2016 No.	30 June 2015 No.
Units on issue at the beginning of the year	**11,627,406**	10,043,548
Units issued during the year	**673,597**	2,068,529
Units redeemed during the year	**(674,757)**	(484,671)
Units on issue at the end of the year	**11,626,246**	11,627,406

At 30 June 2016, the unit redemption price was $1.0010 (2015: $1.0023) representing $11,637,872 in value (2015: $11,654,149).

Notes to the Financial Statements
30 June 2016

18 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 this report are:

Guy Paynter
David Bryant
Michael Carroll

Other key management personnel

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

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

- Withdrawal (exit) fee: 0.5% (2015: 0.5%) of the value of units redeemed from the Trust;
- Revenue share fee: 15% (2015: 15%) of the total revenue earnt on livestock placements under the leasing model. Of this, 3% (2015: 3%) is designated as a fund management fee and the balance an asset management fee based on an estimate of activities undertaken.

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 as Responsible Entity are disclosed in Note 19.

19 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 $'000	2015 $'000
Management fee	**65**	59
Asset management fee	**260**	234
Total management fees	**325**	293
Profit share warranties received from RFM	**-**	(14)
Cost warranties received from RFM	**-**	(29)
Total warranty rebates	**-**	(43)
Total management fees less warranty rebates	**325**	250
Expenses reimbursed to RFM	**558**	619
Distribution paid/payable to Rural Funds Group	**234**	244
Total amount paid to RFM and related entities	**1,117**	1,113

Notes to the Financial Statements
30 June 2016

19 Related party transactions (continued)

Debtors

RFM	-	345
Total	**-**	345

Creditors

	2016 $'000	2015 $'000
RFM	**77**	93
RF Active	**-**	37
Total	**77**	130

Entities with influence over the Trust

	2016 Units	%	2015 Units	%
Rural Funds Group	**3,897,259**	**33.50**	3,897,259	33.52

20 Distributions

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

	Cents per unit	Total $
Distribution declared 30 June 2015, paid 19 August 2015	0.9500	110,460
Distribution declared 30 September 2015, paid 16 November 2015	1.1550	135,300
Distribution declared 31 December 2015, paid 15 February 2016	1.1550	135,745
Distribution declared 31 March 2016, paid 13 May 2016	1.5570	182,585
Distribution declared 30 June 2016, paid 15 August 2016	1.2000	139,515

21 Cash flow information

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

Net profit after income tax	**587**	440
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	**450**	(775)
Decrease/(increase) in biological assets	**3,033**	(2,739)
(Increase)/decrease in deferred tax assets	**(41)**	-
(Decrease)/increase in trade and other payables	**(441)**	1,407
(Decrease)/increase in net income tax payable	**(100)**	(56)
(Decrease)/increase in net deferred tax liabilities	**-**	(75)
Cash flow from operating activities	**3,488**	(1,798)

22 Events after the reporting date

The revolving base borrowing facility of $10,000,000 with ANZ has since been cancelled in July 2016.

No other matters or circumstances have arisen since the end of the year which significantly affected or could significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in future financial years.

RFM StockBank
ARSN 153 436 803

Directors' Declaration
30 June 2016

In the Directors of the Responsible Entity's opinion:

1 The financial statements and notes of RFM StockBank set out on pages 7 to 26 are in accordance with the *Corporations Act 2001*, including:

   a. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   b. giving a true and fair view of the Trust's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

2 As disclosed in note 2 to the financial statements, it is expected that the Trust will be wound up within 12 months from the date of this report. At 30 June 2016 assets exceed liabilities and as such 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 the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

David Bryant
Director

28 September 2016

Independent auditor's report to the unitholders of RFM Stockbank

Report on the financial report

We have audited the accompanying financial report of RFM Stockbank (the registered scheme), which comprises the statement of financial position as at 30 June 2016, the 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
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of RFM Stockbank is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the entity'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 financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of matter – going concern no longer appropriate

Without qualifying our opinion, we draw attention to the following matter. As indicated in Note 2 in the financial report, it is the intention of the directors to realise the assets of the registered scheme in an orderly basis and subsequently wind up the registered scheme within the next 12 months from the date of this report. As a result, the financial statements have not been prepared on a going concern basis.

PricewaterhouseCoopers

PricewaterhouseCoopers

CMC Heraghty
Partner

Sydney
28 September 2016

Responsible Entity

Rural Funds Management Limited
ABN 65 077 492 838
AFSL 226 701

Level 2, 2 King Street
Deakin ACT 2600

www.ruralfunds.com.au

Telephone (Investor Services)
1800 026 665

Telephone (Adviser Services)
1300 880 295

Facsimile
1800 625 518