

RFM Poultry (RFP)

Financial Statements

For the Year Ended 30 June 2014

RFM Poultry

ARSN 164 851 218

Contents

For the Period Ended 30 June 2014

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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 Telephone: 02 6203 9700 Fax: 02 6281 5077
Directors	Guy Paynter David Bryant Michael Carroll
Company Secretary	Andrea Lemmon
Custodian	Australian Executor Trustees Limited ABN 84 007 869 794 Level 22, 207 Kent Street SYDNEY NSW 2000
Share Registry	Boardroom Pty Limited Level 7, 207 Kent Street SYDNEY NSW 2000
Auditors	PricewaterhouseCoopers Darling Park 201 Sussex Street SYDNEY NSW 2000
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000
Stock Exchange Listing	Units in RFM Poultry are listed on the National Stock Exchange of Australia

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Directors of the Responsible Entity's Report For the Period Ended 30 June 2014

The Directors of Rural Funds Management Limited ("RFM"), Responsible Entity of RFM Poultry ("RFP" or the "Trust") present their report on the Trust for the financial period ended 30 June 2014.

1. General information

Directors

The names of the directors of RFM in office at any time during, or since the end of, the period are:

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

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Principal activities and significant changes in nature of activities

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

RFP was formed on 31 July 2013 and on 19 December 2013 acquired the chicken growing business formerly operated by RFM Chicken Income Fund ("CIF"). To facilitate this acquisition, CIF issued a dividend of \$6,805,422 (10.69 cents per unit) on 19 December 2013 which was compulsorily applied by CIF unitholders to acquire units in RFP following a unitholder vote to merge CIF with RFM RiverBank and RFM Australian Wine Fund. RFP applied this capital to acquire the chicken growing business of CIF.

To conduct its business, part of the agreement with CIF included the acquisition of plant and equipment and the lease of 154 poultry sheds and infrastructure from CIF on commercial terms with lease expiries between 10 and 22 years.

RFM Poultry has long term contracts for growing chickens owned by Bartter Enterprises Pty Limited which is a wholly owned subsidiary of Baiada Poultry Pty Limited. The contracts span 10 to 22 years. The Trust has no borrowings and is expected to fund its business and distributions from operating cash flow.

There were no other significant changes in the nature of RFM Poultry's principal activities during the financial period.

Trust information

RFM Poultry is a managed investment scheme which was registered on 31 July 2013. RFM, the Responsible Entity of the Trust, is incorporated and domiciled in Australia. The Registered office of the Responsible Entity is Level 2, 2 King Street, Deakin, ACT 2600.

2. Operating results and review of operations for the period

Operating results

The profit after income tax of the Trust amounted to \$489,677.

The chicken industry continues to experience positive conditions being a growth industry with per capita consumption continuing to increase. All poultry sheds in Griffith leased by RFP were endorsed as compliant with RSPCA guidelines during the period ended 30 June 2014, securing RFP's position as a premium chicken grower.

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Directors of the Responsible Entity's Report For the Period Ended 30 June 2014

2. Operating results and review of operations for the period (continued)

Distributions

\$

Distributions paid or declared during the period were as follows:

Distribution of 3.31 cents per unit declared in December 2013	224,563
Distribution of 3.31 cents per unit declared in March 2014	224,566
Distribution of 3.31 cents per unit declared in June 2014	224,885

Earnings per unit

Net profit after tax for the period	489,677
Weighted average number of units on issue during the period	6,788,305
Basic and diluted earnings per unit (total) (cents)	7.21

Indirect cost ratio

The Indirect Cost Ratio ("ICR") is the ratio of the Trust's management costs over the Trust's average net assets attributable for the period, 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 annualised ICR for the Trust for the period ended 30 June 2014 is 5.36%.

Units on issue

6,794,115 units of RFM Poultry were on issue at 30 June 2014. During the period 6,794,115 units were issued by the Trust and Nil were redeemed.

Trust assets

At 30 June 2014 RFM Poultry held assets to a total value of \$8,906,106.

3. Other items

Significant changes in state of affairs

RFP commenced business operations on 19 December 2013 and was listed on the National Stock Exchange of Australia on 17 March 2014. There have been no other significant changes in the state of affairs of the Trust during the period.

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Directors of the Responsible Entity's Report

For the Period Ended 30 June 2014

3. Other items (continued)

Events after the reporting date

No matters or circumstances have arisen since the end of the financial period 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.

Likely developments and expected results

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 issues

The operations of the Trust are subject to significant environmental regulations under the laws of the Commonwealth and States of Australia. The Trust is compliant with those environmental regulations.

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Directors of the Responsible Entity's Report

For the Period Ended 30 June 2014

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 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	Nil
David Bryant	Managing Director
Qualifications	Diploma of Financial Planning from the Royal Melbourne Institute of Technology and a Masters of Agribusiness from Melbourne University.
Experience	David Bryant established RFM in February 1997. Since then, David has led the RFM team that has acquired over \$300 million in agricultural assets across eight Australian agricultural regions. This has included negotiating the acquisition of more than 25 properties and over 60,000 megalitres of water entitlements.
Special Responsibilities	Managing Director
Directorships held in other listed entities during the three years prior to the current year	Nil
Michael Carroll	Non-Executive Director
Qualifications	Bachelor of Agricultural Science at La Trobe University and a Masters of Business Administration (MBA) 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 Queensland Sugar Limited, Select Harvests Limited, Sunny Queen Pty Ltd and the Rural Finance Corporation of Victoria. 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 Select Harvests Limited, and joined the Board of Tassal Group Limited in June 2014. Michael was also on the board of Warnambool Cheese and Butter Limited from August 2009 until May 2014.

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Directors of the Responsible Entity's Report For the Period Ended 30 June 2014

Information on Directors of the Responsible Entity (continued)

Interests of Directors of the Responsible Entity

Units in the Trust held by Directors of RFM and entities controlled by Directors of RFM as at 30 June 2014 were:

Unit holdings	Guy Paynter Number of units	David Bryant Number of units
Balance acquired on creation of Trust	-	-
Units acquired	21,507	170,222
Balance at 30 June 2014	21,507	170,222

Company secretary of the Responsible Entity

Stuart Waight (member of the Institute of Chartered Accountants) held the position of company secretary at the end of the financial year. Stuart has been the company secretary since 2010. Prior to this role, Stuart Waight was the Chief Financial Officer of a listed company with an annual turnover of \$500 million. He is responsible for optimising the performance of the RFM funds and analysing future developments, acquisitions and investments.

On 24 July 2014 Stuart Waight resigned from the position of company secretary and Andrea Lemmon was appointed as company secretary. Andrea has worked with RFM since its formation in 1997 and currently holds the position of Executive Manager Funds Management.

Meetings of directors

During the financial period, 14 meetings of directors (including committees of directors) were held. Attendances by each director during the period were as follows:

	Directors' Meetings		Audit Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Guy Paynter	14	12	1	1
David Bryant	14	13	-	-
Michael Carroll	14	14	1	1

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Directors of the Responsible Entity's Report

For the Period Ended 30 June 2014

Auditor's independence declaration

The auditors independence declaration in accordance with section 307C of the *Corporations Act 2001* for the period ended 30 June 2014 has been received and can be found on page 8 of the financial report.

The Directors of the Responsible Entity's Report, is signed in accordance with a resolution of the Board of Directors.



David Bryant

Director

10 September 2014



Auditor's Independence Declaration

As lead auditor for the audit of RFM Poultry for the period ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to be 'CMC Heraghty', written over a horizontal line.

CMC Heraghty
Partner
PricewaterhouseCoopers

Sydney
10 September 2014

Statement of Comprehensive Income
For the Period Ended 30 June 2014

	Note	31 July 2013 to 30 June 2014 \$
Revenue	4	13,698,369
Other income		23,501
Gain on disposal of assets		6,364
Property leases	5	(5,444,883)
Direct grower costs		(5,289,807)
Employee costs	5	(396,430)
Repairs and maintenance		(959,879)
Insurance expenses		(276,527)
Other indirect expenses		(393,481)
Management fees		(317,779)
Depreciation	5	(30,037)
Loss on disposal of assets	5	(3,860)
Net profit before income tax		615,551
Income tax expense	7	(125,874)
Net profit after income tax		489,677
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Other comprehensive income		-
Other comprehensive income for the period, net of tax		-
Total comprehensive income for the period, attributable to unitholders		489,677
Earnings per unit		
From continuing operations:		
Basic and diluted earnings per unit (cents)		7.21

Statement of Financial Position
As at 30 June 2014

	Note	2014 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	8	4,065,890
Trade and other receivables	9	4,198,374
Inventories	10	119,370
Other current assets	11	163,673
TOTAL CURRENT ASSETS		8,547,307
NON-CURRENT ASSETS		
Plant and equipment	13	311,962
Deferred tax assets	17(a)	46,837
TOTAL NON-CURRENT ASSETS		358,799
TOTAL ASSETS		8,906,106
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	14	1,834,823
Short term provisions	15	276,176
Income tax payable	16	172,711
TOTAL CURRENT LIABILITIES		2,283,710
NON-CURRENT LIABILITIES		
Long term provisions	15	14,380
TOTAL NON-CURRENT LIABILITIES		14,380
TOTAL LIABILITIES (excluding net assets attributable to unitholders)		2,298,090
Net assets attributable to unitholders		6,608,016
TOTAL LIABILITIES		8,906,106

Statement of Changes in Net Assets Attributable to Unitholders
For the Period Ended 30 June 2014

2014

	Note	Issued Units \$	Retained Earnings \$	Total \$
Balance at 31 July 2013		-	-	-
Profit before tax		-	615,551	615,551
Income tax expense		-	(125,874)	(125,874)
Total comprehensive income for the period		-	489,677	489,677
Equity transactions				
Units issued during the period	21	6,792,353	-	6,792,353
Total equity transactions		6,792,353	-	6,792,353
Distributions to unitholders	19	(224,563)	(449,451)	(674,014)
Balance at 30 June 2014		6,567,790	40,226	6,608,016

The accompanying notes form part of these financial statements.

Statement of Cash Flows
For the Period Ended 30 June 2014

	Note	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers		15,305,471
Cash payments to suppliers and employees		(13,207,621)
Interest received		21,380
Net cash provided by/(used in) operating activities	25	<u>2,119,230</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash acquired in business acquisition		2,462,293
Proceeds from sale of plant and equipment		6,364
Purchase of plant and equipment		(80,797)
Net cash provided by/(used in) investing activities		<u>2,387,860</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of units		7,176
Distributions paid		(448,376)
Net cash provided by/(used in) financing activities		<u>(441,200)</u>
Net increase in cash and cash equivalents held		4,065,890
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period	8	<u><u>4,065,890</u></u>

Notes to the Financial Statements

For the Period Ended 30 June 2014

This financial report covers the financial statements and notes of RFM Poultry. RFM Poultry is a Trust established and domiciled in Australia. The financial statements were authorised for issue by the directors of the Responsible Entity on 10 September 2014.

The financial statements are presented in Australian dollars which is the Trust's functional and presentation currency.

1 Summary of Significant Accounting Policies

(a) Basis of preparation

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 Standards Board, the Trust's constitution and the *Corporations Act 2001*.

RFM Poultry is a registered Australian managed investment scheme, and was constituted in July 2013. RFM, the Responsible Entity of the Trust is incorporated and domiciled in Australia. The registered office of the Responsible Entity is Level 2, 2 King Street, Deakin, ACT 2600.

The nature of the operations and principal activities of the Trust are described in the Directors of the Responsible Entity's Report.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below.

Management has determined that the Trust operated in one operating segment during the period.

(b) Statement of compliance

The financial statements of RFM Poultry comply with Australian Accounting Standards and International Financial Reporting Standards, as issued by the International Accounting Standards Board.

(c) Reporting basis and conventions

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(d) 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.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Notes to the Financial Statements
For the Period Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(e) 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 and carried at original amount, less an allowance for any uncollectible amounts. 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 receivables.

(f) 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. The Trust's inventory is constantly monitored for obsolescence.

(g) Plant and equipment

(i) General Information

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

(ii) 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
Plant and equipment	3% - 20%
Office furniture, fixtures and fittings	10% - 20%
Motor vehicles	8% - 33%

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.

(iii) Derecognition

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(h) Impairment of non-financial assets

At the end of each reporting period 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.

Notes to the Financial Statements
For the Period Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(i) Common control transactions

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control.

(j) Financial assets and liabilities

(i) 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.

(ii) 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.

(iii) Financial liabilities

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

(k) 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.

(l) 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.

(m) 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.

(n) Employee benefits

(i) 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.

Notes to the Financial Statements
For the Period Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(n) Employee benefits (continued)

(ii) Long term employee benefit obligations

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

(o) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured.

Revenue for managing the growth of chicken batches is recognised upon the delivery of the service to the customer, Barter Enterprises Pty Limited. Griffith based unbilled batches at the end of the period are accrued according to the number of days elapsed from the last date of batch pick up for each Griffith farm. This is multiplied by the expected current daily rate. Revenue for the provision of batches at Lethbridge is accrued according to the expected annual rate.

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

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

(p) 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.

(q) 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 period in which they are incurred.

(r) 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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Notes to the Financial Statements
For the Period Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(s) 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 period when the asset is realised 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 utilised.

The amount of benefits brought to account or which may be realised 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 realised and comply with the conditions of deductibility imposed by the law.

(t) 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.

(u) Unitholders' funds

Ordinary units are classified as liabilities in accordance with AASB 132. 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.

(v) Distributions

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

Notes to the Financial Statements
For the Period Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(w) New accounting standards and interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Trust has decided against early adoption of these Standards. The following table summarises those future requirements, and their impact on the Trust:

Standard Name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments and amending standards AASB 2010-7 / AASB 2012-6	30 June 2016	Changes to the classification and measurement requirements for financial assets and financial liabilities. New rules relating to derecognition of financial instruments.	The impact of AASB 9 has not yet been determined as the entire standard has not been released.
AASB 1053 - Application of Tiers of Australian Accounting Standards and amending standards AASB 2010-2, AASB 2011-11, AASB 2012-1, AASB 2012-7 and AASB 2012-11	30 June 2014	This standard allows certain entities to reduce disclosures.	The entity is not adopting the RDR and therefore these standards are not relevant.
AASB 1055 - Budgetary Reporting AASB 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements	30 June 2015	This standard specifies the nature of budgetary disclosures and circumstances for inclusion in the financial statements.	No impact as the entity is not a public sector entity.
AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	30 June 2015	This standard adds application guidance to AASB 132 to assist with applying some of the offset criteria of the standard.	There will be no impact to the entity as there are no offsetting arrangements currently in place.

Notes to the Financial Statements
For the Period Ended 30 June 2014

2 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 and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates 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.

3 Operating segments

RFP operates one business 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.

4 Revenue

	2014
	\$
Grower fees	13,606,436
Rental recovery	91,933
Total	13,698,369

5 Individually significant items

(a) Expenses

Property leases	5,444,883
Employee costs	396,430
Depreciation	30,037
Loss on disposal of assets	3,860

6 Remuneration of auditors

Remuneration of the auditor of the Trust for:	
- Auditing or reviewing the financial report	40,500
Total	40,500

Notes to the Financial Statements
For the Period Ended 30 June 2014

7 Income tax expense

(a) The major components of income tax expense comprise:

	2014
	\$
Current tax expense	
Income tax expense	172,711
Deferred tax	(46,837)
Income tax expense	125,874

(b) Income tax expense is attributable to:

Profit from continuing operations	125,874
Aggregate income tax expense	125,874

(c) Numerical reconciliation between aggregate tax expense recognised in the Statement of Comprehensive Income and tax expense calculated per the statutory income tax rate:

A reconciliation between tax expenses and the product of accounting profit before income tax multiplied by the Trust's applicable income tax rate is as follows:

Accounting profit before tax from continuing operations	615,551
Prima facie tax payable on profit from ordinary activities before income tax at 30%	184,665
Previously unrecognised tax benefits	(58,791)
Income tax expense	125,874

8 Cash and cash equivalents

Cash at bank	4,065,890
Total	4,065,890

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	4,065,890
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Notes to the Financial Statements
For the Period Ended 30 June 2014

9 Trade and other receivables

	2014
	\$
CURRENT	
Trade receivables	2,480
Receivables from related entity	171,841
Accrued income	4,024,053
Total	4,198,374

Receivables are recognised and carried at original amount, less an allowance for any uncollectible amounts. 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.

Trade receivables are non-interest bearing and are generally on 30 days terms. There were no impaired or past due receivables at 30 June 2014.

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

10 Inventories

CURRENT	
Other consumables	119,370
Total	119,370

11 Other assets

CURRENT	
Prepayments	163,673
Total	163,673

12 Minimum lease payments

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

Within one year	10,348,940
More than one year but not later than 5 years	48,638,770
Later than 5 years	108,190,032
	167,177,742

Notes to the Financial Statements
For the Period Ended 30 June 2014

13 Plant and equipment

	2014
	\$
Plant and equipment	
Cost	196,129
Accumulated depreciation	(12,112)
Total plant and equipment	184,017
Office furniture, fixtures and fittings	
Cost	1,974
Accumulated depreciation	(251)
Total office furniture, fixtures and fittings	1,723
Motor vehicles	
Cost	112,685
Accumulated depreciation	(17,674)
Total motor vehicles	95,011
Work in progress	
At cost	31,211
Total plant and equipment	311,962

(a) 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 current financial period:

	Plant and equipment	Office furniture, fixtures and fittings	Motor vehicles	Work in progress	Total
	\$	\$	\$	\$	\$
Period ended 30 June 2014					
Balance at the beginning of the period	-	-	-	-	-
Acquired in business acquisition	150,403	1,974	112,685	-	265,062
Additions	52,101	-	-	31,211	83,312
Disposals	(6,375)	-	-	-	(6,375)
Depreciation expense	(12,112)	(251)	(17,674)	-	(30,037)
Balance at the end of the period	184,017	1,723	95,011	31,211	311,962

Notes to the Financial Statements
 For the Period Ended 30 June 2014

14 Trade and other payables

2014
 \$

CURRENT

Trade payables	439,630
Sundry payables and accruals	1,395,193
Total	1,834,823

15 Provisions

CURRENT

Employee entitlements	50,555
Provision for distribution	225,621
Total	276,176

NON-CURRENT

Employee entitlements	14,380
Total	14,380

16 Income tax payable

CURRENT

Income tax payable	172,711
Total	172,711

17 Deferred tax

(a) Deferred tax assets

CURRENT

Accruals	24,930
Provision for employee entitlements	19,481
Legal costs	2,426
Deferred tax assets	46,837

Notes to the Financial Statements
For the Period Ended 30 June 2014

17 Deferred tax (continued)

(b) Recognised deferred tax assets and liabilities

	Current income tax	Deferred income tax
	\$	\$
Opening balance	-	-
Charged/(credited) to income	(172,711)	46,837
Closing balance	(172,711)	46,837
Tax expense in income statement		125,874

Amounts recognised in the Statement of Financial Position

Deferred tax asset	-	46,837
Total	-	46,837

18 Financial risk management

(a) 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 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 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 reasonable possible 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 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 the excessive risk concentrations when they arise.

Notes to the Financial Statements
For the Period Ended 30 June 2014

18 Financial risk management (continued)

(b) Liquidity risk and capital management

The table below reflects all contractually fixed payments and repayments resulting from recognised financial assets and liabilities as of 30 June 2014.

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
	2014	2014	2014	2014	2014
	\$	\$	\$	\$	\$
Financial Assets:					
Cash and cash equivalents	4,065,890	-	-	-	4,065,890
Receivables	4,198,374	-	-	-	4,198,374
Total Financial Assets	8,264,264	-	-	-	8,264,264
Financial Liabilities:					
Trade and sundry payables	1,834,823	-	-	-	1,834,823
Total Financial Liabilities	1,834,823	-	-	-	1,834,823

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 unitholders. The Trust's objectives when managing capital are to safeguard the activities of the Trust as a going concern and to maintain an optimal capital structure in order to reduce the cost of capital.

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

Notes to the Financial Statements
For the Period Ended 30 June 2014

18 Financial risk management (continued)

(c) 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 ageing analysis and impairment provided thereon. 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 counter party 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						Past due and impaired
	(days overdue)						
	Gross amount	Within initial trade terms	<30	30-60	61-90	>90	
\$	\$	\$	\$	\$	\$	\$	
2014							
Trade receivables	2,480	2,480	-	-	-	-	-
Other receivables	171,841	171,841	-	-	-	-	-
Total	174,321	174,321	-	-	-	-	-

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

The 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.

Baiada Poultry Pty Limited ABN 96 002 925 944 is 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, disclosed in the Statement of Financial Position and notes to the financial statements.

Notes to the Financial Statements
For the Period Ended 30 June 2014

19 Distributions

Distributions paid during the period

2014
\$

Distributions paid or declared for payment were as follows:

Distributions of 3.31 cents pre unit declared in December 2013	224,563
Distributions of 3.31 cents pre unit declared in March 2014	224,566
Distributions of 3.31 cents pre unit declared in June 2014	224,885

Total distributions per unit

Total distributions per unit declared and paid (cents)	9.93
--	-------------

No franked distributions were declared or paid during the period.

20 Earnings per unit

Net profit after tax for the period	489,677
Weighted average number of units on issue during the period	6,788,305
Basic and diluted earnings per unit (total) (cents)	7.21

21 Issued capital

	\$
Issued capital	6,567,790

	No. of units
Units on issue at the beginning of the reporting period	-
Units issued during the financial period	6,794,115
Units on issue at the end of the financial period	6,794,115

Notes to the Financial Statements
For the Period Ended 30 June 2014

22 Business combination

On 19 December 2013, RFP acquired the chicken growing business formerly operated by RFM Chicken Income Fund ("CIF"). To facilitate this acquisition CIF issued a dividend of \$6,805,422 (10.69 cents per unit) on 19 December 2013 which was compulsorily applied by CIF unitholders to acquire units in RFP at \$6,805,422 less withholding tax of \$20,245. RFP applied this capital to acquire the chicken growing business of CIF.

RFP recorded the results of the operations of the chicken growing business from the date of the transfer which represent the results of the business in full.

The fair value of assets, liabilities and contingent liabilities relating to the chicken operations recognised as a result of the acquisition are as follows.

	2014
	\$
Cash and cash equivalents	2,462,293
Trade and other receivables	4,220,908
Inventories	84,105
Other current assets	121,199
Plant and equipment	265,062
Trade and other payables	(172,419)
Short term provisions	(186,454)
Long term provisions	(9,517)
Net assets acquired	6,785,177

No goodwill or discount on acquisition arose on the transaction.

23 Key management personnel disclosures

(a) 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 period and up to the date of the report are:

Guy Paynter

David Bryant

Michael Carroll

Notes to the Financial Statements
For the Period Ended 30 June 2014

23 Key management personnel disclosures (continued)

(a) Directors (continued)

Interests of Directors of the Responsible Entity

Units in the Trust held by Directors of RFM or entities controlled by Directors of RFM as at 30 June 2014 were:

Unit holdings	Guy Paynter Number of units	David Bryant Number of units
Balance acquired on creation of Trust	-	-
Units acquired	21,507	170,222
Balance at 30 June 2014	21,507	170,222

(b) 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 from RFP:

- Contribution fee – 3% of the value of each application for units in the Trust (not applicable to units issued at formation of RFP and for units issued as part of a dividend reinvestment plan).
- Asset management fee - 5% of farm operating expenses.
- Performance bonus – 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% of the total purchase price of an asset purchased by the Trust.
- 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 reimbursement is not prohibited by Corporations Law.

RFM may retire as the Responsible Entity of the Trust as permitted by law. However, RFM must retire as the Responsible Entity of the Trust when required by law. When retired or removed, RFM will be released from all obligations and remuneration in relation to the trust arising after the time of retirement or being removed.

(c) 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 24.

Notes to the Financial Statements
For the Period Ended 30 June 2014

24 Related parties

Transactions between related parties are on commercial terms and conditions.

(a) Responsible Entity (Rural Funds Management Limited) and related entities

Transactions between the Trust and the Responsible Entity and any associates of the Responsible Entity:

	2014
	\$
Asset management fees paid and payable to RFM	317,779
Total management fee	317,779
Lease expense paid and payable to CIF	5,444,883
Distributions paid and payable to RFM	8,592
Distributions paid and payable to Rural Funds Group	4,629
Total payment to related parties	5,458,104
Expenses reimbursed to RFM	667,056
Expenses reimbursed to CIF	1,725,993
Total	2,393,049
Net assets acquired from CIF	6,785,177

(b) Entities with influence over the trust

	No. of units	%
RFM	148,495	2.19

(c) Prepayments

CURRENT	
RFM	130,043

(d) Trade creditors

RFM	190,422
Total	190,422

(e) Trade debtors

CIF	171,841
Total	171,841

Notes to the Financial Statements
For the Period Ended 30 June 2014

25 Cash flow information

(a) Reconciliation of net profit after tax for the period to cashflows from operating activities	2014
	\$
Profit for the period	489,677
Cash flows excluded from profit attributable to operating activities	
Non-cash flows in profit:	
Depreciation and amortisation	30,037
(Profit)/loss on disposal	(2,504)
Changes in assets and liabilities net of the effects of the purchase of the business:	
(Increase)/decrease in trade and other receivables	22,534
(Increase)/decrease in prepayments	(42,474)
(Increase)/decrease in inventories	(35,265)
(Increase)/decrease in GST (net)	128,696
Increase/(decrease) in trade and other payables	1,402,655
Increase/(decrease) in current tax liabilities	172,711
(Increase)/decrease in deferred tax assets	(46,837)
Cash flow from operating activities	2,119,230

26 Economic dependence

100% of RFP's revenue from poultry growing activities comes from growing contracts with Baiada Poultry Pty Limited (ABN 96 002 925 948). These contracts have a remaining term of between 10 and 22 years. RFP is therefore economically dependent on Baiada Poultry Pty Limited.

27 Events occurring after the reporting date

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

28 Likely development and expected results

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

Directors of the Responsible Entity's Declaration

The Directors of the Responsible Entity declare that:

1. the financial statements and notes of RFM Poultry set out on pages 9 to 31 for the period ended 30 June 2014 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, as stated in accounting policy Note 1 to the financial statements, and the *Corporations Regulations 2001*; and
 - b. give a true and fair view of the Trust's financial position as at 30 June 2014 and of its performance for the period ended on that date; and
2. in the Directors of the Responsible Entity's opinion, 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 1 confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

This declaration is made in accordance with a resolution of the Board of Directors of RFM.



David Bryant

Director

10 September 2014



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 2014, the statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the period 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 1(b), 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
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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 2014 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the registered scheme's financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b).

PricewaterhouseCoopers

By

A handwritten signature in black ink, appearing to be 'JL', with a long horizontal line extending to the right.

CMC Heraghty
Partner

Sydney
10 September 2014

Additional Information for Listed Public Entities

30 June 2014

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 30 June 2014.

(a) Distribution of equity unit holders

Holding size	Unitholders
1 - 1,000	443
1,001 - 5,000	1,042
5,001 - 10,000	219
10,001 - 100,000	98
100,001 and over	5

There were 253 holders of less than a marketable parcel of units at 30 June 2014. RFM wrote to holders of unmarketable parcels of units on 11 July 2014 implementing a sale facility enabling unitholders with a total holding value of \$500 or less to sell their units without incurring brokerage or handling costs. The sale facility closed on 22 August 2014 and 234 unitholders elected to participate in the facility.

(b) Substantial unitholders

There were no substantial unitholders in RFP at 30 June 2014.

(c) Voting rights

Ordinary Units

All Ordinary units carry one vote per unit without restriction.

(d) Twenty largest unitholders

	Number held	% of issued shares
Australian Executor Trustees Ltd (Tranzact Investment Service)	213,213	3.14
BT Financial Group	158,720	2.34
Rural Funds Management Limited	148,495	2.19
Netwealth Investments Limited	115,641	1.70
Australian Executor Trustees Ltd (Rural Funds Group)	108,615	1.60
Mr J Dworkin & Mrs H Dworkin	91,823	1.35
Perpetual Corporate Trust Limited	63,852	0.94
Harness Capital Pty Ltd	56,159	0.83
Ms Amy Jo Hoban & Mr Peter Matthew Johns	53,407	0.79
Sccasp Holdings Pty Ltd	51,891	0.76
Mr Stanley John Evans & Mrs Beverly Joy Evans	51,611	0.76
Westro Pty Ltd	49,000	0.72
Mr Rodney Maruff & Mrs Margaret Maruff	47,702	0.70
Joy Smith Family Foundation Pty Ltd	36,362	0.54
Mr Laurence O'Brien & Mrs Elizabeth O'Brien	35,946	0.53
Abacron Pty Ltd	34,332	0.51
Bramarjod Super Pty Ltd	33,123	0.49
Mr John Joseph Grasso	32,000	0.47
Dr Ralph Howard Craven & Mrs Lesley Clare Craven	30,978	0.46
Regnal Superannuation Pty Ltd	29,248	0.43
	1,442,118	21.25

Securities exchange

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

Responsible Entity

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

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