

RFM Poultry (RFP)

Financial Statements

For the Half Year Ended 31 December 2014

RFM Poultry

ARSN 164 851 218

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For the Half Year Ended 31 December 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 Facsimile: 02 6281 5077
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
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 Half Year Ended 31 December 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 half year ended 31 December 2014.

1. General information

Directors

The names of the Directors of RFM in office at any time during, or since the end of the half year ended 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 half year to the date of this report unless otherwise stated.

Trust information

RFP 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 net profit before income tax is \$1,064,526 (31 December 2013: \$15,463).

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 half year ended 31 December 2014, securing RFP's position as a premium chicken grower.

During the period, RFP outsourced the maintenance activities of the Griffith farms to a third party. The overall costs of the maintenance activities are not expected to change materially, however will allow RFP management to focus on chicken growing activities, and allow the external provider to focus on maintenance activities.

RFP has negotiated changes to the growing contracts with Baiada Poultry, which relates to the performance component of the growing fee. There is no material change to the performance component of the growing fee. There is no material change to the way growing performance is measured, and the new system is in line with the growing contracts of Baiada's other growers. It is not expected that the change in performance system will materially affect the growing fee received by RFP.

Comparative results for 31 December 2013 are inclusive of only 13 days of operations as the Trust started its operations on 19 December 2013.

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Directors of the Responsible Entity's Report

For the Half Year Ended 31 December 2014

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

Distributions

The Trust paid two distributions during the half year on 16 July 2014 (\$224,885 or \$0.0331 per unit) and 16 October 2014 (\$171,026 or \$0.0251 per unit).

The Trust declared a distribution of \$171,354 (\$0.0251 per unit) as of 31 December 2014 . Full details of the distributions are shown in Note 8 to the financial statements.

Earnings per unit

Net profit after income tax for the period	745,168
Weighted average number of units on issue during the period	6,807,089
Basic and diluted earnings per unit (cents)	10.95

Units on Issue

6,820,062 units of RFP were on issue at 31 December 2014 (30 June 2014: 6,794,115). During the period 25,947 (31 December 2013: 6,784,481) units were issued by the Trust and nil (31 December 2013: nil) were redeemed.

Trust assets

At 31 December 2014 RFP held assets to a total value of \$9,146,961 (30 June 2014: \$8,906,106).

3. Other items

Significant changes in state of affairs

No significant changes in the Trust's state of affairs occurred during the half year.

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 regulation and performance

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

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Directors of the Responsible Entity's Report

For the Half Year Ended 31 December 2014

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2014 has been received and can be found on page 5 of the financial report.

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



David Bryant
Director

2 March 2015



Auditor's Independence Declaration

As lead auditor for the review of RFM Poultry for the half-year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

CMC Heraghty
Partner
PricewaterhouseCoopers

Sydney
2 March 2015

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Statement of Comprehensive Income

For the Half Year Ended 31 December 2014

		31 December 2014	31 December 2013
	Note	\$	\$
Revenue	4	12,851,633	950,978
Other income		30,681	-
Property leases		(5,183,687)	(361,507)
Direct grower costs		(2,514,753)	(195,537)
Contractor fees		(2,082,486)	(254,440)
Employee costs		(351,769)	(22,080)
Repairs and maintenance		(735,245)	(34,593)
Insurance expenses		(253,557)	(27,381)
Other indirect expense		(381,884)	(15,005)
Management fees		(289,382)	(22,891)
Depreciation		(25,025)	(2,081)
Net profit before income tax		1,064,526	15,463
Income tax expense		(319,358)	(4,850)
Net profit after income tax		745,168	10,613
Other comprehensive income:			
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period, attributable to unitholders		745,168	10,613
Earnings per unit			
From continuing operations:			
Basic and diluted earnings per unit (cents)		10.95	0.16

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As at 31 December 2014

		31 December 2014	30 June 2014
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		5,383,442	4,065,890
Trade and other receivables	5	3,219,805	4,198,374
Inventories	6	69,105	119,370
Other current assets		173,811	163,673
TOTAL CURRENT ASSETS		8,846,163	8,547,307
NON-CURRENT ASSETS			
Plant and equipment	7	286,937	311,962
Deferred tax asset		13,861	46,837
TOTAL NON-CURRENT ASSETS		300,798	358,799
TOTAL ASSETS		9,146,961	8,906,106
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,470,838	1,834,823
Short term provisions		183,786	276,176
Income tax payable		459,092	172,711
TOTAL CURRENT LIABILITIES		2,113,716	2,283,710
NON-CURRENT LIABILITIES			
Long term provisions		2,395	14,380
TOTAL NON-CURRENT LIABILITIES		2,395	14,380
TOTAL LIABILITIES (excluding net assets attributable to unitholders)		2,116,111	2,298,090
Net assets attributable to unitholders		7,030,850	6,608,016
TOTAL LIABILITIES		9,146,961	8,906,106

The accompanying notes form part of these financial statements.

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Statement of Changes in Net Assets Attributable to Unitholders

For the Half Year Ended 31 December 2014

31 December 2014

	Issued Units	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2014	6,567,790	40,226	6,608,016
Profit before tax	-	1,064,526	1,064,526
Income tax expense	-	(319,358)	(319,358)
Total comprehensive income for the period	-	745,168	745,168
Equity transactions			
Units issued during the period	20,046	-	20,046
Total equity transactions	20,046	-	20,046
Distributions to unitholders	-	(342,380)	(342,380)
Balance at 31 December 2014	6,587,836	443,014	7,030,850

31 December 2013

	Issued Units	Retained Earnings	Total
	\$	\$	\$
Balance at 31 July 2013	-	-	-
Profit before tax	-	15,463	15,463
Income tax expense	-	(4,850)	(4,850)
Total comprehensive income for the period	-	10,613	10,613
Equity transactions			
Units issued during the period	6,785,177	-	6,785,177
Total equity transactions	6,785,177	-	6,785,177
Distributions to unitholders	(224,566)	-	(224,566)
Balance at 31 December 2013	6,560,611	10,613	6,571,224

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the Half Year Ended 31 December 2014

	31 December 2014	31 December 2013
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	15,215,331	-
Payments to suppliers and employees	(13,313,810)	(5)
Interest received	28,763	-
GST received/(paid)	(239,570)	-
Net cash provided by/(used in) operating activities	1,690,714	(5)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash acquired in business acquisition	-	2,462,293
Net cash provided by/(used in) investing activities	-	2,462,293
CASH FLOWS FROM FINANCING ACTIVITIES:		
Receipts from issue of units	20,046	-
Distributions paid	(393,208)	-
Net cash provided by financing activities	(373,162)	-
Net increase in cash and cash equivalents held	1,317,552	2,462,288
Cash and cash equivalents at beginning of the period	4,065,890	-
Cash and cash equivalents at end of the period	5,383,442	2,462,288

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements

For the Half Year Ended 31 December 2014

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*.

This general purpose financial report for the half year ended 31 December 2014 has been prepared in accordance with AASB 134: Interim Financial Reporting and the *Corporations Act 2001*.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Trust as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual financial report for the period ended 30 June 2014 and any public announcements made by RFP during the period in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial period and corresponding interim report period unless otherwise stated.

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 critical accounting policies 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.

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Notes to the Financial Statements

For the Half Year Ended 31 December 2014

4 Revenue

	Six months ended 31 December 2014 \$	Period to 31 December 2013 \$
Grower fees	12,756,527	950,978
Rental recovery	95,106	-
Total	12,851,633	950,978

5 Trade and other receivables

	31 December 2014 \$	30 June 2014 \$
CURRENT		
Trade receivables	-	2,480
Accrued income	3,219,805	4,024,053
Other receivables	-	171,841
Total	3,219,805	4,198,374

6 Inventories

CURRENT		
Other consumables	69,105	119,370
Total	69,105	119,370

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Notes to the Financial Statements

For the Half Year Ended 31 December 2014

7 Plant and equipment

	31 December 2014 \$	30 June 2014 \$
Plant and equipment		
Cost	195,614	195,614
Accumulated depreciation	(21,123)	(11,597)
Total plant and equipment	174,491	184,017
Office furniture, fixture and fittings		
Cost	1,974	1,974
Accumulated depreciation	(489)	(251)
Total office furniture, fixture and fittings	1,485	1,723
Motor vehicles		
Cost	112,685	112,685
Accumulated depreciation	(32,935)	(17,674)
Total motor vehicles	79,750	95,011
Capital work in progress		
At cost	31,211	31,211
Total capital work in progress	31,211	31,211
Total plant and equipment	286,937	311,962

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Notes to the Financial Statements

For the Half Year Ended 31 December 2014

8 Distribution paid and payable

	31 December 2014	Distribution per unit
	\$	\$
Distribution paid and payable half year December 2014		
Distribution paid on 16 July 2014	224,885	0.0331
Distribution paid on 16 October 2014	171,026	0.0251
Distribution declared on 31 December 2014	171,354	0.0251

	31 December 2013	Distribution per unit
	\$	\$
Distribution paid and payable period December 2013		
Distribution declared on 31 December 2013	224,563	0.0331

9 Earnings per unit

	31 December 2014	31 December 2013
	\$	\$
Net profit after tax for the period	745,168	10,613
Weighted average number of units on issue during the period	6,807,089	6,784,481
Basic and diluted earnings per unit (cents)	10.95	0.16

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Notes to the Financial Statements For the Half Year Ended 31 December 2014

10 Issued Capital

	31 December 2014	30 June 2014
	\$	\$
Issued capital	6,587,836	6,567,790

	No. of Units 31 December 2014	No. of Units 30 June 2014
Units on issue at the beginning of the reporting period		
Units on issue at 1 July 2014/ 31 July 2013	6,794,115	-
Units issued during the financial period	25,947	6,794,115
Units on issue at the end of the financial period	6,820,062	6,794,115

11 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.

The assets, liabilities and contingent liabilities relating to the chicken operations were transferred in at the predecessor carrying amount that represents the fair value. No goodwill or discount on acquisition arose on the transaction.

RFP recorded the results of the operations of the chicken growing business from the date of the transfer.

The assets and liabilities recognised at the date of the acquisition are as follows:

	30 June 2014
	\$
Cash and cash equivalents	2,462,293
Trade and other receivables	4,220,908
Inventory	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

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Notes to the Financial Statements

For the Half Year Ended 31 December 2014

12 Related parties

Transactions between related parties are on commercial terms and conditions.

(a) Responsible Entity (RFM) and related entities

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

	31 December 2014	31 December 2013
	\$	\$
Asset management fees paid and payable to RFM	289,382	22,891
Total management fee	289,382	22,891
Lease expense paid and payable to Rural Funds Group	5,183,687	361,507
Distribution paid and payable to RFM	7,462	1,321
Distribution paid and payable to Rural Funds Trust	2,729	-
Total payment to related parties	5,193,878	362,828
Expenses reimbursed to RFM	647,290	-
Expenses reimbursed to Rural Funds Group	296,627	356,196
Total reimbursable expenses	943,917	356,196
Expenses charged to Rural Funds Group	135,076	-
Total expenses charged back to related parties	135,076	-
Net assets acquired from RFM Chicken Income Fund	-	6,785,177

(b) Entities with influence over the Trust

	No. of units	%
RFM	148,495	2.18
Rural Funds Trust	108,695	1.59

(c) Prepayments

	31 December 2014	30 June 2014
	\$	\$
CURRENT		
RFM - Prepaid Insurance	74,108	130,043
Total	74,108	130,043

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Notes to the Financial Statements

For the Half Year Ended 31 December 2014

12 Related parties (continued)

(d) Trade creditors

	31 December 2014	30 June 2014
	\$	\$
Rural Funds Group	210,176	-
RFM	171,674	190,422
Total	381,850	190,422

(e) Trade debtors

Rural Funds Group	94,568	171,841
Total	94,568	171,841

13 Economic dependency

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 9 and 21 years. RFP is therefore economically dependent on Baiada Poultry Pty Limited.

14 Events after the end of the reporting period

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.

15 Likely developments and expected results

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

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Directors of the Responsible Entity's Declaration

In the Directors of the Responsible Entity's opinion:

(a) The financial statements and notes, as set out on pages 6 to 16 are in accordance with the *Corporations Act 2001*, including:

- i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- ii. give a true and fair view of the Trust's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.

(b) There are reasonable grounds to believe that RFM Poultry will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of the Responsible Entity.



David Bryant

Director

2 March 2015



Independent auditor's review report to the unitholders of RFM Poultry

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of RFM Poultry (the registered scheme), which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of Rural Funds Management (the responsible entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of RFM Poultry, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of RFM Poultry is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;

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T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au



b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

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

CMC Heraghty
Partner

Sydney
2 March 2015

Responsible Entity

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