

StockBank

Financial Statements

For the Half Year Ended 31 December 2015

RFM StockBank

ARSN 153 436 803

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RFM StockBank

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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
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
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000

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Directors' Report

31 December 2015

The Directors of Rural Funds Management Limited (RFM), the responsible entity of RFM StockBank (StockBank, SBK or the Trust) present their report on the Trust for the half year ended 31 December 2015.

Directors

The following persons held office as Directors of the responsible entity during the half 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 half 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, RFM StockBank allows farmers to provide different levels of security to manage the fees for the leased livestock.

Operating results

The operating profit after income tax of the Trust for the half year ended 31 December 2015 amounted to \$231,000 (31 December 2014: \$194,000).

During the half year the level of livestock placements grew by 24% from \$16,060,000 to \$19,980,000 of livestock under lease. The new placements were achieved through a combination of marketing to new livestock agents and favourable livestock conditions providing increased buying opportunities. StockBank held 66,745 (30 June 2015: 50,480) head of sheep and 19,888 (30 June 2015: 18,150) head of cattle at the end of the half year.

Financial position

The net assets of the Trust have increased from \$11,637,000 at 30 June 2015 to \$11,705,000 at 31 December 2015.

Banking facilities

StockBank has a revolving base borrowing facility with ANZ with a \$10,000,000 limit. The facility was utilised during the half year to acquire livestock and has a balance drawn down of \$7,600,000 (30 June 2015: \$3,800,000). The facility expiry is unchanged, being December 2016.

Distributions and performance

	Cents per unit	Total \$
Distribution paid 19 August 2015	0.9500	111,085
Distribution paid 16 November 2015	1.1550	134,793
Distribution declared 31 December 2015, paid 15 February 2016	1.1550	135,745

Significant changes in state of affairs

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

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Directors' Report

31 December 2015

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 half 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 half year ended 31 December 2015 is 1.11% (31 December 2014: 1.30%).

Matters subsequent to the end of the half year

No matter or circumstance has arisen since the end of the half 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

The Trust expects to continue to derive its future income from the leasing of livestock.

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

11,752,798 units in RFM StockBank were on issue at 31 December 2015 (31 December 2014: 11,114,119). During the half year 607,597 units were issued by the Trust (31 December 2014: 1,213,727) and 482,205 (31 December 2014: 143,156) 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 Class Order 98/100 applies and accordingly amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

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Directors' Report

31 December 2015

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 2015 has been received and is included on page 5 of the financial report.

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

A handwritten signature in black ink, appearing to read 'David Bryant', is written over a faint, light blue circular stamp. The signature is fluid and cursive.

David Bryant
Director

23 February 2016



Auditor's Independence Declaration

As lead auditor for the review of RFM StockBank for the half-year ended 31 December 2015, 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 light blue horizontal line.

CMC Heraghty
Partner
PricewaterhouseCoopers

Sydney
23 February 2016

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Statement of Comprehensive Income

For the half year ended 31 December 2015

		31 December 2015 \$'000	31 December 2014 \$'000
	Note		
Revenue	5	14,245	7,714
Cost of livestock sold		(14,156)	(7,653)
Change in fair value of biological assets	6	921	869
Management fees		(183)	(139)
Professional fees		(63)	(101)
Livestock monitoring fees		(75)	(50)
Overheads		(191)	(209)
Other expenses		(73)	(84)
Finance costs		(104)	(70)
Net profit before income tax		321	277
Income tax expense		(90)	(83)
Net profit after income tax		231	194
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income attributable to unitholders		231	194

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As at 31 December 2015

		31 December 2015 \$'000	30 June 2015 \$'000
	Note		
ASSETS			
Current assets			
Cash and cash equivalents		1,014	305
Trade and other receivables		383	1,195
Biological assets	6	19,980	16,060
Total current assets		21,377	17,560
Non-current assets			
Deferred tax asset		132	66
Total non-current assets		132	66
Total assets		21,509	17,626
LIABILITIES			
Current liabilities			
Trade and other payables		2,127	2,161
Interest bearing liabilities	7	7,600	-
Income tax payable		77	28
Total current liabilities		9,804	2,189
Non-current liabilities			
Interest bearing liabilities	7	-	3,800
Total non-current liabilities		-	3,800
Total liabilities (excluding net assets attributable to unitholders)		9,804	5,989
Net assets attributable to unitholders		11,705	11,637
Total liabilities		21,509	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 half year ended 31 December 2015

31 December 2015	Issued units	Retained earnings	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2015	11,642	(5)	11,637
Profit before income tax	-	321	321
Income tax expense	-	(90)	(90)
Total comprehensive income for the period	-	231	231
Equity transactions			
Units issued	608	-	608
Units redeemed	(481)	-	(481)
Issue costs	(27)	-	(27)
Income tax applicable	8	-	8
Total equity transactions	108	-	108
Distributions to unitholders	-	(271)	(271)
Balance at 31 December 2015	11,750	(45)	11,705

31 December 2014	Issued units	Retained earnings	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2014	10,065	207	10,272
Profit before income tax	-	277	277
Income tax expense	-	(83)	(83)
Total comprehensive income for the period	-	194	194
Equity transactions			
Units issued	1,251	-	1,251
Units redeemed	(144)	-	(144)
Issue costs	(26)	-	(26)
Income tax expense	8	-	8
Total equity transactions	1,089	-	1,089
Distributions to unitholders	-	(452)	(452)
Balance at 31 December 2014	11,154	(51)	11,103

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the half year ended 31 December 2015

	31 December 2015 \$'000	31 December 2014 \$'000
Cash flows from operating activities		
Receipts from customers	16,421	8,698
Payments to suppliers	(19,172)	(7,908)
Interest received	9	11
Finance costs	(104)	(71)
Income tax paid	(99)	(158)
Net cash (outflow)/inflow from operating activities	(2,945)	572
Cash flows from financing activities		
Proceeds from issue of units	608	1,248
Redemption of units	(481)	(144)
Equity issue costs	(27)	(26)
Proceeds from borrowings	3,800	-
Repayment of borrowings	-	(1,750)
Distributions paid	(246)	(298)
Net cash inflow/(outflow) from financing activities	3,654	(970)
Net increase/(decrease) in cash and cash equivalents held	709	(398)
Cash and cash equivalents at the beginning of the period	305	1,033
Cash and cash equivalents at the end of the period	1,014	635

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

31 December 2015

1 General information

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

The financial statements were authorised for issue by the Directors of the responsible entity on 23 February 2016. The Directors of the responsible entity 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 as responsible entity of the Trusts. The accounting policies adopted for the half year ended 31 December 2015 are consistent with those of the financial year ended 30 June 2015

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 *Corporations Act 2001* and the Trust's Constitution.

The financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This general purpose financial report for the half year ended 31 December 2015 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 year ended 30 June 2015 and any public announcements made by the Trust during the period in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

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

Where livestock are leased under the leasing operating model, the fair value of livestock is determined having regard to the proportion of the return the Trust expects to earn as a lease fee on the livestock and other amounts recoverable by the Trust at the end of the lease. These amounts are included in the value of biological increments and livestock sales.

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Notes to the Financial Statements

31 December 2015

4 Segment information

The Trust operates in one operating segment (31 December 2014: one segment), being the leasing of livestock.

5 Revenue

	31 December 2015 \$'000	31 December 2014 \$'000
Livestock sales	14,156	7,653
Processing and administration fee	80	20
Interest received	9	11
Other revenue	-	30
Total	14,245	7,714

6 Biological assets

	31 December 2015 \$'000	30 June 2015 \$'000
Opening balance	16,060	13,321
Additions/purchases	17,155	20,409
Decreases due to sales	(14,156)	(19,468)
Change in fair value	921	1,798
Total Biological assets	19,980	16,060

Biological assets held at 31 December 2015 comprise 66,745 sheep (30 June 2015: 50,480) and 19,888 cattle (30 June 2015: 18,150).

Fair value less other costs to sell	20,311	16,176
Estimated non-recovery of cash on sale	(331)	(116)
Fair value less costs to sell	19,980	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.

7 Interest bearing liabilities

	31 December 2015 \$'000	30 June 2015 \$'000
Current		
Borrowings (ANZ)	7,600	-
Non-current		
Borrowings (ANZ)	-	3,800
Total interest bearing liabilities	-	3,800

Notes to the Financial Statements

31 December 2015

7 Interest bearing liabilities (continued)

The Trust entered into a revolving base borrowing facility with Australia 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 half year for the purpose of acquiring livestock, and has a balance outstanding at 31 December 2015 of \$7,600,000 (30 June 2015: \$3,800,000). This facility is secured by biological assets owned by the Trust.

8 Issued capital

	31 December 2015 No.	30 June 2015 No.
Units on issue at the beginning of the reporting period	11,627,406	10,043,548
Units issued during the reporting period	607,597	2,068,529
Units redeemed during the reporting period	(482,205)	(484,671)
Units on issue at the end of the reporting period	11,752,798	11,627,406

At 31 December 2015, the unit redemption price was \$0.9988 (30 June 2015: \$1.0023) representing \$11,738,695 in value (30 June 2015: \$11,654,149).

9 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:

	31 December 2015 \$'000	31 December 2014 \$'000
Management fee	34	28
Asset management fee	135	111
Total management fees	169	139
Profit share warranties received from RFM	-	(3)
Cost warranties received from RFM	-	(29)
Total warranty rebates	-	(32)
Total management fees less warranty rebates	169	107
Expenses reimbursed to RFM	293	331
Distribution paid/payable to RF Active	127	54
Distribution paid/payable to Rural Funds Group	-	113
Total amount paid to RFM and related entities	589	605

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Notes to the Financial Statements

31 December 2015

9 Related party transactions (continued)

Debtors and loans

	31 December 2015 \$'000	30 June 2015 \$'000
RFM	4	345
Total	4	345

Creditors and loans

	31 December 2015 \$'000	30 June 2015 \$'000
RFM	81	93
RF Active	45	37
Total	126	130

Entities with influence over the Trust

	31 December 2015		30 June 2015	
	Units	%	Units	%
RF Active	3,897,259	33.16	3,897,259	33.52

10 Distributions

The Trust paid/declared the following distributions in the half year:

	Cents per unit	Total \$
Distribution paid 19 August 2015	0.9500	111,085
Distribution paid 16 November 2015	1.1550	134,793
Distribution declared 31 December 2015, paid 15 February 2016	1.1550	135,745

11 Events after the reporting period

No other matters or circumstances have arisen since the end of the half 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.

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Directors' Declaration

31 December 2015

In the Directors of the Responsible Entity's opinion:

- 1 the financial statements and notes of RFM StockBank set out on pages 6 to 13 are in accordance with the *Corporations Act 2001*, including:
 - a. comply with Accounting Standards, as stated in accounting policy Note 2 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 31 December 2015 and of its performance for the half year ended on that date; and
- 2 there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



David Bryant
Director

23 February 2016



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of RFM StockBank (the registered scheme), which comprises the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in net assets attributable to unitholders 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 half-year 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 2015 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 StockBank, 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*.

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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 StockBank 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 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script, likely belonging to CMC Heraghty.

CMC Heraghty
Partner
PricewaterhouseCoopers

Sydney
23 February 2016

Responsible Entity

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

Level 2, 2 King Street
Deakin ACT 2600

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