

RFM Poultry

Financial Statements

For the Half Year Ended 31 December 2016

RFM Poultry

ARSN 164 851 218

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RFM Poultry

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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 AFSL 226701 Level 2, 2 King Street DEAKIN ACT 2600 Ph: 1800 026 665
Directors	Guy Paynter David Bryant Michael Carroll Julian Widdup
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 One International Towers Sydney Watermans Quay, Barangaroo GPO Box 2650 SYDNEY NSW 2001
Share Registry	Boardroom Pty Limited Level 12, 225 George Street SYDNEY NSW 2000 Ph: 1300 737 760
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000
Stock Exchange Listing	RFM Poultry units are listed on the National Stock Exchange of Australia (NSX)
NSX Code	RFP

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Directors' Report

31 December 2016

The Directors of Rural Funds Management Limited (RFM), the Responsible Entity of RFM Poultry (RFP or the Trust) present their report on the Trust for the half year ended 31 December 2016.

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

Julian Widdup was appointed as a Non-Executive Director on 15 February 2017 and continues in office at the date of this report.

Principal activities and significant changes in nature of activities

The principal activity of the Trust during the half year was the growing of chickens in accordance with growing contracts including the provision of labour, management and infrastructure.

Operating results

The net profit after income tax of the Trust for the half year ended 31 December 2016 amounted to \$546,506 (31 December 2015: \$271,527). The result is higher than the previous corresponding period benefitting from a number of lower costs many of which relate to normal operating variances and timing differences. The second half result is expected to be lower particularly due to sharply increased electricity and gas prices, as well as other increased costs.

The sheds leased by RFM Poultry in Griffith, NSW, continue to be endorsed as compliant with RSPCA guidelines.

Financial position

The net assets of the Trust have increased from \$7,669,530 at 30 June 2016 to \$7,870,094 at 31 December 2016. At 31 December 2016 the Trust had total assets of \$8,965,313 (30 June 2016: \$8,978,581).

Distributions

	Cents per unit	Total \$
Distribution declared 1 June 2016, paid 29 July 2016	2.5125	172,971
Distribution paid 28 October 2016	2.5125	172,971
Distribution declared 1 December 2016, paid 31 January 2017	2.5125	172,971

Significant changes in state of affairs

During the half year, certain chicken growing contracts were transferred from Baiada Poultry Pty Limited to Turi Foods Pty Limited. These contracts relate to RFP's growing operation in Lethbridge, VIC and it is intended that they become RSPCA compliant by June 2017.

Earnings per unit

Net profit after income tax for the half year (\$)	546,506
Weighted average number of units on issue during the half year	6,884,416
Basic and diluted earnings per unit (total) (cents)	7.94

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Directors' Report

31 December 2016

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 2016 is 1.75% (31 December 2015: 1.95%).

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

RFP intends to maintain growing standards consistent with RSPCA guidelines while conducting an efficient operation that achieves competitive chicken grow-out times and feed conversion rates.

Environmental regulation

The operations of the Trust are subject to significant environmental regulations under the laws of the Commonwealth and States or Territories of Australia. There have been no known significant breaches of any environmental requirements applicable to the Trust.

Units on issue

6,884,416 units in RFM Poultry were on issue at 31 December 2016 (31 December 2015: 6,884,416). During the half year no units were issued by the Trust (31 December 2015: 23,452) and nil (31 December 2015: nil) were redeemed.

Indemnity of Responsible Entity and Custodian

In accordance with the constitution, RFM Poultry indemnifies the Directors, Company Secretaries and all other officers of the Responsible Entity and Custodian when acting in those capacities, against costs and expenses incurred in defending certain proceedings.

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 2016 has been received and is included on page 4 of the financial report.

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



David Bryant
Director

1 March 2017



Auditor's Independence Declaration

As lead auditor for the review of RFM Poultry for the half-year ended 31 December 2016, 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.



CMC Heraghty
Partner
PricewaterhouseCoopers

Sydney
1 March 2017

PricewaterhouseCoopers, ABN 52 780 433 757

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Statement of Comprehensive Income

For the half year ended 31 December 2016

	Note	31 December 2016 \$	31 December 2015 \$
Revenue	5	12,102,383	12,270,560
Other income		47,547	66,691
Gain on sale of assets		-	5,000
Property lease costs		(5,269,413)	(5,234,658)
Direct grower costs		(2,005,646)	(2,256,603)
Contractor fees		(1,849,812)	(2,031,809)
Employee costs		(309,353)	(236,067)
Repairs and maintenance		(1,175,123)	(1,261,673)
Insurance expense		(207,565)	(239,493)
Other indirect expense		(267,974)	(396,112)
Management fee		(271,720)	(277,502)
Depreciation		(12,601)	(20,438)
Net profit before income tax		780,723	387,896
Income tax expense		(234,217)	(116,369)
Net profit after income tax		546,506	271,527
Other comprehensive income:			
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income attributable to unitholders		546,506	271,527
Earnings per unit			
From continuing operations:			
Basic and diluted earnings per unit (cents)		7.94	3.95

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As at 31 December 2016

	31 December 2016	30 June 2016
Note	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	6,086,460	6,384,706
Trade and other receivables	2,044,523	2,048,855
Inventories	46,159	47,819
Other current assets	296,187	241,566
Income tax receivable	229,790	69,400
Total current assets	8,703,119	8,792,346
Non-current assets		
Plant and equipment	6 249,679	165,488
Deferred tax asset	12,515	20,747
Total non-current assets	262,194	186,235
Total assets	8,965,313	8,978,581
LIABILITIES		
Current liabilities		
Trade and other payables	889,154	1,111,736
Provisions	204,302	196,571
Total current liabilities	1,093,456	1,308,307
Non-current liabilities		
Provisions	1,763	744
Total non-current liabilities	1,763	744
Total liabilities (excluding net assets attributable to unitholders)	1,095,219	1,309,051
Net assets attributable to unitholders	7,870,094	7,669,530
Total liabilities	8,965,313	8,978,581

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 2016

31 December 2016	Issued units	Retained earnings	Total
	\$	\$	\$
Balance at 1 July 2016	6,642,054	1,027,476	7,669,530
Profit before income tax	-	780,723	780,723
Income tax expense	-	(234,217)	(234,217)
Total comprehensive income for the period	-	546,506	546,506
Distributions to unitholders	-	(345,942)	(345,942)
Balance at 31 December 2016	6,642,054	1,228,040	7,870,094

31 December 2015	Issued units	Retained earnings	Total
	\$	\$	\$
Balance at 1 July 2015	6,621,676	852,787	7,474,463
Profit before income tax	-	387,896	387,896
Income tax expense	-	(116,369)	(116,369)
Total comprehensive income for the period	-	271,527	271,527
Issued units			
Units issued during the period	20,378	-	20,378
Issue costs	-	-	-
Total issued units	20,378	-	20,378
Distributions to unitholders	-	(345,942)	(345,942)
Balance at 31 December 2015	6,642,054	778,372	7,420,426

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the half year ended 31 December 2016

	31 December 2016 \$	31 December 2015 \$
Cash flows from operating activities		
Receipts from customers	13,330,631	14,295,817
Payments to suppliers and employees	(12,849,548)	(13,648,793)
Interest received	45,211	58,389
Income tax paid	(386,375)	(616,736)
Net cash inflow from operating activities	139,919	88,677
Cash flows from investing activities		
Proceeds from sale of plant and equipment	-	5,000
Payments for plant and equipment	(96,792)	(61,086)
Net cash outflow from investing activities	(96,792)	(56,086)
Cash flows from financing activities		
Proceeds from issue of units	-	20,378
Distributions paid	(341,373)	(347,543)
Net cash outflow from financing activities	(341,373)	(327,165)
Net (decrease) in cash and cash equivalents held	(298,246)	(294,574)
Cash and cash equivalents at the beginning of the period	6,384,706	6,175,672
Cash and cash equivalents at the end of the period	6,086,460	5,881,098

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

31 December 2016

1 General information

These financial statements cover RFM Poultry as an individual entity. The Trust is a managed investment scheme domiciled in Australia. 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 Directors of the Responsible Entity authorised the Financial Report for issue on 1 March 2017 and have the power to amend and reissue the Final Report.

2 Summary of significant accounting policies

Basis of preparation

The accounting policies that have been adopted in respect of the financial report are those of Rural Funds Management as Responsible Entity of the Trust. The accounting policies adopted for the half year ended 31 December 2016 are consistent with those of the financial year ended 30 June 2016.

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 2016 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 2016 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 various other 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 no reported amounts for which significant judgements, estimates and assumptions are made.

4 Segment information

The Trust operates in one operating segment (31 December 2015: one segment), being the growing of chickens under contract to a third party.

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Notes to the Financial Statements

31 December 2016

5 Revenue

	31 December 2016	31 December 2015
	\$	\$
Grower fees	12,022,130	12,182,802
Rental revenue	80,253	87,758
Total	12,102,383	12,270,560

6 Plant and equipment

	31 December 2016	30 June 2016
	\$	\$
Plant and equipment		
Cost	212,007	181,715
Accumulated depreciation	(43,796)	(35,339)
Total plant and equipment	168,211	146,376
Office furniture, fixtures and fittings		
Cost	1,974	1,974
Accumulated depreciation	(1,377)	(1,161)
Total office furniture, fixtures and fittings	597	813
Motor vehicles		
Cost	73,525	73,525
Accumulated depreciation	(59,154)	(55,226)
Total motor vehicles	14,371	18,299
Work in progress		
Cost	66,500	-
Total work in progress	66,500	-
Total plant and equipment	249,679	165,488

7 Issued capital

	31 December 2016	31 December 2015
	No.	No.
Units on issue at the beginning of the reporting period	6,884,416	6,860,964
Units issued during the reporting period	-	23,452
Units on issue at the end of the reporting period	6,884,416	6,884,416

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Notes to the Financial Statements

31 December 2016

8 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 2016 \$	31 December 2015 \$
Asset management fees	271,720	277,502
Total management fees	271,720	277,502
Expenses reimbursed to RFM	537,886	690,691
Expenses reimbursed to Rural Funds Group	-	20,963
Lease expenses paid/payable to Rural Funds Group	5,259,933	5,225,180
Distribution paid/payable to RFM	16,999	14,459
Distribution paid/payable to Rural Funds Group	8,187	8,187
Total amount paid/payable to RFM and related entities	6,094,725	6,236,982

Creditors

	31 December 2016 \$	30 June 2016 \$
RFM	106,928	138,506
Total	106,928	138,506

Entities with influence over the Trust

	31 December 2016		30 June 2016	
	Units	%	Units	%
RFM	225,529	3.28	225,529	3.28
Rural Funds Group	108,615	1.58	108,615	1.58

9 Distributions

The Trust paid the following distributions in the half year:

	Cents per unit	Total \$
Distribution declared 1 June 2016, paid 29 July 2016	2.5125	172,971
Distribution paid 28 October 2016	2.5125	172,971
Distribution declared 1 December 2016, paid 31 January 2017	2.5125	172,971

RFM Poultry

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Notes to the Financial Statements

31 December 2016

10 Events after the reporting period

No other matters or circumstances have arisen since the end of 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 2016

In the Directors of the Responsible Entity's opinion:

- 1 the financial statements and notes of RFM Poultry set out on pages 5 to 12 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 2016 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.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board.

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



David Bryant
Director

1 March 2017



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 2016, 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 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 2016 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*.

PricewaterhouseCoopers, ABN 52 780 433 757

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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 Poultry is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A large, stylized handwritten signature in black ink, appearing to be 'CMC Heraghty'.

CMC Heraghty
Partner

Sydney
1 March 2017

Responsible Entity

Rural Funds Management Limited
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Deakin ACT 2600

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