

StockBank

Financial Statements

For the Year Ended 30 June 2017

RFM StockBank

ARSN 153 436 803

Contents

Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Net Assets Attributable to Unitholders	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Directors' Declaration	28
Independent Auditor's Report	29

RFM StockBank

ARSN 153 436 803

Corporate Directory

Registered Office	Level 2, 2 King Street DEAKIN ACT 2600
Responsible Entity	Rural Funds Management Limited ABN 65 077 492 838 Level 2, 2 King Street DEAKIN ACT 2600 Ph: 1800 026 665
Directors	Guy Paynter David Bryant Michael Carroll 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

RFM StockBank

ARSN 153 436 803

Directors' Report

30 June 2017

The Directors of Rural Funds Management Limited (RFM) (ACN 077 492 838, AFSL 226701), the Responsible Entity of RFM StockBank (StockBank, SBK or the Trust) present their report on the Trust for the year ended 30 June 2017.

Directors

The following persons held office as Directors of the Responsible Entity during the year and up to the date of this report:

Guy Paynter	Non-Executive Chairman
David Bryant	Managing Director
Michael Carroll	Non-Executive Director
Julian Widdup	Non-Executive Director (appointed 15 February 2017)

Principal activities and significant changes in nature of activities

The principal activity of the Trust during the year was livestock leasing. Under the livestock leasing operation, StockBank retains ownership of the livestock and leases them to farmers in return for a lease fee which is similar to interest, and an administration 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.

Due to the fact that the scale required to operate StockBank efficiently has not been achieved, RFM decided to wind up the Trust and return the capital back to the investors. All the leases have gradually been either refinanced by agrifinance provider StockCo AgriCapital Pty Limited or repaid by the farmers during the year ended 30 June 2017.

Operating results

The net profit after income tax of the Trust for the year ended 30 June 2017 amounted to \$238,847 (2016: \$587,354).

Leases were reduced either by full settlement by farmers or refinanced by StockCo AgriCapital Pty Limited. StockBank continued to earn lease fees until they were refinanced or settled in full.

Financial position

The net assets of the Trust have decreased to nil at 30 June 2017 from \$11,609,994 at 30 June 2016.

Significant changes in state of affairs

All placements have been settled in full by the farmers or refinanced by StockCo AgriCapital Pty Limited during the year ended 30 June 2017.

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

Banking facilities

The Trust had a revolving base borrowing facility with Australia and New Zealand Banking Group (ANZ) with a \$10,000,000 limit. The facility was settled in full and cancelled in July 2016 as part of the wind up process.

RFM StockBank

ARSN 153 436 803

Directors' Report

30 June 2017

Distributions

	Cents per unit	Total \$
Income distribution declared 30 June 2016, paid 15 August 2016	1.20	139,515
Income distribution paid 15 November 2016	0.66	76,776
Return of capital distribution paid 29 September 2016	47.28	5,499,957
Return of capital distribution paid 3 November 2016	17.19	1,999,667
Return of capital distribution paid 22 December 2016	15.47	1,800,000
Return of capital distribution paid 5 April 2017	13.35	1,552,970
Return of capital distribution paid 30 June 2017	4.10	476,942
Return of capital distribution declared 30 June 2017, paid 9 August 2017	2.56	297,516
Income distribution declared 30 June 2017, paid 9 August 2017	1.30	151,490

Indirect cost ratio

The indirect cost ratio (ICR) is the ratio of the Trust's management costs over the Trust's average net assets for the year, expressed as a percentage.

Management costs include management fees and reimbursement of other expenses in relation to the Trust, but do not include transactional and operational costs such as brokerage. Management costs are not paid directly by the unitholders of the Trust.

The ICR for the Trust for the year ended 30 June 2017 is 2.62% (2016: 2.19%).

Matters subsequent to the end of the year

Final distribution was paid on 9 August 2017 and the Trust is to be wound up early in the financial year 2018.

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

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

11,632,734 units in RFM StockBank were on issue at 30 June 2017 (2016: 11,626,246). During the year 6,488 units were issued by the Trust (2016: 673,597) and nil (2016: 674,757) 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.

RFM StockBank

ARSN 153 436 803

Directors' Report

30 June 2017

Information on Directors of the Responsible Entity

Guy Paynter	Non-Executive Chairman
Qualifications	Bachelor of Laws from The University of Melbourne
Experience	Guy Paynter is a former director of broking firm JB Were and brings to RFM more than 30 years of experience in corporate finance. Guy is a former member of the Australian Securities Exchange (ASX) and a former associate of the Securities Institute of Australia (now known as the Financial Services Institute of Australasia). Guy is also Chairman of Bill Peach Group Limited (previously known as Aircruising Australia Limited). Guy's agricultural interests include cattle breeding in the Upper Hunter region in New South Wales.
Special responsibilities	Member of Audit Committee and Remuneration Committee
Directorships currently held in other listed entities and during the three years prior to the current year	Rural Funds Group, RFM Poultry
David Bryant	Managing Director
Qualifications	Diploma of Financial Planning from the Royal Melbourne Institute of Technology and a Masters of Agribusiness from The University of Melbourne.
Experience	David Bryant established RFM in February 1997. Since then, David has led the RFM team that has acquired over \$460 million in agricultural assets across eight Australian agricultural regions. This has included negotiating the acquisition of more than 35 properties and over 79,000 megalitres of water entitlements.
Special responsibilities	Managing Director
Directorships currently held in other listed entities and during the three years prior to the current year	Rural Funds Group, RFM Poultry
Michael Carroll	Non-Executive Director
Qualifications	Bachelor of Agricultural Science from La Trobe University and a Masters of Business Administration from The University of Melbourne's Melbourne Business School. Michael has completed the Advanced Management Program at Harvard Business School, Boston, and is a Fellow of the Australian Institute of Company Directors.
Experience	Michael Carroll serves a range of food and agricultural businesses in a board and advisory capacity. Michael is on the boards of Tassal Group Limited, Select Harvests Limited, Paraway Pastoral Company, Sunny Queen Pty Limited, and the Gardiner Dairy Foundation. Michael also has senior executive experience in a range of companies, including establishing and leading the National Australia Bank (NAB) Agribusiness division.
Special responsibilities	Chairman of Audit Committee and Remuneration Committee
Directorships currently held in other listed entities and during the three years prior to the current year	Michael is on the Board of Tassal Group Limited, Rural Funds Group, RFM Poultry and Select Harvests Limited. Michael was on the Board of Warrnambool Cheese and Butter Limited from August 2009 until May 2014.

RFM StockBank

ARSN 153 436 803

Directors' Report

30 June 2017

Information on Directors of the Responsible Entity (continued)

Julian Widdup	Non-Executive Director
Qualifications	Bachelor of Economics from the Australian National University. Julian is a Fellow of the Institute of Actuaries of Australia and a Fellow of the Australian Institute of Company Directors.
Experience	Julian brings extensive experience to the RFM board having previously served as a director of Palisade Investment Partners, Darwin International Airport, Alice Springs Airport, NZ timberland company Taumata Plantations Limited, Regional Livestock Exchange Investment Company, Merredin Energy power generation company, Victorian AgriBioscience Research Facility, Casey Hospital in Melbourne and Mater Hospital in Newcastle.
Special responsibilities	Member of Audit Committee and Remuneration Committee.
Directorships currently held in other listed entities	Rural Funds Group, RFM Poultry
Directorships held in other listed entities during the three years prior to the current year	None noted

Company Secretaries of the Responsible Entity

Stuart Waight and Andrea Lemmon are RFM's joint company secretaries. Stuart joined RFM in 2003, is a Chartered Accountant and is RFM's Chief Operating Officer. Andrea has been with RFM since 1997 and is RFM's Executive Manager Funds Management.

Meetings of Directors of the Responsible Entity

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

	Directors meetings	
	No. eligible to attend	No. attended
Guy Paynter	13	12
David Bryant	13	13
Michael Carroll	13	13
Julian Widdup	6	6

Non-audit services

During the year ended 30 June 2017 fees of \$4,459 (2016: \$4,408) were paid or payable to PricewaterhouseCoopers for compliance audit services provided.

RFM StockBank

ARSN 153 436 803

Directors' Report

30 June 2017

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2017 has been received and is included on page 7 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 light grey rectangular background.

David Bryant
Director

21 August 2017



Auditor's Independence Declaration

As lead auditor for the audit of RFM Stockbank for the year ended 30 June 2017, 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
21 August 2017

RFM StockBank

ARSN 153 436 803

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue	5	14,074,634	31,829,685
Cost of livestock sold		(13,869,041)	(31,677,262)
Change in fair value of biological assets	9	606,761	1,950,481
Livestock monitoring fees		(15,762)	(92,475)
Management fees		(84,132)	(325,483)
Professional fees		(320,953)	(534,807)
Finance costs		(5,214)	(186,254)
Other expenses		(35,402)	(124,807)
Net profit before income tax		350,891	839,078
Income tax expense	7	(112,044)	(251,724)
Net profit after income tax		238,847	587,354
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income attributable to unitholders		238,847	587,354

The accompanying notes form part of these financial statements.

RFM StockBank

ARSN 153 436 803

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	322,292	897,570
Trade and other receivables	10	84,467	745,581
Biological assets	9	-	13,026,619
Income tax receivable	14	154,784	72,323
Deferred tax assets	13	6,560	116,861
Total current assets		568,103	14,858,954
Total assets		568,103	14,858,954
LIABILITIES			
Current liabilities			
Trade and other payables	11	568,103	1,748,960
Interest bearing liabilities	12	-	1,500,000
Total current liabilities		568,103	3,248,960
Total liabilities (excluding net assets attributable to unitholders)		568,103	3,248,960
Net assets attributable to unitholders		-	11,609,994
Total liabilities		568,103	14,858,954

The accompanying notes form part of these financial statements.

RFM StockBank

ARSN 153 436 803

Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 30 June 2017

2017	Note	Issued units	Retained earnings	Total
		\$	\$	\$
Balance at 1 July 2016		11,620,575	(10,581)	11,609,994
Profit before income tax		-	350,891	350,891
Income tax expense	7	-	(112,044)	(112,044)
Total comprehensive income for the year		-	238,847	238,847
Issued units				
Units issued		6,477	-	6,477
Total issued units		6,477	-	6,477
Distributions to unitholders	20	(11,627,052)	(228,266)	(11,855,318)
Balance at 30 June 2017		-	-	-
2016				
	Note	Issued units	Retained earnings	Total
		\$	\$	\$
Balance at 1 July 2015		11,641,786	(4,793)	11,636,993
Profit before income tax		-	839,078	839,078
Income tax expense	7	-	(251,724)	(251,724)
Total comprehensive income for the year		-	587,354	587,354
Issued units				
Units issued		674,122	-	674,122
Units redeemed		(672,946)	-	(672,946)
Issue costs		(31,981)	-	(31,981)
Income tax expense		9,594	-	9,594
Total issued units		(21,211)	-	(21,211)
Distributions to unitholders	20	-	(593,142)	(593,142)
Balance at 30 June 2016		11,620,575	(10,581)	11,609,994

The accompanying notes form part of these financial statements.

RFM StockBank

ARSN 153 436 803

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		16,126,569	35,443,664
Payments to suppliers		(3,589,299)	(31,393,499)
Interest received		15,129	17,264
Finance costs		(5,214)	(186,254)
Income tax paid	14	(84,204)	(392,841)
Net cash inflow from operating activities	21	12,462,981	3,488,334
Cash flows from financing activities			
Proceeds from issue of units		6,477	674,121
Redemption of units		-	(672,945)
Equity issue costs		-	(31,981)
Proceeds from borrowings		-	1,500,000
Repayment of borrowings		(1,500,000)	(3,800,000)
Distributions paid		(11,544,736)	(564,716)
Net cash (outflow) from financing activities		(13,038,259)	(2,895,521)
Net (decrease)/increase in cash and cash equivalents held		(575,278)	592,813
Cash and cash equivalents at the beginning of the year		897,570	304,757
Cash and cash equivalents at the end of the year	8	322,292	897,570

The accompanying notes form part of these financial statements.

RFM StockBank

ARSN 153 436 803

Notes to the Financial Statements

30 June 2017

1 General information

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

The Directors of the Responsible Entity authorised the financial statements for issue on 21 August 2017 and have the power to amend and reissue the financial statements.

Items included in the financial statements are measured using the currency of the primary economic environment in which the Trust operates (functional currency). The financial statements are presented in Australian dollars which is the Trust's functional and presentation currency.

2 Summary of significant accounting policies

Basis of preparation

The accounting policies that have been adopted in respect of the financial report are those of Rural Funds Management Limited as Responsible Entity of the Trust.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting interpretations, other authoritative pronouncements of the Australian Accounting Standard Board, the Trust's constitution and the *Corporations Act 2001*.

The financial statements and accompanying notes of RFM StockBank comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated. The financial statements are based on historical cost except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Basis of accounting

As part of wind up process all leases have been either transferred to agrifinance provider StockCo AgriCapital Pty Limited or repaid by farmers and the remaining capital returned to investors early in the financial year 2018.

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

Going concern

The Trust continues to be in a position that would allow for the orderly realisation of assets at fair market prices rather than on a distressed basis. The Directors believe the Trust will be able to pay its debts as and when they fall due. Net proceeds will be distributed to investors once remaining due are settled in full.

Comparative amounts

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

Revenue

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, have been satisfied.

Notes to the Financial Statements

30 June 2017

2 Summary of significant accounting policies (continued)**Revenue (continued)**

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

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

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

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

Income tax

The charge for current income tax expense is based on the profit adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is recognised or liability is settled. Deferred tax is credited in the Statement of Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be recognised.

The amount of benefits brought to account or which may be recognised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Trust will derive sufficient future assessable income to enable the benefit to be recognised and comply with the conditions of deductibility imposed by the law.

Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

Receivables and payables are shown inclusive of GST.

Cash flows in the Statement of Cash Flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Notes to the Financial Statements

30 June 2017

2 Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade and other receivables

Receivables are recognised initially at fair value and subsequently measured less any allowance for doubtful debts. An estimate for doubtful debts is made when collection of an amount is no longer probable. Financial difficulties of the debtor, default payments or debts more than 180 days are considered objective evidence of impairment.

Amounts are generally received within 30 days of being recorded as receivable.

Biological assets

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

Impairment of assets

At each reporting date, the Trust reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Financial assets and liabilities

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

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

Fair value

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

RFM StockBank

ARSN 153 436 803

Notes to the Financial Statements

30 June 2017

2 Summary of significant accounting policies (continued)

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Trust no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or the cash flows attributable to the instrument are passed through to an independent third party.

Trade and other payables

Liabilities for creditors are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Trust.

Payables include outstanding settlements on distributions payable. The carrying period is dictated by market conditions and is generally less than 60 days.

Provisions

Provisions are recognised when the Trust has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions for distributions

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

Unit prices

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

Finance costs

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in income in the period in which they are incurred.

Distributions

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

Issued units

Ordinary units are classified as liabilities in accordance with *AASB 132 Financial Instruments: Presentation*. Incremental costs directly attributable to the issue of ordinary units and unit options which vest immediately are recognised as a deduction from net assets attributable to unitholders, net of any tax effects. There is no equity relating to the Trust

Notes to the Financial Statements

30 June 2017

2 Summary of significant accounting policies (continued)

New accounting standards and interpretations

Standard Name	Effective date for the Group	Requirements	Impact
AASB 15 Revenue from contracts with customers	1 Jan 2018	Recognise contracted revenue when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards.	It is not expected that this standard will have a material impact on the Trust.
AASB 16 Leases	1 Jan 2019	Introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months.	It is not expected that this standard will have a material impact on the Trust.

3 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements, estimates and assumptions in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

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

Valuations

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

4 Segment information

The Trust operates in one operating segment (2016: one segment), being the leasing of livestock.

5 Revenue

	2017	2016
	\$	\$
Livestock sales	13,869,041	31,677,262
Processing and administration fee	30,884	135,159
Interest received	15,129	17,264
Other income	159,580	-
Total	14,074,634	31,829,685

RFM StockBank

ARSN 153 436 803

Notes to the Financial Statements

30 June 2017

6 Remuneration of auditors

	2017	2016
	\$	\$
PricewaterhouseCoopers Australia:		
Audit and review of the financial statements	11,422	39,613
Compliance audit	4,459	4,408
Total	15,881	44,021

7 Income tax expense

The major components of income tax comprise:

Current tax	1,743	292,743
Deferred tax	110,301	(41,019)
Income tax expense reported in the Statement of Comprehensive Income	112,044	251,724

Income tax expense in attributable to:

Profit	112,044	251,724
Total	112,044	251,724

Amount recognised directly in equity:

Capitalised issue costs	-	(9,594)
Total	-	(9,594)

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

Accounting profit before tax	350,891	839,078
At the statutory income tax rate of 30% (2016: 30%)	105,267	251,724
Other	6,777	-
Total	112,044	251,724

8 Cash and cash equivalents

Cash at bank	322,292	897,570
Total	322,292	897,570

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	322,292	897,570
---------------------------	---------	---------

RFM StockBank

ARSN 153 436 803

Notes to the Financial Statements

30 June 2017

9 Biological assets

	2017	2016
	\$	\$
Opening balance	13,026,619	16,060,208
Additions/purchases	235,661	26,693,192
Sales	(13,869,041)	(31,677,262)
Change in fair value	606,761	1,950,481
Total	-	13,026,619
Fair value less other costs to sell	-	13,321,369
Estimated non-recovery of cash on sale	-	(294,750)
Fair value less costs to sell	-	13,026,619

10 Trade and other receivables

Trade receivables	-	667,381
Other receivables	84,467	78,200
Total	84,467	745,581

Trade receivables are non-interest bearing and generally on 30 day terms. There were no impaired receivables at 30 June 2017.

11 Trade and other payables

Trade payables	69,572	322,062
Sundry payables and accruals	48,434	428,229
Distribution payable	450,097	139,515
Deposits	-	859,154
Total	568,103	1,748,960

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

12 Interest bearing liabilities

Current		
Borrowings (ANZ)	-	1,500,000
Total	-	1,500,000

The revolving base borrowing facility with Australia and New Zealand Banking Group Limited (ANZ) with a limited of \$10,000,000 at a floating interest rate was cancelled in July 2016 as part of the wind up process.

RFM StockBank

ARSN 153 436 803

Notes to the Financial Statements

30 June 2017

13 Deferred tax

Deferred tax assets

	2017	2016
	\$	\$
Accruals	1,500	5,253
Estimated non-recovery of cash on sale	-	88,425
Equity issue costs	5,060	23,183
Deferred tax assets	6,560	116,861

14 Recognised tax assets and liabilities

	Current income tax		Deferred income tax	
	2017	2016	2017	2016
	\$	\$	\$	\$
Opening balance	72,323	(27,775)	116,861	66,248
(Charged)/credited to income	(1,743)	(292,743)	(110,301)	41,019
Credited to equity	-	-	-	9,594
Payments	84,204	392,841	-	-
Closing balance	154,784	72,323	6,560	116,861
Tax expense in Statement of comprehensive income			112,044	251,723

Notes to the Financial Statements

30 June 2017

15 Financial risk management

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

The Trust does not speculate in financial assets.

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

Specific risks

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

Financial instruments used

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

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

Financial risk management policies

Risks arising from holding financial instruments are inherent in the Trust's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Trust is exposed to credit risk, liquidity risk and market risk.

Financial instruments of the Trust comprise cash and cash equivalents, floating rate bank debt and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Trust from changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

Concentrations of risk arise where a number of financial instruments or contracts are entered into with the same counterpart, or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. In order to avoid excessive concentration of risk, the Trust monitors its exposure to ensure concentrations of risk remain within acceptable levels.

RFM StockBank

ARSN 153 436 803

Notes to the Financial Statements

30 June 2017

15 Financial risk management (continued)

Liquidity risk and capital management

The table below reflects all contractually fixed repayments and interest resulting from recognised financial assets and liabilities as at 30 June 2017. 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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets										
Cash and cash equivalents	322,292	897,570	-	-	-	-	-	-	322,292	897,570
Trade and other receivables	84,467	745,581	-	-	-	-	-	-	84,467	745,581
Total	406,759	1,643,151	-	-	-	-	-	-	406,759	1,643,151
Financial liabilities										
Trade and other payables	568,103	1,748,960	-	-	-	-	-	-	568,103	1,748,960
Borrowings	-	1,500,000	-	-	-	-	-	-	-	1,500,000
Total	568,103	3,248,960	-	-	-	-	-	-	568,103	3,248,960

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

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

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

RFM StockBank

ARSN 153 436 803

Notes to the Financial Statements

30 June 2017

15 Financial risk management (continued)

Credit risk

Credit risk arises from the financial assets of the Trust, which comprise cash and cash equivalents, and trade and other receivables. The Trust's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets.

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

Price risk

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

Interest rate risk (sensitivity analysis)

At 30 June 2017, the effect on profit before tax and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	2017	2016
	\$	\$
Change in profit		
Increase in interest rate by 1%	3,223	(6,024)
Decrease in interest rate by 1%	(3,223)	6,024
Change in equity		
Increase in interest rate by 1%	2,256	(4,217)
Decrease in interest rate by 1%	(2,256)	4,217

16 Fair value measurement

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

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

- Level 1 Fair value based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date (such as publicly traded equities).
- Level 2 Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 One or more significant inputs to the determination of fair value is based on unobservable inputs for the asset or liability.

RFM StockBank

ARSN 153 436 803

Notes to the Financial Statements

30 June 2017

16 Fair value measurement (continued)

Non-financial assets

Fair value hierarchy

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
At 30 June 2017				
Biological assets				
Livestock	-	-	-	-
Total	-	-	-	-
At 30 June 2016				
Biological assets				
Livestock	-	-	13,026,619	13,026,619
Total	-	-	13,026,619	13,026,619

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

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

Valuation techniques used to determine level 3 fair values

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

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

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

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

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

RFM StockBank

ARSN 153 436 803

Notes to the Financial Statements

30 June 2017

16 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

	Livestock 2017 \$	Livestock 2016 \$
Opening balance	13,026,619	16,060,208
Additions/purchases	235,661	26,693,192
Sales	(13,869,041)	(31,677,262)
Change in fair value	606,761	1,950,481
Total	-	13,026,619

Valuation inputs and relationship to fair value

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

Description	Fair value at		Range of inputs (weighted average)		Relationships of unobservable inputs to fair value
	30 June 2017 \$	30 June 2016 \$	30 June 2017	30 June 2016	
Livestock - lease fee model	-	13,026,619	-	13.0%- 20.0% (15.2%)	The higher the lease fee rate, the higher the fair value

Valuation processes

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

17 Issued capital

	30 June 2017 No.	30 June 2016 No.
Units on issue at the beginning of the year	11,626,246	11,627,406
Units issued during the year	6,488	673,597
Units redeemed during the year	-	(674,757)
Units on issue at the end of the year	11,632,734	11,626,246

RFM StockBank

ARSN 153 436 803

Notes to the Financial Statements

30 June 2017

18 Key management personnel

Directors

The Directors of RFM are considered to be key management personnel of the Trust. The Directors of the Responsible Entity in office during the year and up to the date of this report are:

Guy Paynter
David Bryant
Michael Carroll
Julian Widdup (appointed 15 February 2017)

Other key management personnel

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

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

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

Compensation of key management personnel

No amount is paid by the Trust directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 *Related Party Disclosures* is paid by the Trust to the Directors as key management personnel. Fees paid to RFM as Responsible Entity are disclosed in Note 19.

19 Related party transactions

Transactions between the Trust and related parties are on commercial terms and conditions.

Responsible Entity (Rural Funds Management) and related entities

Transactions between the Trust and the Responsible Entity and its associated entities are shown below:

	2017	2016
	\$	\$
Management fee	16,826	65,097
Asset management fee	67,306	260,386
Total management fees	84,132	325,483
Other income - RFM contribution	(80,000)	-
Total management fees less RFM contribution	4,132	325,483
Expenses reimbursed to RFM	298,293	557,672
Distribution paid/payable to Rural Funds Group	4,018,464	234,498
Total amount paid to RFM and related entities	4,320,889	1,117,653

RFM StockBank

ARSN 153 436 803

Notes to the Financial Statements

30 June 2017

19 Related party transactions (continued)

Debtors

	2017	2016
	\$	\$
RFM	80,000	-
Total	80,000	-

Creditors

RFM	58,889	77,459
Total	58,889	77,459

Entities with influence over the Trust

	2017		2016	
	Units	%	Units	%
Rural Funds Group	3,897,259	33.50	3,897,259	33.50

20 Distributions

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

	Cents per unit	Total \$
Income distribution declared 30 June 2016, paid 15 August 2016	1.2000	139,515
Income distribution paid 15 November 2016	0.6600	76,776
Return of capital distribution paid 29 September 2016	47.2800	5,499,957
Return of capital distribution paid 3 November 2016	17.1900	1,999,667
Return of capital distribution paid 22 December 2016	15.4700	1,800,000
Return of capital distribution paid 5 April 2017	13.3500	1,552,970
Return of capital distribution paid 30 June 2017	4.1000	476,942
Return of capital distribution declared 30 June 2017, paid 9 August 2017	2.5600	297,516
Income distribution declared 30 June 2017, paid 9 August 2017	1.3000	151,490

21 Cash flow information

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

	2017	2016
	\$	\$
Net profit after income tax	238,847	587,354
Changes in assets and liabilities		
Decrease in trade and other receivables	661,114	449,510
Decrease in biological assets	13,026,619	3,033,590
Decrease/(increase) in deferred tax assets	110,301	(41,019)
(Decrease) in trade and other payables	(1,491,439)	(441,002)
(Increase) in net income tax receivable	(82,461)	(100,099)
Cash flow from operating activities	12,462,981	3,488,334

RFM StockBank

ARSN 153 436 803

Notes to the Financial Statements

30 June 2017

22 Events after the reporting date

Final distribution was paid on 9 August 2017 and the Trust is to be wound up early in the financial year 2018.

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

RFM StockBank

ARSN 153 436 803

Directors' Declaration

30 June 2017

In the Directors of the Responsible Entity's opinion:

- 1 The financial statements and notes of RFM StockBank set out on pages 8 to 27 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- 2 As disclosed in note 2 to the financial statements, it is expected that the Trust will be wound up within 2 months from the date of this report. At 30 June 2017 assets are equal to liabilities and as such there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

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



David Bryant
Director

21 August 2017



Independent auditor's report

To the unitholders of RFM Stockbank

Our opinion

In our opinion:

The accompanying financial report of RFM Stockbank (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in net assets attributable to unitholders for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Registered Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - going concern no longer appropriate

We draw attention to Note 2 in the financial report, which discusses the directors of the Responsible Entity's intention to wind up the business prior to the next reporting period end of 30 June 2018. As a result, the financial report has been prepared on a liquidation basis and not on a going concern basis. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers, ABN 52 780 433 757

*One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au*

Liability limited by a scheme approved under Professional Standards Legislation.



Other information

The Directors of the Responsible Entity are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors' Report included in the Financial Statements, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity of the Registered Scheme are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Registered Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A large, stylized handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

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

CMC Heraghty
Partner

Sydney
21 August 2017

Responsible Entity

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

Level 2, 2 King Street
Deakin ACT 2600

www.ruralfunds.com.au

Telephone (Investor Services)
1800 026 665

Telephone (Adviser Services)
1300 880 295

Facsimile
1800 625 518