

# 2007 Macgrove Project

## Financial Statements

For the Half Year Ended 31 December 2017

# 2007 Macgrove Project

ARSN 119 560 235

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# 2007 Macgrove Project

ARSN 119 560 235

## Corporate Directory

Registered Office	Level 2, 2 King Street DEAKIN ACT 2600
Responsible Entity	Rural Funds Management Limited ABN 65 077 492 838 AFSL 226 701 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
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000

# 2007 Macgrove Project

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## Directors' Report

31 December 2017

The Directors of Rural Funds Management Limited (RFM), the Responsible Entity of the 2007 Macgrove Project (M07 or the Project) present their report on the Project for the half year ended 31 December 2017.

### 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	Non-Executive Director

### Principal activities and significant changes in nature of activities

The principal activity of the Project during the year was the commercial growing, harvesting and marketing of macadamia nuts to be sold for processing and consumption in Australia and internationally.

M07 was established in 2007 to provide Growers with an opportunity to invest and participate in the business of growing and selling macadamias for the duration of the license period, being from 2007 to 2028.

The Growers then entered into a management agreement with Maccacorp Limited, the initial Responsible Entity of the 2007 Macgrove Project, to conduct the growing and harvesting of the macadamias.

On 14 June 2012, Huntley Management Limited (Huntley) was appointed Responsible Entity of the Project. Maccmanagement Pty Limited was subsequently appointed as the Operational Manager for the Project. On 24 February 2016, RFM was appointed Responsible Entity of the Project, with Maccmanagement Pty Limited (renamed to RFM Macadamias Pty Limited) continuing as the operational manager.

Growers are entitled to receive net cash flows arising under the Project, being cash receipts from macadamia nuts sales less the Project costs. When the Project costs exceed cash receipts, the Growers are required to fund the shortfall. When the cash receipts exceed costs, the surplus is distributed to Growers.

As the Project manages the cash flows associated with the above and does not operate a business in its own right, M07 does not have net assets. The respective rights and obligations under the management agreement rest with the Growers.

Each Macgrove operated represents an area of 0.4041 hectares. As at 31 December 2017, the Project had 117 Growers (31 December 2016: 117 Growers) with a total of 579 Macgroves (31 December 2016: 579 Macgroves) representing 234 hectares (31 December 2016: 234 hectares). The operating results discussed in the financial statements include the results attributable to the Growers in the Project.

### Operating results

The cash recoverable from Growers for the half year ended 31 December 2017 amounted to \$1,599,112 (2016 cash surplus attributable to Growers: \$84,513).

Macadamia nuts are harvested and delivered for processing during the period of March to September each year. This results in the production year being split across two financial years. The following is a table of the production of macadamia nut in shell (NIS) for the 2016 and 2017 years:

	Half Year ended 31 December 2017	Year ended 30 June 2017	Year ended 30 June 2016	Total	Total per Macgrove
Production Year	NIS Kilograms	NIS Kilograms	NIS Kilograms	NIS Kilograms	NIS Kilograms
2016		275,225	377,144	652,369	1,127
2017	30,286	564,604		594,890	1,027

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## Directors' Report

31 December 2017

### Operating results (continued)

The 2017 production year harvest commenced in March 2017. The total production in the 2017 production year did not exceed the 2016 production year due to adverse weather conditions experienced prior to the commencement of the 2017 harvest and the impact of Cyclone Debbie in March 2017.

In relation to the harvest for 2017 production year, a total of 594,890 kg of NIS (2016: 652,369 kg), at 10% moisture content, was delivered to two processors, MPC and Pacific Gold. The average price paid for the 2017 harvest was \$5.41/kg (2016: \$5.89/kg).

### Financial position

At 31 December 2017, the Project held assets with a total value of \$1,190,965 (30 June 2017: \$3,367,017) on behalf of Growers.

### Distributions and performance

A net distribution of \$258,153 was made to the Growers during the half year ended 31 December 2017 (31 December 2016: \$377,018). This distribution was declared and paid to Growers in October 2017, and related to cash received during FY2017, less the 2017 operating costs and a portion of the FY2018 costs paid upfront. The details of this distribution are shown below:

	<b>Sub-total per Macgrove \$</b>	<b>GST per Macgrove \$</b>	<b>Total per Macgrove \$</b>
<b>Income</b>			
Harvest proceeds received by 30 June 2017	7,406.59	GST Free	<b>7,406.59</b>
Interest received	20.79	GST Free	<b>20.79</b>
Other income	48.24	4.82	<b>53.06</b>
<b>Expenses</b>			
Operating expenses	(3,254.39)	(325.44)	<b>(3,579.83)</b>
Rental	(1,082.78)	(108.28)	<b>(1,191.06)</b>
Farm management fees	(279.27)	(27.93)	<b>(307.20)</b>
Responsible Entity costs	(370.13)	(37.01)	<b>(407.14)</b>
Partial prepayment operating expenses (FY18)	(1,408.50)	(140.85)	<b>(1,549.35)</b>
<b>Total distribution per Macgrove</b>	<b>1,080.55</b>	<b>(634.69)</b>	<b>445.86</b>

### Interests in the Project

At the date of this report no associates or Directors of the Responsible Entity hold an interest in the Project.

	<b>31 December 2017</b>	<b>31 December 2016</b>
Number of Macgroves in the Project	<b>579</b>	579
Number of Macgroves in the Project held by the Responsible Entity	<b>79</b>	79

### Significant changes in state of affairs

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

# 2007 Macgrove Project

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## Directors' Report

31 December 2017

### 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 Project, the results of those operations or the state of affairs of the Project in future financial years.

### Likely developments and expected results of operations

Maximising Grower returns by developing crop yield potential and improving efficiency in operations is the main focus for the Project.

### Environmental regulation

The operations of the Project are subject to 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 Project.

### Indemnity of Responsible Entity and Custodian

In accordance with the Constitution, 2007 Macgrove Project 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 2017 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.



David Bryant  
Director

28 February 2018



## Auditor's Independence Declaration

As lead auditor for the review of 2007 Macgrove Project for the half-year ended 31 December 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 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 'J. Heraghty', written over a horizontal line.

CMC Heraghty  
Partner  
PricewaterhouseCoopers

Sydney  
28 February 2018

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# 2007 Macgrove Project

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## Statement of Comprehensive Income

For the half year ended 31 December 2017

		31 December 2017	31 December 2016
	Note	\$	\$
Revenue	4	172,976	1,661,552
Freight subsidy		4,325	4,365
Interest received		5,243	6,002
Other income		2,820	-
Industry levy		(2,508)	(26,161)
Agribusiness operations		(1,156,859)	(1,037,239)
Rental		(396,075)	(313,189)
Farm management fees		(99,637)	(90,762)
Responsible Entity expenses		(129,397)	(120,055)
Cash recoverable from Growers/ (Cash surplus attributable to Growers)		1,599,112	(84,513)
<b>Net profit attributable to Growers</b>		-	-
<b>Net profit for the half year</b>		-	-
<b>Other comprehensive income:</b>			
Other comprehensive income		-	-
<b>Total comprehensive income attributable to Growers</b>		-	-

The accompanying notes form part of these financial statements.



# 2007 Macgrove Project

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## Statement of Financial Position

As at 31 December 2017

		31 December 2017	30 June 2017
	Note	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		655,732	894,639
Trade and other receivables	5	3,264	1,821,021
Inventories	6	-	15,287
Prepayments		531,969	636,070
<b>Total current assets</b>		<b>1,190,965</b>	<b>3,367,017</b>
<b>Total assets</b>		<b>1,190,965</b>	<b>3,367,017</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables		71,968	390,755
Other payables	7	1,118,997	2,976,262
<b>Total current liabilities</b>		<b>1,190,965</b>	<b>3,367,017</b>
<b>Total liabilities (excluding net assets attributable to Growers)</b>		<b>1,190,965</b>	<b>3,367,017</b>
Net assets attributable to Growers		-	-
<b>Total liabilities</b>		<b>1,190,965</b>	<b>3,367,017</b>

The accompanying notes form part of these financial statements.

## 2007 Macgrove Project

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### Statement of Changes in Net Assets Attributable to Growers

For the half year ended 31 December 2017

	For the half year ended 31 December 2017 \$
<b>Balance at 1 July 2017</b>	-
Net profit attributable to Growers	-
<b>Total comprehensive income for the period</b>	-
Change in net assets attributable to Growers	-
<b>Balance at 31 December 2017</b>	-

	For the half year ended 31 December 2016 \$
<b>Balance at 1 July 2016</b>	-
Net profit attributable to Growers	-
<b>Total comprehensive income for the period</b>	-
Change in net assets attributable to Growers	-
<b>Balance at 31 December 2016</b>	-

The accompanying notes form part of these financial statements.

## 2007 Macgrove Project

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### Statement of Cash Flows

31 December 2017

	For the half year ended 31 December 2017 \$	For the half year ended 31 December 2016 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	1,988,225	3,013,147
Payments to suppliers	(1,974,222)	(1,604,427)
Interest received	5,243	6,002
<b>Net cash inflow from operating activities</b>	<b>19,246</b>	<b>1,414,722</b>
Contributions from Growers	897,074	66,098
Distributions paid	(1,155,227)	(377,018)
<b>Net cash outflow from financing activities</b>	<b>(258,153)</b>	<b>(310,920)</b>
Net increase in cash and cash equivalents held	(238,907)	1,103,803
Cash and cash equivalents at the beginning of the period	894,639	297,297
<b>Cash and cash equivalents at the end of the period</b>	<b>655,732</b>	<b>1,401,100</b>

The accompanying notes form part of these financial statements.

# 2007 Macgrove Project

ARSN 119 560 235

## Notes to the Financial Statements

31 December 2017

### 1 General information

These financial statements cover the 2007 Macgrove Project (M07 or the Project) as an individual entity. The Project is a registered managed investment scheme constituted in 2007. The Responsible Entity of the Project, 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 financial statements were authorised for issue by the Directors of the Responsible Entity on 28 February 2018. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

The Project does not operate a business in its own right. The Project acts as a conduit for the receipt of income from the sale of macadamia produce, and the distribution of the same to Grower investors. It also acts as a conduit for the receipt of monies from Growers, and where applicable, the distribution of those monies in accordance with the Project's constituent documents. Growers are responsible for all operating costs, license, and management fees, including an interest component to fund the operation. Any profits made under the Project are profits made by the Growers.

As the Project manages the cash flows associated with the above and does not operate a business in its own right, the Project does not have net assets.

#### *Obligations of the Responsible Entity*

The Responsible Entity, RFM, has obligations to operate the Project and perform functions conferred on it by the relevant Project constitution.

#### *Other obligations to members of the Project*

In addition to its responsibilities as the Responsible Entity, RFM has entered into individual contractual arrangements with members of the Project under which RFM is obliged to incur various expenditure and provide various services. The members either have paid or will make payments to RFM to perform these obligations. The costs incurred by RFM in discharging its contractual obligations with members are specific financial obligations of RFM and are reimbursable to RFM from the members. They can be recoverable from the member's proceeds of sale and are not financial obligations of the Project.

Notwithstanding this, members of the Project should understand that in addition to RFM meeting its obligations to the Project under the managed investment scheme constitution, RFM also needs to meet its contractual obligations to members for services pursuant to the individual agreements entered into with individual members of the Project. These obligations include incurring maintenance expenditure for the duration of the Project.

### 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 Project.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and the Project's Constitution. The report has been prepared on a going concern basis.

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 2017 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

# 2007 Macgrove Project

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## Notes to the Financial Statements

31 December 2017

### 2 Summary of significant accounting policies (continued)

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 Project 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 2017 and any public announcements made by the Project during the period in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

Growers are entitled to receive net cash flows arising under the Project, being cash receipts from macadamia nuts sales less the Project costs. When the Project costs exceed cash receipts, the Growers are required to fund the shortfall. When the cash receipts exceed costs, the surplus is distributed to Growers. The Statement of Comprehensive Income matches the harvest proceeds delivered during the period and the costs incurred during the period, offset by the net cash flows relating to the Growers' future distributions.

### 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.

#### *Revenue recognition*

The Responsible Entity has determined to recognise revenue from the sale of the crop at the Notional Consignment Value (NCV) advised by the purchasers, Macadamia Processing Co Limited (MPC) and Pacific Gold Macadamias Pty Limited (Pacific Gold). The NCV varies between the purchasers. The NCV may be adjusted for variations in moisture content, kernel recovery and other Nut in Shell (NIS) specifications. Additionally, the terms and conditions of the NIS purchase agreements states that payments will be based upon a Notional Price only and all prices are therefore subject to change at the discretion of the processors' Board of Directors.

On the basis of historical experience of the notional price not being materially altered during a season, the Responsible Entity has determined to adopt the advised NCV for reporting proceeds and levies from the sale of the crop. Any changes in the NCV will be adjusted in the subsequent reporting period when actuals are determined on receipt.

### 4 Revenue

	For the half year ended 31 December 2017	For the half year ended 31 December 2016
	\$	\$
Harvest proceeds - sale of macadamias	172,976	1,661,552
<b>Total</b>	<b>172,976</b>	<b>1,661,552</b>

# 2007 Macgrove Project

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## Notes to the Financial Statements

31 December 2017

<b>5</b>	<b>Trade and other receivables</b>		
		<b>31 December</b>	<b>30 June</b>
		<b>2017</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
	Trade receivables	<b>3,264</b>	1,821,021
	<b>Total</b>	<b>3,264</b>	1,821,021

<b>6</b>	<b>Inventories</b>		
		<b>31 December</b>	<b>30 June</b>
		<b>2017</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
	<b>Agricultural produce</b>		
	Macadamias on hand	-	15,287
	<b>Total</b>	-	15,287

Agricultural produce inventory represents nut in shell that have been harvested but remains on hand.

<b>7</b>	<b>Other payables</b>		
		<b>31 December</b>	<b>30 June</b>
		<b>2017</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
	<b>Provision for distribution</b>		
	Opening balance	<b>2,976,262</b>	1,688,688
	Contribution from Growers	<b>897,074</b>	71,717
	Distributions paid	<b>(1,155,227)</b>	(382,636)
	(Cash recoverable from Growers)/ Cash surplus attributable to Growers	<b>(1,599,112)</b>	1,598,493
	<b>Total</b>	<b>1,118,997</b>	2,976,262

## 8 Related party transactions

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

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

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

		<b>For the half</b>	<b>For the half</b>
		<b>year ended</b>	<b>year ended</b>
		<b>31 December</b>	<b>31 December</b>
		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
	Farm management fee paid to RFM Macadamias	<b>99,637</b>	90,762
	Expense reimbursed to RFM	<b>1,125,770</b>	1,024,460
	Licence fee paid to Rural Funds Group	<b>396,075</b>	313,189
	Rental expense paid to RF Active	<b>155,718</b>	119,530
	<b>Total amount paid to RFM and related entities</b>	<b>1,777,200</b>	1,547,941

### (b) Debtors

		<b>31 December</b>	<b>30 June</b>
		<b>2017</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
	RFM	<b>3,264</b>	1,821,021
	<b>Total</b>	<b>3,264</b>	1,821,021

# 2007 Macgrove Project

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## Notes to the Financial Statements

31 December 2017

### 8 Related party transactions (continued)

(c) Creditors

	31 December 2017	30 June 2017
	\$	\$
Rural Funds Group	-	313,189
<b>Total</b>	<b>-</b>	<b>313,189</b>

### 9 Events after the reporting period

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

# 2007 Macgrove Project

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## Directors' Declaration

31 December 2017

In the Directors of the Responsible Entity's opinion:

- 1 The financial statements and notes of 2007 Macgrove Project set out on pages 6 to 13 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 Project's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
- 2 There are reasonable grounds to believe that the Project 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 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

28 February 2018





## **Independent auditor's review report to the Growers of 2007 Macgrove Project**

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of 2007 Macgrove Project (the Registered Scheme), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in net assets attributable to Growers and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### ***Directors of the Responsible Entity's responsibility for the half-year financial report***

The directors of the Responsible Entity of the Registered Scheme 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 of the Responsible Entity 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 2017 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 2007 Macgrove Project, 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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**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 2007 Macgrove Project 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 2017 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 cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script, appearing to be 'CMC Heraghty'.

CMC Heraghty  
Partner

Sydney  
28 February 2018

### Responsible Entity

Rural Funds Management Limited  
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Deakin ACT 2600

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