

RFM Poultry

Financial Statements

For the Half Year Ended 31 December 2017

RFM Poultry

ARSN 164 851 218

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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 Tower 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 2017

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 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 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 2017 amounted to \$258,447 (31 December 2016: \$546,506). The result is lower than the previous corresponding period primarily due to an increase in efficiency rating system (ERS) penalties associated with grower fees. RFM is applying measures to minimise the impact of penalties on the results including such measures as the installation of a water sanitation system and the adjustments to the lighting program on the farms. These and other measures will continue to be monitored throughout the forthcoming period. Other contributory factors for the lower profit include higher electricity expenses associated with price hikes and higher contractor fees. The higher electricity expenses are being actively managed by RFM through the installation of solar panels on the Lethbridge farms in Victoria which was completed during the period.

Financial position

The net assets of the Trust have decreased from \$7,799,557 at 30 June 2017 to \$7,712,062 at 31 December 2017. At 31 December 2017 the Trust had total assets of \$9,299,874 (30 June 2017: \$9,003,360).

Distributions

	Cents per unit	Total \$
Distribution declared 1 June 2017, paid 31 July 2017	2.5125	172,971
Distribution paid 31 October 2017	2.5125	172,971
Distribution declared 1 December 2017, paid 31 January 2018	2.5125	172,971

Significant changes in state of affairs

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

Earnings per unit

Net profit after income tax for the half year (\$)	258,447
Weighted average number of units on issue during the half year	6,884,416
Basic and diluted earnings per unit (total) (cents)	3.75

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Directors' Report

31 December 2017

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 2017 is 1.73% (31 December 2016: 1.75%).

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 2017 (31 December 2016: 6,884,416). During the half year no units were issued by the Trust (31 December 2016: nil) and no units (31 December 2016: 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 2017 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

28 February 2018



Auditor's Independence Declaration

As lead auditor for the review of RFM Poultry 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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Statement of Comprehensive Income

For the half year ended 31 December 2017

		31 December 2017	31 December 2016
	Note	\$	\$
Revenue	5	12,067,830	12,102,383
Other income		56,804	47,547
Property lease expenses		(5,345,074)	(5,269,413)
Direct grower expenses		(2,305,810)	(2,005,646)
Contractor fees		(1,992,044)	(1,849,812)
Employee expenses		(296,888)	(309,353)
Repairs and maintenance		(1,016,452)	(1,175,123)
Insurance expenses		(184,227)	(207,565)
Professional fees		(243,009)	(221,478)
Other indirect expenses		(52,110)	(46,496)
Management fees		(286,737)	(271,720)
Depreciation		(33,072)	(12,601)
Net profit before income tax		369,211	780,723
Income tax expense		(110,764)	(234,217)
Net profit after income tax		258,447	546,506
Other comprehensive income:			
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income attributable to unitholders		258,447	546,506
Earnings per unit			
From continuing operations:			
Basic and diluted earnings per unit (cents)		3.75	7.94

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As at 31 December 2017

	Note	31 December 2017 \$	30 June 2017 \$
ASSETS			
Current assets			
Cash and cash equivalents		6,187,989	6,230,162
Trade and other receivables		1,807,651	1,896,547
Inventories		74,782	43,490
Other current assets		218,476	301,915
Income tax receivable		43,259	80,819
Total current assets		8,332,157	8,552,933
Non-current assets			
Plant and equipment	6	951,218	420,338
Deferred tax asset		16,499	30,089
Total non-current assets		967,717	450,427
Total assets		9,299,874	9,003,360
LIABILITIES			
Current liabilities			
Trade and other payables		1,362,857	990,420
Provisions		224,168	211,271
Total current liabilities		1,587,025	1,201,691
Non-current liabilities			
Provisions		787	2,112
Total non-current liabilities		787	2,112
Total liabilities (excluding net assets attributable to unitholders)		1,587,812	1,203,803
Net assets attributable to unitholders		7,712,062	7,799,557
Total liabilities		9,299,874	9,003,360

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 2017

31 December 2017	Issued units	Retained earnings	Total
	\$	\$	\$
Balance at 1 July 2017	6,642,054	1,157,503	7,799,557
Profit before income tax	-	369,211	369,211
Income tax expense	-	(110,764)	(110,764)
Total comprehensive income for the period	-	258,447	258,447
Distributions to unitholders	-	(345,942)	(345,942)
Balance at 31 December 2017	6,642,054	1,070,008	7,712,062

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

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the half year ended 31 December 2017

	31 December 2017 \$	31 December 2016 \$
Cash flows from operating activities		
Receipts from customers	13,378,430	13,330,631
Payments to suppliers and employees	(12,895,266)	(12,849,548)
Interest received	43,240	45,211
Income tax paid	(59,613)	(386,375)
Net cash inflow from operating activities	466,791	139,919
Cash flows from investing activities		
Payments for plant and equipment	(167,001)	(96,792)
Net cash outflow from investing activities	(167,001)	(96,792)
Cash flows from financing activities		
Distributions paid	(341,963)	(341,373)
Net cash outflow from financing activities	(341,963)	(341,373)
Net (decrease) in cash and cash equivalents held	(42,173)	(298,246)
Cash and cash equivalents at the beginning of the period	6,230,162	6,384,706
Cash and cash equivalents at the end of the period	6,187,989	6,086,460

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

31 December 2017

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 28 February 2018 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 2017 are consistent with those of the financial year ended 30 June 2017. The financial statements are based on historical cost.

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 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*.

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

New accounting standards and interpretations

Standard Name	Effective date for the Trust	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.	Management is currently assessing the impact of the new rules. It is expected that this standard will have a significant impact on the property leases of the Trust. Total future lease payments under non-cancellable operating leases of land, buildings and improvements amount to \$115,790,092.

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Notes to the Financial Statements

31 December 2017

2 Summary of significant accounting policies (continued)

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods.

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 2016: one segment), being the growing of chickens under contract to a third party.

5 Revenue

	31 December 2017	31 December 2016
	\$	\$
Grower fees	11,985,735	12,022,130
Rental revenue	82,095	80,253
Total	12,067,830	12,102,383

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Notes to the Financial Statements

31 December 2017

6 Plant and equipment

	31 December 2017	30 June 2017
	\$	\$
Plant and equipment		
Cost	265,819	213,883
Accumulated depreciation	(63,895)	(52,753)
Total plant and equipment	201,924	161,130
Office furniture, fixtures and fittings		
Cost	4,108	4,108
Accumulated depreciation	(2,303)	(1,865)
Total office furniture, fixtures and fittings	1,805	2,243
Motor vehicles		
Cost	140,144	136,144
Accumulated depreciation	(73,067)	(65,032)
Total motor vehicles	67,077	71,112
Leasehold improvements		
Cost	606,148	193,766
Accumulated depreciation	(21,370)	(7,913)
Total leasehold improvements	584,778	185,853
Work in progress		
Cost	95,634	-
Total work in progress	95,634	-
Total plant and equipment	951,218	420,338

	Plant and equipment	Office furniture, fixtures and fittings	Motor vehicles	Leasehold improvements	Work in progress	Total
	\$	\$	\$	\$	\$	\$
31-Dec-17						
Opening net book amount	161,130	2,243	71,112	185,853	-	420,338
Additions	51,936	-	4,000	412,382	95,634	563,952
Depreciation	(11,142)	(438)	(8,035)	(13,457)	-	(33,072)
Closing net book amount	201,924	1,805	67,077	584,778	95,634	951,218
30-Jun-17						
Opening net book amount	146,376	813	18,299	-	-	165,488
Additions	32,168	2,134	62,619	193,766	-	290,687
Depreciation	(17,414)	(704)	(9,806)	(7,913)	-	(35,837)
Closing net book amount	161,130	2,243	71,112	185,853	-	420,338

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Notes to the Financial Statements

31 December 2017

7 Issued capital

	31 December 2017 No.	31 December 2016 No.
Units on issue at the beginning of the reporting period	6,884,416	6,884,416
Units issued during the reporting period	-	-
Units on issue at the end of the reporting period	6,884,416	6,884,416

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 2017 \$	31 December 2016 \$
Asset management fees	286,737	271,720
Total management fees	286,737	271,720
Expenses reimbursed to RFM	589,163	537,886
Lease expenses paid/payable to Rural Funds Group	5,335,151	5,259,933
Distribution paid/payable to RFM	16,999	16,999
Distribution paid/payable to Rural Funds Group	8,187	8,187
Total amount paid/payable to RFM and related entities	6,236,237	6,094,725

Creditors

	31 December 2017 \$	30 June 2017 \$
RFM	110,543	-
Total	110,543	-

Entities with influence over the Trust

	31 December 2017		30 June 2017	
	Units	%	Units	%
RFM	225,529	3.28	225,529	3.28
Rural Funds Group	108,615	1.58	108,615	1.58

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Notes to the Financial Statements

31 December 2017

9 Distributions

The Trust paid the following distributions in the half year:

	Cents per unit	Total \$
Distribution declared 1 June 2017, paid 31 July 2017	2.5125	172,971
Distribution paid 31 October 2017	2.5125	172,971
Distribution declared 1 December 2017, paid 31 January 2018	2.5125	172,971

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.

RFM Poultry

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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 RFM Poultry set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - a. comply with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the Trust'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 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

28 February 2018



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 2017, 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, 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 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 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, likely belonging to a partner at CMC Heraghty.

CMC Heraghty
Partner

Sydney
28 February 2018

Responsible Entity

Rural Funds Management Limited
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