

RFM Almond Fund (formerly RFM Almond Fund 2006)

Financial Statements
For the Year Ended 30 June 2020

RFM Almond Fund (formerly RFM Almond Fund 2006)

ARSN 117 859 391

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RFM Almond Fund (formerly RFM Almond Fund 2006)

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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 226 701 Level 2, 2 King Street DEAKIN ACT 2600 Ph: 1800 026 665
Directors	Guy Paynter David Bryant Michael Carroll Julian Widdup
Company Secretary	Emma Spear
Custodian	Australian Executor Trustees Limited ABN 84 007 869 794 Level 19, 60 Castlereagh Street SYDNEY NSW 2000
Auditors	PricewaterhouseCoopers One International Towers Sydney Watermans Quay BARANGAROO NSW 2000
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 Almond Fund (formerly RFM Almond Fund 2006)

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Directors' Report

30 June 2020

The Directors of Rural Funds Management Limited (RFM), the Responsible Entity of RFM Almond Fund (RAF or the Trust) present their report on the Trust for the year ended 30 June 2020.

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

Principal activities and significant changes in nature of activities

The principal activity of the Trust during the year was the commercial growing of almonds to be sold for processing and consumption in Australia and internationally.

On 28 August 2019, the Growers of the RFM Almond Fund 2006 (AF06 or the Scheme) agreed to convert their Almond lots into units and the Growers of the RFM Almond Fund 2007 (AF07) and RFM Almond Fund 2008 (AF08) agreed to merge with AF06 and exchange their Almond lots for units in AF06. RFM also agreed to convert its 291 Almond lots in AF06 to units in RAF.

The merger was completed on 30 August 2019, RFM Almond Fund 2006 changed its name to RFM Almond Fund (RAF). On 30 August 2019, RAF was converted to a unit trust and acquired RFM owned area of 41.22 hectares. New units were issued to all the Growers (referred to as unitholders post-merger) based on a conversion ratio, which was calculated based on the value per hectare for AF06, AF07, AF08 (collectively referred to as Schemes) and RFM owned area. Under the principle of AASB 3: *Business Combinations*, this transaction is treated as a reverse acquisition. AF08 is the accounting acquirer and AF06, AF07 and RFM are accounting acquirees. Accordingly, the financial statements of the Trust have been prepared as a continuation of the financial statement of AF08. The results of the Trust presented in this report for the year ended 30 June 2020 include 1 month and 30 days of AF08 results prior to the merger and 10 months and 1 day of RAF results following the merger.

Prior to the merger, Growers had entered into a Licence and Management Agreement (LMA) with RFM to operate almond growing business. Growers were entitled to receive net cash flows arising under the Scheme, being revenue from almond sales less the Scheme costs. When the Scheme costs exceeded revenues, the Growers were required to fund the shortfall. When the revenues exceeded costs, the surplus was distributed to Growers.

Following the merger, RAF operates the business in its own right as a unit trust. A benefit of the unit trust structure is that it has allowed RAF to enter into a new finance facility with the Australia and New Zealand Banking Group Limited (ANZ), which provides funding to meet the operating cost requirements.

Operating results

The net profit attributable to unitholders for the year ended 30 June 2020 amounted to \$381,724 (30 June 2019: \$460,573 loss).

Harvest proceeds are received in the financial year following harvest. Therefore, the 2020 harvest proceeds will be received in the 2021 financial year. The table below gives the details of the 2020 harvest with a comparison to the 2019 harvest.

	Tonnes per hectare
2020 actual harvest (RAF)	3.53
2019 actual harvest (Schemes & RFM area)	3.31

The 2020 actual harvest yield was higher than the 2019 crop due to the unfavorable weather conditions that were noted during the 2019 season. The almond price has decreased with a current price forecast of \$6.95 per kilogram.

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Directors' Report

30 June 2020

Operating results (continued)

Almondco Australia Limited ("Almondco"), the company responsible for processing and marketing the Trust's almonds, sells the crop progressively over twelve months following harvest and thus the 2020 harvest final pricing will not be known until 30 June 2021.

The actual sales price of the 2019 harvested almonds was \$8.43/kg. This represents an increase of \$0.33/kg from the estimated sales price provided by Almondco in August 2019.

An invoice was issued to Growers on 30 August 2019 for the 2019 financial year shortfall and the 2020 financial year pre-merger shortfall. As a result of the merger, the invoice was settled prior to the merger and this was one of the inputs that was used to determine the number of units each Grower was entitled to in RAF.

RFM waived the management fee charged to RAF for the 10 months in 2020 financial year from September 2019 to June 2020.

Financial position

At 30 June 2020, the Trust held assets with a total value of \$43,539,685 (30 June 2019: \$5,755,828).

Banking facilities

At 30 June 2020 the Trust's total bank facilities were \$4,500,000 (2019: nil), with a drawn down balance of \$2,500,000 (2019: nil).

Distributions

Nil distribution was paid during 2020 financial year (2019: nil).

Units on issue

9,462,145 units in RAF were on issue at 30 June 2020. On 30 August 2019, 9,462,145 units were issued by the Trust.

Significant changes in state of affairs

On 28 August 2019, Growers from AF06, AF07 and AF08 approved the merger of the three Schemes. The merger was completed on 30 August 2019 and RFM Almond Fund 2006 changed its name to the RFM Almond Fund. On 30 August 2019, RAF acquired RFM owned area of 41.22 hectares. New units were issued to all the Growers in Schemes, RFM owned 291 Almond lots in AF06 and RFM owned area of 41.22 hectares acquired by RAF.

Matters subsequent to the end of the financial year

Following the year end, based on changes in the market, the latest estimated sales price of almonds as provided by Almondco is \$7.10/kg. The price increase of \$0.15/kg has not been taken to account as the movement represents the fair value movement in the market value of almonds since 30 June 2020. The final sales proceeds are subject to change based on market conditions throughout the next year and will not be known until 30 June 2021.

On 24 August 2020, Rural Funds Group (RFF) exchanged contracts for the sale of the Moorool almond orchard with a global agriculture and timberland investment manager as nominee for a special purpose vehicle that will be owned by pension funds and institutional investors. The sale is conditional on completion of due diligence (within 45 days but subject to possible extensions) and Foreign Investment Review Board approval.

No other matter or circumstance has 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.

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Directors' Report

30 June 2020

Likely developments and expected results of operations

Maximising unitholders returns by developing crop yield potential and improving efficiency in operations continues to be the main focus for the Trust.

Environmental regulation

The operations of the Trust 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 Trust.

COVID-19 outbreak

During the year ended 30 June 2020, there was an outbreak of Coronavirus Disease 2019. There have been unprecedented measures put in place by the Australian Government, as well as governments across the globe, to contain the coronavirus which has led to significant uncertainty and has had a significant impact on the Australian and global economies. Following the outbreak, the Trust continues to operate with no significant impacts to its ongoing operation to date. RFM will continue to monitor the potential impacts of the outbreak.

Water

Water is a scarce and finite resource and water efficiency is a key input on almonds orchards operated by the Trust. The Trust has adopted technology such as plant based monitoring and high-resolution imagery to optimise water usage, minimise plant stress and maximise yield.

The Trust leases Lower Lachlan Groundwater, Lachlan General Security and High Security River Water entitlement to irrigate the orchard. Further annual water requirements are met through spot market purchases and forward purchases of allocation.

Indemnity of Responsible Entity and Custodian

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

Rounding of amounts

The Trust is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and accordingly amounts in the financial statements and Directors' report have been rounded to the nearest dollar.

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. Guy 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'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 listed entities and during the three years prior to the current year	Rural Funds Group, RFM Poultry

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Directors' Report

30 June 2020

Information on Directors of the Responsible Entity (continued)

David Bryant	Managing Director
Qualifications	Diploma of Financial Planning from the Royal Melbourne Institute of Technology and Masters of Agribusiness from The University of Melbourne.
Experience	David Bryant established RFM in February 1997 and since that time has led the team that is responsible for the acquisition of large-scale agricultural property assets and associated water entitlements. RFM manages approximately \$1.3 billion of agricultural assets. David is responsible for leading the RFM management team, maintaining key commercial relationships and sourcing new business opportunities.
Special responsibilities	Managing Director
Directorships currently held in 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 Master 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	<p>Michael Carroll serves in a board and advisory capacity for a range of agribusiness entities. Michael is Chairman of Viridis Ag Pty Limited and Australian Rural Leadership Foundation. Michael is a Director on the Boards of Select Harvests Limited and Paraway Pastoral Company Limited. Former board positions include Elders Limited, Sunny Queen Australia Pty Limited, Tassal Group Limited, the Australian Farm Institute, Warrnambool Cheese and Butter Factory Company Holdings Limited, Queensland Sugar Limited, Rural Finance Corporation of Victoria, Meat and Livestock Australia and the Geoffrey Gardiner Dairy Foundation.</p> <p>Michael's advisory clients have included government, major banks and institutional investors. He comes from a family who have been involved in agricultural for over 145 years and has his own property in South West Victoria. Michael has senior executive experience in a range of companies, including establishing and leading the National Australia Bank (NAB) Agribusiness division. Michael worked for several years as a Senior Adviser in the NAB internal investment banking and corporate advisory team. Before joining the NAB, Michael worked for a range of agribusiness companies including Monsanto Agricultural Products and a biotechnology venture capital company.</p>
Special responsibilities	Chairman of Audit Committee and Remuneration Committee
Directorships currently held in listed entities and during the three years prior to the current year	Michael is on the Boards of Select Harvests Limited and Rural Funds Group, with previous roles as Chairman of Elders Limited and Director of Tassal Group Limited and RFM Poultry.

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Directors' Report

30 June 2020

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 Widdup has been involved in the financial services industry for over 25 years. Julian's current Directorships include Australian Catholic Superannuation & Retirement Fund, Catholic Schools NSW, Screen Canberra and Cultural Facilities Corporation. Julian is a former executive of infrastructure investment management companies, Palisade Investment Partners and Access Capital Advisers (now Whitehelm Capital) where he was responsible for the acquisition and asset management of major infrastructure assets, risk management, portfolio construction, institutional client management and overseeing all aspects of investment operations. Previously Julian had worked with Towers Perrin (now Willis Towers Watson) as an asset consultant, the Australian Bureau of Statistics and the Insurance and Superannuation Commission (now APRA). 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 listed entities and during the three years prior to the current year	Rural Funds Group, RFM Poultry

Company Secretary of the Responsible Entity

Emma Spear is RFM's company secretary. Emma joined RFM in 2008, is a member of CPA Australia and is admitted as a Legal Practitioner of the Supreme Court of the ACT.

Meetings of Directors of the Responsible Entity

During the financial year 14 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Directors meetings	
	No. eligible to attend	No. attended
Guy Paynter	14	13
David Bryant	14	14
Michael Carroll	14	14
Julian Widdup	14	14

Non-audit services

During the year ended 30 June 2020 fees of \$7,845 (2019: \$6,221) were paid or payable to PricewaterhouseCoopers for compliance audit services provided.

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Directors' Report

30 June 2020

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 2020 has been received and is included on page 8 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 centered on the page. The signature is written in a cursive, flowing style.

David Bryant
Director

29 September 2020



Auditor's Independence Declaration

As lead auditor for the audit of RFM Almond Fund for the year ended 30 June 2020, 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 read 'Rod Dring', is written over a faint, larger version of the signature.

Rod Dring
Partner
PricewaterhouseCoopers

Sydney
29 September 2020

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	2020 \$	2019 \$
Revenue	5	14,013,394	4,761,303
Change in fair value of biological assets	11	675,865	(33,215)
Interest income		5,548	1,481
Other income		11,250	7,481
Cost of agricultural produce sold		(13,078,171)	(4,906,137)
Professional fees		(161,206)	-
Finance costs		(155,201)	(46,261)
Other expenses		(469,450)	(112)
Management fees		(41,302)	(245,113)
Acquisition expenses		(158,403)	-
Impairment of goodwill	14	(255,197)	-
Gain on acquisition	23	266,203	-
Net profit / (loss) before income tax		653,330	(460,573)
Income tax expense	6	(271,606)	-
Net profit / (loss) after income tax		381,724	(460,573)
Other comprehensive income:			
Other comprehensive income		-	-
Net profit / (loss) attributable to unitholders		381,724	(460,573)

The accompanying notes form part of these financial statements.

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Statement of Financial Position

As at 30 June 2020

	Note	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	237,813	8,600
Trade and other receivables	9	354,840	516,558
Inventories	10	14,665,918	5,230,670
Biological assets	11	-	-
Other assets	12	25,081	-
Total current assets		15,283,652	5,755,828
Non-current assets			
Financial assets	13	4,200	-
Deferred tax assets	17	-	-
Goodwill	14	-	-
Right of use assets	21	28,251,833	-
Total non-current assets		28,256,033	-
Total assets		43,539,685	5,755,828
LIABILITIES			
Current liabilities			
Trade and other payables	15	767,648	546,656
Interest bearing liabilities	16	1,000,000	256,573
Provisions		-	-
Lease liabilities	22	3,664,116	-
Total current liabilities		5,431,764	803,229
Non-current liabilities			
Interest bearing liabilities	16	1,500,000	-
Deferred tax liabilities	17	731,341	-
Lease liabilities	22	26,832,146	-
Total non-current liabilities		29,063,487	-
Total liabilities		34,495,251	803,229
NET ASSETS		9,044,434	4,952,599
EQUITY			
Issued capital	20	8,616,600	-
Retained earnings		427,834	4,952,599
Total equity		9,044,434	4,952,599

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity

For the year ended 30 June 2020

	Issued capital	Retained earnings	Total
	\$	\$	\$
Balance at 1 July 2019	-	4,952,599	4,952,599
Net profit before income tax	-	653,330	653,330
Income tax expenses	-	(271,606)	(271,606)
Total profit attributable to unitholders	-	381,724	381,724
Transaction with unitholders			
Units issued during the year	8,616,600	(5,820,970)	2,795,630
Distributions to unitholders	-	-	-
Non cash recovery from Growers	-	914,481	914,481
Total transaction with unitholders	8,616,600	(4,906,489)	3,710,111
Balance at 30 June 2020	8,616,600	427,834	9,044,434

	Issued capital	Retained earnings	Total
	\$	\$	\$
Balance at 1 July 2018	-	4,238,101	4,238,101
Net (loss) attributable to Growers	-	(460,573)	(460,573)
Total (loss) attributable to Growers	-	(460,573)	(460,573)
Transaction with Growers			
Recovery from Growers	-	1,175,071	1,175,071
Total transaction with Growers	-	1,175,071	1,175,071
Balance at 30 June 2019	-	4,952,599	4,952,599

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		14,025,571	4,761,303
Payments to suppliers (inclusive of GST)		(8,274,836)	(5,521,056)
Interest received		5,548	1,481
Finance costs		(155,201)	-
Finance costs - leases		(1,283,949)	-
Net cash inflow/(outflow) from operating activities	26	4,317,132	(758,272)
Cash flows from investing activities			
Dividend received		180	130
Net cash inflow from investing activities		180	130
Cash flows from financing activities			
Proceeds from bank borrowings		2,500,000	-
Net repayment of RFM loans		(4,476,961)	(432,928)
Contribution from Growers		-	1,175,071
Repayment of lease liabilities		(2,111,138)	-
Net cash (outflow)/inflow from financing activities		(4,088,099)	742,143
Net increase/(decrease) in cash and cash equivalents held		229,214	(15,999)
Cash and cash equivalents at the beginning of the year		8,600	24,599
Cash and cash equivalents at the end of the year	8	237,813	8,600

The accompanying notes form part of these financial statements.

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Notes to the Financial Statements

30 June 2020

1 General information

This financial report covers the financial statements and notes of RFM Almond Fund (RAF or the Trust) as an individual entity. RFM Almond Fund is a for profit entity incorporated and domiciled in Australia.

The Directors of the Responsible Entity authorised the Financial Report for issue on 29 September 2020 and have the power to amend and reissue the Financial Report.

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

On 28 August 2019, the Growers of the RFM Almond Fund 2006 (AF06 or the Scheme) agreed to convert their Almond lots into units and the Growers of the RFM Almond Fund 2007 (AF07) and RFM Almond Fund 2008 (AF08) agreed to merge with AF06 and exchange their Almond lots for units in AF06. RFM also agreed to convert its 291 Almond lots in AF06 to units in RAF.

The merger was completed on 30 August 2019, RFM Almond Fund 2006 changed its name to RFM Almond Fund. On 30 August 2019, RAF was converted to a unit trust and acquired RFM owned area of 41.22 hectares. New units were issued to all the Growers (referred to as unitholders post-merger) based on a conversion ratio, which was calculated based on the value per hectare for AF06, AF07, AF08 (collectively referred to as Schemes) and RFM owned area.

Prior to the merger, Growers had entered into a Licence and Management Agreement (LMA) with RFM to operate an almond growing business. Growers were entitled to receive net cash flows arising under the Scheme, being revenue from almond sales less the Scheme costs. When the Scheme costs exceeded revenues, the Growers were required to fund the shortfall. When the revenues exceeded costs, the surplus was distributed to Growers.

Following the merger, RAF operates the business in its own right as a unit trust. A benefit of the unit trust structure is that it has allowed RAF to enter into a new finance facility with the Australia and New Zealand Banking Group Limited (ANZ), which provides funding to meet the operating cost requirements.

During the year ended 30 June 2020, there was an outbreak of Coronavirus Disease 2019. There have been unprecedented measures put in place by the Australian Government, as well as governments across the globe, to contain the coronavirus which has led to significant uncertainty and has had a significant impact on the Australian and global economies. Following the outbreak, the Trust continues to operate with no significant impacts to its ongoing operation to date. RFM will continue to monitor the potential impacts of the outbreak.

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 year ended 30 June 2020 are consistent with those of the financial year ended 30 June 2019.

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. 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.

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Notes to the Financial Statements

30 June 2020

2 Summary of significant accounting policies (continued)

Basis of preparation (continued)

Under the principle of AASB 3: *Business Combinations*, this merger transaction is being treated as a reverse acquisition. AF08 is the accounting acquirer and AF06, AF07 and RFM are accounting acquirees. Accordingly, the financial statements of the Trust have been prepared as a continuation of the financial statements of AF08. The results of the Trust presented in this report for the year ended 30 June 2020 include 1 month and 30 days of AF08 results prior to the merger and 10 months and 1 day of RAF results following the merger. The impact of the reverse acquisition on each of the primary statements is stated below.

Statement of Financial Position

The 30 June 2020 statement of financial position represents RAF as at 30 June 2020. The 30 June 2019 statement of financial position represents AF08 as at 30 June 2019.

Statement of Comprehensive Income

The 30 June 2020 statement of comprehensive income comprises 1 month and 30 days of AF08 results prior to the merger and 10 months and 1 day of RAF results following the merger.

The 30 June 2019 statement of comprehensive income comprises 12 months of AF08 results.

Statement of Changes in Equity

The 30 June 2020 statement of changes in equity comprises AF08 equity balance at 1 July 2019, its profit and transactions with Growers for the period from 1 July 2019 to 30 August 2019, and RAF's loss and transactions with unitholders for the period from 31 August 2019 to 30 June 2020 and the equity balances of RAF as at 30 June 2020 .

The 30 June 2019 statement of changes in equity comprises AF08 changes in equity from 1 July to 30 June 2019.

Statement of Cash Flows

The 30 June 2020 statement of cash flows comprises the cash balance of AF08 at 1 July 2019, the cash transactions of AF08 for the period from 1 July 2019 to 30 August 2019 and RAF for the period from 31 August 2019 to 30 June 2020 , the cash balance of RAF at 30 June 2020 .

The 30 June 2020 statement of cash flows comprises 12 months of AF08's cash transactions.

Comparative amounts

Comparative amounts have not been restated unless otherwise noted.

Revenue/ Revenue from contracts with customers

Under AASB 15 *Revenue from Contracts with Customers*, revenue from the sale of goods is recognised when control of goods is transferred to a customer.

For each contract with a customer, the Trust: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

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2 Summary of significant accounting policies (continued)

Revenue / Revenue from contracts with customers (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Revenue from the sale of agricultural produce is recognised at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity.

Interest revenue is recognised in the Statement of Comprehensive Income as it accrues, on an effective interest rate basis.

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 period when the asset is realised or liability is settled. Deferred tax is charged/credited in the income statement 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 utilised.

The amount of benefits brought to account or which may be realised in the future is based on management's judgement, 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 realised 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 goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of trade and other receivables or payables in the statement of financial position.

Cash flows in the consolidated 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 tax authority is classified as operating cash flows.

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Notes to the Financial Statements

30 June 2020

2 Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Trade and other receivables

Trade receivables are recognised and carried at original amount, less an allowance for expected credit loss. Trade receivables are generally due for settlement within 30 days.

For trade receivables, impairment provisions are recorded in a separate allowance account with the loss being recognised in profit or loss. Subsequent recoveries of amounts previously written off are credited against other income in profit or loss.

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 Statement of Comprehensive Income.

Inventory

Inventories are measured at the lower of cost and net realisable value. The Trust's inventory is constantly monitored for obsolescence. Costs including costs incurred in bringing each product to its present location and condition and are accounted for on a first-in, first-out basis.

Agricultural produce is the product of the Trust's biological assets. Agriculture produce on hand at year end is valued at the lower of cost and net realisable value. Cost is measured as fair value less point of sale costs at the time of harvest plus costs incurred to get the inventory to its current location and condition.

Biological assets

In accordance with AASB 141 *Agriculture* the Trust's biological assets have been recognised at fair value less costs to sell. Fair value is determined as follows:

- up until the time when commercial yields are achieved, cost approximates fair value, less costs to sell;
- thereafter based on the present value of expected net cash flows from the crops.

Changes in the fair value of biological assets are recognised in the statement of comprehensive income in the year they arise.

Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Trust becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Notes to the Financial Statements

30 June 2020

2 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Financial assets are divided into the following categories which are described in detail below:

- financial assets at amortised cost; and
- financial assets at fair value through profit or loss.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

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, if billed to the Trust.

Leases (applied to financial year ended 30 June 2019)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to AF08 as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Leases (applied to current financial year)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payment (including in-substance fixed payments)
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Trust is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Trust is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of agricultural plant & equipment.

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Notes to the Financial Statements

30 June 2020

2 Summary of significant accounting policies (continued)

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest; over the acquisition date fair value of net identifiable assets acquired.

Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest bearing liabilities are stated at amortised cost. Any difference between cost and redemption value is recognised in the statement of comprehensive income over the entire period of the borrowings on an effective interest basis. Interest-bearing liabilities with terms of settlement within twelve months from the balance sheet date are classified as current liabilities.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Issued units

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions

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

New and amended standards adopted by the Trust

AASB 16 Leases

The Trust has adopted AASB 16 retrospectively from 1 July 2019 but has not restated comparatives for 30 June 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16, the Trust recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.67%.

(i) Practical expedients applied

In applying AASB 16 for the first time, the Trust has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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Notes to the Financial Statements

30 June 2020

2 Summary of significant accounting policies (continued)

New and amended standards adopted by the Trust (continued)

AASB 16 Leases (continued)

(i) Practical expedients applied (continued)

The Trust has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Trust relied on its assessment made applying AASB 117 and Interpretation 4 determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

	1 July 2019 \$
Operating lease commitments disclosed as at 30 June 2019	15,156,625
Discounted using the lessee's incremental borrowing rate at the date of initial application	12,372,105
Lease liability recognised as at 1 July 2019	12,372,105
Of which are:	
Current lease liabilities	1,681,013
Non-current lease liabilities	10,691,092
Total	12,372,105

(iii) Measurement of right-of-use assets

The associated right-of-use assets for all the leases were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	1 July 2019 \$
Properties	11,686,982
Equipment	685,123
Total right-of-use-assets	12,372,105

(iv) Adjustments recognised in the balance sheet on 1 July 2019

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- right-of-use assets – increase by \$12,372,105
- lease liabilities – increase by \$12,372,105

The net impact on retained earnings on 1 July 2019 was nil.

(v) Impact on earnings per unit

Earnings per unit decreased by \$0.17 per unit from 1 July to 30 June 2020 as a result of the adoption of AASB 16.

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Notes to the Financial Statements

30 June 2020

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.

Net cost of inventory

At the date of harvest, the cost of inventory is assessed as the fair value of the agricultural produce being the harvested almonds. The fair value assessment requires estimates to be made of harvested tonnes, quality and mix. As almonds are processed these estimates are revised and finalised. Inventory is impaired if net realisable value is below cost.

Fair value of consideration issued

The purchase consideration transferred to the Growers of each Scheme and RFM during the merger has been calculated based on the acquisition-date fair value of the trust and allocated to each Scheme and RFM in accordance with the conversion ratios on merger.

4 Segment information

The Trust operates in one operating segment (30 June 2019: one segment), being the growing of almonds to be sold for processing and consumption in Australia and internationally.

5 Revenue

	2020	2019
	\$	\$
Harvest proceeds - sale of almonds	14,013,394	4,761,303
Total	14,013,394	4,761,303

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Notes to the Financial Statements

30 June 2020

6 Income tax expense

	2020	2019
	\$	\$
<i>The components of tax expense comprise:</i>		
Current tax	-	-
Deferred tax	271,606	-
Total	271,606	-
<i>Amounts charged or credited directly to equity:</i>		
Equity issue costs	(71,917)	-
Total	(71,917)	-
<i>Numerical reconciliation of income tax expense to prima facie tax payable:</i>		
Accounting profit before tax from continuing operations	699,438	-
At the statutory income tax rate of 27.5% (2019: nil)	192,345	-
Adjusted for tax effect of:		
Adjustment of inventory	84,662	-
Other	(5,401)	-
Total	271,606	-

7 Remuneration of auditors

	2020	2019
	\$	\$
PricewaterhouseCooper Australia:		
Audit and review of the financial report	92,820	21,877
Compliance audit	7,845	6,221
Total	100,665	28,098

8 Cash and cash equivalents

	2020	2019
	\$	\$
Cash at bank	237,813	8,600
Total	237,813	8,600

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:

	2020	2019
	\$	\$
Cash and cash equivalents	237,813	8,600

9 Trade and other receivables

	2020	2019
	\$	\$
Trade receivables	354,840	516,558
Total	354,840	516,558

Trade receivables are non-interest bearing and are generally on 30 day terms.

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Notes to the Financial Statements

30 June 2020

10 Inventories

	2020	2019
	\$	\$
Agricultural produce		
Almonds at processor	13,739,990	5,230,670
Fuel, chemicals and fertiliser	925,928	-
Total	14,665,918	5,230,670

Agricultural produce inventory represents almonds which have been harvested but not yet sold.

The Trust receives instalment payments of the proceeds as the almonds are sold and therefore the final sale price will not be known until the final instalment is received, which for the current forecast is due in June 2021. The forecast sale price is \$6.95 per kilogram (2019 harvest: \$8.43 actual).

11 Biological assets

The following expenses have been capitalised during the year:

	2020	2019
	\$	\$
Opening balance	-	-
Costs capitalised - pre merger	925,568	-
Costs capitalised - acquired at merger	1,684,078	-
Direct agricultural expenses	3,894,575	2,914,881
Labour expenses	927,504	387,699
Repairs and maintenance expense	677,885	486,753
Rental and property expenses	-	1,474,552
Lease assets - interest	1,283,949	-
Lease assets - depreciation	3,670,566	-
Change in fair value of biological asset	675,865	(33,215)
Transfer to inventory	(13,739,990)	(5,230,670)
Closing balance	-	-

The increment in biological assets represents the expected market price net of selling costs for the almond crop, which is generally harvested in the first four months of the calendar year. The Trust receives instalment payments of the proceeds as the almonds are sold and therefore the final sale price will not be known until the final instalment is received, which for the current harvest is due in June 2021. The forecast sale price is \$6.95 per kilogram (2019 actual: \$8.43 per kilogram). The Trust does not own any trees. The fair value less costs to sell of almonds on trees and cost of work performed in respect of the 2021 crop at the year ended 30 June 2020 was nil.

12 Other assets

	2020	2019
	\$	\$
Prepayments	25,081	-
Total	25,081	-

13 Financial assets

	2020	2019
	\$	\$
Shares in Almondco	4,200	-
Total	4,200	-

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Notes to the Financial Statements

30 June 2020

14	Goodwill	2020	2019
		\$	\$
	Opening net book amount	-	-
	Acquisition of business	255,197	-
	Impairment	(255,197)	-
	Closing net book amount	-	-

Goodwill was attributable to the premium paid for the reverse acquisition on 30 August 2019. *Note 23: Business combination* provides details on this acquisition.

15	Trade and other payables	2020	2019
		\$	\$
	Trade payables	327,369	500,395
	Accrual	410,503	-
	Sundry creditors	29,776	-
	Interest payable to RFM	-	46,261
	Total	767,648	546,656

16	Interest bearing liabilities	2020	2019
		\$	\$
	Current		
	Loan from RFM	-	256,573
	Borrowings (ANZ)	1,000,000	-
	Non-current		
	Borrowings (ANZ)	1,500,000	-
	Total	2,500,000	256,573

At 30 June 2020, the bank facility limit was \$4,500,000 (2019: nil). The facility has an expiry date of June 2022. The interest on these facilities is charged at the applicable BBSY rate plus a margin. Notwithstanding the expiry date of the facilities being beyond 12 months from balance date, the debt on the Borrowing base facility is classified as current due to the term of settlement for the draw-down being within one year. The almond inventory is used as security for the bank loans.

Loan covenants

Under the terms of the borrowing facilities, the Trust is required to comply with the following financial covenants and may vary with bank consent:

- the borrowing base ratio must not exceed 50%;
- the fixed charge cover ratio must be above 1.00; and
- the loan to value ratio must not exceed 50%.

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Notes to the Financial Statements

30 June 2020

17 Deferred tax

	2020	2019
	\$	\$
Deferred tax liabilities		
Sundry debtors	1,164	-
Inventories	4,033,127	-
Lease - property and equipment	7,939,858	-
Gross deferred tax liabilities	11,974,149	-
Set-off of deferred tax assets	(11,242,808)	-
Net deferred tax liabilities	731,341	-
	2020	2019
	\$	\$
Deferred tax assets		
Accruals	19,156	-
Provisions	15,179	-
Equity issue costs	57,535	-
Lease - property and equipment	8,557,076	-
Unused income tax losses	2,557,923	-
Other	35,939	-
Gross deferred tax assets	11,242,808	-
Set-off of deferred tax liabilities	(11,242,808)	-
Net deferred tax assets	-	-

Franking credits

At 30 June 2020 there are nil of franking credits available to apply to future income distributions (2019: nil).

18 Recognised tax assets and liabilities

	Note	Current income tax		Deferred income tax	
		2020	2019	2020	2019
		\$	\$	\$	\$
Opening balance		-	-	-	-
Charged to income		-	-	(271,606)	-
Charged/(credited) to equity		-	-	71,917	-
Tax paid		-	-	-	-
Acquisition & disposals	23	-	-	(531,652)	-
Total		-	-	(731,341)	-
Tax expense through profit or loss:				271,607	-
Amounts recognised in Consolidated Statement of Financial Position:					
Deferred tax asset				-	-
Deferred tax liability				(731,341)	-
Total				(731,341)	-

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Notes to the Financial Statements

30 June 2020

19 Financial risk management

Financial risk management policies

Financial instruments of the Trust comprise cash and cash equivalents, interest bearing liabilities, and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

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 reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, ultimately to the Board of Directors of the Responsible Entity.

Financial risk management policies (continued)

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty. In order to avoid excessive concentrations of risk, the Trust monitors its exposure to ensure concentrations of risk remain within acceptable levels.

Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Trust to incur a financial loss.

Regarding credit risk arising from the financial assets of the Trust, the Trust's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the carrying amounts of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Trust sells its almonds through Almondco, an almond processing and marketing cooperative. The Trust retains ownership of the almonds until payment is received for their sale. Credit risk from this counterparty is assessed as low.

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled as the Trust maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Responsible Entity of the Trust defines capital as net assets attributable to unitholders. The Trust's objectives when managing capital are to safeguard the going concern of the Trust and to maintain optimal capital structure. The Trust manages liquidity risk by monitoring forecast cash flows and ensuring that adequate headroom on borrowing facilities are maintained. In order to maintain or adjust the capital structure, the Trust may adjust the amount of distributions paid to unitholders.

Financial liabilities of the Trust comprise trade and other payables, and net assets attributable to Unitholders. Trade and other payables have no contractual maturities but are typically settled within 30 days.

Interest rate risk

The Trust's unhedged exposure to Australian variable interest rates on financial assets and financial liabilities are detailed in the table below:

	2020	2019
	\$	\$
Cash and deposits with banks	237,813	8,600
Borrowings	(2,500,000)	(256,573)
Total	(2,262,187)	(247,973)

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Notes to the Financial Statements

30 June 2020

19 Financial risk management (continued)

Market risk (continued)

Market risk is the risk that the fair value or future cash flows of financial assets will fluctuate due to changes in market variables such as interest rates. The effects of a \$0.50/kg change in the price of almonds on unrealised harvest proceeds are shown in the following table. Any effect in the unrealised harvest proceeds would affect the net payable or receivable from the grower following payment of next year's growing costs.

	2020 Per grove \$	2020 Total \$	2019 Per grove \$	2019 Total \$
Increase of \$0.50/kg	406	1,044,530	365	348,635
Decrease of \$0.50/kg	(406)	(1,044,530)	(365)	(348,635)

Fair values

The Trust's financial assets and liabilities included in the Statement of Financial Position are carried at their fair value or at amounts that approximate their fair values.

20 Issued units

	2020		2019	
	No. of units	\$	No. of units	\$
Units on issue at the beginning of the year	-	-	-	-
Units converted from Almond lots, net of equity issue costs	2,143,930	1,982,119	-	-
Units issued during the year	7,318,215	6,634,481	-	-
Units on issue at the end of the year	9,462,145	8,616,600	-	-

21 Right of use assets

	2020 \$	2019 \$
Properties		
Recognised on 1 July - properties	11,686,982	-
Acquired as part of merger - properties	16,697,486	-
Addition capitalised during the year	569,132	-
Depreciation during the year - properties	(3,245,740)	-
Closing balance	25,707,860	-
Equipment		
Recognised on 1 July - equipment	685,123	-
Acquired as part of merger - equipment	1,239,853	-
Acquired during the year	1,043,824	-
Depreciation during the year - equipment	(424,827)	-
Closing balance	2,543,973	-

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Notes to the Financial Statements

30 June 2020

22 Lease liabilities

	2020	2019
	\$	\$
Recognised on 1 July	12,372,105	-
Acquired as part of merger	18,622,339	-
Addition financed during the year	1,612,956	-
Payments made	(2,111,138)	-
Closing balance	30,496,262	-
Of which are:		
Current lease liabilities	3,664,116	-
Non-current lease liabilities	26,832,146	-
Closing balance	30,496,262	-

23 Business combination

On 28 August 2019, the Growers of AF07 and AF08 agreed to merge with AF06 and exchange their almond lots for units in AF06. RFM also agreed to convert its 291 Almond lots in AF06 to units in RAF. The merger was completed on 30 August 2019 and AF06 changed its name to RFM Almond Fund.

Under the principles of AASB3: *Business Combinations*, the merger is being treated as a reverse acquisition. As such, the assets and liabilities of the legal subsidiary (the accounting acquirer), being AF08, are measured at its carrying amounts. The assets and liabilities of the legal parent (accounting acquiree), being AF06 are measured at fair value on the date of acquisition.

The following table shows the assets acquired, liabilities and the purchase consideration at the acquisition date. The units issued to RFM include units converted for RFM owned 291 Almond lots in AF06 and units issued for the RFM owned area of 41.22 hectares acquired by RAF.

	AF06	AF07	RFM	Total
	\$	\$	\$	\$
Purchase consideration:				
Ordinary shares issued	1,982,119	1,383,705	1,677,090	5,042,914
Total purchase consideration	1,982,119	1,383,705	1,677,090	5,042,914
The fair value of identifiable assets and liabilities recognised as a result of acquisition were as follows:				
Inventories	3,715,767	1,511,635	2,216,825	7,444,227
Biological assets	891,907	328,055	464,116	1,684,078
Investment	2,100	2,100	-	4,200
Lease prepayment	489,189	186,056	258,956	934,201
Right of use assets	8,601,140	3,913,985	5,422,214	17,937,339
Loan	(2,421,911)	(579,608)	(794,615)	(3,796,134)
Lease liabilities	(8,838,140)	(4,159,985)	(5,624,214)	(18,622,339)
Deferred tax liabilities	(314,627)	(73,730)	(143,295)	(531,652)
Net identifiable assets acquired	2,125,425	1,128,508	1,799,987	5,053,920
Add: Goodwill	-	255,197	-	255,197
Less: Gain on acquisition	(143,306)	-	(122,897)	(266,203)
Net assets acquired	1,982,119	1,383,705	1,677,090	5,042,914

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Notes to the Financial Statements

30 June 2020

23 Business combination (continued)

The purchase consideration transferred to the Growers of each Scheme and RFM during the merger has been calculated based on the acquisition date fair value of RAF and allocated to each Scheme and RFM in accordance with the conversion ratios on merger.

Lease prepayments of \$934,201 relates to the prepayment of approximately 50% of the FY20 land rental prior to the merger. (\$685,000) recognised as part of the fair value of the right of use assets on acquisition relates to the estimated unfavourable terms of lease contracts acquired as part of the business combination. The fair value of the right of use assets on acquisition have been determined based on estimates due to a lack of observable market data for comparable leases. A deferred tax liability of \$ has been recognised in relation to these fair value adjustments.

Acquisition cost

Acquisition costs of \$158,403 have been included in expenses in the statement of comprehensive income.

Revenue contribution

The merged business contributed income of \$12,479,400 to the Trust for the period from 31 August 2019 to 30 June 2020.

24 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

Other key management personnel

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

In accordance with RFM Almond Fund 2006 product disclosure statement issued on 25 July 2019, the Responsible Entity received management fees of \$43.20 (2019: \$256.39), inclusive of GST, per almondlot for the period of July to August 2019. RFM waived the management fee charged to RAF for the remainder of the 2020 financial year.

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.

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Notes to the Financial Statements

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25 Related party transactions

Responsible entity (Rural Funds Management) and related entities

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

	2020	2019
	\$	\$
Pre-merger transactions		
Management fee	41,302	245,113
Total management fees	41,302	245,113
Expenses reimbursed to RFM	883,705	3,497,495
Rental expense paid to Rural Funds Trust	786,797	1,474,552
Rent paid to RF Active	41,864	291,838
Interest paid to RFM	4,921	46,261
Total amount paid to RFM and related entities	1,758,589	5,555,259
Post-merger transactions		
Expenses reimbursed to RFM	636,530	-
Expenses reimbursed to Rural Funds Trust	89,920	-
Rental expense paid to Rural Funds Trust	2,083,248	-
Rent paid to RF Active	557,245	-
Interest paid to RFM	19,595	-
Total amount paid to RFM and related entities	3,386,538	-
<i>Debtors</i>		
	2020	2019
	\$	\$
RFM	-	516,558
Total	-	516,558
<i>Creditors</i>		
	2020	2019
	\$	\$
Rural Funds Trust	2,604	-
RFM	1,425	-
Total	4,029	-
<i>Loan from related parties</i>		
	2020	2019
	\$	\$
RFM	-	256,573
Total	-	256,573
<i>Lease liabilities (current and non-current)</i>		
	2020	2019
	\$	\$
Rural Funds Trust	27,959,153	-
RF Active	2,537,109	-
Total	30,496,262	-

RFM Almond Fund (formerly RFM Almond Fund 2006)

ARSN 117 859 391

Notes to the Financial Statements

30 June 2020

25 Related party transactions (continued)

The lease liabilities arise from the adoption of AASB 16. Refer to Note 2, 23 and 24 for further details.

26 Cash flow information

	2020	2019
	\$	\$
Net (loss) after income tax	381,724	(460,573)
Non-cash flows in (loss):		
Change in fair value of biological assets	(6,513,857)	-
Depreciation and impairments	3,925,763	-
Gain on acquisition	(266,204)	-
Dividend received	(540)	-
Changes in assets and liabilities		
Decrease in trade and other receivables	162,258	11,727
(Increase) in inventories	(1,931,927)	(671,668)
Decrease in biological assets	8,345,338	-
(Increase) in other assets	(25,078)	-
Increase in trade and other payables	229,569	362,242
(Increase) in equity issue costs	(189,603)	-
Increase in deferred tax liabilities (net)	199,689	-
Net cash inflow / (outflow) from operating activities	4,317,132	(758,272)

27 Events after the reporting date

Following the year end, based on changes in the market, the latest estimated sales price of almonds as provided by Almondco is \$7.10/kg. The price increase of \$0.15/kg has not been taken to account as the movement represents the fair value movement in the market value of almonds since 30 June 2020. The final sales proceeds are subject to change based on market conditions throughout the next year and will not be known until 30 June 2021.

On 24 August 2020, Rural Funds Group (RFF) exchanged contracts for the sale of the Moorall almond orchard with a global agriculture and timberland investment manager as nominee for a special purpose vehicle that will be owned by pension funds and institutional investors. The sale is conditional on completion of due diligence (within 45 days but subject to possible extensions) and Foreign Investment Review Board approval.

No other matter or circumstance has 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.

RFM Almond Fund (formerly RFM Almond Fund 2006)

ARSN 117 859 391

Directors' Declaration

30 June 2020

In the Directors of the Responsible Entity's opinion:

- 1 The financial statements and notes of RFM Almond Fund set out on pages 9 to 30 are in accordance with the *Corporations Act 2001*, including:
 - a. comply with Accounting Standards, the *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 30 June 2020 and of its performance for the 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 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

29 September 2020



Independent auditor's report

To the unitholders of RFM Almond Fund (formerly RFM Almond fund 2006)

Our opinion

In our opinion:

The accompanying financial report of RFM Almond Fund (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 2020 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 2020
- the statement of comprehensive income for the year then ended
- the statement of changes in equity 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

PricewaterhouseCoopers, ABN 52 780 433 757

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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 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 that we 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 are responsible for the preparation of the 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 determines 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 intends 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 handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Rod Dring', written in a cursive style.
Rod Dring
Partner

Sydney
29 September 2020

Responsible Entity

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