

Rural Funds Group

ASX:
RFF

Managed by:



Managing good assets with good people

Financial results presentation

half-year ended 31 December 2020

18 February 2021



Disclaimer and glossary of terms

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Glossary

Adjusted NAV - Net Asset Value (NAV) adjusted for the independent valuation of water entitlements; **Adjusted total assets** - Total assets adjusted for the independent valuation of water entitlements; **ASX** - Australian Securities Exchange; **AFFO** - Adjusted funds from operations, a financial metric used in the REIT sector to measure available cash flow from operations (adjustment relates to non-cash tax expense); **BBSW** - Bank Bill Swap Rate; **CAGR** - Compound annual growth rate; **Counterpart** - A party other than RFF involved in a financial transaction, usually referring to the lessee of a property; **CPI** - Consumer Price Index; **CY** - Calendar year; **DPU** - Distributions per Unit; **EBITDA** - Earnings Before Interest, Taxes, Depreciation and Amortisation; **Fair value** - Value of an asset as determined by an independent valuation; **Gearing** - Calculated as external borrowings/adjusted total assets; **Group** - Term used for the Rural Funds Group; **ha** - Hectare(s); **HY21** - Half-year ended 31 December 2020; **LVR** - Loan to valuation ratio, a bank covenant calculated as debt divided by tangible assets (including water entitlements); **ML** - Megalitre; **m** - Million(s); **NAV** - Net asset value, calculated as assets less the value of liabilities (does not recognise fair value of water entitlements); **P&E** - Plant and equipment; **Pro forma** - Financial statements based on certain assumptions and projections; **Total assets** - Total value of assets as presented on the balance sheet (water entitlements recorded at the lower of cost or fair value); **REIT** - Real Estate Investment Trust; **RFF** - Rural Funds Group (ASX:RFF); **RFM** - Rural Funds Management Limited, manager and responsible entity for RFF.

Presenters



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1 HY21 financial results

Mary River, water source for Maryborough macadamia orchard developments, central Queensland, August 2020.

Key activities and highlights

Assets secured and macadamia orchard developments commenced.

- **Additional land and water secured for macadamia orchard development program:**
 - Maryborough: 5,258 ha of sugar cane farms and 8,060 ML of water entitlements.
 - Rockhampton: two cattle properties and contracts exchanged to acquire 21,600 ML of water entitlements upon completion of Rookwood Weir.
- **Macadamia orchard developments commenced:** 500 ha planned for CY21.
- **Disposal of almond orchard:** at 21% premium to adjusted book value, providing funds for reinvestment.¹
- **Increase of guarantee associated with JBS operated feedlots²:** from \$82.5m to \$99.9m (January 2021), providing increased revenue from implementation.
- **FY22 forecast distributions of 11.73 cents per unit:** in line with 4% annual growth target:
 - No rent relief required by lessees due to COVID-19.
 - FY21 forecasts confirmed.

HY21 results highlights

AFFO per unit

6.6 cents

on track with FY21f

Distributions per unit

5.64 cents

↑ 4% on HY20

Earnings per unit³

17.26 cents

↑ 94% on HY20

Gearing

30.2%

Lower end of 30–35% target

Adjusted NAV per unit

\$2.01

↑ 4% on FY20

FY22f distributions per unit

11.73 cents

↑ 4% on FY21

Notes:

1. Excluding portion of land (\$4.1m) awaiting necessary approvals; expected to settle prior to 30 June 2021
2. Guarantee provided to J&F Australia Pty Ltd.
3. Earnings calculated TCI/weighted average units (see page 18).

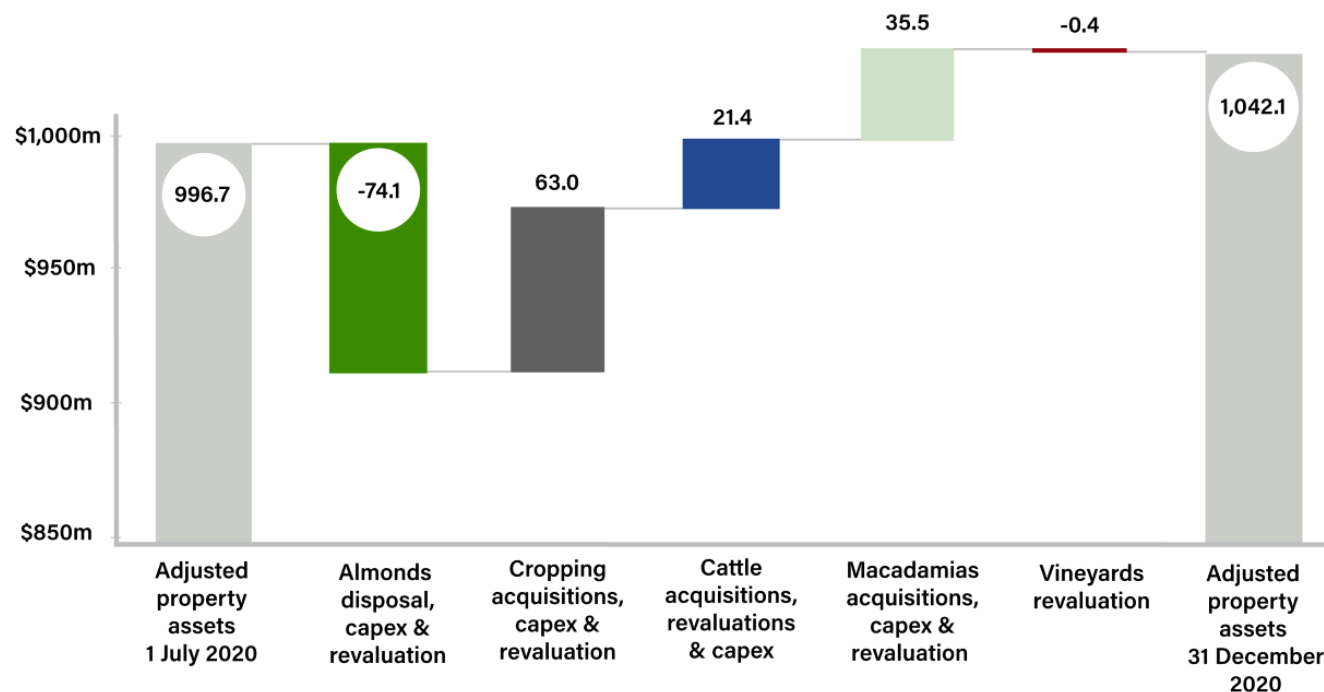
Property movements

Capital recycled into macadamia development assets.

• Key movements:

- a) **Almonds:** disposal of Moorall almond orchard for \$77.1m, depreciation of \$1.4m net of development capex of \$4.2m and revaluation of \$0.2m.^{2, 3}
- b) **Cropping:** acquisition of 22 sugar cane farms (Maryborough) for \$56.4m (leased/operated as cropping properties prior to being converted to macadamia orchards), development capex of \$3.8m, P&E of \$2.9m net of depreciation of \$0.1m.
- c) **Cattle:** acquisition of additional area for existing cattle property (Rockhampton) for \$4.3m, cattle \$5.3m, revaluations of \$7.8m, development capex of \$3.9m and P&E of \$0.1m.⁴
- d) **Macadamias:** acquisition of three sugar cane farms (Maryborough) for \$18.3m and two cattle properties (Rockhampton) for \$13.1m (for near-term development to macadamia orchards), development capex of \$2.5m, P&E of \$1.8m net of depreciation of \$0.2m.^{3, 5}
- e) **Vineyards:** revaluation of \$0.1m net of bearer plants depreciation of \$0.5m.³

Adjusted property assets movements (\$m) by sector¹



• For details of independent valuations see page 23.

Notes:

1. The sector totals presented in the chart are net of written-off transaction costs and inclusive of capex. Acquisition amounts include stamp duty. Revaluations include straight-lining adjustment for rent and finance lease adjustments. Adjusted property assets include plant and equipment (P&E).
2. Moorall disposal excludes portion of land (\$4.1m) awaiting necessary approvals; expected to settle prior to 30 June 2021.
3. Directors' valuation applied to bearer plants, which are treated as property, plant and equipment and depreciated in accordance with AASB116.
4. Addition to existing property Homehill (Dec 2020 \$4.3m). Revaluation includes Rewan for \$7.1m.
5. Cattle property acquisitions include Riverton (Nov 2020 \$6.5m) and Stoneleigh (Dec 2020 \$6.6m).

Earnings and balance sheet summary

HY21 AFFO and DPU on track for full-year forecasts. FY22 forecast distributions announced.

- Property revenue has decreased primarily as a result of the poultry asset disposal (\$71.4m), offset by the income from new acquisitions, development capital expenditure, lease indexation and increase in J&F guarantee income.
- TCI increased 97% and EPU increased 94% mainly due to the gain associated with the disposal of the Moorall almond orchard and independent valuation of Rewan cattle property.⁴
- Gearing of 30% at lower end of 30–35% target range.
- Adjusted NAV per unit \$2.01, representing 4% increase to the prior period.
- Forecasts:
 - FY21 forecast AFFO of 11.7 cents per unit (CPU) confirmed
 - FY21 forecast DPU of 11.28 cents confirmed
 - FY22 forecast DPU of 11.73 CPU (representing 4% increase on FY21f).
- Refer to pages 18 to 22 for further information.

Income and earnings metrics

	6 mths ended 31 December 2020	6 mths ended 31 December 2019
Property revenue - \$	33,916,000	37,592,000
Total comprehensive income (TCI) - \$	58,425,000	29,731,000
Earnings per unit (EPU) ¹ - cents	17.26	8.9
Adjusted funds from operations (AFFO) - \$	22,170,000	23,656,000
AFFO per unit - cents	6.6	7.1
Distributions per unit (DPU) - cents	5.64	5.42
AFFO payout ratio	85%	76%

Balance sheet summary

	As at 31 December 2020	As at 30 June 2020
Total assets - \$	982,580,000	914,920,000
Adjustment for water at fair value - \$	81,411,000	97,699,000
Adjusted total assets ² - \$	1,063,991,000	1,012,619,000
External borrowings - \$	321,816,000	301,023,000
Gearing ³ - %	30.2%	29.7%
Net asset value (NAV) - \$	599,814,000	557,966,000
NAV per unit - \$	1.77	1.65
Adjusted NAV ² - \$	681,225,000	655,665,000
Adjusted NAV per unit ¹ - \$	2.01	1.94

Notes:

- Earnings calculated TCI/weighted average units (see page 18).
- Assets adjusted for the independent valuation of water entitlements which are recognised at the lower of cost or fair value on balance sheet.
- Gearing calculated as external borrowings/adjusted total assets.
- For tax purposes the capital gain as a result of the disposal of Moorall will be attributed to FY21 distributions (11.28 cents per unit - unchanged). This capital gain has been partly attributed to the December 2020 distribution with the remainder expected to be attributed to remaining FY21 distributions. See ASX disclosure dated 28 January 2021 for further information.

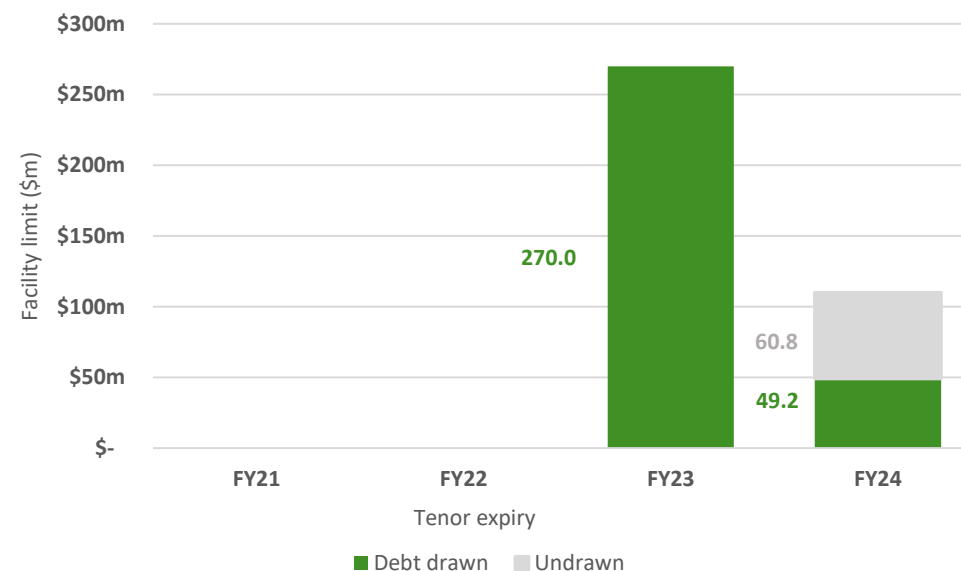
Debt facility and interest rate hedges

Facility tenor extended.

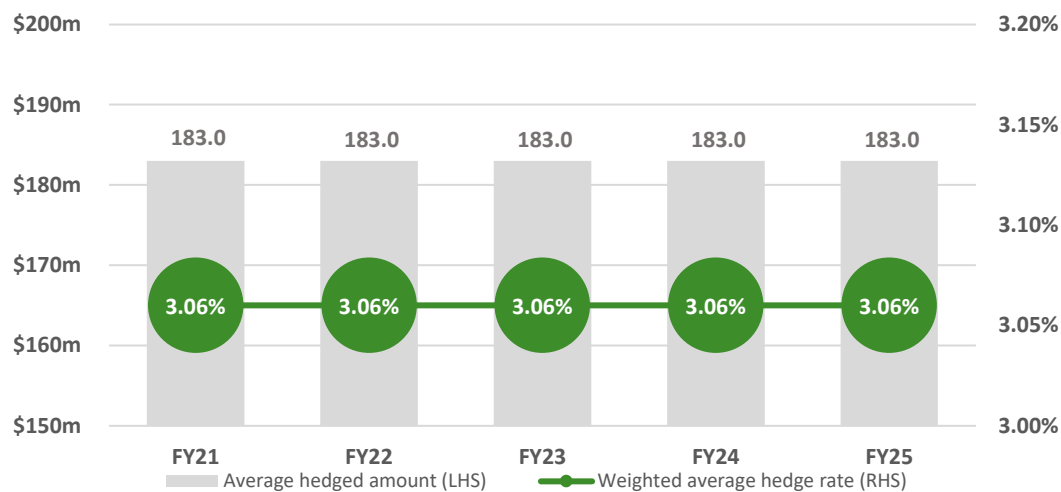
Debt facility metrics

		31 December 2020	30 June 2020
Debt facility	Term debt facility limit ^{1, 2}	\$380.0m	\$335.0m
	Term debt drawn	\$319.2m	\$297.2m
	Headroom	\$60.8m	\$37.8m
	Cost of debt ³	3.22%	3.74%
Covenants	Loan to Value Ratio (LVR) ^{1, 5}	40.3%	39.1%
	Interest Cover Ratio (ICR) ^{1, 4}	8.98	5.85
	Adj. Net Tangible Assets (NTA) ¹	\$681.2m	\$655.7m
Hedging	Total amount hedged ⁶	\$183.0m	\$183.0m
	Proportion debt hedged ^{1, 7}	57.3%	61.6%
	Weighted average duration ⁸	8.0 years	8.5 years

Debt facility tenor



Interest rate hedges (FY21 to FY25)



Notes:

- Key financial covenants for FY21: LVR <50%, ICR >3.00x, with distribution permitted at >3.15x, Adj. NTA including water entitlements >\$400m, 40% hedging requirement.
- Security: real property mortgages, general security agreement, cross guarantees between RFF and subsidiaries.
- Cost of debt calculated as total interest expense plus cost of hedges, divided by average debt drawn.
- ICR calculated on EBITDA. ICR HY21 higher due to gain on Moorabool sale.
- LVR calculated as term debt drawn plus guarantee of \$82.5m (as at 31 Dec 2020) divided by directly secured assets based on independent valuations. Guarantee increased to \$99.9m February 2021.
- Current hedges only.
- Proportion hedged calculated as current hedges/term debt drawn.
- Duration remaining as at 31 December 2020 and includes forward start hedges.



2 Strategy and portfolio update

Cultivation of planting material for macadamia orchard developments, Nursery Farm, Bundaberg - central Queensland, August 2020.

Recycling capital into macadamia developments

Capital realised from assets developed by RFM.

- RFM has over two decades of experience developing and operating agricultural assets in the cropping, viticulture, poultry, almond and macadamia sectors.
- Funding for the macadamia developments will include capital from the sale assets developed by RFM, including:
 - Poultry sheds: 44 poultry sheds constructed following acquisition of 110 sheds in 2003. Sold in December 2019 for \$71.4m, in line with depreciated value.
 - Almond orchard: 808 ha orchard developed 2006 to 2008. Sold in December 2020 for \$93.3m¹, a 21% premium to adjusted book value.
- The investment into macadamias is consistent with RFM's strategy of investing in sectors in which RFM has development and operating knowledge.

Examples of assets developed by RFM



*Geier vineyard development (also page 17),
Barossa Valley - South Australia, August 2000.*



*Poultry shed construction,
Griffith - New South Wales, August 2006.*



*Almond orchard development,
Hillston - New South Wales, April 2008.*

Note:

1. Excluding portion of land (\$4.1m) awaiting necessary approvals; expected to settle prior to 30 June 2021.

Development progress

Year one development program commenced.

Planned macadamia orchard locations



- RFM horticultural staff have relocated to central Queensland to oversee the macadamia developments. Year one development program (2021 calendar year) includes:
 - Rockhampton: 50 ha - one property.
 - Bundaberg: 100 ha (38 ha completed) - three properties, and expansion of macadamia tree nursery to supply planting material.
 - Maryborough: 350 ha - three properties.
- Macadamia lessee update: lessee negotiations ongoing. Existing earnings and balance sheet capacity to enable commencement of the developments while continuing to fund distributions.
- Income from assets surplus to year one development program:
 - Rockhampton: cattle properties expected to be leased.
 - Maryborough: approximately 47% of sugar cane properties leased. RFM will crop established cane on behalf of RFF on remaining properties.



Ground preparation, Maryborough, Feb 2021.



Macadamia tree planting, Bundaberg, Jan 2021.

Enhancing the portfolio

The investment into macadamias is consistent with RFM's strategy of investing in sectors in which Australia participates globally and improving portfolio diversification.

Assets map, sector information and key lessees¹

Cattle 38%

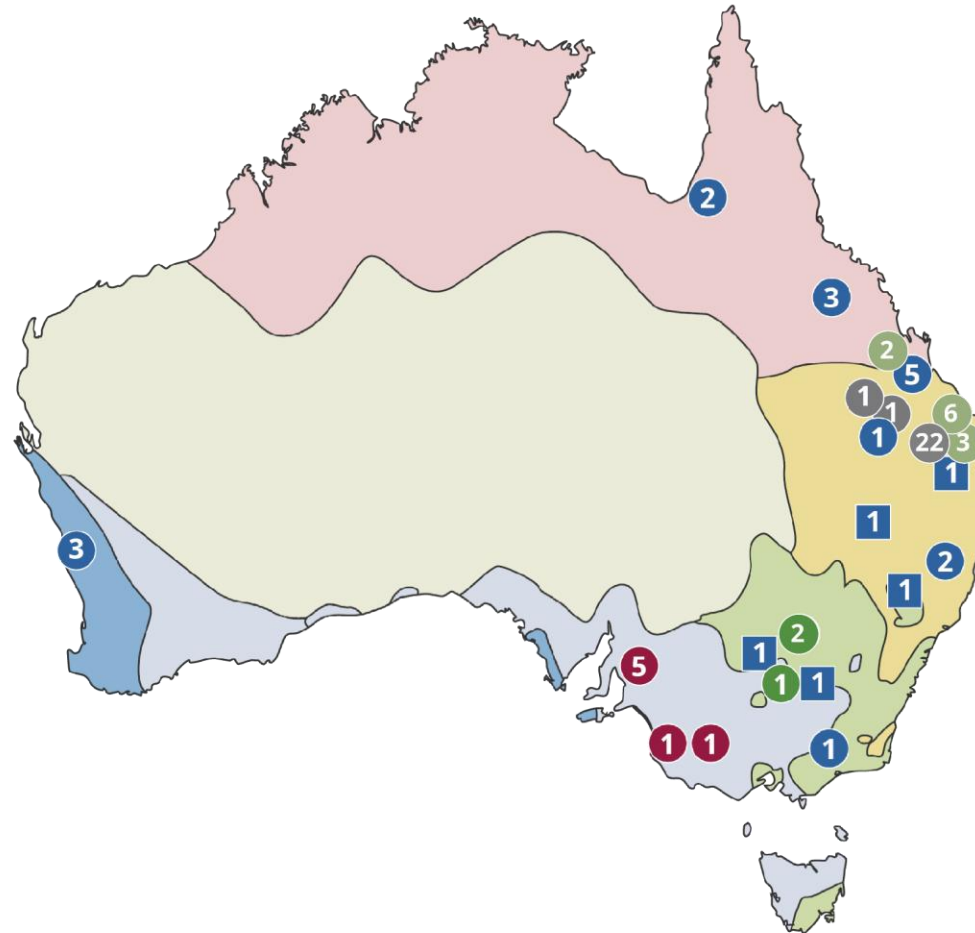
Properties: 22
 Description: 672,665 ha of breeding and backgrounding land. 150,000 head feedlot capacity.
 HY21 value: \$357.8m
 FY21f revenue: \$26.9m (38%)
 Water entitlements: 11,456 ML

Corporate and listed lessees:

Vineyards 6%

Properties: 7
 Description: 666 ha of mature vineyards.
 HY21 value: \$63.4m
 FY21f revenue: \$4.0m (6%)
 Water entitlements: 936 ML

Corporate and listed lessees:



Almonds 44%

Properties: 3
 Description: 4,139 ha of established orchards.
 HY21 value: \$382.1m
 FY21f revenue: \$31.1m (44%)
 Water entitlements: 55,396 ML

Corporate and listed lessees:

Cropping 5%

Properties: 24
 Description: 12,093 ha of irrigated cropping and dryland cropping land.
 HY21 value: \$115.6m
 FY21f revenue: \$3.7m (5%)
 Water entitlements: 37,922 ML

Corporate and listed lessees:

Macadamias 2%

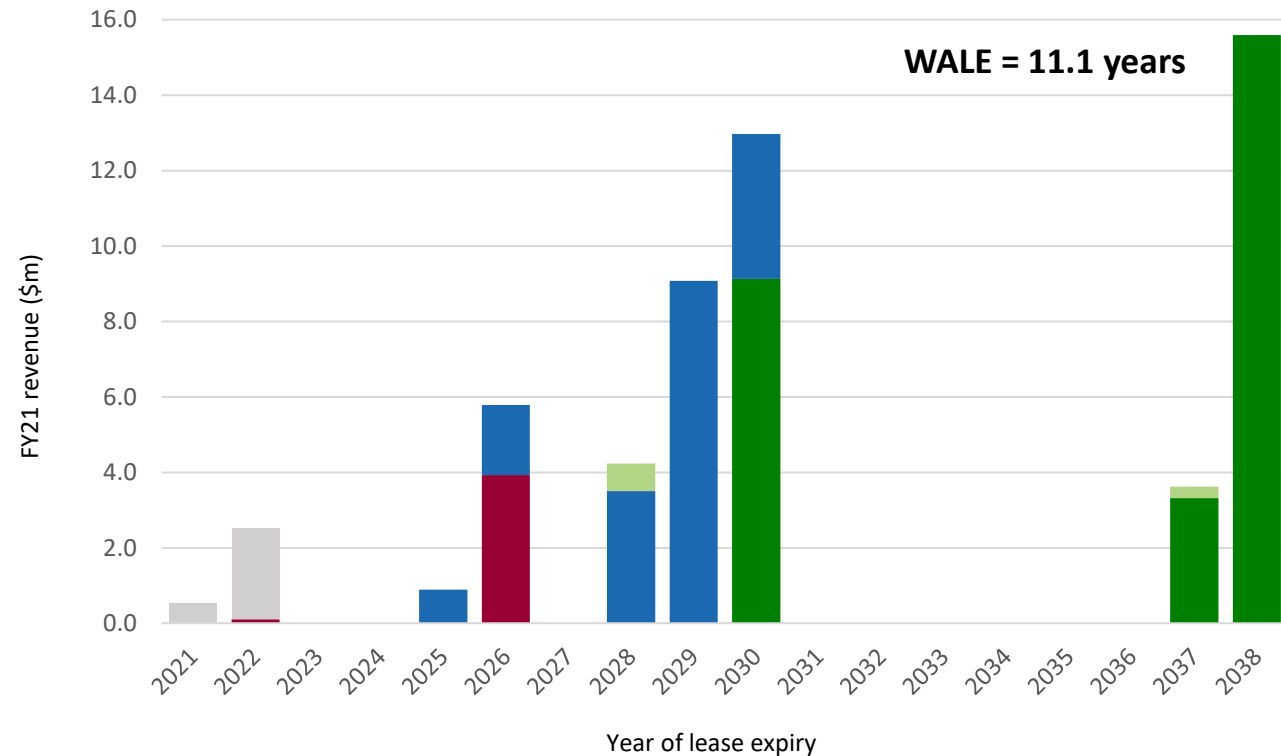
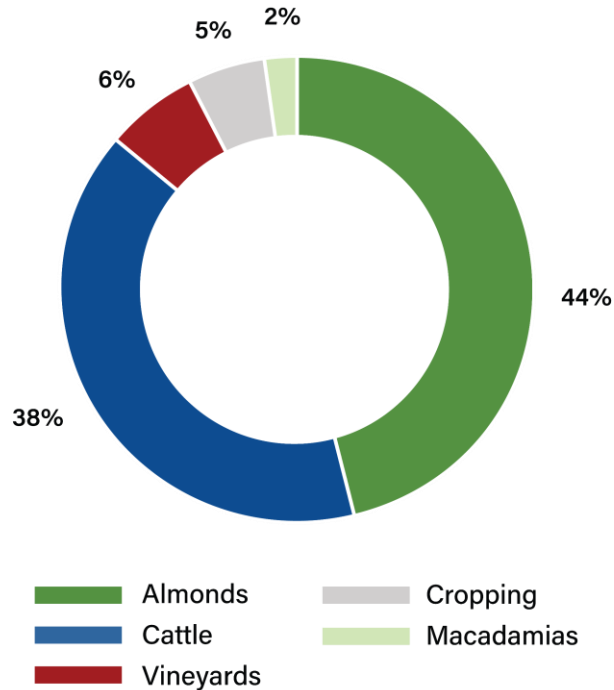
Properties: 11
 Description: 273 ha of established orchards (4 properties), 500 ha of orchards under development (8 properties).
 HY21 value: \$58.0m
 FY21f revenue: \$1.5m (2%)
 Water entitlements: 3,892 ML

Note:
 1. Shaded areas denote climatic zones differentiated by rainfall seasonality. Source: Bureau of Meteorology; see Climatic Diversification discussion paper, 20 June 2016. Numbers in the circles/boxes on map show number of assets. Blue square boxes denote cattle feedlots. Murrumbidgee HS water entitlement (8,754 ML) with a value of \$65.2m not shown.

Revenue growth and improving lease metrics

The investment into macadamias is expected to provide increased earnings and WALE in future years.

FY21f revenue by sector and year of lease expiry¹



Note:

1. Excludes assets not leased. Other income (FY21f 5%) not shown. Weighted average lease expiry (WALE) calculated as the FY21 forecast rent and the year of lease expiry.



3 Conclusion

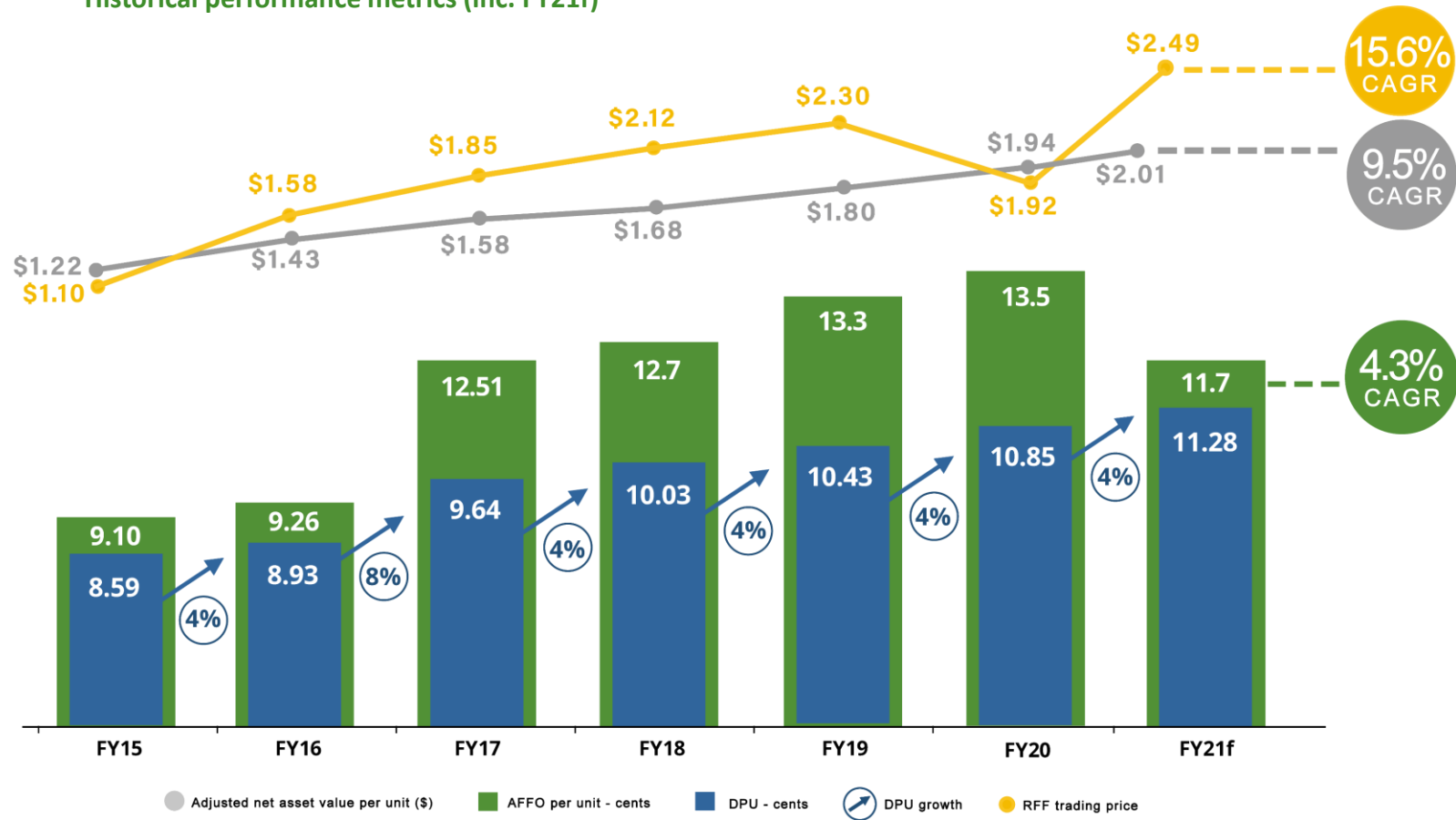
Livestock forage crop (sorghum) growing under a new irrigation pivot at Comanche, Rockhampton - central Queensland, January 2021.

Performance metrics

Historical distribution growth of at least 4% per annum: in line with strategy.



Historical performance metrics (inc. FY21f)¹



Total unitholder return 304% (RFF) vs. 75% (index).²

NAV growth reflecting productivity and development gains.

AFFO growth in excess of distribution growth target.

Distribution growth of at least 4% per annum.

Notes:

- Adjusted NAV and trading price at relevant financial year end except \$2.01 (as at 31 December 2020) and \$2.49 (as at 12 February 2021). Compound annual growth rate (CAGR) calculated daily.
- 1 July 2014 to 12 February 2021. Total unitholder return assumes RFF dividends reinvested. Index return S&P/ASX 300 A-REIT Accumulation Index.

Conclusion

Macadamia developments commenced. FY22 forecast distributions announced.

1. **Material assets secured for the 5,000 ha macadamia developments.**
2. **Initial funding provided from capital recycling:** AFFO lower than prior corresponding period as a result of capital recycling but in line with full year forecast, and expected to increase following completion of developments.
3. **Macadamia developments commenced:** 500 ha of macadamia orchards planned to be developed in CY21.
4. **Existing earnings and balance sheet capacity to commence the developments:** while continuing to fund distributions.
5. **RFM in process of securing lessees:** to further increase revenue generation.
6. **FY22 forecast distributions of 11.73 cents per unit:** in line with 4% DPU growth strategy.

RURAL FUNDS GROUP (ASX: RFF)

- **ASX-listed agricultural Real Estate Investment Trust (REIT).** Included in the S&P/ASX 300 index.
- **Owns** a diversified portfolio of agricultural assets leased predominantly to corporate operators.
- **Target distribution growth** of 4% per annum.
- **Income growth** achieved through lease indexation, productivity improvements and conversion of assets to higher and better use.
- **Managed** by a specialist agricultural farm and fund manager with over 24 years experience.



Geier vineyard prior to harvest, Barossa Valley - South Australia, January 2021.

4 Appendices

HY21 results – summarised comprehensive income

- Property revenue has decreased primarily as a result of the poultry asset disposal, offset by the income from new acquisitions, development capital expenditure, lease indexation and increase in J&F guarantee income.
- Other income relates to unleased Murrumbidgee High Security Water annual allocation sales.
- Property expenses increased largely due to new properties under development.
- Finance costs decreased as a result of debt repayment and lower BBSW rate.
- Gain on sale of assets primarily related to sale of the Moorral property.
- Depreciation and impairments related mainly to plant and equipment owned within RF Active.
- Property revaluations of \$1.7m (including bearer plants, investment property, property-owner occupied, and intangibles). Total assets reconciliation see page 22.
- Income tax expense relates to RF Active and AWF (see slide 20).¹ RFT treated as a flow-through trust for tax purposes.

Summarised statement of comprehensive income

	6 mths ended 31 December 2020	6 mths ended 31 December 2019
	\$	\$
Property revenue	33,916,000	37,592,000
Revenue	33,916,000	37,592,000
Other income	2,859,000	1,409,000
Property expenses	(1,156,000)	(869,000)
Other expenses	(2,491,000)	(2,543,000)
Management fees ²	(5,424,000)	(5,044,000)
Finance costs	(5,280,000)	(5,667,000)
Gain on sale of assets	32,538,000	(503,000)
Depreciation and impairments	(268,000)	(604,000)
Property revaluations - Bearer plants	(2,019,000)	(2,904,000)
Property revaluations - Investment property	5,832,000	8,698,000
Property revaluations - Intangible assets	(467,000)	(86,000)
Property revaluations – Property-owner occupied	(1,651,000)	-
Change in fair value of financial assets/liabilities	(24,000)	(24,000)
Change in fair value of derivatives	2,939,000	178,000
Profit before tax	59,304,000	29,633,000
Income tax expense	(879,000)	(517,000)
Profit after tax	58,425,000	29,116,000
Other comprehensive income	-	615,000
Total comprehensive income	58,425,000	29,731,000
Weighted average units	338.4m	335.1m
Earnings per unit³	17.26 cents	8.87 cents

Notes:

1. RFM Australian Wine Fund (AWF) is a subsidiary of Rural Funds Trust (RFT) that has formed its own tax consolidated group.
2. Calculated 1.05% adjusted total assets.
3. Calculated TCI/weighted average units.

HY21 results – AFFO composition

- AFFO is pre-tax and excludes fair value adjustments, depreciation and impairment to represent RFF's property rental business.
- Property expenses relate to costs directly attributable to the properties (e.g. insurance, rates on unleased properties, applicable cost recovery). Other expenses relate to non-property overheads (e.g. ASX, bank, audit, registry fees, cost recovery).
- Property leases are largely triple net.

Composition of AFFO (pre-tax)

	6 mths ended 31 December 2020 \$	6 mths ended 31 December 2019 \$
Property revenue	33,899,000	36,600,000
Property expenses	(1,156,000)	(869,000)
Net property income	32,743,000	35,731,000
Other income	2,859,000	1,409,000
Other expenses	(2,491,000)	(2,543,000)
Management fees	(5,424,000)	(5,044,000)
EBITDA	27,687,000	29,553,000
Income tax payable (RF Active)	(237,000)	(230,000)
Finance costs	(5,280,000)	(5,667,000)
AFFO	22,170,000	23,656,000
AFFO per unit¹	6.6 cents	7.1 cents
DPU	5.64 cents	5.42 cents

Note:

1. Based on the weighted average number of units on issue during the half year.

HY21 results – reconciliation of net profit to AFFO

- Non-cash items added back to reconcile net profit after tax to AFFO.
- Key adjustments include:
 - Property revaluations includes \$7.1m relating to the Rewan cattle property, \$1.1m relating to the Moorral property and (\$4.5m) relating to the Maryborough properties.
 - Depreciation and impairments related mainly to plant and equipment owned within RF Active.
 - Gain on sale of assets primarily related to sale of the Moorral property.
 - Straight-lining reflects a smoothing of rent earned over a lifetime of the lease (under AASB16 for leases with fixed indexation).
 - Interest component of JBS feedlot finance lease reflects indexation due to finance lease classification.

Reconciliation of net profit after tax to AFFO

	6 month ended 31 December 2020 \$	6 mths ended 31 December 2019 \$
Net profit after income tax	58,425,000	29,116,000
Adjusted for:		
Property revaluations	(3,714,000)	(8,113,000)
Change in fair value of interest rate swaps	(2,939,000)	(178,000)
Depreciation and impairment	268,000	604,000
Depreciation - Bearer Plants	2,019,000	2,405,000
Change in fair value of financial assets/liabilities	24,000	24,000
Gain on sale of assets	(32,538,000)	503,000
Straight-lining of rental income	521,000	(646,000)
Interest component of JBS feedlot finance lease	(538,000)	(346,000)
FFO	21,528,000	23,369,000
Adjusted for income tax expense	642,000	287,000
AFFO	22,170,000	23,656,000
AFFO per unit¹	6.6 cents	7.1 cents

Note:

1. Based on the weighted average number of units on issue during the half year.

HY21 results – summarised balance sheet

- Water entitlements are recorded as intangible assets, and held at the lower of cost less accumulated impairment or fair value in accordance with accounting standards and ASIC guidance. The adjustment for water entitlements shows the difference between book value and fair value (based on current independent valuations).
- Water entitlements total 118,485 ML and water delivery entitlements total 21,430 ML, representing a fair value of \$206.5m or 19% of total adjusted assets.
- See page 23 for details of independent valuations.

Summarised balance sheet

	As at 31 December 2020 \$	As at 30 June 2020 \$
Cash	10,924,000	5,085,000
Property investments	952,695,000	892,064,000
Plant and equipment	8,022,000	6,969,000
Other assets	10,939,000	10,802,000
Total assets	982,580,000	914,920,000
Interest-bearing liabilities:		
- Current	2,612,000	3,814,000
- Non-current	319,243,000	297,248,000
Derivative financial liabilities	28,726,000	31,665,000
Current tax liabilities	1,606,000	1,533,000
Deferred tax liabilities	6,454,000	5,855,000
Other liabilities	24,125,000	16,839,000
Total liabilities	382,766,000	356,954,000
Net assets	599,814,000	557,966,000
Units on issue	338,905,436	337,713,420
NAV per unit	1.77	1.65
Adjustment for water entitlements fair value per unit	0.24	0.29
Adjusted NAV per unit	2.01	1.94

HY21 results - total assets reconciliation

Total assets reconciliation

	Investment property	Bearer plants	Intangible assets ^{1, 3}	Property – owner occupied	Financial assets – property ^{2, 3}	Plant and equipment	Other assets	Total	Adjustment for water entitlements at fair value ^{1, 3}	Adjusted total assets
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at 30 June 2020	493,719,000	183,526,000	117,262,000	-	97,557,000	6,969,000	15,887,000	914,920,000	97,699,000	1,012,619,000
Additions - Cattle	8,275,000	-	-	-	5,275,000	132,000	-	13,682,000	-	13,682,000
Additions - Cropping	29,080,000	-	4,537,000	29,889,000	-	2,990,000	-	66,496,000	-	66,496,000
Additions - Almond orchard	3,328,000	890,000	-	-	-	-	-	4,218,000	-	4,218,000
Additions - Macadamias	31,749,000	735,000	2,509,000	-	32,000	1,818,000	-	36,843,000	-	36,843,000
Additions - Vineyards	11,000	-	-	-	-	-	-	11,000	-	11,000
Disposals	(16,541,000)	(30,016,000)	(10,711,000)	-	-	(3,543,000)	-	(60,811,000)	(16,288,000)	(77,099,000)
Depreciation and impairments	-	(2,019,000)	-	-	-	(268,000)	-	(2,287,000)	-	(2,287,000)
Fair value adjustment ⁴	5,832,000	-	(467,000)	(1,651,000)	(24,000)	-	-	3,690,000	-	3,690,000
Other movements	(100,000)	-	-	-	18,000	(76,000)	5,976,000	5,818,000	-	5,818,000
Balance as at 31 December 2020	555,353,000	153,116,000	113,130,000	28,238,000	102,858,000	8,022,000	21,863,000	982,580,000	81,411,000	1,063,991,000

Notes:

- Accounting standards and ASIC guidance require water entitlements to be recorded as intangible assets, and held at the lower of cost less accumulated impairment or fair value. The adjustment for water entitlements shows the adjustment to the fair value of the water entitlements held.
- Relates to water entitlements held as part of the investment in Barossa Infrastructure Limited, Coleambally Irrigation Co-operative Limited, breeder herd finance lease, loan to Camm, loan to Katena, straight-lined asset, equipment finance leases and finance lease with JBS Australia for five feedlots, which are accounted for as financial assets.
- Water entitlements of 118,485 ML and 21,430 ML of water delivery entitlements held by the Group representing a fair value of \$206.5m.
- Fair value adjustments as part of valuations for the half year ended 31 December 2020 and the Maryborough acquisition.

Valuations, valuers and lease expiry

Policy to conduct independent valuations at least every two years and rotation of valuers every three years.

Property valuation details

	Property by sector	State	Brief description	Acquisition date	Adjusted property value 31 December 2020	Valuation date (reporting date)	Valuation	Valuer
Almonds	Yilgah	NSW	1,006 ha orchard	Jun-2008	\$ 105.8m	Jun-2020	\$ 105.0m	JLL
	Tocabil	NSW	603 ha orchard	Oct-2014	\$ 47.2m	Jun-2020	\$ 47.0m	JLL
	Kerarbury	NSW	2,530 ha orchard	Oct-2015	\$ 224.6m	Jun-2020	\$ 223.0m	JLL
Cattle	Rewan	QLD	17,479 ha property	Aug-2016	\$ 50.4m	Dec-2020	\$ 50.4m	JLL
	Mutton Hole	QLD	140,300 ha property	Jul-2016	\$ 9.4m	Jun-2019	\$ 8.7m	CBRE
	Oakland Park	QLD	85,500 ha property	Aug-2016	\$ 5.9m	Jun-2019	\$ 5.4m	CBRE
	Natal Aggregation	QLD	390,600 ha property	Dec-2017	\$ 64.7m	Dec-2019	\$ 63.7m	JLL
	Comanche	QLD	7,600 ha property	Jul-2018	\$ 23.4m	Jun-2020	\$ 22.0m	CBRE
	Cerberus	QLD	8,280 ha property	Sep-2018	\$ 13.9m	Jun-2020	\$ 13.8m	CBRE
	Dyam berin	NSW	1,729 ha property	Oct-2018	\$ 13.9m	Jun-2020	\$ 13.9m	Colliers
	Woodburn	NSW	1,063 ha property	Jan-2019	\$ 7.3m	Jun-2020	\$ 7.3m	Colliers
	Cobungra	VIC	6,500 ha property	Mar-2019	\$ 35.3m	Jun-2019	\$ 35.0m	Colliers
	Petro Farm, High Hill & Willara	WA	6,195 ha property	Feb-2020	\$ 21.5m	Jun-2020	\$ 21.5m	JLL
	JBS Carooona, Mungindi, Prime City, Beef City, Riverina	NSW/ QLD	150,000 head feedlots (total)	Oct-2018	\$ 55.4m	N/A	\$ 53.4m	Purchase price (PP)
	Wattlebank	QLD	321 ha property	Jan-2020	\$ 1.9m	Jun-2020	\$ 1.8m	CBRE
	Homehill (inc. additional area acquired Dec-2020, \$4.3m)	QLD	4,925 ha property	Jun-2020	\$ 12.5m	Jun-2020	\$ 12.1m	CBRE + PP
Yarra	QLD	2,173 ha property	May-2020	\$ 6.2m	Jun-2020	\$ 6.2m	CBRE	
Cropping	Lynora Downs	QLD	4,880 ha property	Dec-2016	\$ 36.2m	Jun-2019	\$ 33.1m	CBRE
	Mayneland	QLD	2,942 ha property	Sep-2018	\$ 19.0m	Jun-2020	\$ 17.5m	JLL
	Maryborough (22 properties)	QLD	4,140 ha property	Nov-2020	\$ 56.4m	Dec-2020	\$ 56.4m	CBRE
Macadamias	Swan Ridge	QLD	130 ha orchard	Mar-2016	\$ 6.7m	Dec-2019	\$ 6.4m	Colliers
	Moore Park	QLD	104 ha orchard	Mar-2016	\$ 3.9m	Dec-2019	\$ 4.0m	Colliers
	Bonmac	QLD	27 ha orchard	Mar-2016	\$ 2.8m	Dec-2019	\$ 2.9m	Colliers
	Cygnat	QLD	38 ha orchard	Oct-2019	\$ 2.3m	N/A	\$ 1.6m	PP
	Swan Ridge South	QLD	123 ha property	Mar-2020	\$ 1.7m	N/A	\$ 1.6m	PP
	Nursery Farm	QLD	34 ha orchard	May-2020	\$ 4.7m	N/A	\$ 2.2m	PP
	Riverton	QLD	1,015 ha orchard	Nov-2020	\$ 6.5m	N/A	\$ 6.5m	PP
	Stoneleigh	QLD	1,293 ha orchard	Dec-2020	\$ 6.6m	N/A	\$ 6.6m	PP
	Maryborough (3 properties)	QLD	1,118 ha orchard	Nov-2020	\$ 18.5m	Dec-2020	\$ 18.3m	CBRE
Vineyards	Kleinig	SA	206 ha vineyard	May-2002	\$ 22.1m	Jun-2019	\$ 22.7m	Colliers
	Geier	SA	243 ha vineyard	Sep-2000	\$ 27.5m	Jun-2019	\$ 28.2m	Colliers
	Dohnt	SA	30 ha vineyard	Sep-2004	\$ 1.0m	Jun-2019	\$ 1.0m	Colliers
	Hahn	SA	50 ha vineyard	Feb-2000	\$ 5.1m	Jun-2019	\$ 4.9m	Colliers
	Mundy and Murphy	SA	55 ha vineyard	Apr-2000	\$ 4.0m	Jun-2019	\$ 3.8m	Colliers
	Rosebank	VIC	82 ha vineyard	Aug-2003	\$ 3.3m	Jun-2019	\$ 3.4m	Colliers
Water	Unencumbered water entitlement - River	NSW	8,754 ML	Dec-2016	\$ 65.2m	Jun-2020	\$ 65.2m	JLL
	Adjusted property assets				\$ 993.1m		\$ 976.4m	
	Cattle financial lease and other assets				\$ 34.2m			
	Asset held for sale (portion of Moorall property)	NSW		Apr-2010	\$ 4.1m			
	Plant & equipment				\$ 8.0m			
	Other receivables and equipment leases				\$ 2.7m			
	Total adjusted property assets				\$ 1042.1m			

Development assets and capital expenditure

Productivity and higher and better use developments underway across most sectors.

Development and capital expenditure summary¹

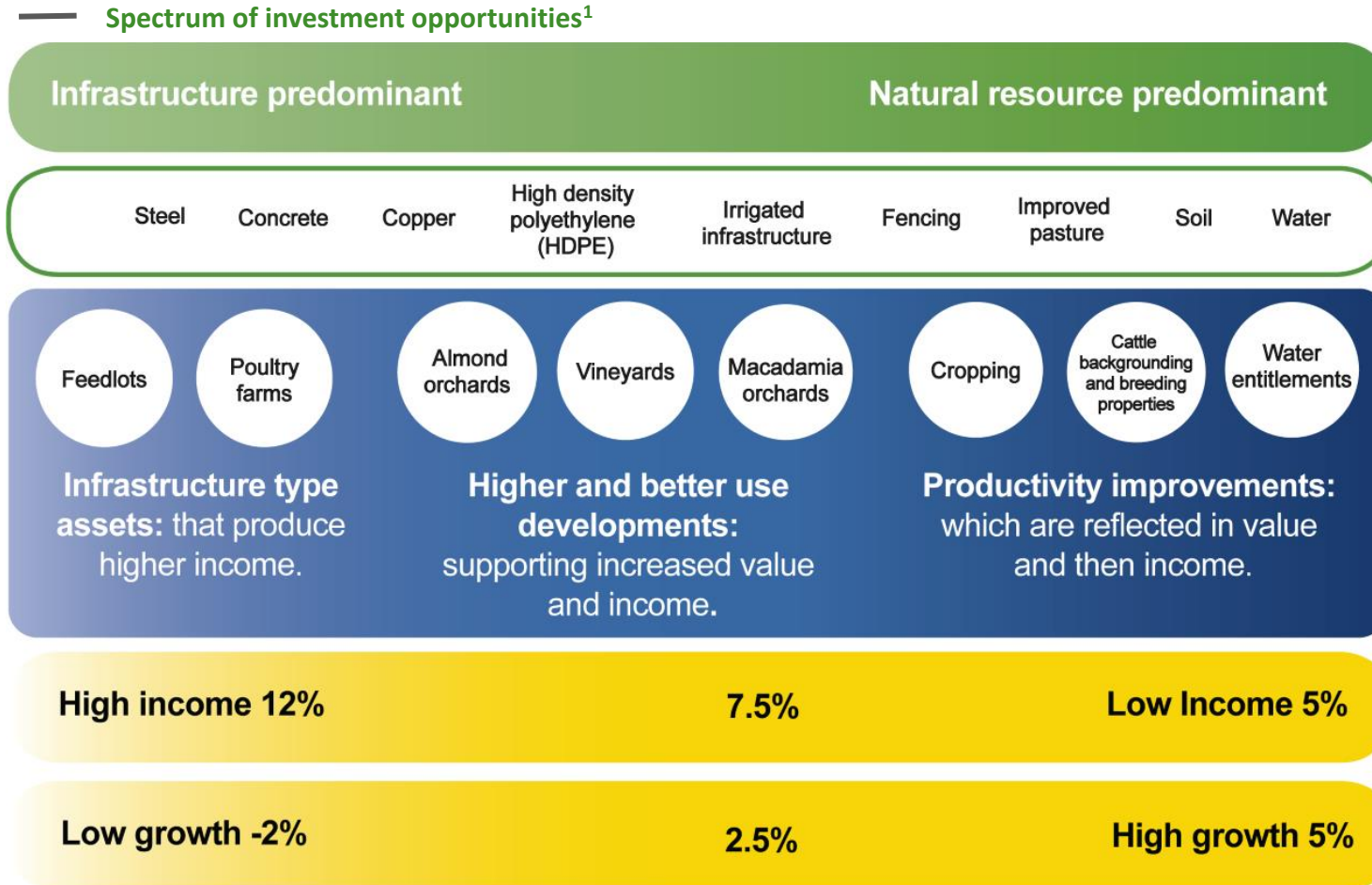
	Property	State	Acquisition date	Rent review	Development type	Initial	Five-year developments	Capital expenditure			
								Actual 1H21	Forecast 2H21f	Forecast FY22f	Total forecast
Cattle	Mutton Hole & Oakland Park	Qld	Jul 2016	Yr 5	Water points	102	21				
	Rewan	Qld	Oct 2019	Yr 5	Pasture improvement	20,000 ha	33,333 ha				
					Water points	82	0				
					Cultivation area	3,432 ha	250 ha				
					Pasture improvement	645 ha	200 ha				
	Natal aggregation	Qld	Dec 2017	Yr 5	Water points	96	50				
					Cerberus	Qld	Sep 2018	Yr 5	Cultivation area	0 ha	600 ha
	Comanche	Qld	Jul 2018	Yr 5	Pasture improvement	0 ha	250 ha				
					Cultivation area	0 ha	342 ha				
					Irrigated area	0 ha	225 ha				
	Dyamberin	NSW	Oct 2018	Yr 5	Pasture improvement	172 ha	595 ha				
					Woodburn	NSW	Jan 2019	Yr 5	Grazing area	1,175 ha	Existing area
	Cobungra	Vic	Mar 2019	Yr 5	Grazing area	802 ha	Existing area				
Petro, High Hill, and Willara					WA	Feb 2020	Yr 5	Grazing area	4,221 ha	Existing area	
								Irrigated area	200 ha	Existing area	
					Grazing area	5,402 ha	Existing area				
	Capex							\$3.9m	\$8.5m	\$0.3m	\$8.8m
Cropping	Lynora Downs	Qld	Dec 2016		Water storage	10,405 ML	4,142 ML				
					Irrigated cropping	779 ha	781 ha				
	Mayneland	Qld	Sep 2018		Water storage	5,700 ML	2,900 ML				
					Irrigated cropping	485 ha	370 ha				
	Capex							\$3.7m	\$7.2m	\$0.0m	\$7.2m
Macadamias	Bundaberg (CY21)	Qld	Various		Orchard planting	0 ha	100 ha				
	Rockhampton (CY21)	Qld	Various		Orchard planting	0 ha	50 ha				
	Maryborough (CY21)	Qld	Nov 2020		Orchard planting	0 ha	350 ha				
	central Queensland (CY22-25)	Qld	Various		Orchard planting	0 ha	4,500 ha				
	Capex							\$0.1m	\$10.8m	\$38.7m	\$49.5m
Almonds	Various	NSW	Various		Orchard capex	-	-				
	Capex							\$3.4m	\$3.3m	\$-	\$3.3m
	Total Capex							\$11.1m	\$29.8	\$39.0m	\$68.8m

Note:

- Five-year developments refer to development potential of assets. Pasture improvement includes stylo and leucaena. Cultivation area refers to development of additional areas for forage crops. Grazing area involves improving production of an existing area. Unallocated macadamia development area (4,500 ha) not included in forecast capital expenditure. Forecast capex includes rentable and non-rentable amounts.

Investment strategy

Higher-and-better-use and productivity improvement strategy seeks to increase total returns and income generation, supporting distribution growth.



Note:

1. The income and growth figures presented in the figure above have been provided to differentiate the profile of income and growth that can be derived from different assets. They are based on RFM's experience and observations of agricultural lease transactions and historical rates of growth. They are neither forecasts nor projections of future returns. Past performance is not a guide to future performance.

Environment, social and governance (ESG)

Policies and procedures addressing ESG issues.

Environment	Social	Governance
<p>Climate change</p> <ul style="list-style-type: none"> Climate diversification strategy. RFM will continue to monitor emissions and seek to implement infrastructure and practice changes. RFM considers climate change may present risks primarily in the form of residual risk of the assets at the end of the lease terms. These risks may be mitigated by how assets are managed. External valuations consider these types of factors as well as other risks when determining the valuations of the assets. <p>Management of natural resources</p> <ul style="list-style-type: none"> Leases require operators to use appropriate agricultural production methods, including minimising environmental impact, protecting biodiversity, management of water and soil health. 	<p>Employment</p> <ul style="list-style-type: none"> RFM, as responsible entity of RFF, has a range of staff-related policies including code of conduct, HSE (health, safety and environment), incident management, diversity and equal opportunity. RFM has also implemented an extensive HSE management system to educate employees and contractors. The RFM Board receives a monthly HSE report. <p>Animal welfare</p> <ul style="list-style-type: none"> RFM has policies and procedures in place that are explicit about animal health and welfare. <p>Community engagement</p> <ul style="list-style-type: none"> RFM has committed \$1m over three years to assist farmers in Taken, Cambodia with agricultural practices to improve farm productivity. 	<p>Compliance committee</p> <ul style="list-style-type: none"> RFM has an internal compliance committee consisting of representatives of different business units reporting to the RFM Board of Directors. <p>Conflicts of interest and related party transactions</p> <ul style="list-style-type: none"> RFM always acts in the best interest of the unitholders of the funds it manages. RFM has a 'Conflict of Interest' Management Policy. Additional responsibilities are set out in RFF's Constitution, the Corporations Act, ASX Listing Rules and Australian Financial Services Licence. The RFM Board receives a monthly report covering compliance, any conflicts of interest and related party transactions.

RFM and Meat & Livestock Australia: reducing emissions on cattle properties



RFM is playing an active role in contributing to improved environmental outcomes within the livestock sector. The Australian red meat and livestock industry is currently responsible for 10% of all of Australia's greenhouse gas (GHG) emissions – 50% less than 2005. While the industry has already halved its GHG emissions, it continues to seek to reduce its environmental impact through a target to be carbon neutral by 2030.

As part of achieving this target, RFM and Meat & Livestock Australia (MLA) worked with Research Scientist, Dr Natalie Doran-Browne to analyse a selection of RFF's cattle properties. The study focused on assessing the *emissions intensity* of livestock production on the properties.

Emissions intensity calculates the GHG emissions generated per unit of farm product. In simple terms, lowering emissions intensity can be achieved by producing more kilograms of beef for the same level of GHG emissions.

The report calculated, that of the RFF properties analysed, from 2016-17 to 2018-19, GHG emissions intensity declined by 17% on the New South Wales properties and 43% on the Queensland properties. A reduction of this magnitude is the equivalent of not running about 2,800 average Australian cars for a year.

The report identified productivity improvements such as increased feed quality, as well as improved animal management practices, as contributing factors to the results. As outlined in the preceding article, RFM is enhancing the productivity on RFF cattle properties by improving pastures and developing cultivation areas. These productivity improvements aim to accelerate daily weight gain of cattle, and therefore lower emissions intensity.

RFM and MLA's work will benefit the industry by increasing the awareness of emissions analysis, and by providing a process which can be followed by others in the industry to take steps towards carbon neutrality.

Rural Funds Group

ASX:
RFF

Managed by:



RFM corporate and operations management (listed alphabetically by surname)



David Bryant
Managing Director
24 years



Dan Edwards
National Manager - Rural
Funds Group
15 years



Mengyi Liu
Group Accountant
8 years



Matt Mitchell
National Manager -
Cropping
18 years



Scott Norval
National Manager -
Macadamias
6 years



James Powell
General Manager - Investor
Relations and Marketing
12 years



Scott Roxburgh
Business Manager
10 years



David Sheridan
National Manager -
Livestock
2 years



Tim Sheridan
Chief Operating Officer
12 years



Kristina Smith
National Manager -
Human Resources
14 years



Emma Spear
National Manager -
Operations and Company
Secretary
12 years



David Thomson
Senior Business Manager
13 years



Daryl Winter
National Manager -
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15 years



Peter Wong
Finance Manager
3 years



Daniel Yap
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