

RFM POULTRY ANNUAL REPORT

for the year ended 30 June 2018

RFM Poultry ARSN 164 851 218
Responsible Entity:
Rural Funds Management Limited
ACN 077 492 838 AFSL 226701

Issued on: 27 September 2018





CONTENTS

Letter from the Executive	2
Corporate governance statement	3
NSX additional information	18
Financial statements	22

LETTER FROM THE EXECUTIVE

Dear Unitholder

We are pleased to present to you the RFP Poultry (NSX: RFP) Annual Report for the year ended 30 June 2018 (FY18).

Distributions for FY18 totalled 14.23 cents per unit (including 4.18 cents franking credits), with a profit result of \$0.62m after tax. Units traded above the net asset value of \$1.12 at a 30 June 2018 closing price of \$1.17.

At an operational level, management maintains a focus on improving bird growing performance. Particular attention has been on the older farms operated by RFP. This has included alterations to lighting, ventilation, management and the ongoing upgrade of the water sanitation systems.

RFP continued its focus on improving animal welfare outcomes, with all sheds maintaining RSPCA accreditation.

In January 2018, Rural Funds Management Limited (RFM) completed the installation of 100 kilowatt system solar panels on each of the four farms operating in Victoria. The solar infrastructure is expected to generate 508,000 kilowatt hours (kWh) of electricity per annum, with approximately 400,000 kWh hours consumed by the farms, and a further 108,000 kWh exported to the energy grid.

RFP is forecasting FY19 distributions of 14.48 cents per unit, including 3.98 cents per unit of franking credits.

Yours faithfully



Stuart Waight

Executive

Rural Funds Management Limited



CORPORATE GOVERNANCE STATEMENT

Definitions

AFSL	Australian Financial Services Licence
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited or ASX Limited
Corporations Act	<i>Corporations Act 2001</i> (Cth)
NSX	National Stock Exchange of Australia

RFM Poultry (the Fund) is listed on the NSX and is a registered managed investment scheme under the Corporations Act. Rural Funds Management Limited (the Responsible Entity) is the Responsible Entity for the Fund and has established and oversees the corporate governance of the Fund. The Responsible Entity holds an Australian Financial Services Licence (AFSL) authorising it to operate the Fund. It has a duty to act in the best interest of unitholders of the Fund. The Fund's compliance plan has been lodged with ASIC and can be obtained from ASIC or by contacting the Responsible Entity. The Responsible Entity publishes a number of its corporate governance related policies on its website at:

<http://ruralfunds.com.au/rural-funds-group/about/corporate-governance/>

The Board takes its corporate governance responsibilities seriously. The Board is comprised of four directors and has a mix of the experience and skills necessary to oversee the corporate governance requirements of the Responsible Entity. This ensures the Responsible Entity operates with integrity, is accountable and acts in a professional and ethical manner. The Board works together and its collective ability facilitates effective decision making to lead a viable, profitable and efficient business.

Although the Fund is not listed on the ASX, the Board has taken the view that the Fund should, to the extent possible, comply with the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council (ASX Principles). To the extent that they are applicable and appropriate for the Fund, the Responsible Entity has adopted and complies with the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition*. In accordance with the ASX Listing Rule 4.10.3, set out in this section are the ASX Corporate Governance Council's eight principles of good corporate governance, and the extent to which there is compliance with the recommendations for each principle. The statement has been approved by the Board of the Responsible Entity and applies to the period 1 July 2017 to 30 June 2018 (Statement Period).

At the time of printing this statement, there have been no material changes to the corporate governance policies and practices since 30 June 2018.

PRINCIPLE 1

Lay solid foundations for management and oversight

A listed entity should establish and disclose the respective roles and responsibilities of its Board and management and how their performance is monitored and evaluated.

ASX RECOMMENDATION	FUND'S RESPONSE
1.1	<p>The business of the Fund is managed under the direction of the Board of the Responsible Entity comprising:</p> <ul style="list-style-type: none"> > Chair: Guy Paynter (independent non-executive director) > Managing Director: David Bryant > Non-Executive Director: Michael Carroll (independent non-executive director) > Non-Executive Director: Julian Widdup (independent non-executive director) <p>The conduct of the Board is governed by the Constitution of the Fund and the Corporations Act. The broad functions and responsibilities of the Board are set out in sections 2.3 and 2.4 of the Corporate Governance Charter. The specific responsibilities are set out in section 2.5.</p> <p>The Board has delegated responsibility for the day-to-day management of the Fund to the Managing Director of the Responsible Entity. The delegations are outlined in the Corporate Governance Charter. The Managing Director, David Bryant, is responsible for financial, continuous disclosure and compliance oversight, media and analyst briefings and responses to member questions, and ensuring the Board is provided with information to make fully informed decisions.</p> <p>The Constitution of the Fund is available by contacting the Responsible Entity. The Corporate Governance Charter is available on the Responsible Entity's website.</p>
1.2	As an externally managed scheme, recommendation 1.2 does not apply to the Fund.
1.3	<p>All directors of the Responsible Entity receive letters of appointment setting out the key terms and conditions of their appointment.</p> <p>All executives of the Responsible Entity enter into an employment agreement setting out the key terms and conditions of their employment including a position description, duties, rights, responsibilities, remuneration and entitlements on termination.</p>
1.4	The Company Secretary of the Responsible Entity is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board. As stated in the Corporate Governance Charter, the Company Secretary reports directly to the Managing Director.


ASX RECOMMENDATION	FUND'S RESPONSE
1.5	<p>As an externally managed scheme, recommendation 1.5 does not apply to the Fund. The Responsible Entity has a diversity policy. The policy provides the framework by which the Responsible Entity actively manages and encourages diversity and inclusion. It recognises that its employees are one of its greatest assets, and it has a range of employees with a depth of skills and capabilities that ensure the ongoing strength, continuity and stability of the Responsible Entity. Due to the size of the Responsible Entity's Board and its senior management team, and the limited turnover of personnel at this level, it does not set quantitative gender diversity objectives. The Responsible Entity will endeavor to maintain, or improve, its current level of gender diversity as senior management vacancies arise. A copy of the policy is available on the Responsible Entity's website.</p> <p>The Responsible Entity's senior executive team includes one female executive (out of a total of six executives). Of the 93 staff, 33% are female.</p>
1.6	<p>The performance of the Board, its committees and individual directors is outlined in the Corporate Governance Charter.</p> <p>The performance of individual Board members is reviewed annually in accordance with the timelines outlined in the Responsible Entity's Performance Management Policy.</p>
1.7	<p>The performance of senior executives is reviewed annually in accordance with the timelines outlined in the Responsible Entity's Performance Management Policy. The annual process reviews each individual's past performance, their achievement of key performance indicators over the previous 12 months, sets key performance indicators for the coming 12 months, and identifies training and development opportunities. The annual process provides an opportunity for the senior executive and the Managing Director to focus solely on performance and development. Informal reviews providing feedback about key projects are conducted on an ongoing basis.</p>






PRINCIPLE 2

Structure the Board to add value

A listed entity should have a Board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

ASX RECOMMENDATION	FUND'S RESPONSE															
2.1	As an externally managed scheme, recommendation 2.1 does not apply to the Fund. Additionally, due to the small size of the Responsible Entity's Board, it is usual that all of the Board members are involved in the full spectrum of discussion and decisions on matters. As a result, they bring the full complement of skills and experience available to address matters as they arise. If and when gaps are identified, external advice is sought from senior consultants such as specialist tax, legal or business advisers to address any skills gaps.															
2.2	As an externally managed scheme, recommendation 2.2 does not apply to the Fund.															
2.3	<p>The Responsible Entity Board comprises four members, three of whom are independent non-executive directors.</p> <table><tr><th>DIRECTOR</th><th>COMMENCEMENT</th><th>INDEPENDENT</th></tr><tr><td>David Bryant</td><td>17 February 1997</td><td>No</td></tr><tr><td>Guy Paynter</td><td>15 April 2010</td><td>Yes</td></tr><tr><td>Michael Carroll</td><td>15 April 2010</td><td>Yes</td></tr><tr><td>Julian Widdup</td><td>17 February 2017</td><td>Yes</td></tr></table> <div><div></div><div><p>Guy Paynter is an Independent Non-Executive Director, holds the role of Chair of the Board and is a member of the Audit Committee and Remuneration Committee.</p><p>Guy Paynter is a former director of broking firm JB Were and brings to the Responsible Entity more than 30 years' experience in corporate finance. Guy is a former member of the ASX and a former associate of the Securities Institute of Australia (now known as the Financial Services Institute of Australasia). Today, Guy is chair of Bill Peach Group Limited (previously known as Aircruising Australia Limited).</p><p>Guy's agricultural interests include cattle breeding in the Upper Hunter region in New South Wales.</p><p>Guy holds a Bachelor of Laws from the University of Melbourne.</p></div></div>	DIRECTOR	COMMENCEMENT	INDEPENDENT	David Bryant	17 February 1997	No	Guy Paynter	15 April 2010	Yes	Michael Carroll	15 April 2010	Yes	Julian Widdup	17 February 2017	Yes
DIRECTOR	COMMENCEMENT	INDEPENDENT														
David Bryant	17 February 1997	No														
Guy Paynter	15 April 2010	Yes														
Michael Carroll	15 April 2010	Yes														
Julian Widdup	17 February 2017	Yes														

ASX RECOMMENDATION	FUND'S RESPONSE
2.3 continued	<div data-bbox="503 288 778 564">  </div> <div data-bbox="802 288 1372 383"> <p>David Bryant is the Managing Director. David Bryant holds 78.20% of shares on issue in the Responsible Entity.</p> </div> <div data-bbox="802 429 1438 820"> <p>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. As at 30 June 2018, RFM manages over \$740 million of agricultural assets.</p> <p>On a day-to-day level, David is responsible for leading the RFM Executive team, maintaining key commercial relationships and sourcing new business opportunities. David holds a Diploma of Financial Planning from the Royal Melbourne Institute of Technology University (RMIT) and a Master of Agribusiness from the University of Melbourne.</p> </div>
	<div data-bbox="503 859 778 1136">  </div> <div data-bbox="802 871 1389 1001"> <p>Michael Carroll is an Independent Non-Executive Director and is the Chair of the Audit Committee and Remuneration Committee.</p> </div> <div data-bbox="802 1045 1438 1705"> <p>Michael Carroll serves in a board and advisory capacity for a range of agribusiness entities. Michael is a Director of Elders Limited, Select Harvests Limited, Paraway Pastoral Company, Viridis Ag Pty Limited and Sunny Queen Limited. Former board positions include Tassal Group Limited, the Australian Farm Institute, Warrnambool Cheese & Butter Factory Company Holdings Limited, Meat & Livestock Australia, Queensland Sugar Limited, the Geoffrey Gardiner Dairy Foundation and Rural Finance Corporation of Victoria.</p> <p>Michael has senior executive experience in a range of companies, including establishing and leading the National Australia Bank Agribusiness division.</p> <p>Michael holds a Bachelor of Agricultural Science from La Trobe University and a Master of Business Administration (MBA) 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.</p> </div>

ASX RECOMMENDATION	FUND'S RESPONSE
2.3 continued	<div data-bbox="502 288 776 555"></div> <div data-bbox="804 283 1392 413">Julian Widdup is an Independent Non-Executive Director and is a member of the Audit Committee and Remuneration Committee.</div> <div data-bbox="804 460 1387 711"><p>Julian Widdup is a former executive of infrastructure investment management companies, Palisade Investment Partners and Access Capital Advisers (now Whitehelm Capital). 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.</p></div> <div data-bbox="804 727 1400 852"><p>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).</p></div> <div data-bbox="804 866 1430 1150"><p>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.</p></div> <div data-bbox="804 1166 1433 1292"><p>Julian holds a Bachelor of Economics from the Australian National University, is a Fellow of the Institute of Actuaries of Australia and a Fellow of the Australian Institute of Company Directors.</p></div>
	<p>Further information on the composition of the Responsible Entity's Board, executive management and asset and business management profiles and the skills, knowledge and experience of the individual members can be found on the Responsible Entity's website.</p> <p>The independence of the Non-Executive Directors has been ascertained in compliance with the Corporations Act and the listing Rules, and there are no other factors which might reasonably be seen as undermining their independence. All directors must declare actual or potential conflicts of interest and excuse themselves from discussions on issues where an actual or potential conflict of interest arises. The directors' interests in RFP and any subsequent changes have been disclosed to the NSX. The directors of the Responsible Entity are subject to director rotation consistent with the Responsible Entity's constitution.</p>

ASX RECOMMENDATION	FUND'S RESPONSE
2.4	As an externally managed scheme, recommendation 2.4 does not apply to the Fund; however, as outlined in 2.3, the Responsible Entity's Board is comprised of a majority of independent directors.
2.5	As an externally managed scheme, recommendation 2.5 does not apply to the Fund; however, independent Non-Executive Director, Guy Paynter, holds the role of Chair of the Responsible Entity.
2.6	As an externally managed scheme, recommendation 2.6 does not apply to the Fund; however, new directors are provided with an induction relevant to the Responsible Entity and the Fund. Directors are also provided with opportunities to develop and maintain their skills and knowledge, through both formal and informal training and networking opportunities.



PRINCIPLE 3

Act ethically and responsibly

A listed entity should act ethically and responsibly.

ASX RECOMMENDATION	FUND'S RESPONSE
3.1	<p>The Responsible Entity has adopted a Directors' Code of Conduct (the Code) that sets out the minimum acceptable standards of behaviour. The Code seeks to give the directors guidance on how best to perform their duties, meet their obligations and understand the company's corporate governance practices. The Code focuses on the directors' obligations to comply with codes and law, their general duties, their application of business judgement, the application of independent and sound decision making, confidentiality, improper use of information, cooperation, personal interests and conflicts, conduct and complaints.</p> <p>In addition to the Directors' Code of Conduct, the Responsible Entity has a general Code of Conduct that is applicable to directors and all staff including senior executives. The Corporate Governance Charter which includes the Directors' Code of Conduct is available on the Responsible Entity's website.</p> <p>Both codes are reviewed annually to ensure that they remain current and relevant.</p>

PRINCIPLE 4

Safeguard integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

ASX RECOMMENDATION	FUND'S RESPONSE
4.1	<p>The Board of Directors of the Responsible Entity has established an audit committee. The purpose of the Audit Committee is to assist the Board in overseeing the integrity of financial reporting, financial controls and procedures in respect of the Fund as well as the independence of the Fund's external auditors.</p> <p>The Audit Committee is comprised of three members, all of whom are non-executive independent directors. An independent director, who is not the Chair of the Board of the Responsible Entity, is Chair of the Committee. The relevant qualifications and experience of the members is available on the Responsible Entity's website.</p> <p>The Audit Committee will routinely invite other individuals to attend meetings including executive management and management members of the Responsible Entity and the Auditor of the Fund. The Audit Committee and invitees will review the financial reports and provide commentary to the Board as required.</p> <p>Two meetings of the Audit Committee were held in relation to the accounts during the Statement Period. The Audit Committee ordinarily holds two meetings per year, or more if required.</p> <p>The Audit Committee has a formal charter that details its roles and responsibilities, and its obligations to report to the Board. The charter sets out the powers of the Audit Committee, the meeting procedure framework, the process for selection of external auditors and audit planning. The Audit Committee charter can be found in Schedule 1 of the Corporate Governance Charter on the Responsible Entity's website.</p>
4.2	<p>The Board of the Responsible Entity have been given the declarations by the persons performing the chief executive officer and chief financial officer functions. It is in their opinion that:</p> <ul style="list-style-type: none"> > the financial records of the Fund have been properly maintained in accordance with section 286 of the <i>Corporations Act 2001</i> (Cth) > the financial statements and notes referred to in paragraph 295(3)(b) of the <i>Corporations Act 2001</i> (Cth) > for the financial year comply with the accounting standards > the financial statements and notes give a true and fair view of the financial position and performance of the entity > the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
4.3	<p>As an externally managed scheme, recommendation 4.3 does not apply to the Fund. The Fund has not held an Annual General Meeting during the Statement Period.</p>

PRINCIPLE 5

Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

ASX RECOMMENDATION	FUND'S RESPONSE
5.1	<p>The Responsible Entity has adopted a Continuous Disclosure Policy (the policy) that applies to all directors and employees of the Responsible Entity. The policy is available on the Responsible Entity's website.</p> <p>The policy reflects the desire to promote a fair market in the Fund's units, honest management and timely, full and fair disclosure. It complies with the disclosure requirements of the ASX and explains the Fund's disclosure obligations, the types of information that need to be disclosed, identifies who is responsible for disclosure. It also explains how employees of the Responsible Entity can contribute.</p> <p>The policy underlines the Board's commitment to ensuring that unitholders are provided with accurate and timely information about the Fund's activities.</p>



PRINCIPLE 6

Respect the rights of security holders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

ASX RECOMMENDATION	FUND'S RESPONSE
6.1	<p>The Responsible Entity is a boutique fund and asset manager specialising in the rural property sector. The Responsible Entity was established in 1997 to provide retail investors with an opportunity to invest in Australian rural assets.</p> <p>The management team includes specialist fund managers, finance professionals, horticulturists, livestock and agricultural managers. This team provides the Responsible Entity with the specialised skills and experience required to manage the agricultural assets.</p> <p>The Responsible Entity also utilises the best available consultants and supporting resources to achieve desired outcomes and has a substantial network available to ensure that, where appropriate, tasks can be outsourced.</p> <p>The Responsible Entity has the primary responsibility for managing the Fund on behalf of unitholders.</p> <p>Information about the Responsible Entity, the Fund and corporate governance practices and policies is available on the Responsible Entity's website.</p>
6.2	<p>The Responsible Entity's website has sources of information available to unitholders to facilitate two way communication. The investment products tab on the website provides a link to the Fund's website which provides a Fund overview; sector, asset and operations information, financial information and investor communications information.</p> <p>In addition, unitholders are encouraged to contact the Responsible Entity using any of the following methods:</p> <p>Email: investorservices@ruralfunds.com.au Website: https://ruralfunds.com.au/contact-us/ Phone: 1800 026 665 Fax: 1800 625 518 By visiting the Responsible Entity's office: Level 2, 2 King St, Deakin ACT 2600</p>
6.3	<p>As an externally managed scheme that does not hold periodic meetings, recommendation 6.3 does not apply to the Fund. However, if the Responsible Entity was required to hold a unitholder meeting, it could use a web-conferencing and/or teleconferencing facility for remote unitholders along with an online polling system provided by the Registry, enabling unitholders to vote online at any meeting.</p>
6.4	<p>The Responsible Entity encourages all investors to communicate with it and with the Fund's registry (Boardroom Pty Limited) electronically; however, the Responsible Entity continues to communicate with investors via traditional methods (mail and phone) when appropriate.</p>

PRINCIPLE 7

Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

ASX RECOMMENDATION	FUND'S RESPONSE
7.1	<p>The Responsible Entity has not established a risk committee. Due to the size of the Board and the nature of the business, the Board has determined that risk oversight should be managed by the full Board. The Board has ultimate responsibility for overseeing the risk management framework and for approving and monitoring compliance with the framework. The Board receives monthly reports on all material business risks in relation to the Fund, including a report on all risks rated extreme or high. The ongoing management of the identified risks is undertaken by the relevant executive and/or asset managers of each business area who report to the Board on the effectiveness of control measures.</p> <p>The Responsible Entity has established a Risk Management Policy that documents the Responsible Entity's policy for the oversight and management of material business risks. It ensures that risks are identified and assessed, and that measures to monitor and manage each of the material risks are implemented. The Risk Management Policy is based on standards set out in the International Standards ISO 31000:2018.</p> <p>The Risk Management Policy is available on the Responsible Entity's website.</p>
7.2	<p>The Responsible Entity's risk management framework is reviewed annually or more often if there has been a change in the relevant legislation or in business requirements. An annual risk review was performed during the Statement Period.</p> <p>The annual risk review requires each risk owner to review each risk and assess whether the existing risk rating is appropriate. This results in all risks being re-evaluated. In some cases, the risks may be re-rated and the residual risk amended depending on changes in the likelihood of the risk occurring, the consequence if the risk did occur, and the effectiveness of control measures in place.</p>

ASX RECOMMENDATION	FUND'S RESPONSE
7.3	<p>The Responsible Entity has an internal compliance committee that provides assistance to the Board in evaluating the risk management framework and material business risks on an ongoing basis. Whilst not an internal audit committee, the Internal Compliance Committee reports to the Board quarterly and may make recommendations to the Board for changes to processes and systems to ensure compliance with legal and regulatory requirements.</p> <p>The Internal Compliance Committee comprised:</p> <ul style="list-style-type: none">> Executive Manager – Funds Management> Assistant Company Secretary & Compliance Manager (from 26 October 2017)> National Manager – Human Resources> Financial Controller> Senior Fund Administrator> Compliance Officer> Executive – Cattle & Acquisitions (invitee)> Business Managers (invitees)> National Manager – Cotton (invitee). <p>This broad representation of roles on the Committee ensures it is able to be fully informed of matters, and that there are sufficient skills and experience among its members to make decisions as necessary.</p>
7.4	<p>The Responsible Entity is committed to undertaking the Fund's business activities in a responsible and ethical manner, ensuring that the Fund remains sustainable. Environmental, social and governance (ESG) issues are embedded in many of the Funds policies and procedures and are considered when making investment decisions.</p> <p>The table on the next page identifies material risk exposures, some of which fall into more than one category.</p>



ASX RECOMMENDATION	FUND'S RESPONSE	
7.4 continued	RISK TYPE	IDENTIFIED RISK
	Economic	<ul style="list-style-type: none"> > Reduced capitalisation and greater operational leverage > Increased costs and reduction in revenue > Welfare standards and quality control > Inflation > Counterpart lease default > Lack of diversification > Pest and disease > Operational efficiency and/or farm performance > Imported chicken meat > Contract management > Contract farm managers > Change of control > Suspension events > Climatic conditions > Water management > Interruption to business operations > Changes in political and regulatory environment > Skills shortages > Workplace health and safety risks e.g. dust, low light, hot conditions, chemicals, heavy machinery, manual handling, slips/trips, electrical equipment > Litigation > Lack of liquidity.
	Environmental	<ul style="list-style-type: none"> > Destruction or damage of property > Climatic conditions > Water management > Regulatory changes > Asbestos > Land contamination > Workplace health and safety risks e.g. dust, low light, hot conditions, chemicals, heavy machinery, manual handling, slips/trips, electrical equipment.
	Social	<ul style="list-style-type: none"> > Litigation > Reputation > Welfare standards.
	<p>The Responsible Entity manages the above risks as per its Risk Management Policy available on the Responsible Entity's website.</p>	

PRINCIPLE 8

Remunerate fairly and responsibly

An externally managed listed entity should clearly disclose the terms governing the remuneration of the Responsible Entity.

ASX RECOMMENDATION	FUND'S RESPONSE
8.1	<p>The Responsible Entity has adopted the ASX's alternative recommendations for externally managed entities and provides the following details governing the remuneration to the Responsible Manager:</p> <ul style="list-style-type: none"> > Contribution Fee – up to 3.0% of the amount invested > Fund Management Fee – 2.5% p.a. of the gross asset value of the Fund > Performance Fee – 15% of the returns in excess of a return on equity of 15% p.a. on the amount invested > Acquisition Fee – 2.0% of the total purchase price of an asset > Asset Management Fee – 5.0% of annual operating expenses. <p>The fees listed above represent the maximum allowed under the Fund's Constitution.</p> <p>At present, the Responsible Entity charges an asset management fee of 5.0% of farm operating expenses. The contribution fee, the fund management fee and the performance fee are not currently charged by the Responsible Entity.</p> <p>The purpose of the Remuneration Committee is to advise on remuneration and issues relevant to the remuneration policies and practices for senior executives and non-executive directors.</p> <p>The Remuneration Committee is comprised of three members, all of whom are non-executive independent directors. An independent director, who is not the Chair of the Board of the Responsible Entity, is Chair of the Committee. Information on the relevant qualifications and experience of the members is available on the Responsible Entity's website.</p> <p>The Remuneration Committee will routinely invite other individuals to attend meetings, including executive management and management members of the Responsible Entity. The Remuneration Committee and invitees will review the remuneration and diversity report and provide commentary to the Board as required.</p> <p>One meeting of the Remuneration Committee was held in relation to remuneration during the Statement Period.</p> <p>The Remuneration Committee has a formal charter that details the responsibilities of the Remuneration Committee and its obligations to report to the Board. The charter sets out the powers of the Remuneration Committee and the meeting procedure framework. The Remuneration Committee charter can be found in Schedule 2 of the Corporate Governance Charter on the Responsible Entity's website.</p>
8.2	As an externally managed scheme, refer to recommendation 8.1.
8.3	As an externally managed scheme, refer to recommendation 8.1.



NSX ADDITIONAL INFORMATION

Additional information required by the NSX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 10 September 2018.

(a) Total interests of all directors and officers of Rural Funds Management Limited as Responsible Entity of RFM Poultry

UNITHOLDER	DIRECTOR/OFFICER AND POSITION	NUMBER OF UNITS
Bryant Family Services Pty Ltd <BFS Super Fund>	David Bryant - Managing Director	21,727
Boskenna Pty Ltd	Guy Paynter - Chair	21,507
Rural Funds Management Limited	David Bryant - Director Guy Paynter - Non-Executive Chair Michael Carroll - Non-Executive Director Julian Widdup - Non-Executive Director	225,529
Aust Executor Trustees Ltd <RF Active>	David Bryant - Director Guy Paynter - Non-Executive Chair Michael Carroll - Non-Executive Director Julian Widdup - Non-Executive Director	108,615

No other director or officer of the Responsible Entity holds an interest in RFM Poultry.

(b) Distribution of equity unitholders

HOLDING SIZE	UNITHOLDERS	CLASS
1 – 1,000	170	Ordinary fully paid securities
1,001 – 5,000	656	Ordinary fully paid securities
5,001 – 10,000	139	Ordinary fully paid securities
10,001 – 100,000	96	Ordinary fully paid securities
100,001 and over	9	Ordinary fully paid securities

(c) Substantial unitholders

UNITHOLDER	NUMBER OF UNITS	%
Kaizen Capital Pty Ltd <Capital Value Fund A/C> ¹	649,546	9.435
Kaizen Capital Pty Ltd <Kaizen Capital Value A/C> ¹	17,605	0.256
TOTAL		9.691
Bryant Family Services Pty Ltd <BFS Super Fund>	21,727	0.03155
Rural Funds Management Limited	225,529	3.276
Aust Executor Trustees Ltd <RF Active>	108,615	1.578
TOTAL		5.1695

(d) Holders of less than marketable parcels

The number of holders of less than marketable parcels, being \$500 based on the NSX unit closing price of \$1.21 as at 10 September is set out below:

NUMBER OF UNITHOLDERS	NUMBER OF UNITS
29	7,607

(e) Voting rights

The voting rights attaching to the ordinary units, set out in Section 253C of the Corporations Act 2001, are:

- i. on a show of hands, each member of a registered scheme has 1 vote; and
- ii. on a poll, each member of the scheme has 1 vote for each dollar of the value of the total interests they have in the scheme.

1. 'Notice of change of interests of substantial holder' disclosed to the NSX 9 June 2018.

(f) Ten largest unitholders at 10 September 2018

UNITHOLDER	NUMBER OF UNITS	%
Kaizen Capital Pty Ltd <Capital Value Fund A/C>	706,938	10.269
3KY Pty Ltd <Kenneth Yu Super Fund A/C>	343,000	4.982
Rural Funds Management Limited	225,529	3.276
Mr Stanley John Evans & Mrs Beverley Joy Evans <SJ & BJ Evans S/F A/C>	220,000	3.196
Mr Vinh Ngo-Da	137,324	1.995
K Little Engineering Pty Ltd <K L Super A/C>	135,425	1.967
Wf Super Pty Ltd <Wilson Family S/F A/C>	117,463	1.706
Roseman (SA) Pty Ltd <The Roseman A/C>	116, 123	1.687
Aust Executor Trustees Ltd <RF Active>	108,615	1.578
Mr J Dworkin & Mrs H Dworkin <Dworkin Super Fund A/C>	91,823	1.334

(g) On-market buy-back

As at 10 September 2018, RFP confirms there is no on-market buy-back facility in operation.

(h) Director emolument arrangements

No director of RFM Poultry has waived or agreed to waive any emoluments during the financial year.

(i) Shareholder dividend arrangements

No shareholder of RFM Poultry has waived or agreed to waive any dividends during the financial year. RFM Poultry’s Distribution Reinvestment Plan (DRP) is currently suspended.

(j) Results for RFM Poultry for last five years

As specified in the NSX Listing Rules 6.9(9), a summary table has been provided comparing RFM Poultry's results for the last five years.

	As at June 30 2018 \$	As at June 30 2017 \$	As at June 30 2016 \$	As at June 30 2015 \$	As at June 30 2014 \$
Revenue	24,772,117	24,188,653	24,324,125	25,746,811	13,163,176
Net profit after income tax	618,536	821,911	866,573	1,499,214	489,677
Total assets	9,283,464	9,003,360	8,978,581	9,517,124	8,906,106
Total liabilities	1,557,255	1,203,803	1,309,051	2,042,661	2,298,090
Net assets attributable to unitholders	7,726,209	7,799,557	7,669,530	7,474,463	6,608,016

Securities exchange

The Trust is listed on the National Stock Exchange of Australia (NSX).





FINANCIAL STATEMENTS

for the year ended 30 June 2018

RFM Poultry ARSN 164 851 218
Responsible Entity:
Rural Funds Management Limited
ACN 077 492 838 AFSL 226701

RFM Poultry
ARSN 164 851 218

Corporate Directory

Registered Office	Level 2, 2 King Street DEAKIN ACT 2600
Responsible Entity	Rural Funds Management Limited ABN 65 077 492 838 AFSL 226701 Level 2, 2 King Street DEAKIN ACT 2600 Ph: 1800 026 665
Directors	Guy Paynter David Bryant Michael Carroll Julian Widdup
Company Secretaries	Andrea Lemmon Stuart Waight
Custodian	Australian Executor Trustees Limited ABN 84 007 869 794 Level 22, 207 Kent Street SYDNEY NSW 2000
Auditors	PricewaterhouseCoopers One International Tower Sydney Watermans Quay, Barangaroo GPO Box 2650 SYDNEY NSW 2001
Share Registry	Boardroom Pty Limited Level 12, 225 George Street SYDNEY NSW 2000 Ph: 1300 737 760
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000
Stock Exchange Listing	RFM Poultry units are listed on the National Stock Exchange of Australia (NSX)
NSX Code	RFP

RFM Poultry

ARSN 164 851 218

Directors' Report

30 June 2018

The Directors of Rural Funds Management Limited (RFM), the responsible entity of RFM Poultry (RFP or the Trust) present their report on the Trust for the year ended 30 June 2018.

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 RFM Poultry during the year was the growing of chickens in accordance with growing contracts including the provision of labour, management and infrastructure.

Operating results

The net profit after income tax of the Trust for the year ended 30 June 2018 amounted to \$618,536 (2017: \$821,911). The decrease in profit compared to the corresponding period is primarily due to higher electricity prices as reflected in direct grower expenses. The higher electricity expenses are being actively managed by RFM through the installation of solar panels on the Lethbridge farms in Victoria which was completed during the year.

Financial position

The net assets of the Trust have changed to \$7,726,209 at 30 June 2018 from \$7,799,557 at 30 June 2017.

At 30 June 2018 the Trust had total assets of \$9,283,464 (2017: \$9,003,360).

Significant changes in state of affairs

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

Distributions

	Cents per unit	Total \$
Distribution declared 1 June 2017, paid 31 July 2017	2.5125	172,971
Distribution paid 31 October 2017	2.5125	172,971
Distribution paid 31 January 2018	2.5125	172,971
Distribution paid 30 April 2018	2.5125	172,971
Distribution declared 1 June 2018, paid 31 July 2018	2.5125	172,971

Earnings per unit

Net profit after income tax for the year (\$)	618,536
Weighted average number of units on issue during the year	6,884,416
Basic and diluted earnings per unit (total) (cents)	8.98

RFM Poultry

ARSN 164 851 218

Directors' Report

30 June 2018

Summary of historical performance

The results and net assets attributable to unitholders for the last 3 years were as follows:

	2018	2017	2016
	\$	\$	\$
Revenue	24,772,117	24,188,653	24,324,125
Net profit after income tax	618,536	821,911	866,573
Total assets	9,283,464	9,003,360	8,978,581
Total liabilities	1,557,255	1,203,803	1,309,051
Net assets attributable to unitholders	7,726,209	7,799,557	7,669,530

Indirect cost ratio

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

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

The ICR for the Trust for the year ended 30 June 2018 is 3.55% (2017: 3.67%).

Matters subsequent to the end of the year

No 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.

Likely developments and expected results of operations

RFP intends to maintain growing standards consistent with RSPCA guidelines while conducting an efficient operation that achieves competitive chicken grow-out times and feed conversion rates.

Environmental regulation

The operations of the Trust are subject to significant environmental regulations under the laws of the Commonwealth and States or Territories of Australia. There have been no known significant breaches of any environmental requirements applicable to the Trust.

Units on issue

6,884,416 units in RFM Poultry were on issue at 30 June 2018 (2017: 6,884,416). During the year nil (2017: nil) units were issued by the Trust and nil (2017: nil) were redeemed.

Indemnity of Responsible Entity and Custodian

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

RFM Poultry

ARSN 164 851 218

Directors' Report

30 June 2018

Information on Directors of the Responsible Entity

Guy Paynter

Qualifications

Experience

Non-Executive Chairman

Bachelor of Laws from The University of Melbourne

Guy Paynter is a former director of broking firm JB Were and brings to RFM more than 30 years of experience in corporate finance. Guy is a former member of the Australian Securities Exchange (ASX) and a former associate of the Securities Institute of Australia (now known as the Financial Services Institute of Australasia). Guy is also Chairman of Bill Peach Group Limited (previously known as Aircruising Australia Limited). Guy's agricultural interests include cattle breeding in the Upper Hunter region in New South Wales.

Special responsibilities

Directorships currently held in other listed entities and during the three years prior to the current year

Member of Audit Committee and Remuneration committee

Rural Funds Group

David Bryant

Qualifications

Experience

Managing Director

Diploma of Financial Planning from the Royal Melbourne Institute of Technology and a Masters of Agribusiness from The University of Melbourne.

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. As at 30 June 2018, RFM manages over \$740 million of agricultural assets. On a day-to-day level, David is responsible for leading the RFM Executive team, maintaining key commercial relationships and sourcing new business opportunities.

Special responsibilities

Directorships currently held in other listed entities and during the three years prior to the current year

Managing Director

Rural Funds Group

Michael Carroll

Qualifications

Experience

Special responsibilities

Directorships currently held in other listed entities and during the three years prior to the current year

Non-Executive Director

Bachelor of Agricultural Science from La Trobe University and a Masters of Business Administration from The University of Melbourne's Melbourne Business School. Michael has completed the Advanced Management Program at Harvard Business School, Boston, and is a Fellow of the Australian Institute of Company Directors.

Michael Carroll serves a range of food and agricultural businesses in a board and advisory capacity. Michael is on the boards of Elders Limited, Select Harvests Limited, Sunny Queen Australia Pty Limited, Paraway Pastoral Company Limited and Viridis Ag Pty Limited. He is also chair of the Australian Rural Leadership Foundation. Michael has senior executive experience in a range of companies, including establishing and leading the National Australia Bank (NAB) Agribusiness division.

Chairman of Audit Committee and Remuneration committee

Michael is on the Board of Rural Funds Group, Elders Limited and Select Harvests Limited and formerly on the Board of Tassal Group Limited.

RFM Poultry

ARSN 164 851 218

Directors' Report

30 June 2018

Information on Directors of the Responsible Entity (continued)

Julian Widdup	Non-Executive Director
Qualifications	Bachelor of Economics from the Australian National University. Julian is a Fellow of the Institute of Actuaries of Australia and a Fellow of the Australian Institute of Company Directors.
Experience	Julian brings extensive experience to the RFM board having previously served as a director of Palisade Investment Partners, Darwin International Airport, Alice Springs Airport, NZ timberland company Taumata Plantations Limited, Regional Livestock Exchange Investment Company, Merredin Energy power generation company, Victorian AgriBioscience Research Facility, Casey Hospital in Melbourne and Mater Hospital in Newcastle.
Special responsibilities	Member of the Audit Committee and Remuneration Committee.
Directorships currently held in other listed entities and during the three years prior to the current year	Rural Funds Group

Interests of Directors of the Responsible Entity

	Guy Paynter Units	David Bryant Units
Balance at 30 June 2016	21,507	247,256
Additions	-	-
Balance at 30 June 2017	21,507	247,256
Additions	-	-
Balance at 30 June 2018	21,507	247,256

Company Secretaries of the Responsible Entity

Stuart Waight and Emma Spear are RFM's joint company secretaries. Stuart joined RFM in 2003, is a Chartered Accountant and is an Executive of RFM. Emma joined RFM in 2008 and was appointed as a company secretary on 31 August 2018. She is a CPA and RFM's Compliance Manager.

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		Audit Committee meetings		Remuneration Committee meetings	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Guy Paynter	14	14	2	2	1	1
David Bryant	14	14	-	-	-	-
Michael Carroll	14	14	2	2	1	1
Julian Widdup	14	14	2	2	1	1

RFM Poultry
ARSN 164 851 218

Directors' Report
30 June 2018

Non-audit services

During the year ended 30 June 2018 fees of \$5,655 (2017: \$4,459) were paid or payable to PricewaterhouseCoopers for compliance audit services provided.

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 2018 has been received and is included on page 7 of the financial report.

The Directors' report is signed in accordance with a resolution of the Board of Directors of Rural Funds Management Limited.



David Bryant
Director
4 September 2018



Auditor's Independence Declaration

As lead auditor for the audit of RFM Poultry for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to be 'CMC Heraghty', is positioned above the printed name.

CMC Heraghty
Partner
PricewaterhouseCoopers

Sydney
4 September 2018

PricewaterhouseCoopers, ABN 52 780 433 757
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Liability limited by a scheme approved under Professional Standards Legislation.

RFM Poultry

ARSN 164 851 218

Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue	5	24,772,117	24,188,653
Other income	6	119,629	108,402
Property lease expenses		(10,688,652)	(10,537,989)
Direct grower expenses		(4,849,701)	(4,312,518)
Contractor fees		(4,192,025)	(3,956,816)
Employee expenses		(577,788)	(511,338)
Repairs and maintenance		(2,088,804)	(2,264,736)
Insurance expenses		(370,174)	(392,733)
Professional fees		(510,573)	(465,426)
Other indirect expenses		(101,778)	(100,473)
Management fees		(545,000)	(545,030)
Depreciation and impairment	14	(83,628)	(35,837)
Net profit before income tax		883,623	1,174,159
Income tax expense	7	(265,087)	(352,248)
Net profit after income tax		618,536	821,911
Other comprehensive income:			
Other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income attributable to unitholders		618,536	821,911
Earnings per unit			
Basic and diluted earnings per unit from continuing operations (cents)		8.98	11.94

The accompanying notes form part of these financial statements.

RFM Poultry

ARSN 164 851 218

Statement of Financial Position

As at 30 June 2018

	Note	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	5,432,110	6,230,162
Trade and other receivables	10	1,852,519	1,896,547
Inventories	11	134,972	43,490
Other current assets	12	425,552	301,915
Income tax receivable		46,334	80,819
Total current assets		7,891,487	8,552,933
Non-current assets			
Plant and equipment	14	1,357,952	420,338
Deferred tax assets	17	34,025	30,089
Total non-current assets		1,391,977	450,427
Total assets		9,283,464	9,003,360
LIABILITIES			
Current liabilities			
Trade and other payables	15	1,319,513	990,420
Provisions	16	236,825	211,271
Total current liabilities		1,556,338	1,201,691
Non-current liabilities			
Provisions	16	917	2,112
Total non-current liabilities		917	2,112
Total liabilities (excluding net assets attributable to unitholders)		1,557,255	1,203,803
Net assets attributable to unitholders		7,726,209	7,799,557
Total liabilities		9,283,464	9,003,360

The accompanying notes form part of these financial statements.

RFM Poultry

ARSN 164 851 218

Statement of Changes in Net Assets Attributable to Unitholders For the year ended 30 June 2018

2018	Issued units	Retained earnings	Total
	\$	\$	\$
Balance at 1 July 2017	6,642,054	1,157,503	7,799,557
Profit before income tax	-	883,623	883,623
Income tax expense	-	(265,087)	(265,087)
Total comprehensive income for the year	-	618,536	618,536
Distributions to unitholders	-	(691,884)	(691,884)
Balance at 30 June 2018	6,642,054	1,084,155	7,726,209

2017	Issued units	Retained earnings	Total
	\$	\$	\$
Balance at 1 July 2016	6,642,054	1,027,476	7,669,530
Profit before income tax	-	1,174,159	1,174,159
Income tax expense	-	(352,248)	(352,248)
Total comprehensive income for the year	-	821,911	821,911
Distributions to unitholders	-	(691,884)	(691,884)
Balance at 30 June 2017	6,642,054	1,157,503	7,799,557

The accompanying notes form part of these financial statements.

RFM Poultry

ARSN 164 851 218

Statement of Cash Flows

For the year ended 30 June 2018

		2018	2017
		\$	\$
Cash flows from operating activities			
Receipts from customers		27,315,752	26,567,473
Payments to suppliers and employees		(26,334,730)	(25,459,779)
Interest received		84,677	89,001
Income tax paid		(234,538)	(373,009)
Net cash inflow from operating activities	25	831,161	823,686
Cash flows from investing activities			
Payments for plant and equipment		(952,074)	(290,687)
Net cash outflow from investing activities		(952,074)	(290,687)
Cash flows from financing activities			
Distributions paid		(677,139)	(687,543)
Net cash outflow from financing activities		(677,139)	(687,543)
Net (Decrease) in cash and cash equivalents held		(798,052)	(154,544)
Cash and cash equivalents at the beginning of the year		6,230,162	6,384,706
Cash and cash equivalents at the end of the year	9	5,432,110	6,230,162

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
30 June 2018

1 General information

These financial statements cover RFM Poultry (RFP or the Trust) as an individual entity. RFM Poultry is a for profit entity domiciled in Australia.

The Directors of the Responsible Entity authorised the Financial Report for issue on 4 September 2018 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.

2 Summary of significant accounting policies

Basis of preparation

The accounting policies that have been adopted in respect of the financial report are those of Rural Funds Management Limited (RFM) as responsible entity of the Trust.

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

The financial statements and accompanying notes of RFM Poultry 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.

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables include accrued income for poultry growing fees which is receivable one month in arrears.

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

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

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received.

Notes to the Financial Statements
30 June 2018

2 Summary of significant accounting policies (continued)

Plant and equipment

General information

Each class of plant and equipment is carried at cost less, any accumulated depreciation, and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Trust commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Capital works in progress	Nil
Plant and equipment	5-33 years
Office furniture, fixtures and fittings	3-16 years
Motor vehicles	4-8 years
Leasehold improvements	7-20 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Impairment of non-financial assets

At the end of each reporting year the Trust reviews the carrying values of its tangible 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.

Financial assets and liabilities

Recognition

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

Loans and receivables

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

Financial liabilities

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

Notes to the Financial Statements
30 June 2018

2 Summary of significant accounting policies (continued)

Derecognition of financial instruments

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

Trade and other payables

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

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

Provisions

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

Employee benefits

Short term obligations

Provision is made for the employee benefits including salary and wages and annual leave arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Long term obligations

Liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the year in which the employees render the service. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows for those benefits.

Revenue

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

Revenue for managing the growth of chicken batches is recognised upon the performance of the growing service to the customers on an accruals basis.

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets.

Revenue from the rental of on-farm housing is recognised in income over the rental period on an accruals basis.

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

Notes to the Financial Statements
30 June 2018

2 Summary of significant accounting policies (continued)

Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Finance costs

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

All other finance costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

Goods and services tax (GST)

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

Receivables and payables are shown inclusive of GST.

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

Income tax

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

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

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

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

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

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

Earnings per unit

Basic earnings per unit are calculated on net profit attributable to unitholders of the Trust divided by the weighted average number of issued units.

Notes to the Financial Statements
30 June 2018

2 Summary of significant accounting policies (continued)

Issued units

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

Distributions

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

New accounting standards and interpretations

Standard Name	Effective date for the Trust	Requirements	Impact
AASB 9 Financial Instruments	1 Jan 2018	Changes to the measurement of different classes of financial assets. New impairment model for financial assets based on expected credit losses is introduced.	The Trust does not hold any financial instruments for trading and it is not expected that this standard will have a material impact.
AASB 15 Revenue from contracts with customers	1 Jan 2018	Recognise contracted revenue when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards.	Revenue of the Trust can be broken down into Grower fees and Rental income. It is not expected that this standard will have a material impact on the Trust as the grower fees have single performance obligations and are recognised as the service is rendered.
AASB 16 Leases	1 Jan 2019	Introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months.	Management is currently assessing the impact of the new rules. It is expected that this standard will have a significant impact on the property leases of the Trust. Total future lease payments under non-cancellable operating leases of land, buildings and improvements amount to \$109,712,162

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

RFM Poultry

ARSN 164 851 218

Notes to the Financial Statements

30 June 2018

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.

Management has identified no reported amounts for which significant judgements, estimates and assumptions are made.

4 Operating segments

RFP operates one business segment (2017: one segment) being the growing of chickens under contract to a third party. Performance of the segment is measured on profit before tax as included in internal financial reports.

All revenue is generated in Australia, and all non-current assets are located in Australia. Two external customers individually accounts for more than 10% of Trust revenues.

5 Revenue

	2018	2017
	\$	\$
Grower fees	24,611,600	24,029,559
Rental revenue	160,517	159,094
Total	24,772,117	24,188,653

6 Other income

Interest income	84,677	89,001
Other income	34,952	19,401
Total	119,629	108,402

RFM Poultry

ARSN 164 851 218

Notes to the Financial Statements

30 June 2018

7 Income tax expense

The major components of income tax comprise:

	2018	2017
	\$	\$
Current tax	269,023	361,590
Deferred tax	(3,936)	(9,342)
Income tax expense reported in the Statement of Comprehensive Income	265,087	352,248

Income tax expense is attributable to:

Profit from continuing operations	265,087	352,248
Total	265,087	352,248

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

Accounting profit before tax from continuing operations	883,623	1,174,159
At the statutory income tax rate of 30% (2017: 30%)	265,087	352,248
Total	265,087	352,248

8 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Trust:

PricewaterhouseCoopers Australia :

Auditing and review of financial report	47,787	44,030
Compliance audit	5,655	4,459
Total	53,442	48,489

9 Cash and cash equivalents

Cash at bank	5,432,110	6,230,162
Total	5,432,110	6,230,162

Reconciliation of cash

Cash and cash equivalents reported in the Statement of Cash Flows are reconciled to the equivalent items in the Statement of Financial Position as follows:

Cash and cash equivalents	5,432,110	6,230,162
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RFM Poultry

ARSN 164 851 218

Notes to the Financial Statements

30 June 2018

10 Trade and other receivables

	2018	2017
Current	\$	\$
Trade receivables	12,582	-
Accrued income	1,839,937	1,896,547
Total	1,852,519	1,896,547

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

Trade receivables are non-interest bearing and are generally on 30 days terms at 30 June 2018, there were no impaired or past due receivables (2017: nil).

Accrued income includes poultry growing fees which are receivable one month in arrears.

11 Inventories

Current		
Gas inventory	70,102	43,490
Chemicals	9,480	-
Parts	55,390	-
Total	134,972	43,490

12 Other current assets

Current		
Prepayments	398,588	183,587
Lease receivable	7,735	7,210
Sundry debtors	10,229	111,118
Other assets	9,000	-
Total	425,552	301,915

13 Minimum lease payments

Minimum lease payments under non-cancellable operating leases of land, buildings and improvements not recognised in the financial statements, are payable as follows:

Within one year	10,705,774	10,662,402
More than one year, but not later than five years	44,233,056	44,053,858
Later than five years	54,773,332	66,246,445
Total	109,712,162	120,962,705

RFM Poultry

ARSN 164 851 218

Notes to the Financial Statements

30 June 2018

14 Plant and equipment

	2018	2017
	\$	\$
Plant and equipment		
Cost	484,142	213,883
Accumulated depreciation	(79,761)	(52,753)
Total plant and equipment	404,381	161,130
Office furniture, fixtures and fittings		
Cost	4,108	4,108
Accumulated depreciation	(2,706)	(1,865)
Total office furniture, fixtures and fittings	1,402	2,243
Motor vehicles		
Cost	140,144	136,144
Accumulated depreciation	(81,059)	(65,032)
Total motor vehicles	59,085	71,112
Leasehold improvements		
Cost	825,469	193,766
Accumulated depreciation	(47,665)	(7,913)
Total Leasehold improvements	777,804	185,853
Capital works in progress		
Cost	115,280	-
Accumulated depreciation	-	-
Total Capital works in progress	115,280	-
Total plant and equipment	1,357,952	420,338

Movement in carrying amounts of plant and equipment:

	Plant and equipment	Office furniture, fixtures and fittings	Motor vehicles	Leasehold improvements	Capital works in progress	Total
2018	\$	\$	\$	\$	\$	\$
Opening net book amount	161,130	2,243	71,112	185,853	-	420,338
Additions	270,259	-	4,000	-	746,983	1,021,242
Transfers	-	-	-	631,703	(631,703)	-
Depreciation	(27,008)	(841)	(16,027)	(39,752)	-	(83,628)
Closing net book amount	404,381	1,402	59,085	777,804	115,280	1,357,952
	Plant and equipment	Office furniture, fixtures and fittings	Motor vehicles	Leasehold improvements	Capital works in progress	Total
2017	\$	\$	\$	\$	\$	\$
Opening net book amount	146,376	813	18,299	-	-	165,488
Additions	32,168	2,134	62,619	193,766	-	290,687
Depreciation	(17,414)	(704)	(9,806)	(7,913)	-	(35,837)
Closing net book amount	161,130	2,243	71,112	185,853	-	420,338

RFM Poultry

ARSN 164 851 218

Notes to the Financial Statements

30 June 2018

15 Trade and other payables

	2018	2017
	\$	\$
Trade payables	378,162	63,964
Accruals	884,427	818,038
Sundry payables	56,924	108,418
Total	1,319,513	990,420

16 Provisions

Current

Employee entitlements	36,968	26,159
Provision for distribution	199,857	185,112
Total	236,825	211,271

Non-current

Employee entitlements	917	2,112
Total	917	2,112

17 Deferred tax

Deferred tax assets

Accruals	22,660	21,001
Provision for employee entitlements - current	11,090	7,848
Provision for employee entitlements - noncurrent	275	633
Legal costs	-	607
Total	34,025	30,089

RFM Poultry

ARSN 164 851 218

Notes to the Financial Statements

30 June 2018

18 Recognised tax assets and liabilities

	Current income tax		Deferred income tax	
	2018	2017	2018	2017
	\$	\$	\$	\$
Opening balance	80,819	69,400	30,089	20,747
Income tax expense	(269,023)	(361,590)	3,936	9,342
Payments	234,538	373,009	-	-
Closing balance	46,334	80,819	34,025	30,089
Tax expense in Statement of Comprehensive Income			265,087	352,248
Amounts recognised in the Statement of Financial Position				
Deferred tax assets			34,025	30,089
Total			34,025	30,089

19 Financial risk management

Financial risk management policies

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

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

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

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

Concentration of risk arise where a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentration of risk, the Trust monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces exposure or uses derivative instruments to manage excessive risk concentrations when they arrive.

Notes to the Financial Statements
30 June 2018

19 Financial risk management (continued)

Liquidity risk and capital management

The table below reflects all contractually fixed repayments resulting from recognised financial assets and liabilities as at 30 June 2018. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months		6 months to 1 year		1 to 5 years		Over 5 years		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets										
Cash and cash equivalents	5,432,110	6,230,162	-	-	-	-	-	-	5,432,110	6,230,162
Trade and other receivables	1,852,519	1,896,547	-	-	-	-	-	-	1,852,519	1,896,547
Total	7,284,629	8,126,709	-	-	-	-	-	-	7,284,629	8,126,709
Financial liabilities										
Trade and other payables	1,319,513	990,420	-	-	-	-	-	-	1,319,513	990,420
Total	1,319,513	990,420	-	-	-	-	-	-	1,319,513	990,420

The Trust manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves are maintained.

The responsible entity of the Trust defines capital as net assets attributable to unit holders. The Trust's objectives when managing capital are to safeguard the going concern of the Trust and maintain an optimal capital structure.

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

Notes to the Financial Statements
30 June 2018

19 Financial risk management (continued)

Credit risk

The following table details the Trust's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with aging analysis and impairment provided therein. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Trust and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully paid to the trust.

	Gross amount \$	Within initial trade terms \$	Past due but not impaired (days overdue)				Past due and impaired \$
			<30 \$	30-60 \$	61-90 \$	>90 \$	
2018							
Trade and other receivables	1,852,519	1,852,519	-	-	-	-	-
Total	1,852,519	1,852,519	-	-	-	-	-
2017							
Trade and other receivables	1,896,547	1,896,547	-	-	-	-	-
Total	1,896,547	1,896,547	-	-	-	-	-

The Trust does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired. Receivables do not contain impaired assets.

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

At 30 June 2018 Baiada Poultry Pty Limited (Baiada) and Turi Foods Pty Limited (Turi Foods) were the sole customers of RFP's chicken growing activities in Griffith NSW and in Lethbridge VIC respectively. Baiada and Turi Foods are two of Australia's largest poultry producers with farming, processing, distribution, marketing and sales operations. Baiada and Turi contract with RFP in relation to the provision of broiler sheds and managing the growth of chicken batches.

The credit risk is managed through careful monitoring of debtor outstanding balances and through the ongoing relationship and communication with RFP's customers.

The maximum exposure to credit risk (excluding the value of collateral or other security) at balance date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets. This has been disclosed in the Statement of Financial Position and notes to the financial statements.

RFM Poultry

ARSN 164 851 218

Notes to the Financial Statements

30 June 2018

20 Distributions

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

	Cents per unit	Total \$
Distribution declared 1 June 2017, paid 31 July 2017	2.5125	172,971
Distribution paid 31 October 2017	2.5125	172,971
Distribution paid 31 January 2018	2.5125	172,971
Distribution paid 30 April 2018	2.5125	172,971
Distribution declared 1 June 2018, paid 31 July 2018	2.5125	172,971
	2018 \$	2017 \$
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2017:30%)	728,146	790,130
Total	728,146	790,130

21 Earnings per unit

	2018	2017
Net profit after income tax for the year (\$)	618,536	821,911
Weighted average number of units on issue during the year	6,884,416	6,884,416
Basic and diluted earnings per unit (total) (cents)	8.98	11.94

22 Issued units

	2018 No of units	2017 No of units
Units on issue at the beginning of the year	6,884,416	6,884,416
Units issued during the year	-	-
Units on issue at the end of the year	6,884,416	6,884,416

23 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 report are:

Guy Paynter
David Bryant
Michael Carroll
Julian Widdup

RFM Poultry

ARSN 164 851 218

Notes to the Financial Statements

30 June 2018

23 Key management personnel (continued)

Interests of Directors of the responsible entity

Units in the Trust held by Directors of RFM or entities controlled by Directors of RFM as at 30 June 2018 were:

	Guy Paynter Units	David Bryant Units
Balance at 30 June 2016	21,507	247,256
Additions	-	-
Balance at 30 June 2017	21,507	247,256
Additions	-	-
Balance at 30 June 2018	21,507	247,256

Other key management personnel

In addition to the Directors noted above, RFM, 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.

The constitution of RFP is a legally binding document between the unit holders of the Trust and RFM as responsible entity. Under the constitution, RFM is entitled to the following remuneration:

- Contribution fee: 3% (2017: 3%) of the value of each application for units in the Trust (not applicable to units issued at formation of RFP or for units issued as part of dividends reinvestment plan);
- Asset management fees: 5% (2017: 5%) of farm operating expenses;
- Performance bonus: 15% (2017: 15%) of the amount by which return on equity in a year exceeds an amount equal to 15% per annum of the total application price of units on issue during the financial year;
- Acquisition fee: 2% (2017: 2%) of the total purchase price of an asset purchased by the Trust; and,
- Expenses: all expenses incurred by RFM in relation to the proper performance of its duties in respect of the Trust are payable or reimbursable out of the Trust assets to the extent that such reimbursements is not prohibited by corporation law.

Compensation of key management personnel

No amount is paid by the Trust directly to the directors of the responsible entity. Consequently, no compensation as defined in AASB 124 *Related Party Disclosures* is paid by the Trust to the Directors as key management personnel. Fees paid to RFM, the responsible entity are disclosed in note 25.

RFM Poultry

ARSN 164 851 218

Notes to the Financial Statements

30 June 2018

24 Related party transactions

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

Responsible entity (Rural Funds Management) and related entities

Transactions between the Trust and the responsible entity and its associated entities are shown below:

	2018	2017
	\$	\$
Asset management fee	545,000	545,030
Total management fees	545,000	545,030
Expenses reimbursed to RFM	1,181,232	1,115,015
Expenses reimbursed to Rural Funds Group	-	1,028
Expenses reimbursed to RFM Farming	-	4,673
Lease expenses paid to Rural Funds Group	10,670,301	10,519,867
Distribution paid/payable to RFM	28,332	28,332
Distribution paid/payable to Rural Funds Group	13,645	13,645
Total amount paid to RFM and related entities	12,438,510	12,227,590

Creditors

Current

RFM	29,918	-
Total	29,918	-

Entities with influence over the Trust

	Units	2018	Units	2017
		%		%
RFM	225,529	3.28	225,529	3.28
Rural Funds Group	108,615	1.58	108,615	1.58

RFM Poultry

ARSN 164 851 218

Notes to the Financial Statements

30 June 2018

25 Cash flow information

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

	2018	2017
	\$	\$
Net profit after income tax	618,536	821,911
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit		
Depreciation and impairment	83,628	35,837
Changes in assets and liabilities		
Decrease in trade and other receivables	44,028	578
(Increase) in other current assets	(123,637)	(60,349)
(Increase)/decrease in inventories	(91,482)	4,329
(Increase) in deferred tax assets	(3,936)	(9,342)
Increase in trade and other payables	259,925	30,414
Increase in provisions	9,614	11,727
Decrease/(increase) in net income tax receivable	34,485	(11,419)
Cash flow from operating activities	831,161	823,686

26 Economic dependence

At 30 June 2018 80% of RFP's revenue from poultry growing activities comes from growing contracts with Baiada Poultry Pty Limited (ABN 96 002 925 948) (Baiada). RFP is therefore economically dependent on Baiada.

27 Events after the reporting date

No matters 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.

28 Likely development and expected results

The Trust is expected to continue poultry growing activities and to provide regular distributions to investors.

RFM Poultry

ARSN 164 851 218

Directors' Declaration

30 June 2018

In the Directors of the Responsible Entity's opinion:

- 1 The financial statements and notes of RFM Poultry set out on pages 8 to 28 are in accordance with the *Corporations Act 2001*, including:
 - a. comply with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the Trust's financial position as at 30 June 2018 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 Standard Board.

The Directors have been given the declarations by the persons performing the chief executive officer and chief financial officer functions as required by section 295A of *the Corporations Act 2001*.

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



David Bryant
Director
4 September 2018



Independent auditor's report

To the unitholders of RFM Poultry

Our opinion

In our opinion:

The accompanying financial report of RFM Poultry (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 2018 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 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in net assets attributable to unitholders for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

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individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Registered Scheme, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall materiality of \$55,000, which represents approximately 5% of the Registered Scheme's three years' average profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose profit before tax because, in our view, it is the benchmark against which the performance of the Registered Scheme is most commonly measured and is a generally accepted benchmark. Due to fluctuations in profit and loss from year to year, we chose a three year average.
- We utilised a 5% threshold based on our professional judgement, noting that it is within the range of commonly acceptable profit-related thresholds.

Audit Scope

- Our audit focused on where the Registered Scheme made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.



Key audit matter

How our audit addressed the key audit matter

Related party transactions

(Refer to note 24)

The Registered Scheme's Responsible Entity, along with its subsidiaries and other funds for which it is the Responsible Entity, are considered related parties of the Registered Scheme. Key transactions with these parties include:

- lease of land, buildings, plant and equipment from related parties
- distributions made to related parties
- reimbursement of operating expenses made to related parties and Responsible Entity
- asset management fees paid/payable to the Responsible Entity.

We considered the related party transactions to be a key audit matter due to the influence of related parties on the Registered Scheme, as well as the potential impact of these transactions on the results of the Registered Scheme. Additionally, because of their nature, they are pervasive and material to the presentation of and disclosures within the financial report.

- We obtained an understanding of the Registered Scheme's processes for identifying related parties and related party transactions, through discussions with management.
- For significant contracts entered into during the year, we verified that the transactions were approved in accordance with internal procedures including involvement of key personnel at the appropriate level by inspecting relevant supporting documents.
- For a sample of lease expenses incurred during the year, we compared the lease expenses to the relevant supporting documents including the lease agreements and evaluated the directors' assertion that the transactions were at arm's length by comparing the transactions to available market data.
- For management and asset management fees, we compared the rates used to determine fees to the rates disclosed in the prospectus documents for the Registered Scheme.
- We discussed the related party transactions with management to obtain an understanding of the business rationale for the transactions.
- For a sample of related party agreements, we assessed the rights and obligations of the parties as per the terms and conditions of the agreements and, taking these into account, whether the transactions were recorded appropriately by the Registered Scheme.
- We assessed the adequacy of the disclosures in Note 25, of related party relationships and transactions in light of the requirements of Australian Accounting Standards.

Other information

The directors of Rural Funds Management Limited (the Responsible Entity) (the directors) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained



included the Directors' Report, and National Stock Exchange of Australia (NSX) additional information. We expect the remaining other information to be made available to us after the date of this auditor's report, including Letter from the Chief Operating Officer and Corporate governance statement.

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

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

If, based on the work we have performed on the other information 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.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Responsible Entity and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors 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 determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors 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 either intend to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be a stylized 'JH'.

CMC Heraghty
Partner

Sydney
4 September 2018

ruralfunds.com.au

