

RFM Poultry (RFP)

Financial Statements

For the Half Year Ended 31 December 2019

RFM Poultry

ARSN 164 851 218

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RFM Poultry

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Corporate Directory

Registered Office	Level 2, 2 King Street DEAKIN ACT 2600
Responsible Entity	Rural Funds Management Limited ABN 65 077 492 838 AFSL 226701 Level 2, 2 King Street DEAKIN ACT 2600 Ph: 1800 026 665
Directors	Guy Paynter David Bryant Michael Carroll Julian Widdup
Company Secretary	Emma Spear
Custodian	Australian Executor Trustees Limited ABN 84 007 869 794 Level 19, 60 Castlereagh Street SYDNEY NSW 2000
Auditors	PricewaterhouseCoopers One International Tower Sydney Watermans Quay, BARANGAROO NSW 2000
Share Registry	Boardroom Pty Limited Level 12, 225 George Street SYDNEY NSW 2000 Ph: 1300 737 760
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000
Stock Exchange Listing	RFM Poultry units are listed on the National Stock Exchange of Australia (NSX)
NSX Code	RFP

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Directors' Report

31 December 2019

The Directors of Rural Funds Management Limited (RFM), the Responsible Entity of RFM Poultry (RFP or the Trust) present their report on the Trust for the half year ended 31 December 2019.

Directors

The following persons held office as Directors of the Responsible Entity during the half year and up to the date of this report:

Guy Paynter	Non-Executive Chairman
David Bryant	Managing Director
Michael Carroll	Non-Executive Director
Julian Widdup	Non-Executive Director

Principal activities and significant changes in nature of activities

The principal activity of the Trust during the half year was the growing of chickens in accordance with growing contracts including the provision of labour, management and infrastructure.

In recent years, construction of new poultry farms has increased the supply of shed capacity nationally. This additional shed capacity and increased operating costs have negatively impacted RFP, causing a significant financial loss in the year ended 30 June 2019 and a forecast loss for the year ending 30 June 2020.

Given these adverse business conditions, RFM as the responsible entity of RFP decided to sell RFP's poultry assets to ProTen Investment Management Pty Ltd (ProTen). The sale transaction was settled on 18 December 2019 following RFP's unitholder approval at the meeting held on 28 November 2019. Growing contracts with Baiada Poultry Pty Ltd and Turosi Farming Pty Ltd were terminated with the completion of sale transaction. Lease contracts with Rural Funds Group also ceased simultaneously with the acquisition of all the farms by ProTen.

Operating results

RFP has reported a profit of \$39,232 for the half year ended 31 December 2019 (31 December 2018: loss of \$164,899). The profit for the half year ended 31 December 2019 is largely due to the gain on sale recognised during the period. Prior to the sale transaction, the Trust continued to undergo difficulties due to higher energy costs, higher labour related costs, higher insurance costs and cost of higher bedding materials associated with Lethbridge farms.

RFP was previously forecasting a loss for the year ending 30 June 2020 and it was probable that large losses would have continued in longer term due to decline of business scale with the expiry of multiple chicken growing contracts.

Financial position

The net assets of the Trust have increased from \$5,267,575 at 30 June 2019 to \$5,306,807 at 31 December 2019. At 31 December 2019, the Trust had total assets of \$6,656,060 (30 June 2019: \$7,023,547).

Distributions

No distribution declared or paid by the Trust during the half year. A distribution of \$0.70 per unit will be paid to unitholders on 28 February 2020. This will be the first of two distributions prior to the wind up of the Fund.

Significant changes in state of affairs

RFP sold its poultry assets during the period ended 31 December 2019 and is in the process of returning capital to its unitholders. In the opinion of the Directors, there were no other significant changes in the state of affairs of the Trust during half year.

Earnings per unit

Net profit/(loss) after income tax for the half year (\$)	39,232
Weighted average number of units on issue during the half year	6,884,416
Basic and diluted earnings per unit (total) (cents)	0.57

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Directors' Report

31 December 2019

Indirect cost ratio

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

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

The ICR for the Trust for the half year ended 31 December 2019 is 5.41% (31 December 2018: 1.77%). Higher ICR for the half year ended 31 December 2019 is due to costs associated with the sale transaction and lower Net assets position after the sale, compared to 31 December 2018.

Matters subsequent to the end of the half year

RFM has started the process to de-list RFP from NSX and the wind up of the Trust. A distribution of \$0.70 per unit will be paid to unitholders on 28 February 2020. This will be the first of two distributions prior to the wind up of the Fund. No other matters or circumstance has arisen since the end of the half year that has significantly affected or could significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in future periods.

Likely developments and expected results of operations

RFM as the responsible entity of RFP is working towards delisting RFP from NSX, and the ultimate wind-up of the Trust. A final distribution will be made to the unitholders on completion of wind-up.

Environmental regulation

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

Units on issue

6,884,416 units in RFM Poultry were on issue at 31 December 2019 (31 December 2018: 6,884,416). During the half year no units were issued by the Trust (31 December 2018: nil) and no units (31 December 2018: nil) were redeemed.

Indemnity of Responsible Entity and Custodian

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

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act* 2001 for the half year ended 31 December 2019 has been received and is included on page 4 of the financial report.

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



David Bryant
Director

27 February 2020



Auditor's Independence Declaration

As lead auditor for the review of RFM Poultry for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'Rod Dring', is written over a faint, larger version of the same signature.

Rod Dring
Partner
PricewaterhouseCoopers

Sydney
27 February 2020

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Statement of Comprehensive Income

For the half year ended 31 December 2019

	Note	31 December 2019 \$	31 December 2018 \$
Revenue	5	11,900,325	12,670,412
Gain on sale of assets	6	2,901,314	-
Other income	7	6,767	21,604
Property lease expenses		-	(5,355,305)
Direct grower expenses		(3,173,750)	(2,881,190)
Contractor fees		(420,806)	(1,999,905)
Employee expenses		(2,650,192)	(529,904)
Repairs and maintenance		(1,144,191)	(1,378,377)
Insurance expenses		(331,724)	(255,598)
Professional fees		(383,656)	(252,481)
Other indirect expenses		(78,573)	(52,798)
Management fees		(114,585)	(136,250)
Lease interest		(1,554,320)	-
Depreciation leased assets		(4,822,526)	-
Depreciation and impairment	8	(94,851)	(73,744)
Net profit/(loss) before income tax		39,232	(223,536)
Income tax benefit		-	58,637
Net profit/(loss) after income tax		39,232	(164,899)
Other comprehensive income:			
Other comprehensive income		-	-
Other comprehensive income for the half year, net of tax		-	-
Total comprehensive income attributable to unitholders		39,232	(164,899)
Earnings per unit			
Basic and diluted earnings per unit from continuing operations (cents)		0.57	(2.40)

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As at 31 December 2019

	31 December 2019	30 June 2019
Note	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	5,276,268	2,505,523
Trade and other receivables	1,282,505	1,874,931
Inventories	-	230,807
Other current assets	97,287	372,001
Income tax receivable	-	146,822
Total current assets	6,656,060	5,130,084
Non-current assets		
Plant and equipment	8	1,893,463
Total non-current assets	-	1,893,463
Total assets	6,656,060	7,023,547
LIABILITIES		
Current liabilities		
Trade and other payables	1,318,456	1,528,403
Provisions	30,797	194,532
Total current liabilities	1,349,253	1,722,935
Non-current liabilities		
Provisions	-	33,037
Total non-current liabilities	-	33,037
Total liabilities	1,349,253	1,755,972
Net assets	5,306,807	5,267,575
EQUITY		
Issued units	6,642,053	6,642,053
Retained earnings	(1,335,246)	(1,374,478)
Total equity	5,306,807	5,267,575

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity

For the half year ended 31 December 2019

31 December 2019	Issued units	Retained earnings	Current period profit/(loss)	Total
	\$	\$	\$	\$
Balance at 1 July 2019	6,642,054	(1,374,479)	-	5,267,575
Profit before income tax	-	-	39,232	39,232
Income tax expense	-	-	-	-
Total comprehensive income for the period	-	-	39,232	39,232
Distributions to unitholders	-	-	-	-
Balance at 31 December 2019	6,642,054	(1,374,479)	39,232	5,306,807

31 December 2018	Issued units	Retained earnings	Current period profit/(loss)	Total
	\$	\$	\$	\$
Balance at 1 July 2018	6,642,054	1,084,155	-	7,726,209
Net loss before income tax	-	-	(223,536)	(223,536)
Income tax benefit	-	-	58,637	58,637
Total comprehensive income for the period	-	-	(164,899)	(164,899)
Distributions to unitholders	-	(364,474)	-	(364,474)
Balance at 31 December 2018	6,642,054	719,681	(164,899)	7,196,836

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the half year ended 31 December 2019

	Note	31 December 2019 \$	31 December 2018 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		13,681,335	13,753,030
Payments to suppliers and employees (inclusive of GST)		(9,447,103)	(14,462,610)
Interest received	7	5,563	21,353
Lease interest paid		(1,554,320)	-
Income tax refund		147,299	(161,388)
Net cash inflow/(outflow) from operating activities		2,832,774	(849,615)
Cash flows from investing activities			
Receipts from sale of plant and equipment	6	3,532,906	-
Payments for plant and equipment		(17,821)	(653,253)
Net cash inflow/(outflow) from investing activities		3,515,085	(653,253)
Cash flows from financing activities			
Principal lease payments		(3,577,000)	-
Distributions paid		(115)	(350,760)
Net cash outflow from financing activities		(3,577,115)	(350,760)
Net increase/(Decrease) in cash and cash equivalents held		2,770,745	(1,853,628)
Cash and cash equivalents at the beginning of the period		2,505,523	5,432,110
Cash and cash equivalents at the end of the period		5,276,268	3,578,482

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

31 December 2019

1 General information

These financial statements cover RFM Poultry as an individual entity. The Trust is a managed investment scheme domiciled in Australia. The responsible entity of the Trust, Rural Funds Management Limited, is incorporated and domiciled in Australia. The registered office of the responsible entity is Level 2, 2 King Street, Deakin, ACT 2600.

The Directors of the Responsible Entity authorised the Financial Report for issue on 27 February 2020 and have the power to amend and reissue the Final Report.

2 Summary of significant accounting policies

Basis of preparation

The accounting policies that have been adopted in respect of the financial report are those of Rural Funds Management as Responsible Entity of the Trust. The accounting policies adopted for the half year ended 31 December 2019 are consistent with those of the financial year ended 30 June 2019 except for the adoption of AASB 16 leases from 1 July 2019. The financial statements are based on historical cost.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and the Trust's Constitution.

The financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This general purpose financial report for the half year ended 31 December 2019 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Trust as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by the Trust during the period in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

Basis of accounting

During the half-year period ended 31 December 2019, RFM Poultry sold all its plant and equipment, terminated all growing contracts with customers and all lease contracts with its lessors during the half-year period ended 31 December 2019. RFM as the responsible entity of RFP is working towards delisting RFP from NSX, returning capital to unitholders, and the ultimate wind-up of the Trust. Under these circumstances, the directors have determined that the going concern basis of preparation is no longer appropriate. The financial statements have been prepared on a realisation basis and liabilities have been presented in order of their priority in liquidation.

New standard adopted by the Trust – Leases

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

Notes to the Financial Statements

31 December 2019

2. Summary of significant accounting policies (continued)

(a) Adjustments recognised on adoption of AASB16

On adoption of AASB 16, the trust recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 *Leases*.

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 ranged from 4% to 8.55%.

Lease liabilities recognised as at 1 July 2019

	1 July 2019
	\$
Operating lease commitments disclosed as at 30 June 2019	92,378,484
Discounted using the lessee's incremental borrowing rate of at the date of initial application 1 July 2019	77,678,646
Discounted using the lessee's incremental borrowing rate for plant and equipment	794,251
Lease liability recognised as at 1 July 2019	78,472,897
Of which are:	
Current lease liabilities as at 1 July 2019	7,981,581
Non-Current lease liabilities as at 1 July 2019	70,491,316
Total Lease liabilities recognised as at 1 July 2019	78,472,897

The associated right-of-use assets for all the leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets as at 1 July 2019 relate to the following types of assets:

	1 July 2019
	\$
Properties	77,678,646
Equipment	652,385
Motor vehicles	141,866
Total right-of-use assets at 1 July 2019	78,472,897

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

- right-of-use assets – increase by \$78,472,897
- lease liabilities – increase by \$78,472,897

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases

Notes to the Financial Statements

31 December 2019

2. Summary of significant accounting policies (continued)

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

(b) The Trust's leasing activities and how these are accounted for

The Trust leases various Properties, plants and equipment. Lease agreements are typically made for fixed periods of 3 to 5 years for P&E items and are for 4 to 16 years for properties but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2020 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Trust. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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

(i) *Variable lease payments*

The property leases contain variable payment terms that are related to the new development work and new infrastructure installed during the year. Variable lease payments that depend on capex are recognised in profit or loss in the period in which the work has been completed.

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Notes to the Financial Statements

31 December 2019

2. Summary of significant accounting policies (continued)

(ii) Extension and termination options

Extension and termination options are included in property lease in the Trust. The terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the trust and not by the respective lessor.

(c) Cease of Trust's leasing activities

The Trust terminated all its leases on 18 December 2019 with the sale of poultry assets to ProTen Investment Management Pty Ltd. This event has triggered a derecognition of all the lease liabilities and right-of use assets in the Balance sheet on 18 December 2019.

Lease liabilities as at 18 December 2019:

	31 December 2019 \$
Lease liabilities recognised in the balance sheet at 1 July 2019	78,472,897
Lease payments for 6 months period ended 31 December 2019	(5,131,320)
Lease interest for 6 months period ended 31 December 2019	1,554,320
Lease liability as at 18 December 2019	74,895,897

Depreciation charges of right-of-use assets for the period ended 31 December 2019:

	Properties \$	Equipment \$	Motor vehicles \$	Total \$
Right-of-use assets at 1 July 2019	77,678,646	652,385	141,866	78,472,897
Depreciation charge for the period	(4,756,566)	(47,081)	(18,879)	(4,822,526)
Derecognition of balance of right-of-use assets	(72,922,080)	(605,304)	(122,987)	(73,650,371)
Total right-of-use assets 31 December 2019	-	-	-	-

Net impact of derecognition of lease assets and liabilities:

	31 December 2019 \$
Derecognition of leased assets	(73,650,371)
Derecognition of leased liabilities	74,895,897
Total net impact for the half year ended 31 December 2019	1,245,526

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Notes to the Financial Statements

31 December 2019

3 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements, estimates and assumptions in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on various other factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

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

4 Segment information

The Trust operates in one operating segment (31 December 2018: one segment), being the growing of chickens under contract to a third party.

5 Revenue

	31 December 2019	31 December 2018
	\$	\$
Grower fees	11,885,836	12,593,912
Rental revenue	14,489	76,500
Total	11,900,325	12,670,412

6 Gain on sale of assets

Consideration received on sale transaction	3,532,906	-
Disposal of P&E	(1,887,609)	-
Disposal of other assets	(154,494)	-
Disposal of liabilities	164,985	-
Derecognition of leased assets	(73,650,371)	-
Derecognition of leased liabilities	74,895,897	-
Gain on sale of assets	2,901,314	-

7 Other income

Interest income	5,563	21,353
Other income	1,204	251
Total	6,767	21,604

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Notes to the Financial Statements

31 December 2019

8 Plant and equipment

	31 December 2019	30 June 2019
	\$	\$
Plant and equipment		
Cost	-	936,653
Accumulated depreciation	-	(146,189)
Total plant and equipment	-	790,464
Office furniture, fixtures and fittings		
Cost	-	33,775
Accumulated depreciation	-	(5,732)
Total office furniture, fixtures and fittings	-	28,043
Motor vehicles		
Cost	-	140,144
Accumulated depreciation	-	(91,340)
Total motor vehicles	-	48,804
Leasehold improvements		
Cost	-	1,150,595
Accumulated depreciation	-	(124,443)
Total Leasehold improvements	-	1,026,152
Capital works in progress		
Cost	-	-
Accumulated depreciation	-	-
Total Capital works in progress	-	-
Total plant and equipment	-	1,893,463

	Plant and equipment	Office furniture, fixtures and fittings	Motor vehicles	Leasehold improvements	Capital works in progress	Total
	\$	\$	\$	\$	\$	\$
31 December 2019						
Opening net book amount	790,464	28,043	48,804	1,026,152	-	1,893,463
Additions	17,821	-	-	71,176	-	88,997
Depreciation	(36,310)	(4,496)	(3,975)	(50,070)	-	(94,851)
Disposals	(771,975)	(23,547)	(44,829)	(1,047,258)	-	(1,887,609)
Closing net book amount	-	-	-	-	-	-

	Plant and equipment	Office furniture, fixtures and fittings	Motor vehicles	Leasehold improvements	Capital works in progress	Total
	\$	\$	\$	\$	\$	\$
30 June 2019						
Opening net book amount	404,381	1,402	59,085	777,804	115,280	1,357,952
Additions	452,511	29,667	-	209,846	-	692,024
Transfers	-	-	-	115,280	(115,280)	-
Depreciation	(66,428)	(3,026)	(10,281)	(76,778)	-	(156,513)
Closing net book amount	790,464	28,043	48,804	1,026,152	-	1,893,463

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Notes to the Financial Statements

31 December 2019

9 Issued capital

	31 December 2019	31 December 2018
	No of units	No of units
Units on issue at the beginning of the period	6,884,416	6,884,416
Units issued during the period	-	-
Units on issue at the end of the period	6,884,416	6,884,416

10 Related party transactions

Responsible entity (Rural Funds Management) and related entities

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

	31 December 2019	31 December 2018
	\$	\$
Asset management fee	114,585	136,250
Total management fees	114,585	136,250
Expenses reimbursed to RFM	852,862	767,989
Expenses reimbursed to RFM Farming	309	-
Lease payments to Rural Funds Group	5,158,052	5,404,151
Distribution paid/payable to RFM	-	17,606
Distribution paid/payable to Rural Funds Group	-	8,479
Total amount paid to RFM and related entities	6,125,808	6,334,475

Creditors

	31 December 2019	30 June 2019
	\$	\$
Current		
Rural Funds Group	-	7,392
RFM	237,197	264,794
Total	237,197	272,186

Entities with influence over the Trust

	31 December 2019		30 June 2019	
	Units	%	Units	%
RFM	225,529	3.28	225,529	3.28
Rural Funds Group	108,615	1.58	108,615	1.58

11 Events after the reporting period

RFM has started the process to de-list RFP from NSX and the wind up of the Trust. A distribution of \$0.70 per unit will be paid to unitholders on 28 February 2020. This will be the first of two distributions prior to the wind up of the Fund.

No other matter or circumstance has arisen since the end of the half year that has significantly affected or could significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in future periods.

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Directors' Declaration

31 December 2019

In the Directors of the Responsible Entity's opinion:

- 1 the financial statements and notes of RFM Poultry set out on pages 5 to 15 are in accordance with the *Corporations Act 2001*, including:
 - a. comply with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the Trust's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- 2 As disclosed in note 2 to the half-year financial statements, the directors have prepared the half-year financial statements on the basis that the Trust is no longer a going concern due to the disposal of all plant and equipment and the termination of all growing contracts with customers and all lease contracts with lessors. The Responsible Entity is in the process of returning capital to unitholders and will be winding up RFM Poultry by 30 June 2020. The assets exceed the liabilities and there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



David Bryant
Director

27 February 2020



Independent auditor's review report to the unitholders of RFM Poultry

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of RFM Poultry (the Registered Scheme) which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, selected other explanatory notes and the directors' declaration.

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

The directors of the Responsible Entity of the Registered Scheme are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Registered Scheme's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of RFM Poultry, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of RFM Poultry is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Registered Scheme's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter – Going concern no longer appropriate

We draw attention to Note 2 in the financial statements, which indicates that RFM Poultry sold all its plant and equipment, terminated all growing contracts with customers and all lease contracts with its lessors during the half-year period ended 31 December 2019. The Responsible Entity is in the process of returning capital to unitholders and winding up RFM Poultry. As a result, the half-year financial report has been prepared on a liquidation basis and not on a going concern basis. Our conclusion is not modified in respect of this matter.

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

PricewaterhouseCoopers

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

Rod Dring
Partner

Sydney
27 February 2020

Responsible Entity

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