

# Appendix 3: Final Report

Name of issuer

RFM Poultry

ARSN	Half yearly (tick)	Preliminary final (tick)	Financial period ended (‘Current period’)	Corresponding period
164 851 218		✓	30 June 2017	30 June 2016

## For announcement to the market

Extracts from this statement for announcement to the market.

Revenue	Down	1%	to	24,188,653
Profit for the period from ordinary activities after tax	Down	5%	to	821,911
Profit for the period attributable to unit holders	Down	5%	to	821,911
<b>Dividends</b>	Current period		Previous corresponding period	
Franking rate applicable:	100%		100%	
<b>Dividends</b>				
Amount per security (CPU)	10.05		10.05	
Franked amount per security ( CPU)	10.05		10.05	

## Net tangible asset per security

	30 June 2017	30 June 2016
Net tangible asset per security (\$)	1.13	1.11

Additional Appendix 3 disclosure requirements can be found in the Directors’ Report and the 30 June 2017 Financial Statements and accompanying notes.

**Dividend reinvestment plan**

Rural Funds Management Limited (RFM) as responsible entity of RFM Poultry has suspended the distribution reinvestment plan (DRP) until further notice. This was communicated to the market in the NSX release dated 3 August 2015.

**Audit**

This report is based on the financial statements that have been subject to an audit by PricewaterhouseCoopers. There are no items of dispute with the auditor and the audit is not subject to qualification.

# RFM Poultry (RFP)

## Financial Statements

For the Year Ended 30 June 2017

# **RFM Poultry**

ARSN 164 851 218

## **Contents**

Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Net Assets Attributable to Unitholders	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Directors' Declaration	28
Independent Auditor's Report	29
Additional Information for Listed Public Entities	34

# 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 2017

The Directors of Rural Funds Management Limited (RFM), the responsible entity of RFM Poultry (RFP or the Trust) present their report on the Trust for the year ended 30 June 2017.

### 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 (appointed 15 February 2017)

### 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 2017 amounted to \$821,911 (2016: \$866,573).

The chicken industry continues to experience positive conditions with per capita consumption continuing to increase. All the sheds leased by RFM Poultry in Griffith, NSW, continue to be endorsed as compliant with RSPCA guidelines. The sheds in Lethbridge, VIC have also been endorsed as compliant with RSPCA guidelines during the year. During the year RFP's growing contracts relating to Lethbridge, VIC, were transferred from Baiada Poultry Pty Limited to Turi Foods Pty Limited. The transition of the contracts proceeded without any business interruption.

### Financial position

The net assets of the Trust have increased to \$7,799,557 at 30 June 2017 from \$7,669,530 at 30 June 2016.

At 30 June 2017 the Trust had total assets of \$9,155,090 (2016: \$8,978,581).

### 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 2016, paid 29 July 2016	2.5125	172,971
Distribution paid 31 October 2016	2.5125	172,971
Distribution paid 31 January 2017	2.5125	172,971
Distribution paid 28 April 2017	2.5125	172,971
Distribution declared 1 June 2017, paid 31 July 2017	2.5125	172,971

### Earnings per unit

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

# RFM Poultry

ARSN 164 851 218

## Directors' Report

30 June 2017

### Summary of historical performance

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

	2017 \$	2016 \$	2015 \$
Revenue	24,188,653	24,324,125	25,746,811
<b>Net profit after income tax</b>	<b>821,911</b>	<b>866,573</b>	<b>1,499,214</b>
Total assets	9,155,090	8,978,581	9,517,124
Total liabilities (excluding net assets attributable to unitholders)	1,355,533	1,309,051	2,042,661
<b>Net assets attributable to unitholders</b>	<b>7,799,557</b>	<b>7,669,530</b>	<b>7,474,463</b>

### 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 2017 is 3.67% (2016: 3.52%).

### 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. RFM will continue to seek investments that will produce productivity and efficiency gains.

### 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 2017 (2016: 6,884,416). During the year nil (2016: 23,452) units were issued by the Trust and nil (2016: nil) were redeemed.

### Indemnity of Responsible Entity and Custodian

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

**Directors' Report****30 June 2017****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

Member of 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

**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. Since then, David has led the RFM team that has acquired over \$460 million in agricultural assets across eight Australian agricultural regions. This has included negotiating the acquisition of more than 35 properties and over 79,000 megalitres of water entitlements.

## Special responsibilities

Managing Director

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

Rural Funds Group

**Michael Carroll**

## Qualifications

## Experience

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 Tassal Group Limited, Select Harvests Limited, Paraway Pastoral Company, Sunny Queen Pty Limited, and the Gardiner Dairy Foundation. Michael also has senior executive experience in a range of companies, including establishing and leading the National Australia Bank (NAB) Agribusiness division.

## Special responsibilities

Chairman of Audit Committee and Remuneration committee

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

Michael is on the Board of Tassal Group Limited, Rural Funds Group and Select Harvests Limited. Michael was on the Board of Warrnambool Cheese and Butter Limited from August 2009 until May 2014.



# RFM Poultry

ARSN 164 851 218

## Directors' Report

30 June 2017

### Information on Directors of the Responsible Entity (continued)

<b>Julian Widdup</b>	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	Rural Funds Group
Directorships held in other listed entities during the three years prior to the current year	None noted

### Interests of Directors of the Responsible Entity

	<b>Guy Paynter Units</b>	<b>David Bryant Units</b>
Balance at 30 June 2015	21,507	206,526
Additions	-	40,730
<b>Balance at 30 June 2016</b>	<b>21,507</b>	<b>247,256</b>
Additions	-	-
<b>Balance at 30 June 2017</b>	<b>21,507</b>	<b>247,256</b>

### Company Secretaries of the Responsible Entity

Stuart Waight and Andrea Lemmon are RFM's joint company secretaries. Stuart joined RFM in 2003, is a Chartered Accountant and is RFM's Chief Operating Officer. Andrea has been with RFM since 1997 and is RFM's Executive Manager Funds Management.

### 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:

	<b>Directors meetings</b>		<b>Audit Committee meetings</b>		<b>Remuneration Committee meetings</b>	
	<b>No. eligible to attend</b>	<b>No. attended</b>	<b>No. eligible to attend</b>	<b>No. attended</b>	<b>No. eligible to attend</b>	<b>No. attended</b>
Guy Paynter	14	13	2	2	1	1
David Bryant	14	14	-	-	-	-
Michael Carroll	14	13	2	2	1	1
Julian Widdup	6	6	2	2	1	1

### Non-audit services

During the year ended 30 June 2017 fees of \$4,459 (2016: \$4,408) were paid or payable to PricewaterhouseCoopers for compliance audit services provided.

# **RFM Poultry**

ARSN 164 851 218

## **Directors' Report**

**30 June 2017**

### **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 2017 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.

A handwritten signature in black ink, appearing to read 'David Bryant', is written over a faint, light blue grid background.

David Bryant  
Director

28 August 2017



## Auditor's Independence Declaration

As lead auditor for the audit of RFM Poultry for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 'J. Heraghty'.

CMC Heraghty  
Partner  
PricewaterhouseCoopers

Sydney  
28 August 2017

# RFM Poultry

ARSN 164 851 218

## Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue	5	24,188,653	24,324,125
Other income	6	108,402	119,581
Gain on sale of assets		-	5,000
Property lease expenses		(10,537,989)	(10,467,969)
Direct grower expenses		(4,312,518)	(4,120,417)
Contractor fees		(3,762,640)	(3,894,003)
Employee expenses		(705,514)	(496,458)
Repairs and maintenance		(2,264,736)	(2,499,294)
Insurance expenses		(392,733)	(471,450)
Professional fees		(465,426)	(555,308)
Other indirect expenses		(100,473)	(111,157)
Management fees		(545,030)	(540,875)
Depreciation and impairment	14	(35,837)	(53,813)
<b>Net profit before income tax</b>		<b>1,174,159</b>	<b>1,237,962</b>
Income tax expense	7	(352,248)	(371,389)
<b>Net profit after income tax</b>		<b>821,911</b>	<b>866,573</b>
<b>Other comprehensive income:</b>			
Other comprehensive income		-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income attributable to unitholders</b>		<b>821,911</b>	<b>866,573</b>
<b>Earnings per unit</b>			
Basic and diluted earnings per unit from continuing operations (cents)		<b>11.94</b>	12.59

The accompanying notes form part of these financial statements.

# RFM Poultry

ARSN 164 851 218

## Statement of Financial Position

As at 30 June 2017

	Note	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	6,230,162	6,384,706
Trade and other receivables	10	2,048,277	2,048,855
Inventories	11	43,490	47,819
Other current assets	12	301,915	241,566
Income tax receivable	17	80,819	69,400
<b>Total current assets</b>		<b>8,704,663</b>	<b>8,792,346</b>
<b>Non-current assets</b>			
Plant and equipment	14	420,338	165,488
Deferred tax assets	18	30,089	20,747
<b>Total non-current assets</b>		<b>450,427</b>	<b>186,235</b>
<b>Total assets</b>		<b>9,155,090</b>	<b>8,978,581</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	1,142,150	1,111,736
Provisions	16	211,271	196,571
<b>Total current liabilities</b>		<b>1,353,421</b>	<b>1,308,307</b>
<b>Non-current liabilities</b>			
Provisions	16	2,112	744
<b>Total non-current liabilities</b>		<b>2,112</b>	<b>744</b>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>1,355,533</b>	<b>1,309,051</b>
Net assets attributable to unitholders		<b>7,799,557</b>	<b>7,669,530</b>
<b>Total liabilities</b>		<b>9,155,090</b>	<b>8,978,581</b>

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 2017

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

  

2016	Issued units	Retained earnings	Total
	\$	\$	\$
<b>Balance at 1 July 2015</b>	<b>6,621,676</b>	<b>852,787</b>	<b>7,474,463</b>
Profit before income tax	-	1,237,962	1,237,962
Income tax expense	-	(371,389)	(371,389)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>866,573</b>	<b>866,573</b>
<b>Issued units</b>			
Units issued during the year	20,378	-	20,378
<b>Total issued units</b>	<b>20,378</b>	<b>-</b>	<b>20,378</b>
Distributions to unitholders	-	(691,884)	(691,884)
<b>Balance at 30 June 2016</b>	<b>6,642,054</b>	<b>1,027,476</b>	<b>7,669,530</b>

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 2017

		2017	2016
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		26,567,473	27,475,360
Payments to suppliers and employees		(25,459,779)	(25,746,980)
Interest received		89,001	111,339
Income tax paid		(373,009)	(906,020)
Net cash inflow from operating activities	26	823,686	933,699
<b>Cash flows from investing activities</b>			
Proceeds from sale of plant and equipment		-	5,000
Payments for plant and equipment		(290,687)	(59,648)
Net cash outflow from investing activities		(290,687)	(54,648)
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		-	20,378
Distributions paid		(687,543)	(690,395)
Net cash outflow from financing activities		(687,543)	(670,017)
Net (Decrease)/increase in cash and cash equivalents held		(154,544)	209,034
Cash and cash equivalents at the beginning of the year		6,384,706	6,175,672
<b>Cash and cash equivalents at the end of the year</b>	9	6,230,162	6,384,706

The accompanying notes form part of these financial statements.

# RFM Poultry

ARSN 164 851 218

## Notes to the Financial Statements

30 June 2017

### 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 28 August 2017 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 2017

**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:

<b>Fixed asset class</b>	<b>Depreciation rate</b>
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	7-15 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 2017

**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 2017

**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 2017

**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 15 Revenue from contracts with customers	1 Jan 2018	Recognise contracted revenue when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards.	It is not expected that this standard will have a material impact on the Trust.
AASB 16 Leases	1 Jan 2019	Introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months.	Management is currently assessing the impact of the new rules. It is expected that this standard will have a significant impact on the property leases of the Trust. Total future lease payments under non-cancellable operating leases of land, buildings and improvements amount to \$120,962,705.

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.

**Notes to the Financial Statements****30 June 2017****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 (2016: 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. One external customer individually accounts for more than 10% of Trust revenues.

**5 Revenue**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Grower fees	<b>24,029,559</b>	24,153,776
Rental revenue	<b>159,094</b>	170,349
<b>Total</b>	<b>24,188,653</b>	24,324,125

**6 Other income**

Interest income	<b>89,001</b>	111,339
Other income	<b>19,401</b>	8,242
<b>Total</b>	<b>108,402</b>	119,581

**Notes to the Financial Statements**

30 June 2017

**7 Income tax expense**

*The major components of income tax comprise:*

	2017	2016
	\$	\$
Current tax	361,590	367,911
Deferred tax	(9,342)	3,478
<b>Income tax expense reported in the Statement of Comprehensive Income</b>	<b>352,248</b>	<b>371,389</b>

Income tax expense is attributable to:

Profit from continuing operations	352,248	371,389
<b>Total</b>	<b>352,248</b>	<b>371,389</b>

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

Accounting profit before tax from continuing operations	1,174,159	1,237,962
At the statutory income tax rate of 30% (2016: 30%)	352,248	371,389
<b>Total</b>	<b>352,248</b>	<b>371,389</b>

**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	44,030	43,706
Compliance audit	4,459	4,408
<b>Total</b>	<b>48,489</b>	<b>48,114</b>

**9 Cash and cash equivalents**

Cash at bank	6,230,162	6,384,706
<b>Total</b>	<b>6,230,162</b>	<b>6,384,706</b>

*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	6,230,162	6,384,706
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**Notes to the Financial Statements**

30 June 2017

**10 Trade and other receivables**

	<b>2017</b>	<b>2016</b>
<b>Current</b>	<b>\$</b>	<b>\$</b>
Trade receivables	-	1,123
Accrued income	<b>2,048,277</b>	2,047,732
<b>Total</b>	<b>2,048,277</b>	2,048,855

Receivables are recognised and carried at original amount, less an allowance for any uncollectable amounts. An estimate for doubtful debts is made 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 2017, there were no impaired or past due receivables (2016: nil).

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

**11 Inventories**

<b>Current</b>		
Gas inventory	<b>43,490</b>	47,819
<b>Total</b>	<b>43,490</b>	47,819

**12 Other current assets**

<b>Current</b>		
Prepayments	<b>183,587</b>	180,493
Lease receivable	<b>7,210</b>	45,946
Sundry debtors	<b>111,118</b>	15,127
<b>Total</b>	<b>301,915</b>	241,566

**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	<b>10,662,402</b>	10,520,377
More than one year, but not later than five years	<b>44,053,858</b>	42,791,112
Later than five years	<b>66,246,445</b>	73,522,234
<b>Total</b>	<b>120,962,705</b>	126,833,723

**Notes to the Financial Statements**

30 June 2017

**14 Plant and equipment**

	2017 \$	2016 \$
<b>Plant and equipment</b>		
Cost	213,883	181,715
Accumulated depreciation	(52,753)	(35,339)
Total plant and equipment	161,130	146,376
<b>Office furniture, fixtures and fittings</b>		
Cost	4,108	1,974
Accumulated depreciation	(1,865)	(1,161)
Total office furniture, fixtures and fittings	2,243	813
<b>Motor vehicles</b>		
Cost	136,144	73,525
Accumulated depreciation	(65,032)	(55,226)
Total motor vehicles	71,112	18,299
<b>Leasehold improvements</b>		
Cost	193,766	-
Accumulated depreciation	(7,913)	-
Total Leasehold improvements	185,853	-
<b>Total plant and equipment</b>	<b>420,338</b>	<b>165,488</b>

*Movement in carrying amounts of plant and equipment*

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the year:

	Plant and equipment	Office furniture, fixtures and fittings	Motor vehicles	Leasehold improvements	Total
<b>2017</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Opening net book amount</b>	146,376	813	18,299	-	165,488
Additions	32,168	2,134	62,619	193,766	290,687
Depreciation & amortisation	(17,414)	(704)	(9,806)	(7,913)	(35,837)
<b>Closing net book amount</b>	<b>161,130</b>	<b>2,243</b>	<b>71,112</b>	<b>185,853</b>	<b>420,338</b>
	Plant and equipment	Office furniture, fixtures and fittings	Motor vehicles	Leasehold improvements	Total
<b>2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Opening net book amount</b>	166,874	1,255	64,737	-	232,866
Additions	59,648	-	-	-	59,648
Derecognised for finance lease	(46,208)	-	(27,005)	-	(73,213)
Write-off	(19,454)	-	(234)	-	(19,688)
Depreciation	(14,484)	(442)	(19,199)	-	(34,125)
<b>Closing net book amount</b>	<b>146,376</b>	<b>813</b>	<b>18,299</b>	<b>-</b>	<b>165,488</b>



# RFM Poultry

ARSN 164 851 218

## Notes to the Financial Statements

30 June 2017

### 15 Trade and other payables

	2017	2016
	\$	\$
Trade payables	63,964	413,477
Accruals	969,768	602,033
Sundry payables	108,418	96,226
<b>Total</b>	<b>1,142,150</b>	<b>1,111,736</b>

### 16 Provisions

#### Current

Employee entitlements	26,159	15,800
Provision for distribution	185,112	180,771
<b>Total</b>	<b>211,271</b>	<b>196,571</b>

#### Non-current

Employee entitlements	2,112	744
<b>Total</b>	<b>2,112</b>	<b>744</b>

### 17 Income tax receivable

Income tax receivable	80,819	69,400
<b>Total</b>	<b>80,819</b>	<b>69,400</b>

### 18 Deferred tax

#### Deferred tax assets

Accruals	21,001	14,571
Provision for employee entitlements - current	7,848	4,740
Provision for employee entitlements - noncurrent	633	223
Legal costs	607	1,213
<b>Total</b>	<b>30,089</b>	<b>20,747</b>

**Notes to the Financial Statements**

30 June 2017

**19 Recognised tax assets and liabilities**

	<b>Current income tax</b>		<b>Deferred income tax</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening balance	<b>69,400</b>	(468,709)	<b>20,747</b>	24,225
Income tax expense	<b>(361,590)</b>	(367,911)	<b>9,342</b>	(3,478)
Payments	<b>373,009</b>	906,020	-	-
<b>Closing balance</b>	<b>80,819</b>	69,400	<b>30,089</b>	20,747
Tax expense in Statement of Comprehensive Income			<b>352,248</b>	371,389
Amounts recognised in the Statement of Financial Position				
Deferred tax assets			<b>30,089</b>	20,747
<b>Total</b>			<b>30,089</b>	20,747

**20 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.

# RFM Poultry

ARSN 164 851 218

## Notes to the Financial Statements

30 June 2017

### 20 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 2017. 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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>										
Cash and cash equivalents	6,230,162	6,384,706	-	-	-	-	-	-	6,230,162	6,384,706
Trade and other receivables	2,048,277	2,048,855	-	-	-	-	-	-	2,048,277	2,048,855
<b>Total</b>	<b>8,278,439</b>	<b>8,433,561</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,278,439</b>	<b>8,433,561</b>
<b>Financial liabilities</b>										
Trade and other payables	1,142,150	1,111,736	-	-	-	-	-	-	1,142,150	1,111,736
<b>Total</b>	<b>1,142,150</b>	<b>1,111,736</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,142,150</b>	<b>1,111,736</b>

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 2017

**20 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.

Past due but not impaired (days overdue)							
	Gross amount \$	Within initial trade terms \$	<30 \$	30-60 \$	61-90 \$	>90 \$	Past due and impaired \$
<b>2017</b>							
Trade and other receivables	2,048,277	2,048,277	-	-	-	-	-
<b>Total</b>	<b>2,048,277</b>	<b>2,048,277</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2016</b>							
Trade and other receivables	2,048,855	2,048,855	-	-	-	-	-
<b>Total</b>	<b>2,048,855</b>	<b>2,048,855</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 2017 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.

**Notes to the Financial Statements****30 June 2017****21 Distributions**

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

	<b>Cents per unit</b>	<b>Total \$</b>
Distribution declared 1 June 2016, paid 29 July 2016	2.5125	172,971
Distribution paid 31 October 2016	2.5125	172,971
Distribution paid 31 January 2017	2.5125	172,971
Distribution paid 28 April 2017	2.5125	172,971
Distribution declared 1 June 2017, paid 31 July 2017	2.5125	172,971

**22 Earnings per unit**

	<b>2017</b>	<b>2016</b>
Net profit after income tax for the year (\$)	<b>821,911</b>	866,573
Weighted average number of units on issue during the year	<b>6,884,416</b>	6,882,494
Basic and diluted earnings per unit (total) (cents)	<b>11.94</b>	12.59

**23 Issued units**

	<b>No of units</b>	<b>No of units</b>
Units on issue at the beginning of the year	<b>6,884,416</b>	6,860,964
Units issued during the year	-	23,452
Units on issue at the end of the year	<b>6,884,416</b>	6,884,416

**24 Key management personnel***Directors*

The directors of RFM are considered to be key management personnel of the Trust. The Directors of the responsible entity in office during the year and up to the date of report are:

Guy Paynter  
David Bryant  
Michael Carroll  
Julian Widdup (appointed 15 February 2017)

*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 2017 were:

	<b>Guy Paynter Units</b>	<b>David Bryant Units</b>
Balance at 30 June 2015	21,507	206,526
Additions	-	40,730
<b>Balance at 30 June 2016</b>	<b>21,507</b>	<b>247,256</b>
Additions	-	-
<b>Balance at 30 June 2017</b>	<b>21,507</b>	<b>247,256</b>

**Notes to the Financial Statements**

30 June 2017

**24 Key management personnel (continued)**
*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% (2016: 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% (2016: 5%) of farm operating expenses;
- Performance bonus: 15% (2016: 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% (2016: 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.

**25 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:

	2017	2016
	\$	\$
Asset management fee	545,030	540,875
<b>Total management fees</b>	<b>545,030</b>	540,875
Expenses reimbursed to RFM	1,115,015	1,341,966
Expenses reimbursed to Rural Funds Group	1,028	53,804
Expenses reimbursed to RFM Farming	4,673	-
Lease expenses paid to Rural Funds Group	10,519,867	10,450,360
Distribution paid/payable to RFM	28,332	25,674
Distribution paid/payable to Rural Funds Group	13,645	13,645
<b>Total amount paid to RFM and related entities</b>	<b>12,227,590</b>	12,426,324
<i>Creditors</i>		
<b>Current</b>		
RFM	-	138,506
<b>Total</b>	-	138,506

# RFM Poultry

ARSN 164 851 218

## Notes to the Financial Statements

30 June 2017

### 25 Related party transactions (continued)

*Entities with influence over the Trust*

	2017		2016	
	Units	%	Units	%
RFM	225,529	3.28	225,529	3.28
Rural Funds Group	108,615	1.58	108,615	1.58

### 26 Cash flow information

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

	2017	2016
	\$	\$
<b>Net profit after income tax</b>	<b>821,911</b>	866,573
<b>Cash flows excluded from profit attributable to operating activities</b>		
<b>Non-cash flows in profit</b>		
Depreciation and impairment	35,837	53,813
Gain on sale of assets	-	(5,000)
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	578	663,109
(Increase)/decrease in other current assets	(60,349)	149,670
Decrease in inventories	4,329	6,555
(Increase)/decrease in deferred taxes	(9,342)	3,478
Increase/(decrease) in trade and other payables	30,414	(271,351)
Increase in provisions	11,727	4,961
(Decrease) in net income tax payable	(11,419)	(538,109)
<b>Cash flow from operating activities</b>	<b>823,686</b>	933,699

### 27 Economic dependence

At 30 June 2017 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.

### 28 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.

### 29 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 2017

In the Directors of the Responsible Entity's opinion:

- 1 The financial statements and notes of RFM Poultry set out on pages 8 to 27 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 2017 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

28 August 2017



## *Independent auditor's report*

To the unitholders of RFM Poultry

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### *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 2017 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 2017
- 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.

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### *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.

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

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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 \$76,000, which represents approximately 5% of the Registered Scheme's 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
<p data-bbox="261 548 603 613"><b>Related party transactions</b> (Refer to note 25)</p> <p data-bbox="261 638 842 750">The Registered Scheme's Responsible Entity, along with other funds for which it is the Responsible Entity, are considered related parties of the Registered Scheme. Key transactions with these parties include:</p> <ul data-bbox="277 750 817 952" style="list-style-type: none"> <li>• lease of land, buildings, plant and equipment from related parties</li> <li>• distributions made to related parties</li> <li>• reimbursement of operating expenses made to related parties</li> <li>• asset management fees paid/payable to the Responsible Entity.</li> </ul> <p data-bbox="261 974 842 1232">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.</p>	<ul data-bbox="900 627 1476 1747" style="list-style-type: none"> <li>• We obtained an understanding of the Registered Scheme's processes for identifying related parties and related party transactions, through discussions with management.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• We discussed the related party transactions with management to obtain an understanding of the business rationale for the transactions.</li> <li>• 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.</li> <li>• 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.</li> </ul>

### *Other information*

The directors of the Responsible Entity are responsible for the other information. The other information included in the Registered Scheme's annual report for the year ended 30 June 2017 comprises the Directors' Report, and NSX additional information (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. We also expect 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.

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### *Responsibilities of the directors of the Responsible Entity for the financial report*

The directors of the Responsible Entity of the Registered Scheme are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity 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 of the Responsible Entity are responsible for assessing the ability of the Registered Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

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### *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](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'CMC Heraghty'.

CMC Heraghty  
Partner

Sydney  
28 August 2017

**Additional Information for Listed Public Entities****30 June 2017****NSX Additional Information**

Additional information required by National Stock Exchange of Australia Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 30 June 2017.

**Distribution of equity securities**

Analysis of numbers of unitholders by size of holdings:

	<b>Unitholders</b>
1 - 1,000	176
1,001 - 5,000	776
5,001 - 10,000	167
10,001 - 100,000	95
100,000 and over	10

RFM considers that there were 28 holders of a less than marketable parcel of units at 30 June 2017.

**Substantial unitholders**

The number of substantial unitholders and their associates are set out below.

<b>Unitholders</b>	<b>Units held</b>	<b>%</b>
J P Morgan Nominees Australia Limited	446,671	6.49

**Voting rights***Ordinary Units*

All ordinary units carry one vote per unit without restriction

# RFM Poultry

ARSN 164 851 218

## Additional Information for Listed Public Entities

30 June 2017

### Twenty largest unitholders at 30 June 2017

	Units held	%
J P Morgan Nominees Australia Limited	446,671	6.49
3KY Pty Ltd (Kenneth Yu Super Fund)	250,000	3.63
Rural Funds Management Limited	225,529	3.28
Mr Stanley John Evans & Mrs Beverley Joy Evans	220,000	3.20
WF Super Pty Ltd	117,463	1.71
Roseman (SA) Pty Ltd	116,123	1.69
EGP Fund No 1 Pty Ltd	115,205	1.67
K Little Engineering Pty Ltd	112,881	1.64
Kaizen Global Investments Ltd	111,819	1.62
Aust Executor Trustees Ltd (Rural Funds Group)	108,615	1.58
Mr J Dworkin & Mrs H Dworkin	91,823	1.33
Dr Thomas Todd Johns & Mrs Sheila Phelps Johns	57,443	0.83
Sccasp Holdings Pty Ltd	51,891	0.75
Westro Pty Ltd	49,000	0.71
Lubbo Pty Ltd (Lubberink Super Fund)	48,618	0.71
Mrs Janet Robinson & Mr Alan Edwin Robinson (Goeasy Super Fund)	46,987	0.68
J & M Cameron Pty Ltd (J Cameron Super Fund)	44,087	0.64
Mr Luke Gregory Ross	41,000	0.60
Lesral Pty Ltd	40,000	0.58
Mr Gavin John Wright & Mrs Pamela Gay Wright (Pinfire Investments)	39,112	0.57
	<b>2,334,267</b>	<b>33.91</b>

### Securities exchange

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

### Responsible Entity

Rural Funds Management Limited  
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