

RFM Almond Fund (formerly RFM Almond Fund 2006)

Financial Statements

For the Half Year Ended 31 December 2019

RFM Almond Fund (formerly RFM Almond Fund 2006)

ARSN 117 859 391

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RFM Almond Fund (formerly RFM Almond Fund 2006)

ARSN 117 859 391

Corporate Directory

Registered Office	Level 2, 2 King Street DEAKIN ACT 2600
Responsible Entity	Rural Funds Management Limited ABN 65 077 492 838 AFSL 226 701 Level 2, 2 King Street DEAKIN ACT 2600 Ph: 1800 026 665
Directors	Guy Paynter David Bryant Michael Carroll Julian Widdup
Company Secretary	Emma Spear
Custodian	Australian Executor Trustees Limited ABN 84 007 869 794 Level 19, 60 Castlereagh Street SYDNEY NSW 2000
Auditors	PricewaterhouseCoopers One International Towers Sydney Watermans Quay BARANGAROO NSW 2000
Share Registry	Boardroom Pty Limited Level 12, 225 George Street SYDNEY NSW 2000 Ph: 1300 737 760
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Directors' Report

31 December 2019

The Directors of Rural Funds Management Limited (RFM), the Responsible Entity of RFM Almond Fund (RAF or the Trust) present their report on the Trust for the 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 commercial growing of almonds to be sold for processing and consumption in Australia and internationally.

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

The merger was completed on 30 August 2019, RFM Almond Fund 2006 changed its name to RFM Almond Fund (RAF). On 30 August 2019, RAF was converted to a unit trust and acquired RFM owned area of 41.22 hectares. New units have been issued to all the Growers (referred to as unitholders post-merger) based on a conversion ratio, which was calculated based on the value per hectare for AF06, AF07, AF08 (collectively referred to as Schemes) and RFM owned area. Under the principle of *AASB 3: Business Combinations*, this transaction is being treated as a reverse acquisition. AF08 is the accounting acquirer and AF06, AF07 and RFM are accounting acquirees. Accordingly, the financial statements of the Trust have been prepared as a continuation of the financial statement of AF08. The results of the Trust presented in this report for the half year ended 31 December 2019 include 1 month and 30 days of AF08 results prior to the merger and 4 months and 1 day of RAF results following the merger.

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

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

Operating results

The net loss attributable to unitholders for the half year ended 31 December 2019 amounted to \$41,088 (31 December 2018: \$149,265).

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

	Tonnes per hectare
2020 estimated harvest (RAF)	3.50
2019 actual harvest (Schemes & RFM area)	3.31

The 2020 harvest estimate is based on nut counts conducted in the middle of the season. The trees that were selected are from all almond varieties containing an average amount of nuts. The 2020 crop is expected to yield higher than the 2019 crop due to the unfavourable weather conditions that were noted during the 2019 season.

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Directors' Report

31 December 2019

Operating results (continued)

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

RFM waived the management fee charged to RAF for the 2020 financial year.

Financial position

At 31 December 2019 the Trust held asset with a total value of \$44,460,880 (30 June 2019: \$5,755,828). \$914,481 has been invoiced to Growers on 30 August 2019 (31 December 2018: \$1,175,210).

Units on issue

9,462,145 units in RAF were on issue at 31 December 2019. On 30 August 2019, 9,462,145 units were issued by the Trust.

Significant changes in state of affairs

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

Matters subsequent to the end of the half year

Following the period ended 31 December 2019, based on changes in the market, the latest estimated sales price of the 2019 harvested almonds as provided by Almondco is \$8.35/kg. This represents an increase of \$0.25/kg from the estimated sales price provided by Almondco in August 2019. The price increase has not been taken into account as the movement represents the fair value movement in the market value of almonds since 31 December 2019. The final sales proceeds are subject to change based on market conditions throughout the coming periods and will not be known until 30 June 2020.

Almondco has provided a hull & shell rebate of \$0.12/kg for 2019 harvest processing costs in February 2020.

As at 31 December 2019, a limited number of cases of an unknown virus had been reported to the World Health Organization. However, in early 2020 there was an outbreak of Coronavirus Disease 2019 ("COVID-19" or "the coronavirus"). There have been unprecedented measures put in place by the Australian Government, as well as governments across the globe, to contain the coronavirus which have had a significant impact on the economy.

Following the coronavirus outbreak, the Trust continues to operate and the almond harvest has continued with almost 100% of the crop fully harvested as at 17 April 2020. Based on the latest price forecasts by Almondco as described above, there have been no significant movements in the almond price as a result of the COVID-19 outbreak.

However, the coronavirus outbreak is unprecedented and as such the Trust will pay close attention to the development of the situation and continue to assess its impact on operations.

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 financial years.

Likely developments and expected results of operations

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

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Directors' Report

31 December 2019

Environmental regulation

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

Water

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

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

Indemnity of Responsible Entity and Custodian

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

Rounding of amounts

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

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 5 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

17 April 2020



Auditor's Independence Declaration

As lead auditor for the review of RFM Almond Fund (formerly RFM Almond Fund 2006) 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'.

Rod Dring
Partner
PricewaterhouseCoopers

Sydney
17 April 2020

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RFM Almond Fund (formerly RFM Almond Fund 2006)

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Statement of Comprehensive Income

For the half year ended 31 December 2019

		31 December 2019	31 December 2018
	Note	\$	\$
Revenue	5	7,227,906	2,992,767
Interest income		2,745	1,083
Other income		3,141	5,927
Cost of agricultural produce sold		(7,030,844)	(2,992,767)
Professional fees		(62,616)	-
Finance costs		(88,265)	(33,620)
Other expenses		(165,838)	(99)
Management fees		(41,302)	(122,556)
Acquisition expenses		(150,038)	-
Gain on acquisition	13	266,203	-
Net (loss) before income tax		(38,908)	(149,265)
Income tax benefit		(2,180)	-
Net (loss) after income tax		(41,088)	(149,265)
Other comprehensive income:			
Other comprehensive income		-	-
Net (loss) attributable to unitholders		(41,088)	(149,265)

The accompanying notes form part of these financial statements.

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Statement of Financial Position

As at 31 December 2019

		31 December 2019	30 June 2019
	Note	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		1,362,331	8,600
Trade and other receivables		421,962	516,558
Inventories	6	6,140,929	5,230,670
Biological assets	7	7,508,578	-
Other assets		17,440	-
Total current assets		15,451,240	5,755,828
Non-current assets			
Financial assets		4,200	-
Goodwill	13	255,197	-
Right of use assets	11	28,750,243	-
Total non-current assets		29,009,640	-
Total assets		44,460,880	5,755,828
LIABILITIES			
Current liabilities			
Trade and other payables	8	474,575	546,656
Interest bearing liabilities	9	2,850,000	256,573
Lease liabilities	12	3,389,144	-
Total current liabilities		6,713,719	803,229
Non-current liabilities			
Interest bearing liabilities	9	1,500,000	-
Deferred tax liabilities		533,832	-
Lease liabilities	12	27,163,626	-
Total non-current liabilities		29,197,458	-
Total liabilities		35,911,177	803,229
NET ASSETS		8,549,703	4,952,599
EQUITY			
Issued capital	10	8,544,681	-
Retained earnings		5,022	4,952,599
Total equity		8,549,703	4,952,599

The accompanying notes form part of these financial statements.

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Statement of Changes in Equity

For the half year ended 31 December 2019

	Issued capital	Retained earnings	Total
	\$	\$	\$
Balance at 1 July 2019	-	4,952,599	4,952,599
Loss before income tax	-	(38,908)	(38,908)
Income tax expenses	-	(2,180)	(2,180)
Total comprehensive income for the period	-	(41,088)	(41,088)
Transaction with unitholders			
Units issued during the period	8,544,681	(5,820,970)	2,723,711
Non cash recovery from Growers	-	914,481	914,481
Total transaction with unitholders	8,544,681	(4,906,489)	3,638,192
Balance at 31 December 2019	8,544,681	5,022	8,549,703
	-	-	-
	Issued capital	Retained earnings	Total
	\$	\$	\$
Balance at 1 July 2018	-	4,238,101	4,238,101
Net (loss) attributable to Growers	-	(149,265)	(149,265)
Total comprehensive income for the period	-	(149,265)	(149,265)
Transaction with growers			
Recovery from Growers	-	1,175,210	1,175,210
Total transaction with growers	-	1,175,210	1,175,210
Balance at 31 December 2018	-	5,264,046	5,264,046

The accompanying notes form part of these financial statements.

RFM Almond Fund (formerly RFM Almond Fund 2006)

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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		7,231,163	2,994,487
Payments to suppliers (inclusive of GST)		(5,565,543)	(3,309,174)
Interest received		2,745	1,083
Finance costs		(88,265)	-
Net cash inflow/(outflow) from operating activities		1,580,100	(313,604)
Cash flows from investing activities			
Dividend received		180	130
Net cash inflow from investing activities		180	130
Cash flows from financing activities			
Proceeds from bank borrowings		4,350,000	-
Net repayment of RFM loans		(4,052,708)	(429,000)
Contribution from Growers		-	1,131,753
Repayment of lease liabilities		(523,841)	-
Net cash (outflow)/inflow from financing activities		(226,549)	702,753
Net increase in cash and cash equivalents held		1,353,731	389,279
Cash and cash equivalents at the beginning of the period		8,600	24,599
Cash and cash equivalents at the end of the period		1,362,331	413,878

The accompanying notes form part of these financial statements.

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Notes to the Financial Statements

31 December 2019

1 General information

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

The Directors of the Responsible Entity authorised the Financial Report for issue on 17 April 2020 and have the power to amend and reissue the Financial Report.

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

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

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

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

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.

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

The financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated. The financial statements are based on historical cost, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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.

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Notes to the Financial Statements

31 December 2019

2 Summary of significant accounting policies (continued)

Basis of preparation (continued)

Under the principle of AASB 3: *Business Combinations*, this transaction is being treated as a reverse acquisition. AF08 is the accounting acquirer and AF06, AF07 and RFM are accounting acquirees. Accordingly, the financial statements of the Trust have been prepared as a continuation of the financial statement of AF08. The results of the Trust presented in this report for the half year ended 31 December 2019 include 1 month and 30 days of AF08 results prior to the merger and 4 months and 1 day of RAF results following the merger. The impact of the reverse acquisition on each of the primary statements is stated below.

Statement of Financial Position

The 31 December 2019 statement of financial position represents RAF as at 31 December 2019. The 30 June 2019 statement of financial position represents AF08 as at 30 June 2019.

Statement of Comprehensive Income

The 31 December 2019 statement of comprehensive income comprises 1 month and 30 days of AF08 results prior to the merger and 4 months and 1 day of RAF results following the merger.

The 31 December 2018 statement of comprehensive income comprises 6 months of AF08 results.

Statement of Changes in Equity

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

The 31 December 2018 statement of changes in equity comprises AF08 changes in equity from 1 July to 31 December 2018.

Statement of Cash Flows

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

The 31 December 2018 statement of cash flows comprises 6 months of AF08's cash transactions.

Business combinations

Under the principle of AASB 3: *Business Combinations*, this transaction is being treated as a reverse acquisition. AF08 is the accounting acquirer and AF06, AF07 and RFM are accounting acquirees. Accordingly, the financial statement of the Trust has been prepared as a continuation of the financial statement of AF08.

Biological asset

The biological asset for the half year ended 31 December 2019 is measured at its cost less any accumulated depreciation and any accumulated impairment losses. At this point all costs, as they are incurred, are capitalised to the biological asset. At a future point in time the value of the crop will be determined and the biological asset will be measured at fair value less cost to sell.

Comparative amounts

Comparative amounts have not been restated unless otherwise noted.

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Notes to the Financial Statements

31 December 2019

2 Summary of significant accounting policies (continued)

New and amended standards adopted by the Trust

AASB 16 Leases

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

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

(i) Practical expedients applied

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

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

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

(ii) Measurement of lease liabilities

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

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Notes to the Financial Statements

31 December 2019

2 Summary of significant accounting policies (continued)

New and amended standards adopted by the Trust (continued)

AASB 16 Leases (continued)

(iii) Measurement of right-of-use assets

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

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

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

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

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

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

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

(v) Impact on earnings per unit

Earnings per unit decreased by \$0.12 per unit from 1 July to 31 December 2019 as a result of the adoption of AASB 16.

3 Significant accounting judgements, estimates and assumptions

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

Management has identified the following critical accounting policies for which significant judgements, estimates or assumptions are made.

Net cost of inventory

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

Fair value of consideration issued

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

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Notes to the Financial Statements

31 December 2019

4 Segment information

The Trust operates in one operating segment (31 December 2018: one segment), being the growing of almonds to be sold for processing and consumption in Australia and internationally.

5 Revenue

	31 December 2019	31 December 2018
	\$	\$
Harvest proceeds - sale of almonds	7,227,906	2,992,767
Total	7,227,906	2,992,767

6 Inventories

	31 December 2019	30 June 2019
	\$	\$
Agricultural produce		
Almonds on hand, and at processor	6,140,929	5,230,670
Total	6,140,929	5,230,670

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

The Trust receives instalment payments of the proceeds as the almonds are sold and therefore the final sale price will not be known until the final instalment is received, which for the current forecast is due in June 2020. The forecast sale price for the 2019 harvest is \$8.35 per kilogram (2018 harvest: \$7.24 actual).

7 Biological assets

The following expenses have been capitalised during the period:

	31 December 2019	30 June 2019
	\$	\$
Direct agricultural expenses	3,527,913	-
Labour expenses	532,687	-
Repairs and maintenance expense	400,911	-
Lease expenses	934,201	-
Lease assets - depreciation	1,559,202	-
Lease assets - interest	553,664	-
Total	7,508,578	-

The Trust's 2020 harvest commenced in February 2020 and is expected to be completed by the end of June 2020. Harvest proceeds are received in the financial year following harvest. Therefore, the proceeds of the 2020 harvest will be received in financial year 2021.

8 Trade and other payables

	31 December 2019	30 June 2019
	\$	\$
Trade payables	406,346	500,395
Accrual	68,229	-
Interest payable to RFM Farming	-	46,261
Closing balance	474,575	546,656

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Notes to the Financial Statements

31 December 2019

9 Interest bearing liabilities

	31 December 2019 \$	30 June 2019 \$
Current		
Loan from RFM	-	256,573
Borrowings (ANZ)	2,850,000	-
Non-current		
Borrowings (ANZ)	1,500,000	-
Total	4,350,000	256,573

At 31 December 2019, the bank facility limit was \$4,500,000 (December 2018: nil). The facility has an expiry date of June 2022. The interest on these facilities is charged at the applicable BBSY rate plus a margin. Notwithstanding the expiry date of the facilities being beyond 12 months from balance date, the debt on the Borrowing base facility is classified as current due to the term of settlement for the draw-down being within one year. The almond inventory is used as security for the bank loans.

Loan covenants

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

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

10 Issued Units

	31 December 2019		31 December 2018	
	No. of units	\$	No. of units	\$
Units on issue at the beginning of the reporting period	-	-	-	-
Units converted from Almond lots, net of equity issue costs	2,143,930	1,982,119	-	-
Units issued during the reporting period to acquire assets	7,318,215	6,562,562	-	-
Units on issue at the end of the reporting period	9,462,145	8,544,681	-	-

11 Right of use assets

	31 December 2019 \$	30 June 2019 \$
Properties		
Recognised on 1 July - properties	11,686,982	-
Acquired as part of merger - properties	16,697,486	-
Depreciation during the period - properties	(1,390,461)	-
Closing balance	26,994,007	-
Equipment		
Recognised on 1 July - equipment	685,123	-
Acquired as part of merger - equipment	1,239,853	-
Depreciation during the period - equipment	(168,740)	-
Closing balance	1,756,236	-

RFM Almond Fund (formerly RFM Almond Fund 2006)

ARSN 117 859 391

Notes to the Financial Statements

31 December 2019

12 Lease liabilities

	31 December 2019	30 June 2019
	\$	\$
Recognised on 1 July	12,372,105	-
Acquired as part of merger	18,622,339	-
Payments made	(441,674)	-
Closing balance	30,552,770	-
Of which are:		
Current lease liabilities	3,389,144	-
Non-current lease liabilities	27,163,626	-
Closing balance	30,552,770	-

13 Business combination

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

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

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

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

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Notes to the Financial Statements

31 December 2019

13 Business combination (continued)

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

Lease prepayments of \$934,201 relates to the prepayment of approximately 50% of the FY20 land rental prior to the merger. (\$685,000) recognised as part of the fair value of the right of use assets on acquisition relates to the estimated unfavourable terms of lease contracts acquired as part of the business combination. The fair value of the right of use assets on acquisition have been determined based on estimates due to a lack of observable market data for comparable leases. A deferred tax liability of \$68,530 has been recognised in relation to these fair value adjustments.

Acquisition cost

Acquisition costs of \$150,037 have been included in expenses in the statement of comprehensive income.

Revenue contribution

The merged business contributed income of \$5,693,912 to the Trust for the period from 31 August 2019 to 31 December 2019.

14 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 \$
Pre-merger transactions		
Management fee	41,302	122,556
Total management fees	41,302	122,556
Expenses reimbursed to RFM	883,705	2,091,635
Rental expense paid to Rural Funds Trust	786,797	734,396
Rent paid to RF Active	41,864	153,829
Interest paid to RFM	4,921	33,620
Total amount paid to RFM and related entities	1,758,589	3,136,036
Post-merger transactions		
Expenses reimbursed to RFM	323,334	-
Rent paid to RF Active	206,444	-
Interest paid to RFM	19,595	-
Total amount paid to RFM and related entities	549,373	-

Debtors

	31 December 2019 \$	31 December 2018 \$
Rural Funds Trust	25,520	-
RFM	-	624,955
Total	25,520	624,955

RFM Almond Fund (formerly RFM Almond Fund 2006)

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Notes to the Financial Statements

31 December 2019

14 Related party transactions (continued)

Creditors

	31 December 2019	31 December 2018
	\$	\$
RFM	26,127	476,068
RF Active	227,088	-
Total	253,215	476,068

Loan from related parties

	31 December 2019	31 December 2018
	\$	\$
RFM	-	260,501
Total	-	260,501

Lease liabilities (current and non-current)

	31 December 2019	30 June 2019
	\$	\$
Rural Funds Trust	28,799,119	-
RF Active	1,753,651	-
Total	30,552,770	-

The lease liabilities arise from the adoption of AASB 16. Refer to Note 2, 12 and 13 for further details.

15 Events after the reporting period

Following the period ended 31 December 2019, based on changes in the market, the latest estimated sales price of the 2019 harvested almonds as provided by Almondco is \$8.35/kg. This represents an increase of \$0.25/kg from the estimated sales price provided by Almondco in August 2019. The price increase has not been taken into account as the movement represents the fair value movement in the market value of almonds since 31 December 2019. The final sales proceeds are subject to change based on market conditions throughout the coming periods and will not be known until 30 June 2020.

Almondco has provided a hull & shell rebate of \$0.12/kg for 2019 harvest processing costs in February 2020.

As at 31 December 2019, a limited number of cases of an unknown virus had been reported to the World Health Organization. However, in early 2020 there was an outbreak of Coronavirus Disease 2019 ("COVID-19" or "the coronavirus"). There have been unprecedented measures put in place by the Australian Government, as well as governments across the globe, to contain the coronavirus which have had a significant impact on the economy.

Following the coronavirus outbreak, the Trust continues to operate and the almond harvest has continued with almost 100% of the crop fully harvested as at 17 April 2020. Based on the latest price forecasts by Almondco as described above, there have been no significant movements in the almond price as a result of the COVID-19 outbreak.

However, the coronavirus outbreak is unprecedented and as such the Trust will pay close attention to the development of the situation and continue to assess its impact on operations.

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 financial years.

RFM Almond Fund (formerly RFM Almond Fund 2006)

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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 Almond Fund set out on pages 6 to 18 are in accordance with the *Corporations Act* 2001, including:
 - a. comply with Accounting Standards, the *Corporations Regulations* 2001 and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the Trust's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
- 2 There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

A handwritten signature in black ink, appearing to read 'David Bryant', with a stylized flourish at the end.

David Bryant
Director

17 April 2020



Independent auditor's review report to the unitholders of RFM Almond Fund (formerly RFM Almond Fund 2006)

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of RFM Almond Fund (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, 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 Almond Fund, 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*.

PricewaterhouseCoopers, ABN 52 780 433 757

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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 Almond Fund 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*.

A stylized, handwritten signature of PricewaterhouseCoopers.

PricewaterhouseCoopers

A handwritten signature of Rod Dring.

Rod Dring
Partner

Sydney
17 April 2020

Responsible Entity

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