

Land Trust

Financial Statements

For the Year Ended 30 June 2014

RFM Land Trust

ARSN 128 112 443

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For the Year Ended 30 June 2014

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Corporate Directory

| | |
|--------------------|--|
| Registered Office | Level 2, 2 King Street DEAKIN ACT 2600 |
| Responsible Entity | Rural Funds Management Limited ABN 65 077 492 838 Level 2, 2 King Street DEAKIN ACT 2600 |
| Directors | Guy Paynter David Bryant Michael Carroll |
| Company Secretary | Andrea Lemmon |
| Custodian | Australian Executor Trustees Limited ABN 84 007 869 794 Level 22 207 Kent Street SYDNEY NSW 2000 |
| Bankers | Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000 |
| Auditors | PricewaterhouseCoopers Darling Park Tower 2 201 Sussex Street SYDNEY NSW 2000 |
| Unit Registry | Boardroom Pty Limited Level 7, 207 Kent Street SYDNEY NSW 2000 |

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Directors of the Responsible Entity's Report

30 June 2014

The Directors of Rural Funds Management Limited ("RFM"), the Responsible Entity of RFM Land Trust ("Land Trust" or "the Trust") present their report on the Trust for the financial year ended 30 June 2014.

Directors

The names of Directors in office at any time during, or since the end of the year are:

Guy Paynter
David Bryant
Michael Carroll

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activity

The principal activity of the Trust during the financial year was the sale of investments in land.

Trust information

RFM Land Trust is a registered Australian managed investment trust, and was constituted in 2007. RFM, the Responsible Entity of the Trust is incorporated and domiciled in Australia. The registered office of the Responsible Entity is Level 2, 2 King Street, Deakin, ACT 2600.

Review and results of operations

Operating results

The loss attributable to unitholders after providing for income tax amounted to \$74,944 (2013: loss of \$1,064,282).

Following a review of options for the properties, the Board passed a resolution in July 2011 to sell the Land Trust assets and subsequently wind up the Trust. As a consequence, the Trust's properties have been valued at the lower of carrying value and fair value, net of selling costs. Further details are provided at Note 10 of the Financial Report.

During the year ended 30 June 2014, Land Trust made significant progress in selling its portfolio of land and completed sales of 10 of the 12 properties held for sale at 30 June 2013. Of the two remaining properties, one has been sold and one has been contracted for sale since 30 June 2014. The Trust will distribute proceeds to unitholders and be wound up within 6 months.

Distributions

There have been no distributions paid or declared during the year ended 30 June 2014 (2013: nil).

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Directors of the Responsible Entity's Report

30 June 2014

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 2014 is 2.53% (2013: 2.66%).

Fees paid to and interest held by the Responsible Entity and associates

The following fees were paid to RFM and its associates out of Trust property during the financial year:

- Management fee for the financial year paid to RFM \$41,813 (2013: \$60,411).
- Expenses incurred by RFM during the financial year and reimbursed by the Trust in accordance with the Trust's constitution \$152,616 (2013: \$160,093).

RFM and its associates do not hold any interest in the Trust at 30 June 2014.

Unit prices

The ex-distribution exit prices and the highest and lowest exit prices for the Trust for the past year are shown below.

| | 2014 | 2013 |
|-----------------|-------------|-------------|
| | \$ | \$ |
| As at 30 June | 242.04 | 251.42 |
| Year to 30 June | | |
| High | 251.42 | 357.34 |
| Low | 235.66 | 251.42 |

Units on issue

22,884 units in Land Trust were on issue at 30 June 2014 (2013: 22,884). During the financial year no units (2013: nil) were issued by the Trust and no units (2013: nil) were redeemed.

Trust assets

At 30 June 2014, the Trust held assets to a total value of \$5,589,277 (2013: \$5,720,148). The basis for valuation of the assets is disclosed in Note 1 to the financial statements.

Significant changes in the state of affairs

There have been no significant changes during the period.

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Directors of the Responsible Entity's Report

30 June 2014

After balance day events

No matters or circumstances have arisen since the end of the financial year which 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 periods.

Likely developments and expected results

One property has been sold since 30 June 2014, and the final remaining property has been contracted for sale. RFM plans to distribute the net proceeds to unitholders within 6 months.

Environmental regulation and performance

The operations of the Trust are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Trust.

Indemnification of Responsible Entity and Custodian

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

The Trust has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify and officer of the Responsible Entity or of any related body corporate against a liability incurred as such by an officer.

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Directors of the Responsible Entity's Report

30 June 2014

Information on Directors of the Responsible Entity

Guy Paynter

Qualifications

Experience

Special Responsibilities

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

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 Aircruising Australia Limited. Guy's agricultural interests include cattle breeding in the Upper Hunter region in New South Wales.

Member of Audit Committee

Nil

David Bryant

Qualifications

Experience

Special Responsibilities

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

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 \$300 million in agricultural assets across eight Australian agricultural regions. This has included negotiating the acquisition of more than 25 properties and over 60,000 megalitres of water entitlements.

Managing Director

Nil

Michael Carroll

Qualifications

Experience

Special Responsibilities

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

Non-Executive Director

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

Michael Carroll serves a range of food and agricultural businesses in a board and advisory capacity. Michael is on the Boards of Queensland Sugar Limited, Select Harvests Limited, Sunny Queen Pty Ltd and the Rural Finance Corporation of Victoria. Michael also has senior executive experience in a range of companies, including establishing and leading the National Australia Bank (NAB) Agribusiness division.

Chairman of Audit Committee

Michael is on the Board of Select Harvests Limited and joined the Board of Tassal Group Limited in June 2014. Michael was also on the Board of Warrnambool Cheese and Butter Limited from August 2009 until May 2014.

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Directors of the Responsible Entity's Report For the Year Ended 30 June 2014

Company secretary of the Responsible Entity

Stuart Waight (member of the Institute of Chartered Accountants) held the position of company secretary at the end of the financial year. Stuart has been the company secretary since 2010. He is responsible for optimising the performance of the RFM funds, and analysing future developments, acquisitions and investments.

On 24 July 2014 Stuart Waight resigned from the position of company secretary and Andrea Lemmon was appointed as company secretary. Andrea has worked with RFM since its formation in 1997 and currently holds the position of Executive Manager Funds Management.

Meetings of Directors of the Responsible Entity

During the financial year 15 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

| | Directors' meetings | |
|-----------------|----------------------------------|------------------------|
| | Number eligible to attend | Number attended |
| Guy Paynter | 15 | 13 |
| David Bryant | 15 | 14 |
| Michael Carroll | 15 | 15 |

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**Directors of the Responsible Entity's Report
For the Year Ended 30 June 2014**

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 2014 has been received and can be found on page 8 of the financial report.

This Directors of the Responsible Entity's Report, is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'David Bryant', is positioned above the printed name and title.

David Bryant
Director

23 September 2014



Auditor's Independence Declaration

As lead auditor for the audit of RFM Land Trust for the year ended 30 June 2014, 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
23 September 2014

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Statement of comprehensive income

For the year ended 30 June 2014

| | | 2014 | 2013 |
|--|-------|-----------------|--------------------|
| | Notes | \$ | \$ |
| Revenue | 4 | - | 275,072 |
| Interest income | 4 | 104,349 | 43,568 |
| Other income | 4 | 539,782 | - |
| Decrement on investment property at fair value | 10(a) | (444,783) | (926,835) |
| Management fees | 16(a) | (41,813) | (60,411) |
| Agribusiness expenses | | (19,383) | (9,564) |
| Local government rates and charges | | (16,950) | (31,137) |
| Valuation fees | | - | (3,781) |
| Professional services | | (170,448) | (176,161) |
| Impairment of receivable | | - | (137,536) |
| Other expenses | | (25,698) | (37,497) |
| Loss before income tax | | (74,944) | (1,064,282) |
| Income tax expense | | - | - |
| Loss attributable to unitholders | | (74,944) | (1,064,282) |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period, representing changes in net assets attributable to unitholders | | (74,944) | (1,064,282) |

The accompanying notes form part of these financial statements

RFM Land Trust

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Statement of financial position

As at 30 June 2014

| | Note | 2014 \$ | 2013 \$ |
|---|------|------------------|------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 4,933,866 | 166,050 |
| Trade and other receivables | 7 | 1,701 | 23,182 |
| Other financial assets | 8 | - | 700,000 |
| Prepayments | 9 | 2,566 | 1,300 |
| Assets classified as held for sale | 10 | 651,144 | 4,829,616 |
| TOTAL CURRENT ASSETS | | 5,589,277 | 5,720,148 |
| TOTAL ASSETS | | 5,589,277 | 5,720,148 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 179,238 | 235,165 |
| Provision – winding up costs | 12 | 25,000 | 25,000 |
| TOTAL CURRENT LIABILITIES | | 204,238 | 260,165 |
| TOTAL LIABILITIES (excluding net assets attributable to unitholders) | | 204,238 | 260,165 |
| Net assets attributable to unitholders | | 5,385,039 | 5,459,983 |
| TOTAL LIABILITIES | | 5,589,277 | 5,720,148 |

The accompanying notes form part of these financial statements

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Statement of change in net assets attributable to unitholders

For the year ended 30 June 2014

| | Issued units | Retained losses | Net Assets Attributable to Unitholders |
|--|------------------|--------------------|--|
| | \$ | \$ | \$ |
| Balance at 1 July 2013 | 6,523,288 | (1,063,305) | 5,459,983 |
| Total comprehensive income attributable to unitholders | - | (74,944) | (74,944) |
| Balance at 30 June 2014 | 6,523,288 | (1,138,249) | 5,385,039 |

| | Issued units | Retained losses | Net Assets Attributable to Unitholders |
|--|------------------|--------------------|--|
| | \$ | \$ | \$ |
| Balance at 1 July 2012 | 6,523,288 | 977 | 6,524,265 |
| Total comprehensive income attributable to unitholders | - | (1,064,282) | (1,064,282) |
| Balance at 30 June 2013 | 6,523,288 | (1,063,305) | 5,459,983 |

The accompanying notes form part of these financial statements

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Statement of cash flows

For the year ended 30 June 2014

| | Note | 2014 \$ | 2013 \$ |
|--|------|------------------|------------|
| Cash flows from operating activities: | | | |
| Cash receipts from customers | | - | 152,268 |
| Interest received | | 105,666 | 46,746 |
| Cash payments to suppliers | | (311,320) | (184,839) |
| Net cash provided by/(used in) operating activities | 17 | (205,654) | 14,175 |
| Cash flows from investing activities: | | | |
| Proceeds from sale of investment properties | | 4,453,800 | - |
| Costs in relation to sale of investment properties | | (180,330) | (6,826) |
| Redemption/(Purchase) of held to maturity financial assets | | 700,000 | (700,000) |
| Net cash provided by/(used in) investing activities | | 4,973,470 | (706,826) |
| Net increase/(decrease) in cash and cash equivalents held | | 4,767,816 | (692,651) |
| Cash and cash equivalents at beginning of period | | 166,050 | 858,701 |
| Cash and cash equivalents at end of period | 6(a) | 4,933,866 | 166,050 |

The accompanying notes form part of these financial statements

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Notes to the Financial Statements

For the year ended 30 June 2014

1. Summary of significant accounting policies

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with:

1. The Trust's constitution and the requirements of the *Corporations Act 2001*.
2. Australian Accounting Standards, interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The Trust is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report covers RFM Land Trust ("Land Trust" or the "Trust") as an individual entity. RFM Land Trust is a trust, established and domiciled in Australia. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

The financial report of the Trust for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 23 September 2014.

RFM Land Trust is a registered Australian managed investment trust, and was constituted in 2007. Rural Funds Management Ltd ("RFM"), the Responsible Entity of the Trust, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is Level 2, 2 King Street, Deakin, ACT 2600.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

(b) Basis of accounting

In July 2011 the Directors of the Responsible Entity of the Trust passed a resolution approving the sale of the Trust's assets and to subsequently wind up the Trust. The remaining properties are expected to be sold within the next 6 months with the sales proceeds to be distributed to the owners of the Trust. The Trust is expected to operate until all of the assets are sold.

The accounts are prepared on a realisation basis and not on a going concern basis due to the decision by the Directors of the Responsible Entity to wind down the Trust. Under this basis, all assets are required to be written down to the lower of their carrying amounts and their net realisable values. However, as the Trust will realise its assets in an orderly basis, no write down has been required except for its property assets. These have been reclassified to non-current assets held for sale measured at fair value less costs to sell.

All non-current assets and non-current liabilities have been reclassified to current and a provision has been recognised for costs of winding up operations.

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Notes to the Financial Statements

For the year ended 30 June 2014

1. Summary of significant accounting policies (continues)

(c) Statement of compliance

The financial report of the Trust complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(d) Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(e) Cash and cash equivalents

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

(f) Trade and other receivables

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

Amounts are generally received within 90 days of being recorded as receivables.

A bad debt was written off by the Trust in relation to the December 2012 quarter rental revenue from Gunns Limited (Gunns). Rural Funds Management, Responsible Entity for the Trust, has terminated the leases with Gunns, and it is not expected that any rental revenue will be recovered from Gunns.

(g) Assets held for sale

Assets are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within twelve months from the date of classification. They are measured at the lower of their carrying amount and fair value less costs to sell.

Assets classified as held for sale are not amortised or depreciated.

Assets classified as held for sale and are carried at fair value.

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Notes to the Financial Statements

For the year ended 30 June 2014

1. Summary of significant accounting policies (continues)

(h) Impairment of assets

At each reporting date, the Trust reviews the carrying values of its tangible and intangible 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.

(i) 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.

(j) 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.

(k) Unitholders' funds

Under AASB132: Financial instruments: Disclosure and Presentation, unitholders' funds must be regarded as liabilities where a Trust's constitution contains a perpetuity clause requiring the Trust to be terminated at a particular date.

(l) Terms and conditions on units

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Trust. Unitholders have various rights under the Constitution and the *Corporations Act 2001*, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders: and
- participate in the termination and winding up of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects.

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Notes to the Financial Statements

For the year ended 30 June 2014

1. Summary of significant accounting policies (continues)

(m) Revenue

Interest revenue is recognised as it accrues using the effective interest rate method.

Revenue from the rental of property is recognised on an accruals basis in accordance with lease agreements.

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

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Income tax

Under current legislation, the Trust is not subject to income tax provided the distributable income is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the taxable income of the Trust).

(p) Distributions

Distributions are made in accordance with the Trust's Constitution. The Responsible Entity of the Trust has the discretion to distribute both income and capital.

(q) New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Trust has decided against early adoption of these Standards. The new Standards are not expected to have any significant impact on the Trust.

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Notes to the Financial Statements

For the year ended 30 June 2014

2. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates 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 the following financial line items for which significant judgements, estimates and assumptions are made. 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.

Further details for the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Value of assets held for sale

Valuations at 30 June 2014 are based upon offers received for the properties.

In the 2013 year valuations were based on offers received from a sale tender process and the discount implied in these offers was applied to the property portfolio. An impairment was taken in June to reflect the property values on this basis.

Wind up provision

A provision to wind up the Trust has been made to cover external legal costs of the wind up process.

3. Going Concern

On the 28th July 2011, the Board passed a resolution to approve the sale of the Land Trust assets and to subsequently wind up the Trust. The Trust continues to be in a position that would allow for the orderly realisation of assets at fair market prices rather than on a distressed basis. The Directors believe the Trust will still be able to pay its debts as and when they fall due. Once the remaining properties currently held for sale are sold it will distribute the net proceeds to unitholders.

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Notes to the Financial Statements

For the year ended 30 June 2014

4. Revenue

| | 2014 | 2013 |
|---|---------|---------|
| | \$ | \$ |
| Revenue | | |
| - Gunn's rental income | - | 275,072 |
| - Interest income - external | 104,349 | 43,568 |
| | 104,349 | 318,640 |
| Other Income | | |
| - Gains on disposal of assets held for sale | 539,782 | - |
| | 539,782 | - |

In 2013 rental revenue of \$275,072 was derived from Gunns Limited, but \$137,536 of this was fully impaired as a result of Gunns Limited default.

5. Auditor's remuneration

Remuneration of the auditor of the Trust for:

- auditing or reviewing the financial report 20,000 -

Remuneration of other auditors for:

- auditing or reviewing the financial report - 19,330

- tax and other services 1,500 5,713

Total 21,500 25,043

Boyce Assurance Services Pty Limited was the auditor of the Trust for the year ended 30 June 2013.

6. Cash and Cash equivalents

Current

| | | |
|---|-----------|---------|
| Cash at bank | 1,933,866 | 166,050 |
| Short term deposit held with Commonwealth Bank of Australia | 3,000,000 | - |
| Total | 4,933,866 | 166,050 |

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

| | | |
|---------------------------|-----------|---------|
| Cash and cash equivalents | 4,933,866 | 166,050 |
| Total | 4,933,866 | 166,050 |

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Notes to the Financial Statements

For the year ended 30 June 2014

7. Trade and other receivables

| | 2014 \$ | 2013 \$ |
|-------------------|------------|------------|
| Current | | |
| Trade receivables | - | 13,754 |
| GST Receivable | - | 6,411 |
| Other receivables | 1,701 | 3,017 |
| Total | 1,701 | 23,182 |

Trade receivables are non-interest bearing and are generally on 30-90 days terms.

8. Other financial assets

| | | |
|--|---|---------|
| Current | | |
| Held to maturity financial investments | - | 700,000 |
| Total | - | 700,000 |

Other financial assets in the prior financial period comprised short term deposits held with National Australia Bank.

9. Prepayments

| | | |
|----------------|-------|-------|
| Current | | |
| Prepayments | 2,566 | 1,300 |
| Total | 2,566 | 1,300 |

10. Assets classified as held for sale

| | | |
|---|---------|-----------|
| Assets held for sale | 686,364 | 5,045,166 |
| Total | 686,364 | 5,045,166 |
| The liabilities associated with assets held for sale are: | | |
| Investment property | 35,220 | 215,550 |
| Total | 35,220 | 215,550 |
| Total assets classified as held for sale net of selling costs | 651,144 | 4,829,616 |

In July 2011 the directors of the Trust passed a resolution to sell the Trust's properties. At 30 June 2014 all but two of the properties have been sold. One property has been sold after 30 June 2014, and the remaining property has exchanged contracts for sale.

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Notes to the Financial Statements

For the year ended 30 June 2014

10. Assets classified as held for sale (continued)

(a) Movement in assets classified as held for sale

| | 2014 | 2013 |
|--------------------------------|-------------|-----------|
| | \$ | \$ |
| Opening balance | 5,045,166 | 5,972,001 |
| Disposals | (3,914,019) | - |
| Decrement recognised in income | (444,783) | (926,835) |
| Total | 686,364 | 5,045,166 |

In the 2014 year valuations were obtained from registered independent valuers and were requested on an "as is" basis. The valuations considered the gross value of the land and improvements and deducted the required rehabilitation costs. The valuer engaged for this process was Albany & Great Southern WA.

Of the two remaining properties, both were contracted for sale after 30 June 2014 as have been valued at their contracted sale values.

11. Trade and Other Payables

| | | |
|-------------------------------------|---------|---------|
| Current | | |
| Trade payables | 20,670 | 5,374 |
| Accrued expenses | 19,019 | 28,291 |
| GST payable | 28,049 | - |
| Distribution paid but not presented | 111,500 | 201,500 |
| Total | 179,238 | 235,165 |

Trade payables are non-interest bearing and are generally on 30-90 day terms and are not interest bearing.

12. Provisions

| | | |
|------------------------------|--------|--------|
| Current | | |
| Provision – winding up costs | 25,000 | 25,000 |
| Total | 25,000 | 25,000 |

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Notes to the Financial Statements

For the year ended 30 June 2014

13. Financial instruments

(a) Financial risk management policies

Financial instruments of the Trust comprise cash and cash equivalents, and other financial instruments such as trade debtors and creditors, which arise directly from its 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 reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, ultimately to the Board of Directors of the Responsible Entity.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty. In order to avoid excessive concentrations of risk, the Trust monitors its exposure to ensure concentrations of risk remain within acceptable levels.

(b) Credit risk

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 credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets.

Credit risk is not considered to be significant to the Trust.

(c) Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled as the Trust maintains sufficient cash and cash equivalents to meet normal operating requirements.

Under the terms of its Constitution, the Trust has the ability to manage liquidity risk by delaying distributions to unitholders, if necessary, until the funds are available to pay them.

Financial liabilities of the Trust comprise trade and other payables, and net assets attributable to unitholders. Trade and other payables have no contractual maturities but are typically settled within 30 days.

Net assets attributable to unitholders are payable when distributable profit meets the criteria for distribution according to the Trust's Constitution.

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Notes to the Financial Statements

For the year ended 30 June 2014

13. Financial instruments (continued)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates.

Sensitivity analysis – interest rate risk

At 30 June 2014 the effect on profit and equity as a result of changes in the interest rate on an annual basis with all other variables remaining constant would be as follows:

| | 2014 | 2013 |
|-----------------------------------|-----------------|-------------|
| | \$ | \$ |
| Change in profit | | |
| - Increase in interest rate by 1% | 49,339 | 8,661 |
| - Decrease in interest rate by 1% | (49,339) | (8,661) |
| Change in equity | | |
| - Increase in interest rate by 1% | 49,339 | 8,661 |
| - Decrease in interest rate by 1% | (49,339) | (8,661) |

(e) Fair values

The Trust's financial assets and liabilities included in the Statement of Financial Position are carried at their fair value or at amounts that approximate their fair values.

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Notes to the Financial Statements

For the year ended 30 June 2014

14. Issued units

| | 2014 | 2013 |
|---|---------------|-------------|
| | No. | No. |
| Units on issue at the beginning of the financial year | 22,884 | 22,884 |
| At reporting date | 22,884 | 22,884 |

The terms and conditions attached to units in the Trust can be found at Note 1(I). All units were issued at \$500 each.

15. Key management personnel compensation

(a) 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 the report are:

Guy Paynter
David Bryant
Michael Carroll

(b) 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 the RFM Land Trust is a legally binding document between the unitholders of the Trust and RFM as Responsible Entity. Under the constitution, RFM is entitled to the following remuneration:

- 50% of the amount received from any sale of any environmental credits on behalf of the Trust;

- if:

(A) any of the real property forming part of the assets is sold and the average net proceeds of sale per unit exceeds \$3,350, a fee equal to 20% of the net proceeds of sale that exceeds \$3,350 per unit; or

(B) the real property forming part of the assets has not been sold before the termination date and the Responsible Entity proposes to make a distribution to unitholders in accordance with the constitution or redeem units in accordance with the constitution and current unit value on that date exceeds \$3,350, a fee equal to 20% of the current unit value that exceeds \$3,350 per unit; and

- an annual fee equal to 0.75% of the current value of the Trust.

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Notes to the Financial Statements

For the year ended 30 June 2014

15. Key management personnel compensation (continued)

(b) Other key management personnel (continued)

RFM may retire as the Responsible Entity of the Trust as permitted by law. However, RFM must retire as the Responsible Entity of the Trust when required by law. When retired or removed, RFM will be released from all obligations and remuneration in relation to the Trust arising after the time of retirement or being removed.

(c) 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 16.

16. Related party transactions

Transactions between related parties are on commercial terms.

(a) Responsible entity (Rural Funds Management Limited) and related entities:

| | 2014 | 2013 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Management fees | 41,813 | 60,411 |
| Total management fees | 41,813 | 60,411 |
| Expenses reimbursed to RFM | 152,616 | 160,093 |
| Total | 194,429 | 220,504 |

The management fee is 0.75% per annum of the value of net assets of the Trust.

(b) Balance with related parties - Creditors:

| | | |
|-----|--------|-------|
| RFM | 20,670 | 1,664 |
|-----|--------|-------|

(c) Custodian fees

| | | |
|--------------------------------------|---------------|---------------|
| Australian Executor Trustees Limited | 15,000 | 14,969 |
| Total | 15,000 | 14,969 |

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Notes to the Financial Statements

For the year ended 30 June 2014

17. Cash Flow Information

Reconciliation of Cash Flow from Operations with Profit after Income Tax

| | 2014 | 2013 |
|--|------------------|-------------|
| | \$ | \$ |
| Net income/(loss) for the period | (74,944) | (1,064,282) |
| Net gain on disposal of investment property | (539,781) | - |
| Decrement/(increment) on investment property held for sale | 444,783 | 926,835 |
| Changes in assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | 21,481 | 134,303 |
| Decrease/(increase) in other assets | (1,266) | (1,300) |
| Increase/(decrease) in trade payables and accruals | (55,927) | 156,155 |
| Increase/(decrease) in other liabilities | - | (137,536) |
| Cash flow provided by operations | (205,654) | 14,175 |

RFM Land Trust

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Directors of the Responsible Entity's declaration

For the year ended 30 June 2104

In accordance with a resolution of the Directors of the Responsible Entity of RFM Land Trust:

In the opinion of the Directors:

- (a) The financial statements and notes of the Trust are in accordance with the Corporations Act 2001, including:
 - a. giving a true and fair view of the Trust's financial position as at 30 June 2014 and of the performance for the year ended on that date; and
 - b. complying with Australian Accounting Standards, Corporations Regulations 2001 and the Trust's constitution; and
- (b) As disclosed in note 1(b) to the financial statements, it is expected that the Trust will be wound up within six months from the date of this report. However, the assets exceed the liabilities and there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board

On behalf of the Board of RFM



David Bryant
Director

23 September 2014



Independent auditor's report to the unitholders of RFM Land Trust

Report on the financial report

We have audited the accompanying financial report of RFM Land Trust (the registered scheme), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of Rural Funds Management Limited (the responsible entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion

In our opinion:

- (a) the financial report of RFM Land Trust is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the registered scheme's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the registered scheme's financial report also complies with International Financial Reporting Standards as disclosed in Note Note 1(c).

Emphasis of matter – going concern no longer appropriate

Without qualifying our opinion, we draw attention to the following matter. As indicated in Note 1 (b) in the financial report, it is the intention of the directors to realise the assets of the registered scheme in an orderly basis and subsequently wind up the registered scheme within the next 12 months from the date of this report. As a result, the financial statements have not been prepared on a going concern basis.

PricewaterhouseCoopers

by

A handwritten signature in black ink, appearing to be 'JL' followed by a long horizontal stroke.

CMC Heraghty
Partner

Sydney
23 September 2014

Responsible Entity

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