

Diversified Agricultural Fund

Financial Statements

For the Year Ended 30 June 2012

RFM Diversified Agricultural Fund

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
Telephone: 02 6203 9700
Facsimile: 02 6281 5077

Directors: David Bryant
Michael Carroll
Guy Paynter

Company Secretary: Stuart Waight

Custodian: Australian Executor Trustees Limited
ABN 84 007 869 794
Level 22
207 Kent Street
SYDNEY NSW 2000

Auditors: Boyce Assurance Services Pty Limited
36 Bombala Street
COOMA NSW 2630

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RFM Diversified Agricultural Fund

ARSN 099 573 627

Directors of the Responsible Entity's Report

30 June 2012

The Directors of Rural Funds Management Limited ("RFM"), Responsible Entity of RFM Diversified Agricultural Fund ("DAF" or the "Trust"), present their report on the Trust and its controlled entities (the Group) for the financial year ended 30 June 2012.

Directors

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

David Bryant
Michael Carroll
Guy Paynter

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

Principal Activities

The principal activities of the Group during the financial year were the investment in agricultural assets, primarily in unlisted managed investment trusts that have investments in vineyards, poultry infrastructure, horticultural land, infrastructure and water entitlements and floriculture assets and operations.

The Trust may, but did not, invest directly in operating agricultural assets and listed agricultural equities.

The Directors of RFM resolved to wind up the Trust on 24th January 2012 and make an in-specie distribution of the Trust's underlying assets. The winding up process commenced on 15th March 2012 and the in-specie distribution was made on 16th March 2012. The Trust is finalising its income tax reporting obligations and on conclusion of these, will be closed.

Trust Information

DAF is a registered Australian managed investment trust, and was constituted in 2002. 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 of Results and Operations

Operating Results

The consolidated (loss)/profit of the Group after providing for income tax amounted to \$(3,774,894) (2011: \$1,696,621).

As a result of the Director's resolution on 24 January 2012 to wind up DAF, the investments are valued on a liquidation basis. As a result, and prior to the in specie distribution, the Directors valued the investments in ACF and CIF based on the ownership percentages of net asset valuations, whereas recent market evidence was used to determine the value of the investments in AWF and RBK. This resulted in an impairment of \$3,736,791.

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Directors of the Responsible Entity's Report

30 June 2012

Review of Results and Operations (continued)

Operating Results (continued)

The investments held by DAF at balance date, together with their percentage of the available for sale financial assets were:

Investment	30 June 2012 %	30 June 2011 %
RFM Australian Cotton Fund ARSN 099 573 690 (ACF)	-	3.4
RFM Australian Wine Fund ARSN 099 573 485 (AWF)	-	36.6
RFM Chicken Income Fund ARSN 105 754 461 (CIF)	-	24.4
RFM RiverBank ARSN 112 951 578 (RBK)	-	35.6
DAF Sugar Holding Trust	-	-
Total	-	100.00

The Director's of RFM resolved to transfer the ownership of assets held by DAF to the unitholders in DAF and wind-up the fund. The wind-up process commenced on 15th March 2012 and assets were transferred to unitholders on 16th March 2012. The market value of the units in the underlying funds were assessed at 74 cents per DAF unit. RFM considered the value of the units in the underlying funds at the time of the transfer to be:

RFM RiverBank	\$1.1353
RFM Chicken Income Fund	\$0.8318
RFM Australian Wine Fund	\$0.1691
RFM Australian Cotton Fund	\$0.2342

The Trust is in the process of finalising its taxation affairs and on conclusion of these, will be closed. RFM, the responsible entity of the Trust, is underwriting the cost of winding up the Trust.

Distributions

Distributions paid or declared for payment are as follows:

- Capital distributions of 1.98 cents per unit paid in August 2011 and November 2011.
- In specie distribution of 74 cents per unit paid in March 2012.

For full details of distributions refer to Note 20.

RFM Diversified Agricultural Fund

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Directors of the Responsible Entity's Report

30 June 2012

Review of Results and Operations (continued)

Performance

	2012	2011	2010	2009	2008
Distribution Return	71.43%	7.79%	5.72%	4.81%	7.35%
Growth Return	-	-2.51%	11.90%	-6.32%	3.63%
In Specie Return	-100.00%	-	-	-	-
Total Return	-28.57%	5.29%	17.62%	1.51%	10.98%
Grossed Up Distribution	71.43%	7.79%	5.72%	5.41%	8.61%
Grossed Up Total	-28.57%	5.29%	17.62%	-0.90%	12.25%

Based on 30 June 2012 net asset values, the units in the underlying funds were worth 99 cents per unit. Further, investors received 31 March and 30 June 2012 distributions directly from RiverBank and the Chicken Income Fund, equivalent to 2.67 cents per unit.

The preceding table sets out investors' returns over the past five years. The growth component is calculated as the return derived by a unitholder due to changes in the DAF's unit price over the period. The distribution return is the return derived by a unitholder due to distributions paid by the Trust. The total return is calculated as the investment performance of the Trust assuming the reinvestment of all distributions back into the Trust.

Indirect cost ratio

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

Management costs include management fees and reimbursement of other expenses in relation to the Group, but do not include transactional and operational costs such as brokerage. It includes costs incurred in fund raising and the issue of the PDS. Management costs are not paid directly by the unitholders of the Trust.

The ICR for the Trust for the year ended 30 June 2012 is 3.71% (2011: 2.76%).

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

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

- Expenses incurred by the Responsible Entity and reimbursed by the Trust in accordance with the Trust's Constitution \$324,580 (2011: \$704,745).
- This is offset by a net rebate of management fees of \$417,960 (2011: rebate \$931,264) to maintain the ICR at 2.5625% of DAF's net assets, per the DAF Product Disclosure Statement ("PDS").
- RFM charged \$Nil (2011:\$257,310) service fees in connection with the capital raising. This amount has been included in these financial statements as equity issue costs.
- Certain costs (e.g. wind up expenses) are not rebateable, and the ICR rebate ceased on 15 March 2012.

The interests in the Trust held by the Responsible Entity and its associates at the end of the year are disclosed in Note 22 to the financial statements.

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Directors of the Responsible Entity's Report

30 June 2012

Unit prices

The ex-distribution exit prices and the highest and lowest exit prices for DAF for the past five years are shown below. All exit prices are exclusive of exit fees.

The Trust has taken advantage of Class Order 04/1575 that enables the assets and liability values of the Trust for unit pricing purposes to be calculated under previous GAAP and the Constitution has been amended accordingly.

	2012	2011	2010	2009	2008
As at 30th June	N/A	1.0780	1.1140	0.9700	1.0354
Year to 30th June					
High	1.0625	1.0952	1.1162	1.0509	1.0354
Low	1.0358	1.0495	0.9602	0.9700	0.9439

Unit pricing for the Trust was suspended in March 2012.

Units on issue

Units in DAF on issue at 30 June 2012 were 23,442,987 (2011: 23,315,271). During the year 127,716 (2011: 5,164,455) units were issued by the Trust and Nil (2011: Nil) were redeemed.

Trust assets

At 30 June 2012, the consolidated group held assets to a total value of \$236,020 (2011: \$22,960,710). The basis for valuation of the assets is disclosed in Note 1 to the financial statements.

Significant changes in the state of affairs

The main changes in the state of affairs of the Trust was the in-specie distribution of DAF's underlying assets in preparation for the wind up of the Trust. As a result of the Directors resolution to wind up the Trust, the liquidation basis of accounting has been adopted.

After balance date events

No matters or circumstances have arisen since the end of the year which significantly affected or may 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

DAF is continuing to work towards its final wind up which will occur on conclusion of its taxation affairs.

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.

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Directors of the Responsible Entity's Report

30 June 2012

Indemnification of Responsible Entity and Custodian

In accordance with the constitution of DAF, 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.

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

Auditor's Independence Declaration

An independence declaration has been provided to the Directors by the auditor of DAF, Boyce Assurance Services Pty Limited, and can be found on page 37 of the Financial Report.

Signed in accordance with a resolution of the Board of Directors:



David Bryant
Director

Dated: 25 September 2012

RFM Diversified Agricultural Fund

ARSN 099 573 627

Independent Audit Report to the unitholders of RFM Diversified Agricultural Fund

Report on the Financial Report

We have audited the accompanying financial report of RFM Diversified Agricultural Fund and controlled entity which comprises the statement of financial position as at 30 June 2012, and 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 of the responsible entity of the consolidated entity.

Directors' Responsibility for the Financial Report

The directors of the responsible entity of the Trust are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 Trust'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 Trust'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. We confirm that the independence declaration required by the Corporations Act 2001, has been provided to the directors of the responsible entity of RFM Diversified Agricultural Fund on the date of this auditor's report.

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RFM Diversified Agricultural Fund

ARSN 099 573 627

Independent Audit Report to the unitholders of RFM Diversified Agricultural Fund

Auditor's Opinion

In our opinion:

- (a) the financial report of RFM Diversified Agricultural Fund and controlled entity is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust and consolidated entity's financial position as at 30 June 2012 and of their 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; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Liquidation basis of accounting and Trust wind up

Without qualification to the opinion expressed above, attention is drawn to the following matter. As described in Note 1(b) Basis of Accounting, the Consolidated Financial Report has been prepared on a liquidation basis as the Directors have resolved to wind up the Trust in due course.



Katherine M Kelly
Director
Boyce Assurance Services Pty Limited

Cooma

Dated: 25 September 2012

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RFM Diversified Agricultural Fund

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Directors of the Responsible Entity's Declaration

In accordance with a resolution of the Directors of the Responsible Entity of RFM Diversified Agricultural Fund

In the opinion of the Directors:

- (a) The financial statements and notes of the Trust and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust's and Consolidated Entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Standards, Corporations Regulations 2001 and the Trust's Constitution; and
- (b) There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable. Any costs of wind up not met by the Trust will be paid by Rural Funds Management Limited, the Trust's Responsible Entity.

On behalf of the board



David Bryant
Director

Dated: 25 September 2012

RFM Diversified Agricultural Fund

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Statement of Comprehensive Income

For the Year Ended 30 June 2012

	Note	2012	2011
		\$	\$
Revenue	2	333,724	870,327
Other Income	3	190,160	-
Direct cropping expenses		-	(437)
Employee costs		-	(87,864)
Increment/(decrement) in net fair value of biological assets		-	(1,612)
Depreciation, amortisation and impairments	5	(3,726,716)	1,265,042
Management fees net of rebates	22	417,960	931,264
Wind up costs		(107,131)	-
Professional services		(372,515)	(943,962)
Repairs & Maintenance		-	(228)
Selling costs		-	(28,313)
Other expenses		(78,357)	(69,428)
Finance costs	5	(17,165)	(26,157)
(Loss)/profit before income tax		(3,360,040)	1,908,632
Income tax expense	7	(414,854)	(212,011)
(Loss)/profit after income tax		(3,774,894)	1,696,621
Other comprehensive income			
Revaluation (decrement) / increment	19	(295,403)	2,542,266
Income tax relating to components of other comprehensive income	7	44,310	(381,340)
Other comprehensive income for the period, net of tax		(251,093)	2,160,926
Total comprehensive (loss)/income for the period, representing net change attributable to unitholders		(4,025,987)	3,857,547
(Loss) / profit attributable to:			
Members of the parent entity		(3,774,894)	1,696,621
		(3,774,894)	1,696,621
Total comprehensive (loss)/income attributable to:			
Members of the parent entity		(4,025,987)	3,857,547
		(4,025,987)	3,857,547

RFM Diversified Agricultural Fund

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Statement of Financial Position

As at 30 June 2012

	Note	2012	2011
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	8	115,335	219,429
Trade and other receivables	9	117,379	679,328
Other assets	11	3,306	30,374
Total current assets		236,020	929,131
Non-current assets			
Financial assets	10(a)	-	21,715,863
Deferred tax assets	16	-	315,716
Total non-current assets		-	22,031,579
TOTAL ASSETS		236,020	22,960,710
LIABILITIES			
Current liabilities			
Trade and other payables	12	43,837	1,007,878
Interest bearing liabilities	13	-	375,000
Current tax liabilities	14	164,508	7,012
Provisions	15	45,960	10,074
Total current liabilities		254,305	1,399,964
TOTAL LIABILITIES (excluding net assets attributable to unit holders)		254,305	1,399,964
Net assets attributable to unitholders		(18,285)	21,560,746
TOTAL LIABILITIES		236,020	22,960,710

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Statement of Changes in Net Assets Attributable to Unitholders

For the Year Ended 30 June 2012

	Note	Issued Units	Asset Revaluation Reserve	Retained Profits	Total	Net Assets Attributable to Unitholders
		\$	\$	\$	\$	\$
Balance at 1 July 2011		35,196,908	3,524,415	(17,160,577)	21,560,746	21,560,746
Other comprehensive income	19	-	(295,403)	-	(295,403)	(295,403)
Income tax relating to other comprehensive income	19	-	44,310	-	44,310	44,310
Profit/(loss) before tax attributable to unitholders		-	(251,093)	-	(251,093)	(251,093)
Income tax applicable	7	-	-	(3,360,040)	(3,360,040)	(3,360,040)
Total income and expense for the period		-	(251,093)	(3,774,894)	(4,025,987)	(4,025,987)
Transfers to and from reserves						
- asset revaluation reserve/equity raising costs on deconsolidation of subsidiaries	19	30,660	(3,273,322)	3,242,662	-	-
Equity transactions						
Units issued during the year		131,120	-	-	131,120	131,120
Issue costs		11,821	-	-	11,821	11,821
Income tax applicable	7	(3,547)	-	-	(3,547)	(3,547)
In Specie Distribution	20	170,054	(3,524,415)	(532,232)	(3,886,593)	(3,886,593)
Distribution to unitholders		(17,229,710)	-	-	(17,229,710)	(17,229,710)
		(462,728)	-	-	(462,728)	(462,728)
Balance at 30 June 2012		17,674,524		- (17,692,809)	(18,285)	(18,285)

The accompanying notes form part of these financial statements.

RFM Diversified Agricultural Fund

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Statement of Changes in Net Assets Attributable to Unitholders

For the Year Ended 30 June 2012

	Note	Issued Units \$	Asset Revaluation Reserve \$	Retained Profits \$	Total \$	Net Assets Attributable to Unitholders \$
Balance at 1 July 2010		32,627,232	8,869,931	(25,455,696)	16,041,467	16,041,467
Other comprehensive income	19	-	2,542,266	-	2,542,266	2,542,266
Income tax relating to other comprehensive income	19	-	(381,340)	-	(381,340)	(381,340)
Profit/(loss) before tax attributable to unitholders		-	2,160,926	-	2,160,926	2,160,926
Income tax applicable	7	-	-	1,908,632	1,908,632	1,908,632
Total income and expense for the period		-	2,160,926	1,696,621	3,857,547	3,857,547
Transfers to and from reserves						
- asset revaluation reserve/equity raising costs on deconsolidation of subsidiaries	19	907,944	(7,506,442)	6,598,498	-	-
Equity transactions						
Units issued during the year		3,776,430	-	-	3,776,430	3,776,430
Issue costs		(498,732)	-	-	(498,732)	(498,732)
Income tax applicable	7	149,620	-	-	149,620	149,620
Distributions to unitholders	20	4,335,262 (1,765,586)	(5,345,516) -	8,295,119 -	7,284,865 (1,765,586)	7,284,865 (1,765,586)
Balance at 30 June 2011		35,196,908	3,524,415	(17,160,577)	21,560,746	21,560,746

The accompanying notes form part of these financial statements.

RFM Diversified Agricultural Fund

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Statement of Cash Flows

For the Year Ended 30 June 2012

	Note	2012	2011
		\$	\$
Cash from operating activities:			
Receipts from customers		675,913	1,356,599
Payments to suppliers and employees		(798,224)	(1,154,161)
Distributions received		672,174	314,988
Interest received		6,620	59,294
Finance costs		(17,165)	(26,157)
Income tax paid		101,333	(49,714)
Net cash provided by / (used in) operating activities	24	640,651	500,849
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		-	272,116
Proceeds from sale to related parties		657	-
Purchase of investments		-	(5,350,000)
Capital distributions received		606,459	2,249,408
Payment relating to FHT underwriting		(195,435)	-
Loans to related parties - proceeds from repayments		-	54,300
Net cash provided by / (used in) investing activities		411,681	(2,774,176)
Cash flows from financing activities:			
Proceeds from unit issue		131,120	3,789,686
Costs in relation to unit issue		11,823	(498,733)
Proceeds from borrowings		-	450,000
Repayment of borrowings		(375,000)	(613,620)
Distribution paid		(924,369)	(1,621,585)
Net cash provided by / (used in) financing activities		(1,156,426)	1,505,748
Net increase / (decrease) in cash and cash equivalents		(104,094)	(767,579)
Cash and cash equivalents at beginning of year		219,429	987,008
Cash and cash equivalents at end of year	8(a)	115,335	219,429

RFM Diversified Agricultural Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2012

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 Diversified Agricultural Fund ("DAF" or the "Trust") as an individual parent entity and DAF and its controlled entity as an economic entity. DAF is a Trust, established and domiciled in Australia.

The financial report of DAF for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 25 September 2012.

DAF is a registered Australian managed investment trust and was constituted in 2005.

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. The nature of the operations and principal activities of the Group are described in the Directors of the Responsible Entity's Report.

(b) Basis of accounting

The accounts are not prepared on a 'going concern' basis due to the Trust being in the process of winding up.

(c) Basis of consolidation

(i) Principles of Consolidation

A controlled entity is an entity that DAF has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

(ii) Controlled entities

A list of controlled entities is contained in Note 23 to the financial statements. All controlled entities have a June financial year-end.

(iii) Inter-company balances

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries conform to those used by the Trust for like transactions and events in similar circumstances.

(iv) Entities entering/leaving group

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

RFM Diversified Agricultural Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(c) Basis of consolidation (continued)

(v) Minority interests

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(d) Statement of compliance

The financial report of DAF and its controlled entity complies with Australian Accounting Standards and International Financial Reporting Standards.

(e) 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 derivatives for which the fair value basis of accounting has been applied.

(f) Application of Accounting Standards

The Group has adopted AASB7 Financial Instruments: Disclosure and all consequential amendments which became applicable on 1 July 2007. The Group has also adopted AASB2008-4 Amendment to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing entities (AASB124). The adoption of these Standards has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the Group.

(g) Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

(h) 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. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(i) 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.

RFM Diversified Agricultural Fund

ARSN 099 573 627

Notes to the Financial Statements

For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(j) Biological assets

The Trust had no interests in Biological assets at 30 June 2012. Formerly, in accordance with AASB141, almond trees and flower tubers have been recognised at fair value less point of sale costs.

Flower tubers

Tuber stock are valued at current market value less anticipated costs to harvest and sell.

(k) Investments (financial assets)

(i) Recognition

Financial assets are initially measured at cost of 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.

(ii) Available-for-sale financial assets

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale. After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(l) Impairment of assets

At each reporting date, the Group 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 income statement except where it reverses a previous revaluation increment that has been applied to the asset revaluation reserve.

(m) Financial Instruments

(i) Recognition

Financial instruments are initially measured at cost 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.

(ii) 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.

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Notes to the Financial Statements

For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(m) Financial Instruments (continued)

(iii) Financial liabilities

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

(iv) Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(n) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group 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.

(o) Trade and other payables

Liabilities for creditors are carried at 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 Group.

Payables include outstanding settlements on the purchase of investments and distributions payable, the carrying period is dictated by market conditions and is generally less than 30 days.

(p) Provisions

Provisions are recognised when the Group 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.

(q) 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.

(r) Unit prices

Unit prices are determined in accordance with the Trust's Constitution and are calculated as the net assets attributable to unit holders of the Trust, less estimated costs, divided by the number of units on issue, on a forward pricing basis, as determined by the Responsible Entity.

(s) 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;

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Notes to the Financial Statements

For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(s) Terms and conditions on units (continued)

- 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.

(t) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from the sale of goods is recognised upon the delivery of goods to customers where risks and rewards of ownership transfers.

(ii) Interest revenue

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

(iii) Distributions from investments

Distributions for investments in available for sale investments are recognised as revenue when the Group's right to receive the payment is established.

(iv) Rendering of services

Revenue from the rendering of services, is recognised in accordance with the terms of the contract for each service agreement and by reference to the stage of completion of a contract in progress at year end.

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

(u) 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 income in the period in which they are incurred.

(v) 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 Australian Taxation 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.

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Notes to the Financial Statements

For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(v) Goods and Services Tax (GST) (continued)

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(w) 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 liability 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 period when the asset is realised 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 utilised.

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

(x) Distributions

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

RFM Diversified Agricultural Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(y) 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 Group has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the Group:

Standard name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments and amending standards AASB 2009-11 / AASB 2010-7	30 June 2016	- Changes to the classification and measurement requirements for financial assets and financial liabilities. - New rules relating to derecognition of financial instruments.	The impact of AASB 9 has not yet been determined as the entire standard has not been released
AASB 2010-8 Amendment to Australian Accounting Standards – Deferred tax: Recovery of underlying assets	30 June 2013	Adds a presumption to AASB 112 that the recovery of the carrying amount of an investment property at fair value will be through sale.	No impact expected.
AASB 10 Consolidated Financial Statements / AASB 11 Joint Arrangements / AASB 12 Disclosures of Interests in Other Entities, AASB 127 Separate Financial Statements and AASB 128 Investments in Associates.	30 June 2014	AASB 10 includes a new definition of control, which is used to determine which entities are consolidated, and describes consolidation procedures. The Standard provides additional guidance to assist in the determination of control where this is difficult to assess. AASB 11 focuses on the rights and obligations of a joint venture arrangement, rather than its legal form (as is currently the case). IFRS 11 requires equity accounting for joint ventures, eliminating proportionate consolidation as an accounting choice. AASB 12 includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	The Group will review its controlled entities to determine whether they should be consolidated under AASB 10, no changes are anticipated. All joint ventures of the group are equity accounted and therefore minimal impact is expected due to the adoption of AASB 11. Additional disclosures will be required under AASB 12 but there will be no changes to reported position and performance.

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Notes to the Financial Statements

For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(y) New accounting standards for application in future periods (continued)

Standard name	Effective date for entity	Requirements	Impact
AASB 13 Fair Value Measurement. AASB 2011-8 - Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	30 June 2014	AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Accounting Standards but does not change when fair value is required or permitted. There are a number of additional disclosure requirements.	Fair value estimates currently made by the entity will be revised and potential changes to reported values may be required. The entity has not yet determined the magnitude of any changes which may be needed. Some additional disclosures will be needed.
AASB 2011-7 – Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	30 June 2014	This standard provides many consequential changes due to the release of the new consolidation and joint venture standards.	The impact of this standard is expected to be minimal.
AASB 2011-9 - Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income.	30 June 2013	Entities will be required to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).	The items shown in other comprehensive income will be separated into two categories.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

2 Revenue

	2012	2011
	\$	\$
Sale of biological harvest	-	187,553
Interest received	6,620	59,294
Distributions received	327,104	500,329
Fee earned for investing into AWF rights issue	-	123,151
Total	333,724	870,327

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Notes to the Financial Statements

For the Year Ended 30 June 2012

3 Other income

	2012	2011
	\$	\$
ACF Capital gain	159,730	-
Assignment of debtors from controlled entity	30,775	-
Unclaimable GST	(345)	-
Total	190,160	-

4 Discontinued Operations

During the year, the RFM Board agreed to wind up its wholly owned subsidiary, RFM Flower Holding Trust, thereby discontinuing its operations in this business segment. All operations have ceased and the remaining debts assigned to the Trust for collection. The profit before tax from the discontinued operation was \$4,245.

5 Profit from Ordinary Activities

Expenses

	2012	2011
	\$	\$
Finance Costs:		
External	-	13,388
Related Entities	17,165	12,769
Total finance costs	17,165	26,157
Depreciation and impairments		
Impairment/(impairment reversal) on property plant and equipment held for sale	10,074	(30,902)
Trade receivables	-	25,000
Impairment/(impairment reversal) loss on investments	(3,736,790)	(1,259,140)
Total depreciation and impairments	(3,726,716)	(1,265,042)

6 Auditors' Remuneration

	2012	2011
	\$	\$
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	51,243	75,542
- Taxation and other services	14,905	43,558
- Total	66,148	119,100

RFM Diversified Agricultural Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2012

7 Income Tax Expense

(a) The major components of tax expense comprise:

	2012	2011
	\$	\$
Current income tax charge	(24,229)	(335,306)
Originating and reversing temporary differences	(533,071)	485,618
Adjustments in respect of current income tax of previous years	58,374	-
Deferred tax asset on losses not recognised to reduce current tax expense	24,229	355,700
Deferred tax on current period tax losses	63,514	(134,812)
Deferred tax assets not recognised	826,037	(88,562)
Reversal of previously unrecognised deferred tax asset that are no longer available to reduce deferred tax amounts	-	(74,604)
Under/(over) provision in respect of prior years	-	3,977
Income tax expense reported in the income statement	414,854	212,011

(b) Amounts charged or credited directly to equity

Net gain on revaluations	(44,310)	381,340
Capitalised issue costs	3,547	(149,620)
Total	(40,763)	231,720

RFM Diversified Agricultural Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2012

7 Income tax expense (continued)

(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the group's applicable income tax rate is as follows:

	2012	2011
	\$	\$
Accounting profit/(loss) before tax from continuing operations	(3,364,285)	1,937,957
Loss before tax from discontinued operations	4,245	(29,325)
Total accounting profit before income tax	(3,360,040)	1,908,632
At the Parent entity's statutory income tax rate of 30% (2011: 30%)	(1,008,012)	572,590
Previously unrecognised deferred tax asset to reduce deferred income tax expense	883,798	-
Adjustments in respect of deferred income tax of previous years	58,374	36,759
Adjustment on intercompany distribution received where tax remains payable	24,763	-
Carry forward losses where related tax asset not recognised	-	(87,073)
Imputation credits received	(82,540)	(122,529)
Impairment on assets at 15%	560,518	(188,874)
Tax free distribution ultimately tax effected at 15%	(22,047)	-
Other	-	1,138
Aggregate income tax expense	414,854	212,011
Aggregate income tax expense is attributable to:		
Continuing operations	414,854	212,011
Total	414,854	212,011

(d) Franking credits

At 30 June 2012 DAF had a franking account balance of \$423,396 (2011: \$432,966).

8 Cash and Cash Equivalents

	2012	2011
	\$	\$
Cash and cash equivalents	115,335	219,429
Total	115,335	219,429

(a) Reconciliation of Cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	115,335	219,429
Total	115,335	219,429

RFM Diversified Agricultural Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2012

9 Trade and Other Receivables

	2012	2011
	\$	\$
CURRENT		
Trade receivables	117,379	704,328
Provision for impairment	-	(25,000)
Total	117,379	679,328

Trade and other receivables are non interest bearing and are generally payable within 30-90 days. Amounts due from related parties are non interest bearing and are generally payable within 30-90 days.

10 Financial Assets

	2012	2011
	Note	\$
Available for sale financial assets	10(a)	-
Non current portion		21,715,863

(a) Available for sale Financials Assets

Unlisted investments in related unit trusts - at fair value:	
RFM Australian Wine Fund	- 7,949,169
RFM Australian Cotton Fund	- 739,444
RFM Chicken Income Fund	- 5,291,301
RFM RiverBank	- 7,735,949
Total available-for-sale financial assets	- 21,715,863

Available-for-sale financial assets comprised of investments in the issued units of the related unit trusts detailed above. There are no fixed returns or fixed maturity date attached to these investments. Available-for-sale financial assets were distributed directly to unit holders on 16 March 2012 as part of the wind up of the Trust.

11 Other Assets

	2012	2011
	\$	\$
CURRENT		
Prepayments	3,306	30,374
Total	3,306	30,374

RFM Diversified Agricultural Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2012

12 Trade and other payables

	2012	2011
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	7,119	460,200
Sundry payables and accrued expenses	36,718	86,036
Distribution payable	-	461,642
Total	43,837	1,007,878

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

13 Interest bearing liabilities

	2012	2011
	Note	\$
CURRENT		
Unsecured liabilities		
Loan - RFM	22(a)	-
Total	-	375,000

The loan from RFM was on commercial terms with compounding and was fully repaid during the year.

14 Tax liabilities

	2012	2011
	\$	\$
CURRENT		
Income tax payable	164,508	7,012

15 Provisions

	2012	2011
	\$	\$
CURRENT		
Wind up provisions	45,960	-
Other provisions	-	10,074
Total	45,960	10,074

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Notes to the Financial Statements

For the Year Ended 30 June 2012

16 Deferred Tax

(a) Deferred Tax Liabilities

	2012	2011
	\$	\$
Available for sale financial assets	-	688,280
Gross deferred tax liabilities	-	688,280
Set-off of deferred tax assets	-	(688,280)
Net deferred tax liabilities	-	-

(b) Deferred Tax Assets

Accruals	10,350	15,600
Available for sale financial assets	-	(14,305)
Provisions for doubtful debts	-	7,500
Provisions	-	3,024
Winding up	13,788	-
Blackhole expense costs	16,786	-
Equity raising costs	205,946	300,114
Unused income tax losses	73,610	316,461
Unused capital tax losses	2,774,670	2,282,092
Gross deferred tax assets	3,095,150	2,910,486
Set-off of deferred tax liabilities	-	(688,280)
Unrecognised deferred tax assets	(3,095,150)	(1,906,490)
Net deferred tax assets	-	315,716

(c) Recognised deferred tax assets and liabilities

	Current income tax		Deferred income tax	
	2012	2011	2012	2011
	\$	\$	\$	\$
Opening balance	(7,012)	(36,332)	315,716	739,052
Charged to income	(58,374)	(20,394)	(356,479)	(191,616)
Charged to equity	-	-	40,763	(231,720)
Other payments	(99,122)	49,714	-	-
Closing balance	(164,508)	(7,012)	-	315,716
Tax expense in income statement	-	-	414,854	212,011
Deferred tax asset/(liability)	-	-	-	315,716

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Notes to the Financial Statements

For the Year Ended 30 June 2012

(d) Tax losses

The group has Australian revenue tax losses of \$245,367 (2011: \$1,054,871) which would be available indefinitely for offset against future taxable income subject to continuing to meet relevant statutory requirements. As these revenue tax losses relate to a controlled entity whose operations will not continue, it is not expected that these losses will be utilised by the Group and therefore they are not recognised as a deferred tax asset in the Statement of Financial Position.

The group has Australian capital tax losses for which no deferred tax asset is recognised on the balance sheet of \$18,497,802 (2011: \$10,530,044) which would be available indefinitely for offset against future taxable income subject to continuing to meet relevant statutory requirements. Due to the resolution being made to wind up the Trust, there is no probability of these losses being utilised.

(e) Unrecognised temporary differences

At 30 June 2012, there is a deferred tax asset of \$246,870 relating to temporary differences (excluding tax losses) that have not been recognised (2011 \$10,522). These unrecognised temporary differences relate to the discontinued operations.

17 Financial instruments

Financial Risk Management Policies

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

Financial instruments of the Group comprise derivatives, cash and cash equivalents, interest bearing liabilities 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.

Concentrations 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 Group monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

(a) Interest rate risk

Interest rate risk is managed by ensuring that the Group has a combination of fixed and floating rate debt, along with the use of interest rate swap contracts. The Group does not speculate in the trading of derivative instruments. The Responsible Entity is responsible for determining the appropriate exposure to variable interest rate risk to further reduce the risk associated with variable interest rates. At 30 June 2012, the Group had no fixed debt.

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Notes to the Financial Statements

For the Year Ended 30 June 2012

17 Financial instruments (continued)

(a) Interest rate risk (continued)

At balance date the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk.

	2012	2011
	\$	\$
Cash	115,335	219,429
Loan from RFM	-	(375,000)
Total	115,335	(155,571)

(b) Liquidity Risk and Capital Management

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The Responsible Entity of the Group defines capital as net assets attributable to unitholders. The Group's objectives when managing capital are to safeguard the activities of the Group as a going concern and to maintain an optimal capital structure in order to reduce the cost of capital. Under the terms of the various Trusts' Constitutions, the Group has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them. The Responsible Entity of the Trust is underwriting the costs of winding up the Trust.

(c) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

(d) Price Risk

The Group is exposed to price risk through the movement in the value of available for sale investments.

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Notes to the Financial Statements

For the Year Ended 30 June 2012

17 Financial instruments (continued)

(e) Sensitivity analysis - Price risk

At 30 June 2012, the effect on profit and equity as a result of changes in the price risk of equity investments held, with all other variables remaining constant would be as follows:

	2012	2011
	\$	\$
Change in profit		
- Increase in investment values by 5%	N/A	1,085,793
- Decrease in investment values by 5%	N/A	(1,085,793)
Change in equity		
- Increase in investment values by 5%	N/A	922,924
- Decrease in investment values by 5%	N/A	(922,924)

(f) Maturity Analysis

Maturity analysis of consolidated financial liabilities based on contractual maturity. The table below reflects all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities as of 30 June 2012.

The amounts disclosed in the table are the contractual undiscounted cash flows, except for interest rate swaps and bills of exchange where the cash flows have been estimated using interest rates applicable at the reporting date.

In regard to the redemption of net assets attributable to unitholders the terms of the Constitution require a redemption offer to be made on a periodic basis and at an amount set at the discretion of the Manager. Any redemption offer has to be made in accordance with the Corporations Law. A Member can only withdraw when there is a current redemption offer open for acceptance.

	Less than 6 months		Total	
	2012	2011	2012	2011
	\$	\$	\$	\$
Financial Assets - Derivatives:				
Cash and cash equivalents	115,335	219,429	115,335	219,429
Receivables	117,379	679,328	117,379	679,328
Total Financial Assets	232,714	898,757	232,714	898,757
Financial Liabilities - Non derivatives:				
Loan - RFM	-	375,000	-	375,000
Trade and sundry payables	43,837	1,007,878	43,837	1,007,878
Total Financial Liabilities	43,837	1,382,878	43,837	1,382,878

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Notes to the Financial Statements

For the Year Ended 30 June 2012

18 Issued units

	2012	2011
	No.	No.
At the beginning of reporting period	23,315,271	18,150,816
Units issued during the year	127,716	5,164,455
At reporting date	23,442,987	23,315,271

The terms and conditions attached to units in the Trust can be found in Note 1(s).

At balance sheet date, the unit redemption price was \$Nil (2011: \$1.0780), representing a total redemption value for the trust of \$Nil (2011: \$25,133,862).

19 Asset revaluation reserve

	2012	2011
	\$	\$
Opening balance	3,524,415	8,869,931
Current year revaluations		
Increment/(decrement) in investments	(295,403)	2,542,266
Total current year revaluations	(295,403)	2,542,266
Income tax applicable	44,310	(381,340)
Transfers to retained earnings for assets realised	(3,273,322)	(7,506,442)
Net transfers to retained earnings	(3,273,322)	(7,506,442)
Asset revaluation reserve	-	3,524,415

The asset revaluation reserve is used to record increments and decrements in the fair value of the Group's assets to the extent that each asset class offsets one another.

20 Distributions

	Tax deferred	Income	Total	Cents per unit
	\$	\$	\$	\$
Distributions paid and payable - 2012				
Interim distribution November 2011	462,727	-	462,727	0.0198
In specie distribution of assets March 2012	17,229,710	-	17,229,710	0.7350
Total distribution for the year ended 30 June 2012	17,692,437	-	17,692,437	0.7548
Distributions paid and payable - 2011				
Interim distribution November 2010	387,048	-	387,048	0.0175
Interim distribution February 2011	458,800	-	458,800	0.0198
Interim distribution May 2011	458,096	-	458,096	0.0198
Final distribution 30 June 2011, provided for at year end and paid in August 2011	461,642	-	461,642	0.0198
Total distribution for the year ended 30 June 2011	1,765,586	-	1,765,586	0.0769

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Notes to the Financial Statements

For the Year Ended 30 June 2012

21 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:

David Bryant

Michael Carroll

Guy Paynter

(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 DAF and its controlled entities are legally binding documents between the unit holders of the Trust and RFM as Responsible Entity. Under the constitution RFM is entitled to the following remuneration:

- Management Fee – 2.563% per annum of the gross value of Trust assets. Licensed securities dealers are paid a service fee from the management fees received by RFM. This service fee is up to 0.75% of the issued value of subscribed units.
- Performance Bonus – 20.5% of Performance Fee Returns that exceed an annual return of 9%.
- Expenses – all expenses incurred by the 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 reimbursement is not prohibited by Corporations Law.

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 or its controlled entities 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 22.

RFM Diversified Agricultural Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2012

22 Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Responsible Entity (Rural Funds Management Limited) and related entities

	2012	2011
	\$	\$
Income received from the Responsible Entity:		
Management fees net of rebate	417,960	931,264
Total	417,960	931,264
Purchases of services from the Responsible Entity:		
Marketing costs included in equity raising costs	-	257,310
Expenses reimbursed to RFM	324,580	704,745
	324,580	962,055
Other payment transactions with the Responsible Entity:		
Distributions paid and payable	28,263	134,487
Other income transactions with related parties:		
Common responsible entity		
Capital distributions received and receivable (tax free) - RFM Australian Cotton Fund	146,985	-
Capital distributions received and receivable - RFM Australian Cotton Fund	159,730	1,245,031
Capital distributions received and receivable - RFM Chicken Income Fund	306,316	363,291
Capital distributions received and receivable - RFM RiverBank	-	520,490
Fee earned for investing into AWF rights issue	-	123,151
Income distributions received and receivable - RFM Australian Cotton Fund	40,914	65,528
Income distributions received and receivable - RFM Chicken Income Fund	-	249,340
Income distributions received and receivable - RFM RiverBank	286,189	185,341
Total	940,134	2,752,172
Debtors owed from related parties:		
Rural Funds Management - ICR rebate	94,104	280,851
RFM Chicken Income Fund	-	153,158
RFM RiverBank	-	185,341
Total debtors owed from related parties	94,104	619,350
Loans from related parties:		
Loan - RFM	-	375,000
Creditors owing to related parties:		
RFM	7,119	452,456

RFM Diversified Agricultural Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2012

22 Related party transactions (continued)

(b) Custodian (Australian Executor Trustees Ltd)

The custodian fee is a fixed annual fee.

	2012	2011
	\$	\$
Custodian fees	10,081	10,955

(c) Entities with influence over the trust

	Units held	%
RFM (management repurchase facility)	1,427,345	6.12
RFM	100	-

23 Controlled Entities

	Percentage Owned	Percentage Owned
	2012	2011
Subsidiaries of parent entity:		
DAF Flower Holding Trust	Nil	100%

DAF Flower Holding Trust was wound up during the year.

RFM Diversified Agricultural Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2012

24 Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2012	2011
	\$	\$
Net profit/(loss) attributable to unitholders	(3,774,894)	1,696,621
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit from ordinary activities		
Non cashflow movement in biological assets	-	1,612
Minority interest equity error from prior year	-	(13,257)
Provision for impairment of receivables	-	25,000
Loss/(gain) on investment revaluations	3,726,716	(1,290,062)
Changes in assets and liabilities net of the effects of investing activities:		
(Increase)/decrease in receivables	408,791	(133,442)
(Increase)/decrease in prepayments	27,067	22,688
Increase/(decrease) in deferred tax liability less amounts recognised directly to equity	356,479	191,616
Increase/(decrease) in creditors and accruals	(306,964)	28,598
Increase/(decrease) in provisions	45,960	795
Increase/(decrease) in tax liabilities	157,496	(29,320)
<hr/>		
Cashflow from operations	640,651	500,849

RFM Diversified Agricultural Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2012

25 Parent entity

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with Accounting Standards.

	2012	2011
	\$	\$
Statement of Financial Position		
Assets		
Current assets	236,020	880,266
Non-current assets	-	21,844,915
Total Assets	236,020	22,725,181
Liabilities		
Current liabilities	254,305	1,157,292
Total Liabilities (excluding net assets attributable to unit holders)	254,305	1,157,292
Issued Units	-	35,227,566
Asset Revaluation Reserve	-	3,920,649
Retained Profits/(Accumulated losses)	-	(17,580,326)
Net assets attributable to unit holders	(18,285)	21,567,889
Total Liabilities	236,020	22,725,181
Statement of Comprehensive Income		
Total profit/(loss) for the year	(3,782,041)	1,658,924
Other comprehensive income	-	2,160,926
Total comprehensive income	(3,782,041)	3,819,850

RFM Diversified Agricultural Fund

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Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Katherine M Kelly
Director
Boyce Assurance Services Pty Limited

Cooma

Dated: 25 September 2012

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Responsible Entity

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