

RFM Land Trust

ARSN 128 112 443

Financial Statements

For the Half Year Ended 31 December 2011

RFM Land Trust

ARSN 128 112 443

Directory

Directors

David Bryant
Michael Carroll
Guy Paynter

Company Secretary

Stuart Waight

Auditors

Boyce Assurance Services Pty Limited
36 Bombala Street
COOMA NSW 2630

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
Phone: (02) 6203 9700
Fax: (02) 6281 5077

Custodian

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

RFM Land Trust

ARSN 128 112 443

Contents

For the Half Year Ended 31 December 2011

	Page
Financial Statements	
Directors of the Responsible Entity's Report	1
Independent Auditor's Review Report	4
Directors of the Responsible Entity's Declaration	6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Net Assets Attributable to Unitholders	9
Statement of Cash Flows	10
Notes to the Financial Statements	11
Auditors Independence Declaration under Section 307C of the Corporations Act 2001	15

RFM Land Trust

ARSN 128 112 443

Directors of the Responsible Entity's Report

31 December 2011

The Directors of Rural Funds Management Limited ("RFM"), Responsible Entity for the RFM Land Trust ("LT" or the "Trust"), present their report on the Trust for the financial half year ended 31 December 2011.

Directors

Information on directors

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

David Bryant

Michael Carroll

Guy Paynter

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

Principal Activities

The principal activity of the Trust during the half year was investment in land.

Trust information

The 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 of RFM Land Trust after providing for income tax amounted to \$66,244 (2010: \$360,827). The LT's operating revenue consisted of rental income of \$247,994 (2010: \$Nil), interest received on cash deposits of \$60,578 (2010: \$8,662) and \$5,789 (2010: \$Nil) of agistment income. Expenditure includes fund operating costs such as property rates, asset management services, fund management fees and compliance services.

The RFM Land Trust has 22,884 units on issue based on subscriptions of \$11,442,000 received in 2008. The Trust applied these funds to purchase 23 properties in Western Australia, South Australia, Victoria and Tasmania for a total consideration of \$10,113,465 including acquisition costs and the balance was held in cash. These properties were leased to GSMAL, the responsible entity of the 2008 Renewable Fibre Project (Tree Project). RFM terminated these leases in April 2010 following the default of GSMAL and the leases being disclaimed by the Receivers.

In the year ended 30 June 2011 RFM developed an individual plan for each of the 23 Land Trust properties and considered the sale or lease of each property as the first option. Eight properties were sold prior to 31 December 2011 and in respect of three others, contracts have been exchanged. During the period RFM Land Trust also leased 3012.7 hectares across various properties to Gunns Limited.

RFM Land Trust

ARSN 128 112 443

Directors of the Responsible Entity's Report

31 December 2011

Review and Results of Operations (continued)

Operating Results (continued)

RFM believes that this is the most appropriate strategy considering the current depressed market for forestry properties and RFM believes that this market is unlikely to improve in the short term. In this environment, it is likely that the immediate sale of properties and the winding up of the Land Trust would result in significant losses for investors.

The Trust is classified as an investment trust for taxation purposes and as such income tax is not recognised by the Trust and distributions are taxed at the investor level subject to certain conditions

Distributions

There have been no distributions paid or declared during the half year ended 31 December 2011.

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 half year:

- Management fee for the financial half year paid to RFM \$45,266 (2010: \$48,772).
- Expenses incurred by RFM and reimbursed by the Trust in accordance with the Trust's constitution \$161,289 (2010: \$180,562)

Units on Issue

22,884 units were on issue at 31 December 2011. There have been no units issued or redeemed.

Trust Assets

At 31 December 2011 LT held assets to a total value of \$12,562,822 (June 2011:\$12,556,249) The basis for valuation of the assets is disclosed in Note 1 to the financial statements.

Significant Changes in State of Affairs

No significant changes in the Trust's state of affairs occurred during the financial half year.

After balance day events

On 31 January 2012 the Trust received \$2,232,120 in settlement on 2 properties in respect of which contracts were exchanged prior to 31 December 2011. The third property is due to settle on 30 March 2012. Two of the properties were sold for a total of \$280,000 more than the 30 June 2011 book value. This gain was not able to be reflected in the half year results as the sales had not completed by 31 December 2011.

No matters or circumstances have arisen since the end of the financial half 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.

RFM Land Trust

ARSN 128 112 443

Directors of the Responsible Entity's Report

31 December 2011

Review and Results of Operations (continued)

Likely developments and expected results

RFM will continue to investigate and execute the individual plans for each of the remaining 12 properties, with exchange of contracts on a number of these properties expected to take place in coming months. It is expected that the Trust will continue to incur small operating losses until most of the properties are transitioned to a new operating plan.

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

Auditors Independence Declaration

An independence declaration has been provided to the Directors by the auditor of RFM Land Trust, Boyce Assurance Services Pty Limited, and can be found on page 15 of the Financial Report.

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



Director
David Bryant

Dated: 13 March 2012

RFM Land Trust

ARSN 128 112 443

Independent Auditor's Review Report to the members of RFM Land Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of RFM Land Trust, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of changes in net assets attributable to unitholders and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the responsible entity.

Directors' Responsibility for the Half-Year Financial Report

The directors of the responsible entity of the trust are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the trust's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of RFM Land Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Matters Relating to the Electronic Presentation of the Audited Financial Report

The review report relates to the financial report of the entity for the half-year ended 31 December 2011 included on the website of Rural Funds Management Limited. The directors of the responsible entity of the trust are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the responsible entity's website.

36 Bombala Street
PO Box 56
Cooma NSW 2630

P 02 6452 3344
F 02 6452 4060
E infocooma@boyceca.com

www.boyceca.com

Cooma Moree Dubbo Goulburn Orange Wagga Wagga



Knowledge. Insight. Experience.

RFM Land Trust

ARSN 128 112 443

Independent Auditor's Review Report to the members of RFM Land Trust

Independence

In conducting our review, 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 Land Trust on the date of this auditor's review report.

Conclusion

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

- (a) giving a true and fair view of the trust's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

Liquidation basis and uncertainty in regard to asset realisation

Without qualification to the opinion expressed above, attention is drawn to the following matters. As described in Note 1(b), Basis of Accounting, the trust's financial report has been prepared on a liquidation basis as the Directors have resolved to realise the trust's assets and wind the trust up in due course.

The directors intend to market and sell the Trust's properties in an orderly manner to maximise unitholder return. Consistent with the decision to realise the trust's assets within 12 to 24 months from July 2011, valuers were instructed to consider this decision and properties have been valued accordingly. However, due to this realisation objective, there remains residual uncertainty as to the values the properties will achieve and in what timeframe. The financial report does not consider the impact of any adjustments that would be required if the recoverability of the remaining assets are not achieved within their carrying values.



Katherine M Kelly
Director
Boyce Assurance Services Pty Limited

Cooma

Dated: 13 March 2012

36 Bombala Street
PO Box 56
Cooma NSW 2630

P 02 6452 3344
F 02 6452 4060
E infocooma@boyceca.com

www.boyceca.com

Cooma Moree Dubbo Goulburn Orange Wagga Wagga



Knowledge. Insight. Experience.

RFM Land Trust

ARSN 128 112 443

Directors of the Responsible Entity's Declaration

In accordance with a resolution of the Directors of the Responsible Entity for the 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:
 - (i) giving a true and fair view of the Trust's financial position as at 31 December 2011 and its performance for the half year ended on that date and;
 - (ii) complying with Accounting 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.

On behalf of the board



Director
David Bryant

Dated: 13 March 2012

RFM Land Trust

ARSN 128 112 443

Statement of Comprehensive Income

For the Half Year Ended 31 December 2011

	31 December 2011	31 December 2010
	\$	\$
Revenue	314,361	8,662
Management fees	(45,266)	(48,772)
Agribusiness expenses	(928)	(18,573)
Local government rates and charges	(21,904)	(33,038)
Bank fees and charges	(160)	(400)
Professional services	(157,974)	(238,854)
Loss on sale of assets	(7,709)	-
Decrement on investment property at fair value	(141,000)	-
Other expenses	(5,664)	(29,852)
Loss before income tax	(66,244)	(360,827)
Income tax expense	-	-
Loss for the period	(66,244)	(360,827)
Other comprehensive income	-	-
Total comprehensive income for the period, representing changes in net assets attributable to unitholders	(66,244)	(360,827)

The accompanying notes form part of these financial statements.

RFM Land Trust

ARSN 128 112 443

Statement of Financial Position

31 December 2011

		31 December 2011	30 June 2011
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		53,565	1,471,731
Trade and other receivables		163,392	55,634
Financial assets		3,865,574	-
Other assets		19,540	2,133
Non-current assets held for sale	3	8,460,751	11,026,751
TOTAL CURRENT ASSETS		12,562,822	12,556,249
TOTAL ASSETS		12,562,822	12,556,249
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		238,486	242,740
Current tax payable		1,692	1,692
Other liabilities		134,972	-
Liabilities directly associated with Non-current assets classified as held for sale	3	294,733	352,634
TOTAL CURRENT LIABILITIES		669,883	597,066
TOTAL LIABILITIES (excluding net assets attributable to unitholders)		669,883	597,066
NET ASSETS attributable to unitholders		11,892,939	11,959,183
TOTAL LIABILITIES		12,562,822	12,556,249

The accompanying notes form part of these financial statements.

RFM Land Trust

ARSN 128 112 443

Statement of Changes in Net Assets Attributable to Unitholders

For the Half Year Ended 31 December 2011

31 December 2011

	Issued units	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2011	11,442,000	517,183	11,959,183
Net profit/(loss) attributable to unitholders	-	(66,244)	(66,244)
Total income and expense for the period	-	(66,244)	(66,244)
Balance at 31 December 2011	11,442,000	450,939	11,892,939

31 December 2010

	Issued units	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2010	11,442,000	1,737,791	13,179,791
Net profit/(loss) attributable to unitholders	-	(360,827)	(360,827)
Total income and expense for the period	-	(360,827)	(360,827)
Balance at 31 December 2010	11,442,000	1,376,964	12,818,964

The accompanying notes form part of these financial statements.

RFM Land Trust

ARSN 128 112 443

Statement of Cash Flows

For the Half Year Ended 31 December 2011

	31 December 2011 \$	31 December 2010 \$
CASH FROM OPERATING ACTIVITIES:		
Receipts from customers	157,636	-
Payments to suppliers and employees	(174,195)	(494,397)
Interest received	48,967	8,662
Net cash provided by / (used in) operating activities	32,408	(485,735)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investment properties	2,415,000	-
Improvement additions to investment property	-	(79,010)
Purchase of held to maturity financial assets	(3,865,574)	-
Net cash provided by / (used in) investing activities	(1,450,574)	(79,010)
Net decrease in cash and cash equivalents held	(1,418,166)	(564,745)
Cash and cash equivalents at beginning of the period	1,471,731	787,101
Cash and cash equivalents at end of the period	53,565	222,356

The accompanying notes form part of these financial statements.

RFM Land Trust

ARSN 128 112 443

Notes to the Financial Statements

For the Half Year Ended 31 December 2011

1 Summary of Significant Accounting Policies

(a) Basis of preparation

This general purpose condensed financial report for the half year ended 31 December 2011 has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

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

It is recommended that the half yearly financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by LT during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The financial report covers RFM Land Trust ("LT") as an individual entity. LT 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.

(b) Basis of Accounting

The accounts are not prepared on a 'going concern' basis due to the Trust being in the process of an orderly realisation of its assets. The Trust is expected to operate for a further 12 to 24 months until all the assets are sold. Refer to Note 6 for more information on the intentions of the Directors.

(c) Statement of Compliance

The financial report of LT complies with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the International Accounting Standards Board.

(d) Reporting Basis and Conventions

The half-year 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) Investment Property

Investment property is held to generate long-term rental yields. All tenant leases are on an arms length basis. Property not subject to lease or use by the Trust, that is currently being held with an undetermined future use is considered to be investment property.

Investment property is carried at fair values, which is considered to be the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair values exclude any deduction for transaction costs that may be incurred on sale or other disposal. Changes to fair value are recorded in the income statement.

RFM Land Trust

ARSN 128 112 443

Notes to the Financial Statements

For the Half Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

(e) Investment Property (continued)

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no economic benefit is exerted from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss in the year of retirement or disposal.

(f) Non current assets held for sale

Non current assets are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

2 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements 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 critical accounting policies 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.

Basis of valuations

In the year ended 30 June 2010 year valuations were obtained by independent valuers and the valuations were requested on the basis of the properties being converted from forestry to other agricultural uses including grazing or cropping. The valuations considered the gross value of the land and improvements for these purposes and deducted the required rehabilitation costs.

One small property in Tasmania was not subject to independent valuation and has been subject to a directors valuation after taking into consideration the sale history and previous valuations conducted.

In the 2011 year, valuations were obtained by independent valuers and the valuations were requested on the basis of the properties being valued on an accelerated sale basis due to the Trust being in a wind up phase. The valuations considered the gross value of the land and improvements for these purposes and deducted the required rehabilitation costs.

RFM Land Trust

ARSN 128 112 443

Notes to the Financial Statements

For the Half Year Ended 31 December 2011

3 Non Current Assets held for sale

	31 December 2011 \$	30 June 2011 \$
Investment property held for sale at beginning of period	11,026,751	-
Transfer from investment property	-	11,026,751
Sales of investment properties	(2,425,000)	-
Fair value decrement	(141,000)	-
Total assets at end of period	8,460,751	11,026,751
The liabilities associated with non-current assets held for sale are:		
Investment property	294,733	352,634
Total liabilities	294,733	352,634
Total non-current assets classified as held for sale	8,166,018	10,674,117

In July 2011 the directors of the Trust passed a resolution to sell the Trust's properties. Eight properties were sold prior to 31 December 2011 and in respect of three others contracts have been exchanged.

4 Investment Property (Fair value model)

	31 December 2011 \$	30 June 2011 \$
Balance at beginning of year	-	12,627,362
Improvement additions	-	104,362
Additional purchase costs	-	59,329
Deed of release costs	-	440,000
Total additions	-	603,691
(Decrement)/increment recognised in income	-	(555,525)
Properties sold during the year	-	(2,001,411)
Provision for costs to sell	-	352,634
Transfer to Non current assets classified as held for sale	-	(11,026,751)
Balance at end of year	-	-

RFM Land Trust

ARSN 128 112 443

Notes to the Financial Statements

For the Half Year Ended 31 December 2011

5 Events after the Balance Sheet Date

On 31 January 2012 the Trust received \$2,232,120 in settlement on 2 properties in respect of which contracts were exchanged prior to 31 December 2011. The third property is due to settle on 30 March 2012. Two of the properties were sold for a total of \$280,000 more than the 30 June 2011 book value. This gain was not able to be reflected in the half year results as the sales had not completed by 31 December 2011.

No matters or circumstances have arisen since the end of the financial half 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.

6 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 is 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.

RFM Land Trust

ARSN 128 112 443

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

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2011, there have been:

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



Katherine M Kelly
Director
Boyce Assurance Services Pty Limited

Cooma

Dated: 13 March 2012

36 Bombala Street
PO Box 56
Cooma NSW 2630

P 02 6452 3344
F 02 6452 4060
E infocooma@boyceca.com

www.boyceca.com

Cooma Moree Dubbo Goulburn Orange Wagga Wagga



Knowledge. Insight. Experience.