RFM Land Trust

ARSN 128 112 443

Financial Statements

For the Year Ended 30 June 2011

RFM Land Trust

For the Year Ended 30 June 2011

DIRECTORY

Registered Office:	Level 2, 2 King Street DEAKIN ACT 2600
Responsible Entity:	Rural Funds Management Limited ABN 65 077 492 838 Level 2, 2 King Street DEAKIN ACT 2600
Directors:	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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Directors of the Responsible Entity's Report

For the Year Ended 30 June 2011

The Directors of Rural Funds Management ("RFM"), Responsible Entity for the RFM Land Trust ("Land Trust" or the "Trust"), present their report on the Trust for the financial year ended 30 June 2011.

Directors

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

Names
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 activity of RFM Land Trust during the financial 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 of Results and Operations

Operating Results

The loss attributable to unitholders of RFM Land Trust after providing for income tax amounted to $(1,220,608) (2010: profit $6,645,028). The result includes a decrement on the revaluation of properties of $(555,525). The prior result included a revaluation increment of $6,993,122 following independent property valuations on an unencumbered basis.

During the year, RFM held a Unitholder Meeting on 27 October 2010 for investors to consider changes to the Land Trust Constitution. The Constitutional changes were adopted at the meeting and enable RFM as Responsible Entity of the Land Trust to sell, lease or redevelop the 23 Land Trust properties going forward.

Following a review of the options for the properties, the Board passed a resolution in July 2011 to sell the Land Trust assets and subsequently wind up the Trust. As a consequence, those properties under a contract for sale at 30 June 2011 are valued at the contract value less anticipated costs to sell, those not under a contract have been valued at the lower of carrying value and fair value, net of selling costs. Further details are provided at Note 10 of the Financial Report.

At 30 June 2011, the status of the 23 properties is:

	Sold and settled pre 30 June 2011	Sold with settlement post 30 June 2011	Held for sale
Number of properties	4	2	17

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Directors of the Responsible Entity's Report

For the Year Ended 30 June 2011

Review of Results and Operations (continued)

Operating Results (continued)

During the year the Trust incurred expenditure associated with the restructure of Trust properties, the Unitholder Meeting and assessment of the best options for unitholders going forward. These are the main reasons for the increase of $144,931 in Professional services, which includes $54,362 of external legal costs. Following the restructure, the Trust incurs full rates for the properties resulting in an increased cost of rates from 2010.

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 year ended 30 June 2011.

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 Trust, but do not include transactional and operational costs such as brokerage. Management costs are not paid directly by the unitholders of the Trust.

The ICR for the Trust for the year ended 30 June 2011 is 3.89% (2010:4.06%).

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

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

- Management fee for the financial year paid to RFM $97,744 (2010: $40,625)
- Interest paid to RFM on loan to the Trust $4,861 (2010: $0)
- Expenses incurred by RFM and reimbursed by the Trust in accordance with the Trust's constitution $411,446 (2010: $173,714)

RFM and its associates do not hold any interest in the Trust at 30 June 2011.

Unit Prices

There have been no unit prices or investor returns published in the period to 30 June 2011.

Units on issue

22,884 units were on issue at 30 June 2011. There have been no units issued or redeemed in the financial year.

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Directors of the Responsible Entity's Report

For the Year Ended 30 June 2011

Trust assets

At 30 June 2011, RFM Land Trust held assets to a total value of $12,556,249 (2010: $13,458,543). The basis for valuation of the assets is disclosed in Note 1 to the financial statements.

Significant changes in the state of affairs

There have been no significant changes during the period.

After balance day events

In July 2011, the Board passed a resolution to approve the sale of the Land Trust assets and to subsequently wind up the Trust. The Financial Statements have been prepared on a wind up basis and the Directors will proceed with the wind up provided it remains the best course of action for unitholders. Alternative courses of action will continue to be considered to ensure that unitholders value is maximised.

No other matters or circumstances have arisen since the end of the financial 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

During the upcoming financial year, the retained properties leased and the revenue earned from these is expected to generate an operating profit in the year.

The Trust will be selling the remaining properties currently held for sale and will distribute the net proceeds to unitholders.

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 the 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 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.

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Directors of the Responsible Entity's Report

For the Year Ended 30 June 2011

Auditor's 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 25 of the Financial Report.

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

David Bryant
Director

Dated: 29 September 2011

RFM Land Trust

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Independent Audit Report to the members of RFM Land Trust

Report on the Financial Report

We have audited the accompanying financial report of RFM Land Trust, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year ended that date, a summary of significant accounting policies, other explanatory notes and the directors' of the responsible entity's declaration.

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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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RFM Land Trust

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Independent Audit Report to the members of RFM Land Trust

Auditor's Opinion

In our opinion:

(a) the financial report of RFM Land Trust is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Trust's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

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 3, Going Concern, 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. As further described in Note 10, and consistent with the decision to realise the trust's assets in the next 12 to 24 months, 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: 29 September 2011

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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 30 June 2011 and of the performance for the 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

David Bryant
Director

Dated: 29 September 2011

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Statement of Comprehensive Income

For the Year Ended 30 June 2011

	Note	2011 $	2010 $
Revenue	4	**41,723**	1,121
Interest income	4	**21,341**	48,293
Other income	4	**609**	-
(Decrement)/increment on investment property at fair value	11	**(555,525)**	6,993,122
Management fees	16	**(97,744)**	(40,625)
Agribusiness expenses		**(53,549)**	-
Wind up costs		**(25,000)**	-
Local government rates and charges		**(66,978)**	(27,887)
Valuation fees		**(20,074)**	(20,909)
Professional services		**(415,403)**	(270,472)
Other expenses		**(45,147)**	(37,555)
Finance costs		**(4,861)**	(60)
(Loss)/profit before income tax		**(1,220,608)**	6,645,028
Income tax expense	6	**-**	-
(Loss)/profit for the period		**(1,220,608)**	6,645,028
Other comprehensive income		**-**	-
Total comprehensive income for the period, representing change in net assets attributable to unitholders		**(1,220,608)**	6,645,028

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As At 30 June 2011

	Note	2011 $	2010 $
ASSETS			
Current assets			
Cash and cash equivalents	7	**1,471,731**	787,101
Trade and other receivables	8	**55,634**	44,080
Other current assets	9	**2,133**	-
Non-current assets classified as held for sale	10	**11,026,751**	-
Total current assets		**12,556,249**	831,181
Non-current assets			
Investment property	11	**-**	12,627,362
Total non-current assets		**-**	12,627,362
TOTAL ASSETS		**12,556,249**	13,458,543
LIABILITIES			
Current liabilities			
Trade and other payables	12	**242,740**	277,060
Current tax payable	6	**1,692**	1,692
Liabilities directly associated with non-current assets classified as held for sale	10	**352,634**	-
Total current liabilities		**597,066**	278,752
TOTAL LIABILITIES (excluding net assets attributable to unitholders)		**597,066**	278,752
Net assets attributable to unitholders		**11,959,183**	13,179,791
TOTAL LIABILITIES		**12,556,249**	13,458,543

The accompanying notes form part of these financial statements.

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Statement of Changes in Net Assets Attributable to Unitholders

For the Year Ended 30 June 2011

	Issued units	Retained Earnings	Net Assets Attributable to Unitholders
	$	$	$
Balance at 1 July 2010	**11,442,000**	**1,737,791**	**13,179,791**
(Loss)/profit attributable to unitholders	**-**	**(1,220,608)**	**(1,220,608)**
Balance at 30 June 2011	**11,442,000**	**517,183**	**11,959,183**

	Issued units	Retained Earnings	Net Assets Attributable to Unitholders
	$	$	$
Balance at 1 July 2009	11,442,000	(4,907,237)	6,534,763
Profit/(loss) attributable to unitholders	-	6,645,028	6,645,028
Balance at 30 June 2010	11,442,000	1,737,791	13,179,791

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the Year Ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities:			
Receipts from customers		**44,557**	-
Payments to suppliers and employees		**(771,329)**	(859,130)
Interest received		**17,935**	48,293
Interest paid		**(4,861)**	-
Finance costs		**-**	(60)
Net cash used in operating activities	18	**(713,698)**	(810,897)
Cash flows from investing activities:			
Proceeds from sale of investment properties		**2,002,019**	-
Acquisition of investment property	11	**(603,691)**	(291,273)
Net cash provided by / (used in) investing activities		**1,398,328**	(291,273)
Net increase / (decrease) in cash held		**684,630**	(1,102,170)
Cash at beginning of financial year		**787,101**	1,889,271
Cash at end of financial year	7(a)	**1,471,731**	787,101

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements

For the Year Ended 30 June 2011

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 authorative pronouncements of the Australian Accounting Standards Board.

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

The financial report of the Trust for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 29 September 2011.

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

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

(b) Statement of Compliance

The financial report of the Land Trust complies with Australian Accounting Standards and International Financial Reporting Standards.

(c) Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial report has not been prepared on a going concern basis due to the intentions of the Directors' to subsequently wind up in the Trust with an orderly realisation of assets. Refer to Note 3 for information on the intentions of the Directors'.

(d) 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. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

1 Summary of Significant Accounting Policies (continued)

(e) Trade and other receivables

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

Amounts are generally received within 30 days of being recorded as receivables.

(f) Non-current assets held for sale

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

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

Non-current assets classified as held for sale and any associated liabilities are presented separately in the statement of financial position.

(g) 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 underdetermined 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 statement of comprehensive income.

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.

(h) Impairment of assets

At each reporting date, the Trust reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is first applied against any previous revaluation of that asset and where the revaluation reserve has been fully utilised the balance is expensed to the statement of comprehensive income.

1 Summary of Significant Accounting Policies (continued)

(i) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Trust no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or the cash flows attributable to the instrument are passed through to an independent third party.

(j) Trade and other payables

Liabilities for creditors are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Trust.

(k) Unitholders' funds

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

(l) Terms and conditions on units

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

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

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

(m) Revenue

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

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

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

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Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies (continued)

(o) Income Tax

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

(p) Distributions

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

(q) New accounting standards for application in future periods

Australian Accounting Standards and Urgent Issues Group Interpretations that have been issued or amended and are effective from 1 July 2010 have resulted in no material changes in accounting policies therefore no material impact on financial performance or position for the year ended 30 June 2011.

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Trust has decided against early adoption of these Standards . The following table summarises those future requirements, and their impact on the Trust:

Standard name	Effective date for entity	Requirements	Impact
AASB 124 Related Party Disclosures and amending standard AASB 2009-12	30 June 2012	- Clarification of the definition of a related party - Requirement to disclose commitments to related parties - Disclosure exemptions for government-related entities	Minimal impact expected
AASB 9 Financial Instruments and amending standards AASB 2009-11 / AASB 2010-7	30 June 2014	- 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.
AASB 2010-4 / 2010-5 Amendments and further amendments to Australian Accounting Standards arising from the Annual Improvements Project	30 June 2012	Makes changes to a number of standards / interpretations including: - Clarification of the content of the statement of changes in equity - Financial instrument disclosures - Fair value of award credits	No impact expected.
AASB 2010-6 Amendment to Australian Accounting Standards – Disclosures on transfers of financial assets	30 June 2012	Requires additional disclosures regarding for example, remaining risks where an entity has transferred a financial asset	No impact expected.

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Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies (continued)

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

Standard name	Effective date for entity	Requirements	Impact
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 1054 Additional Australian disclosures / AASB 2011-1 Amendments to Australian Accounting Standards arising from Trans-Tasman convergence	30 June 2012	Collates the Australian specific disclosures into one Accounting Standard rather than including them within a number of different standards.	Little impact since most of the disclosures required by AASB 1054 are already included within the financial statements.
AASB 13 Fair Value Measurement	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.

The Trust 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 Trust's financial statements.

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.

2 Significant accounting judgements, estimates and assumptions (continued)

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 2010 year valuations were obtained by independent valuers and the valuations were requested on an "as is" basis with 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 was 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.

Two properties under contract in Victoria were not subject to independent valuation and have been subject to a directors valuation after taking into consideration the current contracted sale price and anticipated costs to sell.

3 Going Concern

On the 28th July 2011, the Board passed a resolution to approve the sale of the Land Trust assets and to subsequently wind up the Trust. The Trust 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 it debts as and when they fall due. Once the remaining properties currently held for sale are sold it will distribute the net proceeds to unitholders.

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Notes to the Financial Statements

For the Year Ended 30 June 2011

4 Revenue

	2011	2010
	$	$
Revenue		
- Agistment income	**41,723**	1,121
- Interest income - External	**21,341**	48,293
	63,064	49,414
Other Income		
- gains on disposal of non-current investments	**609**	-
	609	-

5 Auditor's Remuneration

Remuneration of the auditor of the Trust for;

Ernst & Young:		
- auditing or reviewing the financial report	**-**	21,600
Boyce Assurance Services Pty Limited:		
- auditing or reviewing the financial report	**28,243**	20,000
- tax and other services	**9,759**	-
Total	**38,002**	41,600

6 Tax

For the period to 30 June 2008 the Trust did not distribute income and therefore income tax was provided for at 46.5%. This amount has been paid during the financial year, but due to administrative issues at the ATO the amount was refunded in error. The amount remains payable.

Liabilities

CURRENT		
Current tax payable	**1,692**	1,692
	1,692	1,692

7 Cash and Cash Equivalents

Cash at bank	**471,731**	787,101
Term deposits	**1,000,000**	-
	1,471,731	787,101

(a) Reconciliation of cash

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

Cash and cash equivalents	**1,471,731**	787,101
	1,471,731	787,101

RFM Land Trust

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Notes to the Financial Statements

For the Year Ended 30 June 2011

8 Trade and Other Receivables

	2011	2010
	$	$
CURRENT		
Trade receivables	**29,463**	1,234
Other receivables	**26,171**	-
GST receivable	**-**	42,846
	55,634	44,080

Trade receivables are non-interest bearing and are generally on 30-90 days terms. There were no past due or impaired receivables as at 30 June 2011.

9 Other assets

CURRENT		
Prepayments	**2,133**	-
	2,133	-

10 Non-current assets classified as held for sale

CURRENT		
Transfer from investment property	**11,026,751**	-
Total assets	**11,026,751**	-

The liabilities associated with non-current assets held for sale are:

Investment property	**352,634**	-
Total liabilities	**352,634**	-
Total non-current assets classified as held for sale	**10,674,117**	-

In July 2011 the directors of the Trust passed a resolution to sell the Trust's properties. Since 30 June 2011 one of the properties has been sold and another is about to complete settlement. The remaining seventeen properties have been identified to sell in the next twelve months.

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Notes to the Financial Statements

For the Year Ended 30 June 2011

11 Investment Property (Fair value model)

	2011	2010
	$	$
NON-CURRENT		
Balance at beginning of the year	**12,627,362**	5,342,968
Improvement additions	**104,362**	237,360
Additional purchase costs	**59,329**	53,912
Deed of release costs	**440,000**	-
Total additions	**603,691**	291,272
(Decrement)/increment recognised in income	**(555,525)**	6,993,122
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 the end of the year	**-**	12,627,362

The fair value model is applied to all investment property. Investment properties are independently valued annually. Values are based on an active liquid market and are performed by a registered independent valuer.

In the 2011 year valuations were obtained by registered independent valuers and the valuations were requested on an "as is" basis with the properties being converted from forestry to other agricultural uses including grazing or cropping. As the Trust is now in a wind up phase, a further reduction in valuations has been made based on advice received and experience on prior sales. The valuations considered the gross value of the land and improvements for these purposes and deducted the required rehabilitation costs. The valuers engaged for this process were:

Western Australia - Albany Valuation Services - Opteon

Tasmania - Brothers & Newton - Opteon

Kangaroo Island, South Australia - Southwick Goodyear Pty Ltd

Valuations were made at 31 March 2011. Rehabilitation costs incurred subsequent to the valuation date have been added to the valuation amount.

Two properties under contract in Victoria were not subject to independent valuation and have been subject to a directors valuation after taking into consideration the current contracted sale price less anticipated costs to sell.

12 Trade and Other Payables

	2011	2010
	$	$
CURRENT		
Unsecured liabilities		
Trade payables	**48,637**	209,064
GST payable	**133,859**	-
Accrued expenses	**60,244**	67,996
	242,740	277,060

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

13 Financial instruments

(a) Financial Risk Management Policies

Financial instruments of the Trust comprise, cash and cash equivalents, net assets attributable to unitholders, and other financial instruments such as trade debtors and creditors, which arise directly from its operations. The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Trust from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

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

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

(b) Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Trust to incur a financial loss.

With respect to credit risk arising from the financial assets of the Trust, the Trust's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Trust holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

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

13 Financial instruments (continued)

(c) Liquidity risk

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

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

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

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

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates. Market risk is not considered to be significant to the Trust.

(e) Fair values

The Trust's financial assets and liabilities included in the Balance Sheet are carried at their fair value or at amounts that approximate their fair values.

14 Issued units

	2011	2010
	No.	No.
Units on issue at the beginning of the financial year	**22,884**	22,884
At reporting date	**22,884**	22,884

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

15 Key Management Personnel Compensation

(a) Directors

The Directors of RFM are considered to be Key Management Personnel of the Trust. The Directors of the Responsible Entity in office during the year and up to the date of the report are:

David Bryant
Michael Carroll
Guy Paynter

15 Key Management Personnel Compensation (continued)

(b) Other Key Management Personnel

In addition to the Directors noted above, RFM, the Responsible Entity of the Trust, is considered to be Key Management Personnel with the authority for the strategic direction and management of the Trust.

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

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

- if:

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

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

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

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

(c) Compensation of Key Management Personnel

No amount is paid by the Trust directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 “Related Party Disclosures” is paid by the Trust to the Directors as Key Management Personnel.

The following remuneration details have been disclosed based on the cost recovery charged to the Trust.

	2011	**2010**
	$	**$**
A Lemmon	**16,353**	12,549
S Waight	**7,415**	20,401
Total	**23,768**	32,950

Fees paid to RFM, the Responsible Entity, are disclosed in Note 16.

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Notes to the Financial Statements

For the Year Ended 30 June 2011

16 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

	2011	2010
	$	$
Management fees	**97,744**	40,625
Total management fees	**97,744**	40,625
Expenses reimbursed to RFM	**411,446**	173,714
Interest paid to RFM on loan to the Trust	**4,861**	-
Total	**514,051**	214,339

The management fee is 0.75% per annum of the value of net assets of the Trust, calculated daily. During the year RFM Land Trust secured a loan from RFM for $440,000 which was repaid during the year with interest charged as above.

(b) Balance with related parties - Creditors

RFM	**48,637**	77,791

(c) Custodian fees

Australian Executor Trustees Limited	**18,740**	9,822
Total	**18,740**	9,822

17 Events After the Balance Sheet Date

In July 2011, the Board passed a resolution to approve the sale of the Land Trust assets and to subsequently wind up the Trust.

18 Cash Flow Information

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2011	2010
	$	$
Net (loss)/income for the period	**(1,220,608)**	6,645,029
Net gain on disposal	**(609)**	-
Decrement/(increment) on investment property	**555,525**	(6,993,122)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(13,574)**	(41,782)
Increase/(decrease) in trade payables and accruals	**(34,432)**	(421,022)
Cash flow used in operations	**(713,698)**	(810,897)

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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 2011 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: 29 september 2011

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