

RiverBank

Financial Statements

For the Year Ended 30 June 2012

RFM RiverBank

ARSN 112 951 578

For the Year Ended 30 June 2012

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

RFM RiverBank

ARSN 112 951 578

For the Year Ended 30 June 2012

CONTENTS

	<u>Page</u>
Financial Statements	
Directors of the Responsible Entity's Report	1
Independent Audit Report	5
Directors of the Responsible Entity's Declaration	7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Net Assets Attributable to Unitholders	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Auditor's Independence Declaration	41

RFM RiverBank

ARSN 112 951 578

Directors of the Responsible Entity's Report

30 June 2012

The Directors of Rural Funds Management Limited ("RFM"), Responsible Entity of RFM RiverBank ("RBK" or the "Trust") present their report on the Trust for the financial year ended 30 June 2012.

Directors

The names of the directors 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 RBK during the financial year were the leasing of almond properties including: land, water, irrigation systems, irrigation infrastructure, land preparation and almond trees; and the further development of these almond assets.

The leases are operating leases with the main counterparties being Select Harvests Limited (SHV) and three tax effective almond managed investment schemes for which RFM is the Responsible Entity: RFM Almond Fund 2006 (AF06); RFM Almond Fund 2007 (AF07) and RFM Almond Fund 2008 (AF08).

Trust information

RBK is a registered Australian managed investment trust, and was constituted in 2005. 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 profit attributable to unitholders of RBK after providing for income tax amounted to \$496,757 (2011: profit \$4,716,359). The 2012 profit before tax included three significant non-cash items. The increase in the valuation of the almond trees of \$3,966,328 (2011: \$5,760,912), an asset impairment of \$926,748 (2011: reversal of impairment of \$1,764,670), and an unrealised loss on interest rate financial instruments of \$2,103,845 (2011: gain of \$306,102). After adjusting for these items the 2012 loss before tax was \$26,799 (2011: \$1,472,262).

In accordance with the funding agreement between RBK and AF07, RBK undertakes to fund the timing difference between actual operating costs and expenses of the orchard and the amount received from growers in the form of a loan to AF07. The loan will assist AF07 to meet the ongoing cost of orchard maintenance, management and other expenses, and also cover the growers who fail to make payment against their invoice. In addition, RBK will bear the risk of default for growers who do not meet the required payments. The shortfall for 2012 was \$83,180 (2011: \$174,869) which was fully repaid in August 2012.

In accordance with the funding agreement between RBK and AF08, RBK will fund timing differences and default amounts as per the AF08 agreement, but in addition, will subsidise the growing costs for the difference between the fixed subscription amount initially invoiced to growers and the actual orchard maintenance costs. The shortfall in AF08 is \$512,976 (2011: \$1,145,181). The fixed subscription amount ended at 30 June 2012 and growers are now invoiced for the full amount of costs.

RFM RiverBank

ARSN 112 951 578

Directors of the Responsible Entity's Report

30 June 2012

Review of Results and Operations (continued)

Operating Results (continued)

RiverBank is responsible for 81 almond groves in AF07 or 18.9% of the orchard and 70 almond groves in AF08 or 6.6% of the orchard as a result of the growers defaulting on their payment obligations.

The orchards, comprising land, water, irrigation infrastructure and trees, were independently valued by Barnden Property Pty Ltd and Riverina Property Services in June 2012 at a value of \$84.2m (2011: \$85.4m).

Distributions

RBK paid four distributions during the year. These were paid in August 2011 (2.72 cents per unit), November 2011 (2.10 cents), February 2012 (2.10 cents) and May 2012 (2.10 cents). The total amount paid was \$2.467m. A distribution of 2.10 cents per unit was declared in June 2012, paid in August 2012.

For full details of distributions refer to Note 23.

Performance

The table below sets out investors' returns over the past five years.

	2012	2011	2010	2009	2008
Distribution Return	6.66%	7.23%	6.39%	5.72%	9.21%
Growth Return	(7.56)%	6.24%	23.63%	3.18%	14.26%
Total Return	(0.90)%	13.47%	30.02%	8.94%	23.47%
Grossed Up Distribution	7.78%	7.67%	6.39%	5.76%	11.10%
Grossed Up Total	0.22%	13.91%	30.02%	8.94%	25.36%

The growth return is calculated as the return derived by a unitholder due to changes in capital value 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. Grossed Up Returns include any franking credits distributed to unitholders.

Indirect cost ratio

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

Management costs include management fees and reimbursement of other expenses in relation to the Trust, but do not include transactional and operational costs such as brokerage. Management costs are not paid directly by the unitholders of the Trust.

The ICR for the Trust for the year ended 30 June 2012 is 3.93% (2011: 3.16%).

RFM RiverBank

ARSN 112 951 578

Directors of the Responsible Entity's Report

30 June 2012

Fees paid to and interests held by the responsible entity and associates

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

- Management fee for the financial year paid and payable to the Responsible Entity \$888,451 (2011: \$787,861)
- Asset management fee for the financial year paid and payable to the Responsible Entity \$286,644 (2011: \$268,450)
- Expenses incurred by the Responsible Entity and reimbursed by the Trust in accordance with the Trust's constitution \$1,065,336 (2011: \$1,489,185)

The interests in the Trust held by the Responsible Entity and its associates at the end of the year are disclosed in Note 25 to the financial statements.

Unit prices

The ex-distribution exit prices and the highest and lowest exit prices for RBK for the past five years are shown below. All exit prices are exclusive of exit fees, and are based on the unit prices published on 15 June being the prices in effect at balance sheet date.

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	1.4522	1.5755	1.4794	1.2675	1.1425
Year to 30th June					
High	1.5838	1.5815	1.4794	1.2675	1.1425
Low	1.4522	1.5315	1.1842	1.1692	1.0053

Units on issue

32,303,126 units of RBK were on issue at 30 June 2012 (2011: 27,398,383). During the year 4,904,743 (2011: 4,300,779) units were issued by the Trust and nil (2011: nil) were redeemed.

Trust assets

At 30 June 2012 RBK held assets to a total value of \$94,549,556 (2011: \$89,167,188). The basis for valuation of the assets is disclosed in Note 1 to the financial statements.

Significant Changes in State of Affairs

There have been no significant changes during the financial year.

After balance day events

No 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.

RFM RiverBank

ARSN 112 951 578

Directors of the Responsible Entity's Report

30 June 2012

Likely developments and expected results

On 28 June 2012 the RBK rights issue closed with subscription monies of \$4,858,287 raised. The Public Offer of units currently remains open and is expected to close on or around 31 October 2012.

The Trust is expected to continue leasing activities and provide regular distributions to investors.

Environmental regulation and performance

The operations of the Trust are subject to significant environmental regulation under the laws of the Commonwealth or of a State or Territory. Water usage for irrigation, domestic and levee purposes, including containing irrigation water from entering the river, water course or water aquifer are regulated by the Water Management Act 2000. Water licences are leased to external parties who are then responsible to meet the legislative requirements of these licences. There have been no known significant breaches of any environmental requirements applicable to the Trust.

Indemnification of Responsible Entity and Custodian

In accordance with the constitution, RBK 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.

RBK has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer of RFM 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 RBK, Boyce Assurance Services Pty Limited, and can be found on page 41 of the Financial Report.

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



David Bryant
Director

Dated: 28 September 2012

RFM RiverBank

ARSN 112 951 578

Independent Audit Report to the members of RFM RiverBank

Report on the Financial Report

We have audited the accompanying financial report of RFM RiverBank, 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.

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.

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RFM RiverBank

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Independent Audit Report to the members of RFM RiverBank

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 RiverBank on the date of this auditor's report.

Auditor's Opinion

In our opinion:

- (a) the financial report of RFM RiverBank 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 2012 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.



Katherine M Kelly
Director
Boyce Assurance Services Pty Limited

Cooma

Dated: 28 September 2012

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ARSN 112 951 578

Directors of the Responsible Entity's Declaration

In accordance with a resolution of the Directors of the Responsible Entity of RFM RiverBank

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 2012 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: 28 September 2012

RFM RiverBank

ARSN 112 951 578

Statement of Comprehensive Income

For the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	4	8,050,056	7,227,635
Unrealised (loss)/gain on interest swaps		(2,103,845)	306,102
Increase/(decrease) in the value of biological assets	14	4,004,237	5,760,912
Other income	5	660,598	-
Depreciation and impairments	6	(2,218,092)	659,660
Management fees	25(a)	(1,175,095)	(1,056,311)
Profit/(loss) on sale of assets	6	36,177	57,904
Professional services		(806,022)	(909,927)
Costs of goods sold		(258,053)	(243,349)
Repairs and maintenance		(26,842)	(191,630)
Property expenses		(604,706)	(309,134)
Almond orchard maintenance costs		(926,956)	(1,472,894)
Finance costs	6	(3,395,573)	(2,947,576)
Other expenses		(326,948)	(521,970)
Profit/(loss) before income tax		908,936	6,359,422
Income tax expense	8	(412,179)	(1,643,063)
Net profit/(loss) after income tax		496,757	4,716,359
Finance costs			
Distribution to unitholders	23	(1,722,292)	(745,020)
Net profit/(loss) attributable to unitholders		(1,225,535)	3,971,339
Other comprehensive income			
Revaluation increment/(decrement)	22	(2,910,359)	(65,049)
Income tax relating to components of other comprehensive income	22	436,554	7,527
Other comprehensive income for the period, net of tax		(2,473,805)	(57,522)
Total comprehensive income attributable to unitholders		(3,699,340)	3,913,817

The accompanying notes form part of these financial statements.

RFM RiverBank

ARSN 112 951 578

Statement of Financial Position

30 June 2012

	Note	2012 \$	2011 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	5,040,629	2,537,137
Trade and other receivables	10	2,044,562	393,118
Other current assets	11	238,821	232,352
Biological assets	14	-	85,689
Total current assets		7,324,012	3,248,296
Non-current assets			
Property, plant and equipment	12	30,128,118	29,424,782
Intangible assets	13	35,193,400	38,590,800
Biological assets	14	21,904,026	17,903,310
Total non-current assets		87,225,544	85,918,892
TOTAL ASSETS		94,549,556	89,167,188
LIABILITIES			
Current liabilities			
Trade and other payables	15	2,465,583	3,826,950
Interest bearing liabilities	16	3,515,083	1,619,997
Total current liabilities		5,980,666	5,446,947
Non-current liabilities			
Trade and other payables	15	-	361,222
Interest bearing liabilities	16	37,843,545	35,046,498
Other non-current liabilities	17	1,553,125	1,553,125
Derivative financial liabilities	18	3,180,340	1,076,494
Deferred tax liabilities	19	1,419,342	1,613,807
Total non-current liabilities		43,996,352	39,651,146
TOTAL LIABILITIES (excluding net assets attributable to unitholders)		49,977,018	45,098,093
Net assets attributable to unitholders		44,572,538	44,069,095
TOTAL LIABILITIES		94,549,556	89,167,188

The accompanying notes form part of these financial statements.

RFM RiverBank

Statement of Changes in Net Assets Attributable to Unitholders

For the Year Ended 30 June 2012

		Issued units	Asset Revaluation Surplus	Retained Earnings / (Accumulated Losses)	Net Assets Attributable to Unitholders
		\$	\$	\$	\$
Balance at 1 July 2011		33,802,515	9,037,119	1,229,461	44,069,095
Other comprehensive income	22	-	(2,910,359)	-	(2,910,359)
Income tax relating to other comprehensive income	22	-	436,554	-	436,554
Total income and expense for the period recognised directly in equity		-	(2,473,805)	-	(2,473,805)
Net profit/(loss) before tax		-	-	908,937	908,937
Income tax applicable		-	-	(412,179)	(412,179)
Total income and expense for the period		-	(2,473,805)	496,758	(1,977,047)
Equity transactions					
Units issued during the year		5,285,796	-	-	5,285,796
Issue costs		(566,964)	-	-	(566,964)
Income tax applicable		170,090	-	-	170,090
Total equity transactions		4,888,922	-	-	4,888,922
Distributions to unitholders	23	(686,140)	-	(1,722,292)	(2,408,432)
Balance at 30 June 2012		38,005,297	6,563,314	3,927	44,572,538

		Issued units	Asset Revaluation Surplus	Retained Earnings / (Accumulated Losses)	Net Assets Attributable to Unitholders
		\$	\$	\$	\$
Balance at 1 July 2010		32,154,997	9,094,641	(2,741,878)	38,507,760
Other comprehensive income	22	-	(65,049)	-	(65,049)
Income tax relating to other comprehensive income	22	-	7,527	-	7,527
Total income and expense for the period recognised directly in equity		-	(57,522)	-	(57,522)
Net profit/(loss) before tax		-	-	6,359,422	6,359,422
Income tax applicable		-	-	(1,643,063)	(1,643,063)
Total income and expense for the period		-	(57,522)	4,716,359	4,658,837
Equity transactions					
Units issued during the year		3,768,918	-	-	3,768,918
Issue costs		(66,148)	-	-	(66,148)
Income tax applicable		19,844	-	-	19,844
Total equity transactions		3,722,614	-	-	3,722,614
Distributions to unitholders	23	(2,075,096)	-	(745,020)	(2,820,116)
Balance at 30 June 2011		33,802,515	9,037,119	1,229,461	44,069,095

The accompanying notes form part of these financial statements.

RFM RiverBank

ARSN 112 951 578

Statement of Cash Flows

For the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Cash from operating activities:			
Receipts from customers		7,957,438	9,564,539
Payments to suppliers and employees		(4,268,735)	(6,319,652)
Interest received		101,169	99,490
Interest paid		(3,464,038)	(2,982,422)
Income taxes refund/(paid)		-	94,731
Net cash provided by / (used in) operating activities	26	325,834	456,686
Cash flows from investing activities:			
Proceeds from sale of plant and equipment		55,127	175,606
Proceeds from sale of intangibles		2,000	-
Purchase of property, plant and equipment		(2,510,337)	(4,293,585)
Purchase of biological assets	14	(34,389)	(18,836)
Purchase of intangibles	13	(1,970,000)	-
Net cash provided by / (used in) investing activities		(4,457,599)	(4,136,815)
Cash flows from financing activities:			
Proceeds from issue of units		5,029,596	3,768,918
Proceeds from subscriptions held in trust		(45,136)	-
Proceeds from borrowings		6,324,776	6,756,137
Repayment of borrowings		(1,632,643)	(4,153,519)
Costs in relation to unit issue		(566,962)	(66,148)
Distributions paid		(2,474,374)	(2,583,243)
Net cash used by financing activities		6,635,257	3,722,145
Net cash increase (decreases) in cash and cash equivalents		2,503,492	42,016
Cash and cash equivalents at beginning of year		2,537,137	2,495,121
Cash and cash equivalents at end of year	9	5,040,629	2,537,137

The accompanying notes form part of these financial statements.

RFM RiverBank

ARSN 112 951 578

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 RiverBank ("RBK" or the "Trust") as an individual entity. RBK is a Trust, established and domiciled in Australia.

The financial report of RBK for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 28 September 2012.

RBK is a registered Australian managed investment trust, and was constituted in 2005. 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) Going Concern

The going concern basis of accounting has been applied however reference is made to the issues raised in Note 3.

(c) Statement of Compliance

The financial report of RBK complies with Australian Accounting Standards and International Financial Reporting Standards.

(d) Reporting Basis and Conventions

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

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(f) Trade and other receivables

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

Amounts are received according to the terms of the property leases with the respective debtors.

(g) Biological Assets

In accordance with AASB141, almond trees have been recognised at fair value. Fair value is determined as follows:

- up until the time when commercial yields are achieved, cost approximates fair value
- thereafter based on the present value of expected net cash flows from the almond groves, discounted using a pre tax market determined rate.

All crops are measured on initial recognition (generally at planting) and at each subsequent reporting date at their fair value less estimated point of sales costs (net market value), unless the crops are immature and fair value cannot be reliably measured. In this instance the wheat biological assets have been recognised at cost less any impairment until such time as the fair value can be reliably measured as the plants are immature and fair value cannot be reliably measured.

(h) Property, Plant and Equipment

(i) General Information

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

(ii) Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Revaluations of land and buildings

Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in the Statement of Comprehensive Income, in which case the increment is recognised in the Statement of Comprehensive Income.

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(h) Property, Plant and Equipment (continued)

(ii) Property (continued)

Any revaluation decrement is recognised in the Statement of Comprehensive Income, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Comprehensive Income.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(iii) Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

(iv) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Trust commencing from the time the asset is held ready for use.

(v) Depreciation rates

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Capital Works in Progress	Nil
Plant and Equipment	6-25%
Motor Vehicles	6-15%
Irrigation Systems	3-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Capital works in progress are depreciated once the assets are in use.

(vi) Plant and equipment - fixed assets constructed

The cost of fixed assets constructed within the Trust includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. The assets are held in work in progress until they are complete and in use.

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(h) Property, Plant and Equipment (continued)

(vii) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(i) Intangibles

Water licences are initially brought to account at cost. The asset is considered to have an infinite life and so no amortisation is applied. Where an active market can be established for the water licences they will be revalued or reviewed for impairment at the end of each financial year. The useful life of the water licences is reviewed each reporting period to determine whether infinite life assessments continue to be applicable.

(j) 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 except where it reverses a previous revaluation increment that has been applied to the asset revaluation reserve.

(k) Financial Instruments

(i) Recognition

Financial instruments are initially measured at fair value 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.

(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.

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(l) Derivative financial instruments

The fair value of interest rates swaps is calculated by reference to current interest rates and is based on bank valuations.

All derivatives do not qualify for hedge accounting and are classified as held for trading, with any gains or losses arising from changes in fair value taken directly to net profit or loss for the year.

(m) 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.

(n) 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.

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.

(o) 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.

(p) 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.

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(q) Revenue

Revenue from the rental of property, plant and equipment and biological assets is recognised on an accruals basis in accordance with lease agreements.

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

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

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

(r) Lease revenue

The minimum rental revenue of operating leases with fixed increases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised on a straight line basis. Revenue from other leases is recognised in accordance with the lease agreement, which is considered to best represent the pattern of service rendered through the provision of the leased asset.

(s) 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 as an expense in the period in which they are incurred.

(t) 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.

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.

(u) 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.

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(u) Income Tax (continued)

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 Trust will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(v) Distributions

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

(w) New accounting standards for application in future periods

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

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.

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

1 Summary of Significant Accounting Policies (continued)

(w) 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 2011-9 - 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.

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 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.

Revaluation

An independent property valuation was obtained from Barnden Property Pty Ltd and Riverina Property Services in June 2012 and increments and decrements recognised in the accounts are based on the revaluation accordingly. The valuer uses judgement to allocate the value over land, water licences, and infrastructure including almond trees.

Barnden Property Pty Ltd used a value-in-use approach to value assets applying a discounted cashflow model to derive a value for the assets. Barnden Property Pty Ltd valued the Moorah and Yilgah almond orchard properties and associated assets.

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

2 Significant accounting judgements, estimates and assumptions (continued)

A judgement has been made by the directors on the allocation between infrastructure and almond trees. The infrastructure, being mainly irrigation improvements, is judged to be valued at its written down value and therefore the remainder of the valuation is allocated to the biological assets, being the almond trees.

Riverina Property Services applied a traditional land value approach and valued the Steak Plains and Collaroy properties which are used for mixed farming.

3 Going Concern

The Directors of RFM have determined that RBK is a going concern and will be able to pay its debts as and when they fall due.

RBK launched a Rights Issue in September 2011 and the proceeds of this offer, together with the debt available from the banking facility, were used to meet the commitments due in 2012. The capital raising was intended to be applied to Vendor Finance repayments, capital expenditure, a unitholder redemption, repayment of the loan to RFM and funding of the 2007 and 2008 Almond projects.

As the maximum subscription level of \$7.5m was not reached, RBK has not proceeded with a redemption and deferred repayment of the loan to RFM. However, the Vendor Finance was repaid in full in July 2012.

Subsequent to year end RFM concluded negotiation of a new facility for \$3m with RBK's financier, National Australia Bank. Under the terms of RBK's existing facility RBK is required to have a LVR below 35% after 30 June 2013. The new facility is not included in the calculation of the LVR until after June 2014. This and surplus asset sales will assist with covenant compliance.

4 Revenue

	2012	2011
	\$	\$
Rental revenue	6,816,419	6,301,905
Interest received	101,169	99,490
Recoveries	-	8,788
Temporary water sales	691,563	130,584
Harvest proceeds - Wheat	215,630	505,788
Harvest proceeds - Almonds	225,275	181,080
Total	8,050,056	7,227,635

5 Other income

Refund from Suppliers	230,740	-
Agistment Income	4,897	-
Insurance Recoveries	424,800	-
Other income	161	-
Total	660,598	-

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

6 Profit from Ordinary Activities

Expenses

	Note	2012 \$	2011 \$
Finance Costs:			
External		3,395,573	2,947,576
Total finance costs		3,395,573	2,947,576
Depreciation and impairments:			
Depreciation on property, plant and equipment		1,291,345	1,105,010
Impairment on property, plant & equipment recognised in the income statement	12(a)	567,047	(1,853,463)
Impairment on intangibles recognised in the income statement	13(b)	359,700	88,793
Total depreciation and impairments		2,218,092	(659,660)
(Profit)/loss of sale of property, plant and equipment		(36,177)	(57,904)

7 Auditor's Remuneration

Remuneration of the auditor of the Trust for:

- Auditing or reviewing the financial report	70,425	80,516
- Taxation Services	11,368	13,649
- Other services	532	23,698
Total auditor's remuneration	82,325	117,863

8 Income tax expense

(a) The major components of income tax expense comprise:

	2012 \$	2011 \$
Relating to origination and reversal of temporary differences	413,074	1,643,126
Adjustments in respect of deferred income tax of previous years	(895)	(63)
Income tax expense reported in the income statement	412,179	1,643,063

(b) Amounts charged or credited directly to equity

Net gain on revaluations	(436,554)	(7,527)
Capitalised issue costs	(170,089)	(19,844)
Income tax expense reported in equity	(606,643)	(27,371)

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

8 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 trust's applicable income tax rate is as follows:

	2012	2011
	\$	\$
Accounting profit before tax from continuing operations	908,936	6,359,422
At the statutory income tax rate of 30% (2011:30%)	272,681	1,907,826
Adjustments where prior year deferred tax asset not recognised	(895)	(63)
(Increment)/impairment of assets at 15%	140,393	(264,700)
Total	412,179	1,643,063

(d) Franking credits

At 30 June 2012 franking credits of \$128,537 are available to apply to future income distributions.

9 Cash and Cash Equivalents

Cash at bank	5,040,629	2,537,137
	5,040,629	2,537,137

(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	5,040,629	2,537,137
	5,040,629	2,537,137

10 Trade and Other Receivables

CURRENT

Trade receivables	2,044,562	342,315
Deposits	-	50,803
	2,044,562	393,118

There were no past due or impaired receivables at the reporting date.

11 Other Assets

CURRENT

Prepayments	238,821	232,352
	238,821	232,352

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

12 Property Plant and Equipment

	2012	2011
	\$	\$
LAND AND BUILDINGS		
Freehold land		
At independent valuation	6,603,693	7,045,198
Buildings		
At cost	1,568,447	838,000
Less accumulated depreciation	(30,263)	-
Total buildings	1,538,184	838,000
Total land and buildings	8,141,877	7,883,198
PLANT AND EQUIPMENT		
Capital works in progress		
At cost	587,520	383,640
Total capital works in progress	587,520	383,640
Plant and equipment		
At cost	4,989,496	4,575,658
Less accumulated depreciation	(2,161,920)	(1,603,420)
Total plant and equipment	2,827,576	2,972,238
Motor vehicles		
At cost	291,316	235,189
Less accumulated depreciation	(98,350)	(99,396)
Total motor vehicles	192,966	135,793
Improvements		
At cost	669,276	313,765
Accumulated depreciation	(17,357)	(831)
Total improvements	651,919	312,934
Irrigation system		
At cost	19,955,105	19,345,165
Less accumulated depreciation	(2,228,845)	(1,608,186)
Total irrigation system	17,726,260	17,736,979
Total property, plant and equipment	30,128,118	29,424,782

An independent valuation as at June 2012 was performed by Barnden Property and Riverina Property Services for the revaluation of the Yilgah and Moorool properties. The carrying value of land if it had been carried under the cost model would be \$5,633,771 (2011: \$5,633,771).

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

12 Property Plant and Equipment (continued)

(a) Movements in Carrying Amounts

	Capital Works in Progress	Land and Buildings	Irrigation System	Plant and Equipment	Motor Vehicles	Improvements	Total
	\$	\$	\$	\$	\$	\$	\$
Current Year							
Balance at the beginning of the year	383,640	7,883,198	17,736,979	2,972,238	135,793	312,934	29,424,782
Additions	2,485,681	-	-	-	-	-	2,485,681
Disposals	-	-	-	(12,936)	(6,214)	-	(19,150)
Transfers to expense / biological asset additions	(30,345)	-	-	-	-	-	(30,345)
Transfers	(2,251,456)	730,448	609,939	455,411	100,147	355,511	-
Revaluation increase/(decrease) recognised in equity	-	125,541	-	-	-	-	125,541
Revaluation increase/(decrease) recognised in income	-	(567,047)	-	-	-	-	(567,047)
Depreciation	-	(30,263)	(620,658)	(587,137)	(36,760)	(16,526)	(1,291,344)
Carrying amount at the end of the year	587,520	8,141,877	17,726,260	2,827,576	192,966	651,919	30,128,118
Prior Year							
Balance at the beginning of the year	816,691	4,200,348	15,055,637	2,840,909	180,253	-	23,093,838
Additions	4,348,585	-	-	-	-	-	4,348,585
Disposals	-	-	-	(35,324)	(82,378)	-	(117,702)
Transfers	(4,781,636)	492,648	3,258,809	667,013	49,401	313,765	-
Revaluation increase/(decrease) recognised in equity	-	1,351,608	-	-	-	-	1,351,608
Revaluation increase/(decrease) recognised in income	-	1,853,463	-	-	-	-	1,853,463
Depreciation	-	(14,869)	(577,467)	(500,360)	(11,483)	(831)	(1,105,010)
Carrying amount at the end of the year	383,640	7,883,198	17,736,979	2,972,238	135,793	312,934	29,424,782

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

13 Intangible Assets

(a) Carrying values table

	2012	2011
	\$	\$
Water licences - Lachlan groundwater		
At independent valuation	33,394,900	36,430,800
Water licences - Lachlan River		
At independent valuation	1,798,500	2,160,000
Total Intangibles	35,193,400	38,590,800

(b) Movements in carrying amounts

	Water licences - Lachlan groundwater	Water licences - Lachlan river	Total
	\$	\$	\$
Year ended 30 June 2011			
Opening balance	\$ 35,486,250	\$ 2,640,000	\$ 38,126,250
Additions	1,970,000	-	1,970,000
Transfers	-	-	-
Revaluation (decrease)/increase recognised in equity	(1,025,450)	(391,207)	(1,416,657)
Revaluation (decrease)/increase recognised in income	-	(88,793)	(88,793)
Balance at 30 June 2011	\$ 36,430,800	\$ 2,160,000	\$ 38,590,800
Year ended 30 June 2012			
Opening balance	\$ 36,430,800	\$ 2,160,000	\$ 38,590,800
Additions / (sales)	-	(1,800)	(1,800)
Revaluation (decrease)/increase recognised in equity	(3,035,900)	-	(3,035,900)
Revaluation (decrease)/increase recognised in income	-	(359,700)	(359,700)
Balance at 30 June 2012	\$ 33,394,900	\$ 1,798,500	\$ 35,193,400

An external valuation was obtained from Barnden Property and Riverina Property Services on an unencumbered basis at June 2012.

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

14 Biological assets

	Almond Trees (Fair Value) \$	Wheat (Cost) \$	Total \$
Year ended 30 June 2011			
Opening balance	\$ 12,123,562	\$ 19,313	\$ 12,142,875
Additions/purchases	18,836	85,689	104,525
Decreases due to sales	-	(19,313)	(19,313)
Revaluation increase recognised in income	5,760,912	-	5,760,912
Balance at 30 June 2011	\$ 17,903,310	\$ 85,689	\$ 17,988,999
(Non-current)	\$ 17,903,310	\$ -	\$ 17,903,310
(Current)	\$ -	\$ 85,689	\$ 85,689
Year ended 30 June 2012			
Opening balance	\$ 17,903,310	\$ 85,689	\$ 17,988,999
Additions/purchases	34,388	-	34,388
Decreases due to sales	-	(123,598)	(123,598)
Revaluation increase recognised in income	3,966,328	37,909	4,004,237
Balance at 30 June 2012	\$ 21,904,026	\$ -	\$ 21,904,026
(Non-current)	\$ 21,904,026	\$ -	\$ 21,904,026
(Current)	\$ -	\$ -	\$ -

Biological assets consist of almond trees situated on properties located at Hillston in NSW. The Trust owns and maintains the almond trees for the purpose of leasing these assets to third parties.

RiverBank is responsible for 81 almond groves in AF07 or 18.9% of the orchard and 70 almond groves in AF08 or 6.6% of the orchard as a result of the growers defaulting on their payment obligations.

At 30 June 2012 the Trust owned trees on 1,814 hectares of land (2011:1,814 hectares).

The Trust is exposed to financial risks arising from changes in the value of the trees and cost of the wheat because of the price risk of inputs such as water, fuel and fertiliser. These price risks are managed through prudent monitoring of input prices and biological asset levels.

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

15 Trade and Other Payables

	2012	2011
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	385,280	333,818
Sundry payables and accrued expenses	1,394,163	723,012
Distribution declared and unpaid	686,140	745,120
Settlement owing on purchase of properties	-	2,025,000
	2,465,583	3,826,950

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

NON-CURRENT

Unsecured liabilities

Other payables	-	361,222
	-	361,222

16 Interest bearing liabilities

CURRENT

Secured liabilities

Equipment loans	515,083	619,997
Vendor finance - Lachlan Farming Limited	3,000,000	1,000,000
	3,515,083	1,619,997

NON-CURRENT

Unsecured liabilities

Loan - RFM	1,800,000	1,800,000
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Secured liabilities

Bills of exchange	34,600,000	28,755,000
Equipment loans	1,443,545	1,491,498
Vendor finance - Lachlan Farming Limited	-	3,000,000
	37,843,545	35,046,498

(a) Total current and non-current liabilities

Equipment loans	1,958,628	2,111,495
Bills of exchange	34,600,000	28,755,000
Loan - RFM	1,800,000	1,800,000
Vendor finance - Lachlan Farming Limited	3,000,000	4,000,000
	41,358,628	36,666,495

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

16 Interest bearing liabilities (continued)

(b) The carrying amounts of non-current assets pledged as security

	2012	2011
	\$	\$
Mortgages over "Yilgah" and "Mooral"	80,260,400	78,573,099
Mortgages over "Steak Plains" and "Collaroy"	3,944,600	3,795,261
Equipment loans	1,958,629	2,111,495
	86,163,629	84,479,855

(i) Loan facility - National Australia Bank

The loan facility with National Australia Bank is secured by:

- fixed and floating charge over the whole of the assets of RFM as Responsible Entity for RBK
- a deed of priority given by LFL in favour of National Australia Bank for \$35,000,000
- registered mortgages over properties situated at "Yilgah" & "Collaroy", Roto Road, Hillston, NSW and "Mooral" & "Steak Plains", Merungle Road, Hillston, NSW given by Australian Executor Trustees Limited as custodian for RBK
- registered mortgages over various water access licences given by Australian Executor Trustees Limited as custodian for RBK

The bills of exchange are accepted and discounted at the National Australia Bank's floating rate. Facility and activation fees are a further 1.75% p.a. The covenants within the bank borrowings require the maintaining of a maximum gearing ratio of 40% until 30 June 2013 and thereafter to be 35%.

(ii) Vendor finance - Lachlan Farming Limited

The vendor finance with LFL is secured by a second mortgage over property situated at "Yilgah" Roto Road, Hillston and "Mooral" Merungle Road, Hillston. On 8 July 2011 the Directors of LFL agreed to vary the terms of the vendor finance to reflect the balance of \$4 million being payable with \$1 million by 20 December 2011 and \$3 million on or before 20 December 2012. All monies outstanding after 20 December 2011 will attract an additional interest rate of 1.5% per annum until repaid. As of 31 July 2012, the loan was fully repaid.

(iii) Loan - Rural Funds Management Limited

The loan from RFM is currently unsecured, however the loan agreement allows RFM at its discretion to place security over the loan through a fixed and floating charge over the whole of the assets of RFM as Responsible Entity for RBK, ranking behind the primary and secondary financiers. The loan is subject to a variable rate of interest determined from the 11am cash rate as published on the last day of the month; interest is payable monthly. From 30 June 2010 the base interest rate is determined from the National Australia Bank benchmark rate. The loan is subject to payments at the discretion of RFM with the facility termination date being 1 June 2014.

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

17 Other liabilities

	2012	2011
	\$	\$
NON-CURRENT		
Security deposit - Select Harvests Limited	1,553,125	1,553,125
	1,553,125	1,553,125

18 Derivative Financial Assets/Liabilities

NON-CURRENT		
Interest rate swaps	3,180,340	1,076,494
	3,180,340	1,076,494

Gains and losses arising from changes in net fair value of interest rate swaps are recognised in the statement of comprehensive income in the period in which they arise. Terms and conditions of interest rate swaps are set out at Note 20(e).

19 Deferred Tax

(a) Deferred Tax Liabilities

Biological assets	2,997,521	1,693,008
Deferred crop expense	-	25,707
Fair-valued property, plant & equipment (including depreciation)	1,454,112	1,937,421
Gross deferred tax liabilities	4,451,633	3,656,136
Set-off of deferred tax assets	(3,032,291)	(2,042,329)
Net deferred tax liabilities	1,419,342	1,613,807

(b) Deferred Tax Assets

Accruals	32,267	18,000
Borrowing costs	17,520	26,280
Derivative financial instruments	954,102	322,948
Legal costs	16,170	19,313
Equity raising costs	330,457	323,150
Unused income tax losses	1,681,774	1,332,638
Gross deferred tax assets	3,032,290	2,042,329
Set-off deferred tax liabilities	(3,032,290)	(2,042,329)
Net deferred tax assets	-	-

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

19 Deferred tax (continued)

(c) Recognised deferred tax assets and liabilities

	Current income tax		Deferred income tax	
	2012	2011	2012	2011
	\$	\$	\$	\$
Opening balance	-	(94,731)	(1,613,807)	1,884
Charged to income	-	-	(412,179)	(1,643,063)
Charged to equity	-	-	606,644	27,372
Other payments	-	94,731	-	-
Closing balance	-	-	(1,419,342)	(1,613,807)
Tax expense in income statement	-	-	412,179	1,643,063
Amounts recognised in the balance sheet:				
Deferred tax liability	-	-	(1,419,342)	(1,613,807)
Total	-	-	(1,419,342)	(1,613,807)

20 Financial instruments

(a) Financial Risk Management Policies

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

Financial instruments of the Trust 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.

As part of its risk management strategy, the Trust uses derivatives by way of interest rate swaps to manage exposures resulting from changes in interest rates.

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 Trust 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.

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

20 Financial instruments (continued)

(b) Interest rate risk

Interest rate risk is managed by ensuring that the Trust has a combination of fixed and floating rate debt, along with the use of interest rate swap contracts. RBK 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, approximately 11.99% of the Trust's debt is fixed, excluding the impact of interest rate swap contracts.

At balance date the Trust had the following mix of financial assets and liabilities exposed to cash flow risk on variable interest rates.

	2012	2011
	\$	\$
Cash	5,040,629	2,537,137
Bills of exchange	(34,600,000)	(28,755,000)
Loan - RFM	(1,800,000)	(1,800,000)
	<u>(31,359,371)</u>	<u>(28,017,863)</u>

(c) Liquidity Risk and Capital Management

The Trust manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. The Trust is complying with the current loan to valuation ratio covenant which is not to exceed 40% of the fair market value of the properties held for security.

The Responsible Entity of the Trust defines capital as net assets attributable to unitholders. The Trust's objectives when managing capital are to safeguard the activities of the Trust as a going concern and to maintain an optimal capital structure in order to reduce the cost of capital.

Subsequent to year end RFM concluded negotiation of a new facility for \$3m with RBK's financier, National Australia Bank. Under the terms of RBK's existing facility RBK is required to have a LVR below 35% after 30 June 2013. The new facility is not included in the calculation of the LVR until after 30 June 2014. This and surplus asset sales will assist with covenant compliance. Had this facility been in place at 30 June 2012 the LVR would have been 37.34%.

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

(d) 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 Trust does not have any material credit risk exposure to any single receivable or group of receivables

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

20 Financial instruments (continued)

(d) Credit Risk (continued)

under financial instruments entered into by the Trust.

(e) Interest Rate Swaps held for trading

Interest rate swap transactions entered into by the Trust to exchange variable and fixed interest payment obligations to protect long-term borrowings from the risk of increasing interest rates. The economic entity has both variable and fixed interest rate debt and enters into swap contracts to receive interest at both variable and fixed rates and pay interest at fixed rates.

The notional principal amounts of the swap contracts approximates 75% of the Trust's borrowing facility. The settlement dates of the swap contracts correspond with the interest payment dates of the borrowings. The swap contracts require settlement of the net interest receivable or payable and are brought to account as an adjustment to finance costs.

At balance date, the details of the interest rate swap contracts are:

	Effective Average Interest Rate Payable		Notional Principal	
	2012	2011	2012	2011
	%	%	\$	\$
Settlement - Greater than 5 years	6.45	6.45	23,000,000	23,000,000
			23,000,000	23,000,000

The net loss recognised on the swap derivative instruments for the year ended 30 June 2012 was a loss of \$(2,103,846) (2011 gain: \$306,102).

(f) Net Fair Value

The only financial asset or liability which differs between fair and carrying values are the equipment loans. The carrying value of the equipment loans at 30 June 2012 closely approximates the net fair value.

The fixed interest rates range between 6.5% and 9.6% (2011: 6.5% and 9.8%).

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

20 Financial instruments (continued)

(g) Sensitivity analysis - Interest rate risk

At 30 June 2012, the effect on profit and equity as a result of changes in the interest rate net of the effect of interest rate swaps, with all other variables remaining constant would be as follows:

	2012	2011
	\$	\$
Change in profit		
- Increase in interest rate by 1%	(83,594)	(50,179)
- Decrease in interest rate by 1%	83,594	50,179
Change in equity		
- Increase in interest rate by 1%	(58,516)	(35,125)
- Decrease in interest rate by 1%	58,516	35,125

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

20 Financial instruments (continued)

(h) Maturity analysis

Maturity analysis of 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 Responsible Entity. 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		6 months to 1 year		1 - 3 years		3 - 5 years		Over 5 years		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets:												
Cash and cash equivalents	5,040,629	2,537,137	-	-	-	-	-	-	-	-	5,040,629	2,537,137
Receivables	2,044,652	393,118	-	-	-	-	-	-	-	-	2,044,652	393,118
Total Financial Assets	7,085,281	2,930,255	-	-	-	-	-	-	-	-	7,085,281	2,930,255
Financial Liabilities:												
Bills of exchange	1,291,498	1,166,807	1,291,498	1,166,807	5,165,992	4,667,226	39,765,992	4,667,226	-	33,308,609	47,514,980	44,976,675
Trade and sundry payables	2,465,583	3,826,950	-	-	-	-	-	-	-	-	2,465,583	3,826,950
LFL vendor finance	3,011,342	1,201,644	-	172,027	-	3,122,733	-	-	-	-	3,011,342	4,496,404
RFM loans	90,720	73,040	90,720	73,040	1,966,527	1,837,220	-	-	-	-	2,147,967	1,983,300
Equipment loans	337,375	381,372	303,179	365,623	973,202	934,619	483,013	596,749	192,598	136,533	2,289,367	2,414,896
Interest rate swaps	-	-	-	-	-	-	-	-	3,180,340	1,076,494	3,180,340	1,076,494
Total Financial Liabilities	7,196,518	6,649,813	1,685,397	1,777,497	8,105,721	10,561,798	40,249,005	5,263,975	3,372,938	34,521,636	60,609,579	58,774,719

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

21 Issued units

Units on issue

	2012	2011
	No.	No.
Units on issue at the beginning of the financial year	27,398,383	23,097,604
Units issued during the financial year	4,904,743	4,300,779
Units on issue at the end of the financial year.	32,303,126	27,398,383

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

The unit redemption price issued on 15 July 2012 and based on 30 June 2012 values was \$1.3750 (2011: \$1.5389) representing \$44,416,798 (2011: \$42,163,372).

22 Asset revaluation reserve

	2012	2011
	\$	\$
Opening balance	9,037,119	9,094,641
Net (decrement)/increment in intangibles	(3,035,900)	(1,416,657)
Net increment/(decrement) in property, plant and equipment	125,541	1,351,608
Total comprehensive income	(2,910,359)	(65,049)
Income tax applicable	436,554	7,527
	(2,473,805)	(57,522)
Closing balance	6,563,314	9,037,119

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

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

23 Distributions paid

	Tax deferred \$	Income \$	Total \$	Cents per unit \$
Distributions paid - 2012				
Interim distribution - November 2011	-	568,289	568,289	0.021
Interim distribution - February 2012	-	576,651	576,650	0.021
Interim distribution - May 2012	-	577,352	577,352	0.021
Final distribution - 30 June 2012	686,140	-	686,140	0.021
Total distribution for the year ended 30 June 2012	686,140	1,722,292	2,408,431	0.084
Distributions paid - 2011				
Interim distribution - November 2010	586,870	-	586,870	0.022
Interim distribution - February 2011	743,744	-	743,744	0.027
Interim distribution - May 2011	744,482	-	744,482	0.027
Final distribution - 30 June 2011	-	745,020	745,020	0.027
Total distribution for the year ended 30 June 2011	2,075,096	745,020	2,820,116	0.103

24 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 RBK is a legally binding document between the unit holders of the Trust and RFM as Responsible Entity. Under the constitution, RFM is entitled to the following remuneration:

- Application Fee – 3% of the value of each application for units in the Trust.
- Management Fee – 1% per annum.
- Asset Management Fee - 1% per annum of the value of net assets.
- Performance Bonus – 20% of the amount by which return on equity in a year exceeds an amount equal to 10% per annum of the total application price of units on issue.

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

24 Key Management Personnel Compensation (continued)

(b) Other Key Management Personnel (continued)

- 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 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 25.

25 Related party transactions

(a) Responsible Entity (Rural Funds Management Limited)

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

At the discretion of the Responsible Entity, the management fee for the period was calculated at 1.00% per annum on the gross monthly value of the assets of RBK which is less than the PDS entitlement of 1.75%. Gross monthly value is defined as gross assets less any investments in RFM managed entities.

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.

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

25 Related party transactions (continued)

(a) Responsible Entity (Rural Funds Management Limited) (continued)

Transactions between the Trust and the Responsible Entity and any associates of the Responsible Entity:

	2012	2011
	\$	\$
Management fees	888,451	787,861
Asset management fee	286,644	268,450
Total management fees	1,175,095	1,056,311
Expenses reimbursed to RFM	1,065,336	1,489,185
Funding to AF07	272,728	116,813
Funding to AF08	654,228	927,749
Equity raising costs being marketing recoveries paid to RFM	566,962	52,965
Distributions paid/payable	17,442	10
Total amounts paid to RFM and related entities	3,751,791	3,643,033
Rental income - AF06	1,542,966	1,350,687
Rental income - AF07	528,166	432,976
Rental income - AF08	1,299,060	1,070,066
Rental income - RFM	113,645	275,630
Total income received from RFM and related entities	3,483,837	3,129,359

(b) Custodian fees (Australian Executor Trustees Limited)

Custodian fee	44,172	37,528
Total	44,172	37,528

(c) Other transactions with related parties - common responsible entity:

Distributions paid/payable - RFM Diversified Agricultural Fund ("DAF")	286,189	705,932
Total	286,189	705,932

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

25 Related party transactions (continued)

(d) Debtors and loans

	2012	2011
	\$	\$
RFM Farming	209,111	79,389
AF08	-	66,725
AF07	83,180	201,834
Total	292,291	347,948

(e) Creditors and loans

AF07	19,486	-
AF08	12,088	-
Creditor - RFM	127,077	261,016
Creditor - RFM Farming	7,562	7,710
Total related party creditors	166,213	268,726
Loan - RFM	1,800,000	1,800,000
Total	1,966,213	2,068,726

(f) Entities with influence over the trust

	Units Held	%
RFM	415,289	1.29

The units held by DAF at 30 June 2012 were nil (2011: 6,814,013) as a result of the in-specie distribution of assets by DAF during the year. DAF no longer holds any units in the Trust.

RFM RiverBank

ARSN 112 951 578

Notes to the Financial Statements

For the Year Ended 30 June 2012

26 Cash Flow Information

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2012	2011
	\$	\$
Profit for the year	496,757	4,716,359
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit		
Depreciation	1,291,345	1,105,010
(Profit)/loss on sale of assets	(36,177)	(57,904)
Increases in the value of biological assets	(4,004,236)	(5,760,912)
Land revaluation recognised in income	567,048	(1,853,463)
Intangibles impairment recognised in income	359,700	88,793
Unrealised (gain)/loss on interest rate swaps	2,103,846	(306,102)
Changes in assets and liabilities		
Decrease/(increase) in trade and term receivables	(1,651,444)	1,629,333
(Increase)/decrease in prepayments	(6,469)	(33,367)
(Increase)/decrease in short term biological assets	85,689	(66,377)
(Increase)/decrease in other liabilities	-	(407,955)
Increase/(decrease) in trade payables and accruals	707,597	(334,523)
Increase/(decrease) in income taxes payable	-	94,731
Increase/(decrease) in deferred taxes payable excluding impact on equity areas	412,178	1,643,063
Cashflow from/(used in) operations	325,834	456,686

At 30 June 2012 \$400,000 of the bill facility was unused (2011: \$6,245,000). Interest rates are variable and the facility expires on 30 June 2017.

The Trust has a Master Asset Finance facility amounting to \$5,000,000 (2011: \$5,000,000). At 30 June 2012 \$1,958,682 of the leasing facility was used (2011: \$2,111,495). Interest rates are fixed.

RFM RiverBank

ARSN 112 951 578

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: 28 September 2012

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