



Financial Statements

For the Year Ended 30 June 2011

RFM Chicken Income Fund

ARSN 105 754 461

RFM Chicken Income Fund

ARSN 105 754 461

For the Year Ended 30 June 2011

Registered Office:	Level 2, 2 King Street DEAKIN ACT 2600
Responsible Entity:	Rural Funds Management Limited ABN 65 077 492 838 Level 2, 2 King Street DEAKIN ACT 2600 Telephone: 02 6203 9700 Facsimile: 02 6281 5077
Directors:	David Bryant Michael Carroll Guy Paynter
Company Secretary:	Stuart Waight
Custodian:	Australian Executor Trustees Limited ABN 84 007 869 794 Level 22 207 Kent Street SYDNEY NSW 2000
Auditors:	Boyce Assurance Services Pty Limited 36 Bombala Street COOMA NSW 2630

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Financial Statements

For the Year Ended 30 June 2011

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For the Year Ended 30 June 2011

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RFM Chicken Income Fund

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Directors of the Responsible Entity's Report

30 June 2011

The directors of Rural Funds Management Limited ("RFM"), Responsible Entity of RFM Chicken Income Fund ("CIF" or the "Trust") present their report on the Trust and its controlled entity for the financial year ended 30 June 2011.

Directors

The names of the Directors of RFM 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 activities of the Group during the financial year was the growing of chickens in accordance with chicken growing contracts including the provision of labour, management and infrastructure.

There have been no significant changes in the nature of the Group's principal activities during the financial year.

Trust information

CIF is a registered Australian managed investment trust, and was constituted in 2003. RFM, the Responsible Entity of the Trust is incorporated and domiciled in Australia. The registered office of the Responsible Entity is Level 2, 2 King Street, Deakin, ACT 2600.

Review of Results and Operations

Operating Results

The consolidated profit/(loss) attributable to unitholders after providing for income tax amounted to \$(63,721) (2010: profit \$5,086,668). The 2010 result included other income of \$3,417,150 (less tax of \$512,572) relating to legal claims in relation to collapsed sheds. The 2010 operating profit after tax excluding this other income was \$2,182,090.

RFM has reached an agreement with Baiada to upgrade the older Riverina sheds to the value of \$3 million. Baiada had claimed that RFM management and facilities were at fault when the farms experienced a wet litter issue in the winter of 2010 and were seeking damages. RFM disputed this claim and has negotiated to utilise \$3m of capital to upgrade the older sheds and resolve the issue. The capital expenditure will improve the quality and longevity of the CIF assets and provide a long-term benefit to the Fund. RFM anticipate the upgrade of the Riverina sheds to be complete by December 2011.

The decline in the 2011 profit from the adjusted 2010 profit primarily relates to increased gas and electricity costs and additional labour costs associated with the wet litter matter.

Capital expenditure during the year was \$2,109,799 (2010: \$774,665) and repairs and maintenance expenditure was \$995,556 (2010: \$995,725) across all assets. The major capital developments undertaken during the year were the shedding upgrades which will continue into the 2012 financial year.

Cash distributions during the year amounted to 10.5 cents per unit. The unit price has decreased during the year because CIF's cash earnings are in excess of its after tax accounting earnings, and the fund distributes all available cash. The main reason that cash earnings are above accounting earnings relates to tax instalments being less than income tax expense, with deferred tax liabilities arising primarily from accelerated tax depreciation and non-taxable unrealised asset revaluation gains.

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Directors of the Responsible Entity's Report

30 June 2011

Operating Results (continued)

These circumstances will reverse in future years and should RFM determine that CIF needs to reduce distributions, investors will be advised in advance of the changes.

In June 2011 Marketline Property Valuers & Advisors carried out an independent valuation of the CIF's properties. They valued them at \$96.82m and this is largely consistent with previous valuations.

In May 2011, CIF invested \$2.16m of it's capital into a wholly owned subsidiary RFM StockBank, to establish a cattle and lamb finishing operation, on a trial basis. This was funded by a dedicated \$5 million debt facility. If successful the CIF will seek to replace this facility with an equity raising. This investment will diversify CIF's earnings both in terms of sector and counterpart.

Distributions are paid generally from the free cash flows of the fund. Profitability and cash flows have come under increasing pressure due to rising costs, particularly energy and labour costs. In most cases, but not all, these increases can be recovered from the processor under the growing contract. RFM is endeavouring to maintain current levels of distributions through cost control initiatives and earnings from StockBank, however it is possible that relatively small reductions may be required.

Distributions

CIF paid four distributions during the year in August 2010 (3 cents per unit), November 2010 (2.5 cents), February 2011 (2.5 cents) and May 2011 (2.5 cents). The total amount paid was \$6.599m. A distribution of 2.5 cents per unit was declared in June 2011, paid in August 2011.

For full details of distributions refer to Note 26.

Performance

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

CIF Financial Year Returns	2011	2010	2009	2008	2007
Distribution	11.62%	12.99%	11.01%	10.54%	11.22%
Growth	-2.81%	-5.60%	-16.03%	0.79%	7.64%
Total Return	8.80%	7.39%	-5.02%	11.33%	18.87%
Grossed Up Distribution	13.20%	12.99%	11.01%	10.67%	11.69%
Grossed Up Total Return	10.39%	7.39%	-5.02%	11.46%	19.33%

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 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 2.95% (2010: 3.88%).

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Directors of the Responsible Entity's Report

30 June 2011

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

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

- Management fee for the financial year paid to RFM \$967,224 (2010: \$1,215,156)
- Farm management fee for the financial year paid to RFM \$559,559 (2010: \$269,207)
- Expenses incurred by RFM and reimbursed by the Trust in accordance with the Trust's constitution \$2,828,660 (2010: \$1,623,571)

The interests in the Trust held by RFM and its associates at the end of the year are disclosed in Note 28 to the financial statements.

Unit prices

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

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

	2011	2010	2009	2008	2007
As at 30th June	0.8746	0.9042	0.9561	1.1307	1.1231
Year to 30th June					
High	0.8921	0.9478	0.9950	1.1307	1.1341
Low	0.8601	0.9042	0.9482	1.1012	1.0374

In accordance with RFM's policies, the unit prices quoted above are based on those published on 15 June 2011 and prevailing at 30 June 2011.

Units on issue

63,057,236 units of CIF were on issue at 30 June 2011 (2010: 62,734,012). During the year 323,224 (2010: 323,322) units were issued by the Trust and none (2010: nil) were redeemed.

Trust assets

At 30 June 2011, the consolidated Group held assets to a total value of \$104,612,271 (2010: \$105,171,339). The basis for valuation of the assets is disclosed in Note 1 to the financial statements.

Significant Changes in State of Affairs

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

After balance date 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 Group, the results of those operations or the state of affairs of the Group in future financial years.

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Directors of the Responsible Entity's Report

30 June 2011

Likely developments and expected results

The CIF is likely to make further investments in StockBank, the cattle and sheep finishing business. The CIF has negotiated a deferral of \$1.25 million borrowing repayment that was due prior to June 2012, to repayment in June 2012.

Environmental regulation and performance

The operations of the Group are subject to significant environmental regulation under the law of the Commonwealth and States or Territory. The Group is compliant with the environmental regulations.

Indemnification of Responsible Entity and Custodian

In accordance with the constitution of CIF, 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.

CIF 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.

Auditor's Independence Declaration

An independence declaration has been provided to the Directors by the auditor of CIF, Boyce Assurance Services Pty Limited, and can be found on page 38 of the Financial Report.

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



David Bryant
Director

Dated: 29 September 2011

RFM Chicken Income Fund

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Independent Audit Report to the members of RFM Chicken Income Fund

Report on the Financial Report

We have audited the accompanying financial report of RFM Chicken Income Fund, 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 declaration of the responsible entity of the consolidated entity.

Directors' Responsibility for the Financial Report

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

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, 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 Group'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 Group'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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Knowledge. Insight. Experience.

RFM Chicken Income Fund

ARSN 105 754 461

Independent Audit Report to the members of RFM Chicken Income Fund

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 Chicken Income Fund on the date of this auditor's report.

Auditor's Opinion

In our opinion:

- (a) the financial report of RFM Chicken Income Fund 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.



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 of RFM Chicken Income Fund.

In the opinion of the Directors;

- (a) the financial statements and notes of the Trust and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust's and Consolidated Entity's financial position as at 30 June 2011 and of the performance for the year ended on that date; and
 - (ii) complying with Australian Standards, Corporations Regulations 2001 and the Trust's constitution; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

On behalf of the board



David Bryant
Director

Dated: 29 September 2011

RFM Chicken Income Fund

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Statement of Comprehensive Income

For the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue	3	22,286,913	21,567,436
Other income	4	-	3,417,150
Unrealised gain/(loss) on interest rate swaps		319,348	(716,264)
Direct grower costs		(5,848,146)	(3,777,673)
Employee costs		(5,324,655)	(4,340,673)
Depreciation and impairments	5	(5,081,109)	(4,128,294)
Repairs and maintenance		(995,556)	(995,725)
Management fees	28(a)	(1,526,783)	(1,484,363)
Property rates and rental		(39,391)	(37,083)
Loss on disposal of non-current assets		-	(17,496)
Increase in the value of biological assets	13	33,514	-
Other expenses		(1,444,251)	(1,199,360)
Finance costs	5	(2,419,607)	(2,670,140)
Profit/(loss) before income tax		(39,723)	5,617,515
Income tax expense	8	(23,998)	(530,847)
Profit/(loss) after income tax		(63,721)	5,086,668
Finance costs			
Distribution to unitholders	26	(2,559,479)	-
Profit/(loss) for the period		(2,623,200)	5,086,668
Other comprehensive income			
Revaluation increment/(decrement)	25	9,352,731	2,543,578
Income tax relating to components of other comprehensive income	25	(2,830,939)	(760,722)
Other comprehensive income for the period, net of tax		6,521,792	1,782,856
Total comprehensive income for the period, representing changes in net assets attributable to unitholders		3,898,592	6,869,524

The accompanying notes form part of these financial statements.

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Statement of Financial Position

30 June 2011

	Note	2011 \$	2010 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	64,273	647,264
Trade and other receivables	10	3,995,273	12,649,794
Inventories	11	57,339	47,516
Other current assets	12	454,218	175,418
Biological assets	13	1,954,733	-
Current tax receivable	18	53,667	-
Total current assets		6,579,503	13,519,992
Non-current assets			
Property, plant and equipment	14	96,867,767	89,988,458
Intangible assets	15	1,165,001	1,662,889
Total non-current assets		98,032,768	91,651,347
TOTAL ASSETS		104,612,271	105,171,339
LIABILITIES			
Current liabilities			
Trade and other payables	16	1,990,757	2,684,126
Interest bearing liabilities	17	775,825	560,483
Current tax liabilities	18	-	1,065,374
Short-term provisions	20	1,872,168	2,197,363
Total current liabilities		4,638,750	6,507,346
Non-current liabilities			
Interest bearing liabilities	17	35,898,180	37,578,540
Deferred tax liabilities	19	9,403,211	6,549,321
Long-term provisions	21	56,088	49,954
Derivative financial liabilities	22	462,352	781,700
Total non-current liabilities		45,819,831	44,959,515
TOTAL LIABILITIES (excluding net assets attributable to unitholders)		50,458,581	51,466,861
Net assets attributable to unitholders		54,153,690	53,704,478
TOTAL LIABILITIES		104,612,271	105,171,339

The accompanying notes form part of these financial statements.

RFM Chicken Income Fund

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Statement of Changes in Net Assets Attributable to Unitholders

For the Year Ended 30 June 2011

2011

	Note	Issued Units \$	Asset revaluation reserve \$	Retained earnings \$	Total Equity \$
Balance at 1 July 2010		33,648,360	18,290,399	1,765,719	53,704,478
Other comprehensive income	25	-	9,352,731	-	9,352,731
Income tax relating to other comprehensive income	8	-	(2,830,939)	-	(2,830,939)
Total income and expense for the period recognised directly in equity		-	6,521,792	-	6,521,792
Profit attributable to unitholders		-	-	(39,723)	(39,723)
Income tax applicable	8	-	-	(23,998)	(23,998)
Total income and expense for the period		-	6,521,792	(63,721)	6,458,071
Equity transactions					
Issue of units		284,881	-	-	284,881
		284,881	6,521,792	(63,721)	6,742,952
Sub-total		33,933,241	24,812,191	1,701,998	60,447,430
Distribution/Return of Capital	26	(3,734,261)	-	(2,559,479)	(6,293,740)
Balance at 30 June 2011		30,198,980	24,812,191	(857,481)	54,153,690

2010

	Note	Issued Units \$	Asset revaluation reserve \$	Retained earnings \$	Total Equity \$
Balance at 1 July 2009		40,860,952	16,507,543	(3,320,949)	54,047,546
Other comprehensive income	25	-	2,543,578	-	2,543,578
Income tax relating to other comprehensive income	8	-	(760,722)	-	(760,722)
Total income and expense for the period recognised directly in equity		-	1,782,856	-	1,782,856
Profit attributable to unitholders		-	-	5,617,515	5,617,515
Income tax applicable	8	-	-	(530,847)	(530,847)
Total income and expense for the period		-	1,782,856	5,086,668	6,869,524
Equity transactions					
Issue of units		300,695	-	-	300,695
		300,695	-	-	300,695
Sub-total		300,695	1,782,856	5,086,668	7,170,219
Distribution/Return of Capital	26	(7,513,287)	-	-	(7,513,287)
Balance at 30 June 2010		33,648,360	18,290,399	1,765,719	53,704,478

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		25,571,623	23,414,765
Legal settlement received		8,250,000	-
Payments to suppliers and employees		(20,823,492)	(13,290,183)
Interest received		19,796	13,570
Finance costs		(2,591,566)	(2,670,140)
Income taxes received/(paid)		(1,120,088)	(127,049)
Net cash provided by operating activities	33	9,306,273	7,340,963
Cash flows from investing activities:			
Proceeds from sale of plant and equipment		-	430,000
Purchase of property, plant and equipment	14	(2,109,799)	(774,665)
Net cash used in investing activities		(2,109,799)	(344,665)
Cash flows from financing activities:			
Receipts from issue of units		284,881	300,695
Proceeds from borrowings		2,218,589	73,201
Repayment of borrowings		(3,932,463)	(140,502)
Distributions paid		(6,599,328)	(7,503,587)
Net cash used in financing activities		(8,028,321)	(7,270,193)
Net decrease in cash held		(831,847)	(273,895)
Cash at beginning of financial year		159,982	433,877
Cash at end of financial year	9(a)	(671,865)	159,982

The accompanying notes form part of these financial statements.

RFM Chicken Income Fund

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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, Urgent Issues Group interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers RFM Chicken Income Fund ("CIF" or the "Trust") as an individual entity and CIF and its controlled entities as an economic entity. CIF 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 CIF 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.

CIF is a registered Australian managed investment trust, and was constituted in 2003. 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 CIF complies with Australian Accounting Standards and International Financial Reporting Standards.

(c) Reporting Basis and Conventions

The financial report is a general purpose financial statement that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

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

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.

RFM Chicken Income Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies (continued)

(d) Principles of consolidation

(i) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by RFM Chicken Income Fund at the end of the reporting period. A controlled entity is any entity over which RFM Chicken Income Fund has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

(ii) Controlled entities

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period that they were controlled. A list of controlled entities is contained in Note 29 to the financial statements.

(iii) Entities entering/leaving group

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

(iv) Inter-company balances

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(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.

(f) Trade and Other Receivables

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

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

(g) Inventories

Inventory is stated at the lower of cost and net realisable value. The Group's inventory is constantly monitored for obsolescence. Costs incurred in bringing each product to its present location and condition are accounted for on a first-in, first-out basis.

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Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies (continued)

(h) Biological assets

Biological assets of the Trust include livestock. Livestock are measured at cost when purchased and at each subsequent reporting date at their fair value less estimated sales costs (net market value).

Increase / (decrease) in net fair value of biological assets

Any increase or decrease in the net fair value of biological assets is recognised as income or expense in the statement of comprehensive income. The movement is determined as the difference between the net fair value at the beginning and the end of the financial year adjusted for sales and purchases during the financial year.

(i) 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

Property, plant and equipment 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 annual valuations by external independent valuers, less subsequent depreciation for buildings and plant.

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 property, plant and equipment

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 profit and loss, in which case the increment is recognised in profit and loss.

Any revaluation decrement is recognised in profit or loss, 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 income statement.

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

(iii) Buildings, Plant and Equipment - fixed assets constructed

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

RFM Chicken Income Fund

ARSN 105 754 461

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies (continued)

(i) Property, Plant and Equipment (continued)

(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 Group 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
Buildings	5 -7%
Plant and Equipment	10 -33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(vi) 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.

(j) 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 are revalued or reviewed for impairment at the end of each financial year.

(k) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(l) 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.

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Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies (continued)

(l) Financial Instruments (continued)

(iii) Financial liabilities

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

(iv) Fair value

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

(m) Derivative financial instruments

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

Derivatives that do not qualify for hedge accounting 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.

(n) Derecognition of financial instruments

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

(o) Trade and other payables

Liabilities for creditors are carried at 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 Group.

Payables include outstanding settlements on distributions payable, the carrying period is dictated by market conditions and is generally less than 60 days.

(p) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(q) Employee benefits

Provision is made for the employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

(r) Unitholders' funds Monetary assets and liabilities at current rates

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.

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Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies (continued)

(s) Unit prices

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

(t) Terms and conditions on units

Each unit issued confers upon the unit holder 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. Unit holders 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 unit holders: 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.

(u) Revenue

Revenue for the provision of broiler sheds and managing the growth of chicken batches is recognised upon the delivery of the service to the customer, Baiada Poultry Pty Ltd. Unbilled batches at the end of the period are accrued according to the number of days elapsed from the last date of batch pick up for each farm as per contract terms. This is multiplied by a current daily rate which is agreed with Baiada.

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

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

(v) Finance Costs

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in income in the period in which they are incurred.

(w) 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.

(x) Income Tax

The charge for current income tax expense is based on the profit adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial

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Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies (continued)

(x) Income Tax (continued)

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

(y) Distributions

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

(z) New accounting standards for application in future periods

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

Standard name	Effective date for entity	Requirements	Impact
AASB 124 Related Party Disclosures and amending standard AASB 2009-12	30 June 2012	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	<p>Makes changes to a number of standards / interpretations including:</p> <ul style="list-style-type: none"> - 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)

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 10 Consolidated Financial Statements / AASB 11 Joint Arrangements / AASB 12 Disclosures of Interests in Other Entities, AASB 127 Separate Financial Statements and AASB 128 Investments in Associates. [These are expected to be released by the AASB in June / July].	30 June 2014	<p>AASB 10 includes a new definition of control, which is used to determine which entities are consolidated, and describes consolidation procedures. The Standard provides additional guidance to assist in the determination of control where this is difficult to assess.</p> <p>AASB 11 focuses on the rights and obligations of a joint venture arrangement, rather than its legal form (as is currently the case). IFRS 11 requires equity accounting for joint ventures, eliminating proportionate consolidation as an accounting choice.</p> <p>AASB 12 includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.</p>	<p>The Group will review its controlled entities to determine whether they should be consolidated under AASB 10, no changes are anticipated.</p> <p>All joint ventures of the group are equity accounted and therefore minimal impact is expected due to the adoption of AASB 11.</p> <p>Additional disclosures will be required under AASB 12 but there will be no changes to reported position and performance.</p>

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Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies (continued)

Standard name	Effective date for entity	Requirements	Impact
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 Directors of the Responsible Entity of the Group do not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

2 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

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

Determination of useful lives and depreciation rates for chicken broiler sheds:

A judgment is made on the useful lives and therefore the depreciation rates applied to the chicken broiler sheds and associated plant and equipment. Consideration is given to the scale of the maintenance program applying to the buildings and the plant and any expected changes for technical obsolescence.

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Notes to the Financial Statements

For the Year Ended 30 June 2011

3 Revenue

	2011	2010
	\$	\$
Grower fees	22,182,710	21,187,410
Interest received	19,797	356,888
Other revenue	84,406	23,138
Total	22,286,913	21,567,436

4 Other operating income

Legal compensation received	-	3,417,150
Total	-	3,417,150

Legal compensation received in 2010 relates to the net settlement from Ranbuild in relation to their legal claim.

5 Profit from Ordinary Activities

Finance Costs:

External	2,419,607	2,670,140
Total finance costs	2,419,607	2,670,140

Depreciation and impairment

Depreciation - Property, plant and equipment(Note 14(a))	4,752,419	4,212,352
Impairment reversals - Property, plant and equipment(Note 14(a))	(1,734)	(84,058)
Impairment - Intangibles(Note 15)	330,424	-
Depreciation and impairments	5,081,109	4,128,294

6 Leases in financial statements of lessors

The minimum future rental income to be received on non-cancellable operating leases of chicken broiler sheds that generally extend for periods of more than one year are as follows:

Year 1	11,437,314	10,990,391
Year 2	11,437,314	10,990,391
Year 3	11,437,314	10,990,391
Year 4	11,437,314	10,990,391
Year 5	11,437,314	10,990,391
Subsequent	131,659,185	138,700,371
Total	188,845,755	193,652,326

7 Auditor's Remuneration

Remuneration of the auditor of the Trust for:

- Auditing or reviewing the financial report	86,666	80,868
- Taxation and other services	32,625	13,944
Total	119,291	94,812

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Notes to the Financial Statements

For the Year Ended 30 June 2011

8 Income Tax Expense

(a) The major components of tax expense comprise:

	2011	2010
	\$	\$
Current income tax	-	1,192,423
Adjustments in respect of current income tax of previous years	1,048	(3,670)
Adjustments in respect deferred income tax of previous years	1,189	-
Relating to origination and reversal of temporary differences	21,761	(654,457)
Other	-	(3,449)
Income tax expense reported in the income statement	23,998	530,847

(b) Amounts charged or credited directly to equity

Net gain on revaluations	2,380,939	760,722
Income tax expense reported in equity	2,380,939	760,722

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

Accounting profit before tax	(39,723)	5,617,515
At the statutory income tax rate of 30% (2010: 30%)	(11,917)	1,685,254
- Adjustment in respect of current income tax of previous years	1,048	(3,670)
- Reclassification of assets between a 30% and 15% tax rate	36,978	-
- Adjustments in respect of deferred tax for previous years	1,189	-
- Investment allowance	-	(14,781)
- disposal of assets tax effected at 15%	(3,300)	-
- Other	-	(20,664)
- Compensation taxable at 15%	-	(1,115,292)
Total	23,998	530,847

(d) Franking credits

At 30 June 2011 CIF had a franking account balance of \$344,774 (2010: \$Nil).

9 Cash and Cash Equivalents

Cash at bank	64,273	647,264
	64,273	647,264

(a) Reconciliation of cash

	Note		
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		64,273	647,264
Bank overdraft	17	(736,138)	(487,282)
		(671,865)	159,982

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Notes to the Financial Statements

For the Year Ended 30 June 2011

10 Trade and Other Receivables

	2011	2010
	\$	\$
CURRENT		
Trade receivables	3,770,142	4,331,759
Other receivables	225,131	68,035
Amount recoverable on Ranbuild claim	-	8,250,000
	3,995,273	12,649,794

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

11 Inventories

CURRENT		
Spare parts stock	57,339	47,516
Total	57,339	47,516

12 Other Assets

CURRENT		
Prepayments	454,218	175,418
	454,218	175,418

13 Biological Assets

CURRENT	Livestock	Total
	\$	\$
Opening balance	-	-
Additions/purchases	1,921,219	1,921,219
Fair value adjustments	33,514	33,514
Balance at 30 June 2011	1,954,733	1,954,733
(Current)	1,954,733	1,954,733

Biological assets were purchased in May and June 2011 and comprised 1,915 head of sheep and 2,221 head of cattle at 30 June 2011.

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Notes to the Financial Statements

For the Year Ended 30 June 2011

14 Property Plant and Equipment

	2011	2010
	\$	\$
LAND AND BUILDINGS		
Freehold land and buildings		
At independent valuation	71,190,720	65,485,259
At cost	16,335	16,335
Less accumulated depreciation	(12,150)	(10,227)
Total freehold land and buildings	71,194,905	65,491,367
Capital works in progress		
At cost	854,901	164,229
Total capital works in progress	854,901	164,229
Total land and buildings	72,049,806	65,655,596
PLANT AND EQUIPMENT		
Capital works in progress		
At independent valuation	24,473,709	23,579,703
At cost	855,170	1,244,250
Less accumulated depreciation	(510,918)	(491,091)
Total plant and equipment	24,817,961	24,332,862
Total property, plant and equipment	96,867,767	89,988,458

In 2011 the revaluation of property, plant and equipment is based on the assessment of their current market value as determined by independent valuation, conducted by Marketline Property Valuers & Advisors.

The carrying value of all property, plant and equipment had it been carried under the cost model would be \$63,043,456 (2010: \$67,224,916).

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Notes to the Financial Statements

For the Year Ended 30 June 2011

(a) Movements in Carrying Amounts

	Capital Works in Progress \$	Land and buildings \$	Plant and Equipment \$	Total \$
Current Year				
Balance at 1 July 2010	164,229	65,491,367	24,332,862	89,988,458
Additions	2,109,799	-	-	2,109,799
Transfers	(1,419,127)	797,316	621,811	-
Depreciation	-	(2,879,475)	(1,872,944)	(4,752,419)
Revaluation increase recognised in equity	-	7,783,963	1,736,232	9,520,195
Revaluation increase recognised in income	-	1,734	-	1,734
Balance at 30 June 2011	854,901	71,194,905	24,817,961	96,867,767
Prior Year				
Balance at 1 July 2009	-	66,777,483	24,235,536	91,013,019
Additions	164,229	394,744	215,692	774,665
Disposals	-	(447,496)	-	(447,496)
Depreciation expense	-	(2,536,345)	(1,676,007)	(4,212,352)
Revaluation increase recognised in equity	-	1,218,923	1,557,641	2,776,564
Revaluation increase recognised in income	-	84,058	-	84,058
Balance at 30 June 2010	164,229	65,491,367	24,332,862	89,988,458

15 Intangible assets

Water licences at fair values

	Note	2011 \$	2010 \$
Opening balance		1,662,889	1,895,873
Revaluation (decrease)/increase recognised in equity	25	(167,464)	(232,984)
Revaluation (decrease)/increase recognised in income	5	(330,424)	-
Total		1,165,001	1,662,889

The water licences were valued in conjunction with property plant and equipment by the valuer on the basis as described in Note 14.

16 Trade and Other Payables

CURRENT

Unsecured liabilities			
Trade payables		990,974	1,771,218
Sundry payable and accruals		999,783	912,908
Total		1,990,757	2,684,126

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

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Notes to the Financial Statements

For the Year Ended 30 June 2011

17 Interest Bearing Liabilities

	2011	2010
	\$	\$
CURRENT		
Secured liabilities		
Bank overdraft	736,138	487,282
Asset purchase loan	39,687	73,201
	775,825	560,483
NON-CURRENT		
Secured liabilities		
Bills of exchange	35,860,000	18,978,540
Market rate facility loan	-	18,600,000
Asset purchase loan	38,180	-
	35,898,180	37,578,540
Total current and non-current secured liabilities		
Bank overdraft	736,138	487,282
Market rate facility loan	-	18,600,000
Bills of exchange	35,860,000	18,978,540
Asset purchase loan	77,867	73,201
	36,674,005	38,139,023

The bills of exchange are secured by a limited guarantee from Australian Executor Trustees Limited as custodian of the assets of CIF. This is supported by a first registered fixed and floating charge from Australian Executor Trustees Limited plus first registered mortgages over all freehold property and water of the Trust.

The bills of exchange are accepted and discounted at the National Australia Bank's floating rate plus a facility fee of 1.75%.

The market rate facility loan interest is calculated for each pricing period (7 days to 180 days as nominated by CIF) as the "bid rate" quoted on the "BBSY" page of the Reuters Monitors System at or about 10.15am Sydney time on the banking day immediately preceding the commencement of each pricing period, plus the facility fee of 1.75%.

The covenants within the bills of exchange and market rate facility loan at 30 June 2011 require total debt to not exceed 40% of the fair market value of properties held as security. The bill facility expires on 31 December 2013 and the market rate facility loan ended in September 2010. The borrowing facility in respect of StockBank does not fall within this covenant ratio.

The carrying amounts of non-current assets pledged as security are:

First mortgage over freehold land and buildings and intangibles	96,820,000	90,732,850
Asset purchase over plant and equipment	92,422	35,000
	96,912,422	90,767,850

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Notes to the Financial Statements

For the Year Ended 30 June 2011

18 Current tax receivable/payable

	2011	2010
	\$	\$
Current tax receivable	53,667	-
Current tax liabilities	-	(1,065,374)
Total	53,667	(1,065,374)

19 Deferred Tax

(a) Deferred Tax Liabilities

CURRENT

Biological assets	10,055	-
Fair-valued property, plant and equipment (including depreciation)	10,658,118	8,650,741
Gross deferred tax liabilities	10,668,173	8,650,741
Set-off of deferred tax assets	(1,264,962)	(2,101,420)
Net deferred tax liabilities	9,403,211	6,549,321

(b) Deferred Tax Assets

CURRENT

Accruals	38,319	1,042,602
Provisions for employee entitlements	112,129	115,571
Derivatives	138,705	234,510
Legal expenses	-	5,455
Fair-valued property plant & equipment (including depreciation)	741,736	610,571
Equity raising costs	36,859	92,711
Borrowing costs	1,200	-
Unused income tax losses	196,014	-
Gross deferred tax assets	1,264,962	2,101,420
Set-off of deferred tax assets	(1,264,962)	(2,101,420)
Net deferred tax assets	-	-

(c) Recognised deferred tax assets and liabilities

	Current income tax		Deferred income tax	
	2011	2010	2011	2010
	\$	\$	\$	\$
Opening balance	(1,065,374)	-	(6,549,321)	(6,450,174)
Charged to income	(1,048)	(1,192,423)	(22,951)	661,575
Charged to equity	-	-	(2,830,939)	(760,722)
Other payments	1,120,089	127,049	-	-
Closing balance	53,667	(1,065,374)	(9,403,211)	(6,549,321)
Tax expense in income statement	-	-	23,998	530,848
Amounts recognised in the balance sheet:				
Deferred tax liability	-	-	(9,403,211)	(6,549,321)
	-	-	(9,403,211)	(6,549,321)

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Notes to the Financial Statements

For the Year Ended 30 June 2011

20 Provisions - Current

	2011	2010
	\$	\$
Provision for distribution	1,576,431	1,882,020
Employee entitlements	295,737	315,343
Total	1,872,168	2,197,363

21 Provisions - Non current

Employee entitlements	56,088	49,954
Total	56,088	49,954

The employee entitlements provisions relate to the annual leave and long service leave entitlements of employees employed by CIF. The provision for distributions is for the June 2011 quarterly distribution that was paid on 15 August 2011.

22 Derivative Financial Liabilities

Interest rate swaps	462,352	781,700
	462,352	781,700

Gains and losses arising from changes in net fair value of interest rates swaps are recognised in the income statement in the period in which they arise.

Terms and conditions are detailed in Note 23(f).

23 Financial instruments

(a) Financial Risk Management Policies

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

Financial instruments of the Group comprise derivatives, cash and cash equivalents, interest bearing liabilities and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Group 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 Group 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 counterpart, or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

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

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Notes to the Financial Statements

For the Year Ended 30 June 2011

23 Financial instruments (continued)

(b) Interest rate risk

Interest rate risk is managed by ensuring that the Group has a combination of fixed and floating rate debt, along with the use of interest rate swap contracts. CIF 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 2011, 0.2% of the Trust's debt is fixed, excluding the impact of interest rate swap contracts. If interest rate swaps are taken into consideration then 74% of the Group's debt would be considered fixed.

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

	2011	2010
	\$	\$
Cash	64,273	647,264
Bank Overdraft	(736,138)	(487,282)
Bills of exchange	(35,860,000)	(18,978,540)
Market rate facility loan	-	(18,600,000)
	(36,531,865)	(37,418,558)

(c) Liquidity Risk and Capital Management

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. The 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 borrowing facility in respect of StockBank does not fall within this covenant ratio.

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

Under the terms of 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.

Baiada Poultry Pty Ltd ABN 96 002 925 944 is the sole customer of CIF's chicken growing activities. Baiada is one of Australia's largest poultry producers with farming, processing, distribution, marketing and sales operations. Baiada contracts with CIF in relation to the provision of broiler sheds and managing the growth of chicken batches.

The credit risk is managed through careful monitoring of debtor outstanding balances and through the ongoing relationship and communication with Baiada.

(e) Price Risk

The Group has an exposure to price risk on the sales price that will be achieved for the livestock biological assets. This is managed by undertaking selective buying as and when opportunities arise, phasing the timings of purchases and sales and contracting for forward sales should suitable opportunities present. The livestock business model is predicated on weight gain to achieve the financial return, rather than price gains.

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Notes to the Financial Statements

For the Year Ended 30 June 2011

23 Financial instruments (continued)

(f) Interest Rate Swaps held for trading

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

The notional principal amounts of the swap contracts approximates 74% of the consolidated Group'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	
	2011	2010	2011	2010
	%	%	\$	\$
Settlement				
Less than 1 year	5.24	-	9,554,602	-
2 to 5 years	-	5.31	-	10,204,606
Greater than 5 years	6.01	6.01	16,500,000	16,500,000
Total			26,054,602	26,704,606

The net gain/(loss) recognised on the swap derivative instruments for the year ended 30 June 2011 was \$319,348 (2010: loss \$716,264).

(g) Net Fair Value

The only financial asset or liability which differs between fair and carrying values is in regard to asset purchase liabilities. The carrying value of asset purchase liabilities at 30 June 2011 is \$77,867 (2010: \$73,201). The fair value of these liabilities is not considered to be significantly different to their carrying values. All other financial assets and liabilities' carrying values approximate fair value as at 30 June 2011.

The fixed interest rates range between 8.37% and 8.53% (2010: 8.53%).

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Notes to the Financial Statements

For the Year Ended 30 June 2011

23 Financial instruments (continued)

(h) Sensitivity analysis

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Risk Sensitivity Analysis

At 30 June 2011, 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:

	2011	2010
	\$	\$
Change in profit		
- Increase in interest rate by 1%	(104,772)	(108,739)
- Decrease in interest rate by 1%	104,772	108,739
Change in equity		
- Increase in interest rate by 1%	(73,340)	(76,117)
- Decrease in interest rate by 1%	73,340	76,117

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Notes to the Financial Statements

For the Year Ended 30 June 2011

23 Financial instruments (continued)

(i) 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 2011.

The amounts disclosed in the table are the contractual undiscounted cash flows, except for interest rate swaps, bills of exchange and bank loans 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	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets:												
Cash and cash equivalents	64,273	647,264	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	3,995,273	12,649,794	-	-	-	-	-	-	-	-	-	-
Total Financial Assets	4,059,546	13,297,058	-	-	-	-	-	-	-	-	-	-
Financial Liabilities:												
Market rate facility loan	-	513,771	-	513,771	-	2,055,083	-	19,067,320	-	-	-	22,149,945
Bills of exchange	1,041,452	433,897	3,147,992	433,897	36,631,900	1,735,587	-	19,373,208	-	-	40,821,344	21,976,589
Trade and sundry payables	1,990,757	2,684,126	-	-	-	-	-	-	-	-	-	-
Asset purchase liabilities	19,844	25,897	19,843	25,897	38,180	25,897	-	-	-	-	77,867	77,691
Bank overdraft	736,138	487,282	-	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	26,756	-	-	67,512	435,596	705,188	462,352	772,700
Total Financial Liabilities	3,788,191	4,144,973	3,167,835	973,565	36,696,836	3,816,567	-	38,508,040	435,596	705,188	41,361,563	44,976,925

RFM Chicken Income Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2011

24 Issued units

	2011 No.	2010 No.
Units on issue at the beginning of the financial year	62,734,012	62,410,690
Units issued during the financial year	323,224	323,322
Units on issue at the end of the financial year	63,057,236	62,734,012

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

At balance sheet date, the unit redemption price was \$0.8746 (2010: \$0.9042) representing \$55,149,859 (2010: \$56,724,094).

25 Asset revaluation reserve

	2011 \$	2010 \$
Opening balance	18,290,399	16,507,543
Increment/(decrement) in intangibles	(167,464)	(232,986)
Increment/(decrement) in property, plant and equipment	9,520,195	2,776,564
Total increment/(decrements) recognised in equity	9,352,731	2,543,578
Income tax applicable	(2,830,939)	(760,722)
Closing balance	24,812,191	18,290,399

The asset revaluation reserve is used to record increments and decrements in the fair value of the Group assets to the extent that each asset class offsets one another. The reserve can only be used to pay distributions in limited circumstances.

26 Distributions paid and payable

	Tax deferred \$	Income \$	Total \$	Cents per unit \$
Distributions paid and payable - 2011				
Interim distribution 30 September 2010	496,284	1,074,234	1,570,518	0.0250
Interim distribution 31 December 2010	830,250	742,123	1,572,373	0.0250
Interim distribution 31 March 2011	831,296	743,122	1,574,418	0.0250
Final distribution 30 June 2011	1,576,431	-	1,576,431	0.0250
Total distribution for the year ended 30 June 2011	3,734,261	2,559,479	6,293,740	0.1000
Distributions paid - 2010				
Interim distribution 30 September 2009	1,874,667	-	1,874,667	0.0300
Interim distribution 31 December 2009	1,877,102	-	1,877,102	0.0300
Interim distribution 31 March 2010	1,879,498	-	1,879,498	0.0300
Final distribution 30 June 2010	1,882,020	-	1,882,020	0.0300
Total distribution for the year ended 30 June 2010	7,513,287	-	7,513,287	0.1200

RFM Chicken Income Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2011

27 Key Management Personnel Compensation

(a) Directors

The Directors of RFM are considered to be Key Management Personnel of the Group. 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 Group is considered to be Key Management Personnel with the authority for the strategic direction and management of the Trust.

The constitution of CIF is a legally binding document between the unit holders of the Group 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 Group.
- Management Fee – 1% per annum of the gross value of trust assets for the period July 2010 to June 2011. Licenced 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.
- Asset Management Fee - 5% of farm operating expenses for the period July 2010 to June 2011.
- Performance Bonus – 11% 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.
- Expenses – all expenses incurred by the RFM in relation to the proper performance of its duties in respect of the Group are payable or reimbursable out of the Group assets to the extent that such reimbursement is not prohibited by Corporations Law.

RFM may retire as the responsible entity of the Group as permitted by law. However, RFM must retire as the responsible entity of the Group 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 Group directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Group to the Directors as Key Management Personnel.

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

	2011	2010
	\$	\$
D Bryant	117,663	59,231
A Lemmon	31,153	1,001
S Waight	109,321	43,369
A Shields	180,776	151,682
Total	438,913	255,283

RFM Chicken Income Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2011

28 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 fee	967,224	1,215,156
Farm management fee	559,559	269,207
Total management fees	1,526,783	1,484,363
Expenses reimbursed to RFM	2,828,660	1,623,571
Total	4,355,443	3,107,934

(b) Creditors

RFM	1,176,906	1,400,517
RFM Farming Pty Ltd	2,250	-
Total	1,179,156	1,400,517

(c) Custodian - Australian Executor Trustees Limited

Custodian fee	48,527	20,000
Total	48,527	20,000

(d) Entities with significant influence over the trust

	Units held	%
DAF	6,126,318	9.72
RFM	100	-

There has been no change in the holdings of these entities from 30 June 2010.

29 Controlled Entities

Name	Percentage Owned	Percentage Owned
	2011	2010
Subsidiaries of parent entity:		
RFM StockBank	100%	-

30 Economic Dependency

100% of Chicken Income Fund's revenue from chicken growing activities comes from growing contracts with Baiada Poultry Pty Limited ABN 96 002 925 948. These contracts have a term in the range of 12 years to 26 years. CIF is therefore economically dependent upon Baiada Poultry Pty Limited.

RFM Chicken Income Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2011

31 Capital Expenditure Commitments

	2011	2010
	\$	\$
Capital expenditure commitments contracted for:		
Shedding upgrades	1,503,693	-
Payable:		
- not later than 12 months	1,503,693	-

32 Parent entity

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

	2011	2010
	\$	\$
Statement of Financial Position		
Assets		
Current assets	5,783,068	13,519,992
Non-current assets	98,032,869	91,651,347
Total Assets	103,815,937	105,171,339
Liabilities		
Current liabilities	3,886,642	6,507,346
Non-current liabilities	45,779,837	44,959,515
Total Liabilities (excluding net assets attributable to unitholders)	49,666,479	51,466,861
Issued units	30,198,979	33,648,360
Asset Revaluation Reserve	24,812,191	18,290,399
Retained profits	(861,712)	1,765,719
Net assets attributable to unitholders	54,149,458	53,704,478
Total Liabilities	103,815,937	105,171,339
Statement of Comprehensive Income		
Total profit/(loss) for the year	(67,593)	5,086,668
Finance costs - Distributions	(2,559,479)	-
Other comprehensive income, net of tax	6,521,792	1,782,856
Total comprehensive income	3,894,720	6,869,524

Loan Facility

CIF has provided a loan facility to fund the SBK operations for a maximum of \$5 million being payable on or by 30th June 2012, and represents 5% of the CIF's assets. CIF has arranged this funding through a new borrowing facility with NAB. The loan agreement between CIF and SBK provides the right to security over the assets of SBK if the amount borrowed and or interest is not repaid by the due date.

RFM Chicken Income Fund

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Notes to the Financial Statements

For the Year Ended 30 June 2011

33 Cash Flow Information

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2011	2010
	\$	\$
Profit/(loss) for the year	(63,721)	5,086,668
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit		
Depreciation	4,752,420	4,212,352
Impairment reversal in value of property, plant and equipment	(1,734)	(84,058)
Unrealised (gain)/loss on interest rate swap	(319,348)	716,264
Gain on disposal of non-current assets	-	17,496
Impairment in intangibles	330,424	-
Changes in assets and liabilities		
Decrease/(increase) in trade and term receivables	8,654,523	(4,065,328)
(Increase)/decrease in prepayments	(278,803)	104,750
(Increase)/decrease in inventories	(9,823)	19,704
(Increase)/decrease in biological assets	(1,954,733)	-
(Decrease)/increase in trade payables and accruals	(693,369)	839,757
Increase/(decrease) in income taxes payable	(1,119,041)	1,065,374
Increase/(decrease) in deferred taxes payable excluding the impact on asset revaluation reserve	22,951	(661,576)
(Decrease)/increase in provisions	(13,473)	89,560
Cashflow from operations	9,306,273	7,340,963

The Group has a commercial bill facility amounting to \$36,000,000 (2010: \$18,978,540). At 30 June 2011 \$35,860,000 of the limit of the bill facility was used (2010: fully used).

The Group has an overdraft facility of \$800,000 of which \$63,862 was unused at 30 June 2011 (2010: \$324,678). Additionally it also has an asset finance facility of \$1,000,000 of which \$891,491 was unused at 30 June 2011 (2010: \$927,339).

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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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