Chicken Income Fund

Financial Statements

For the Year Ended 30 June 2012

Rural Funds Management

RFM Chicken Income Fund

ARSN 105 754 461

For the Year Ended 30 June 2012

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 Chicken Income Fund

ARSN 105 754 461

For the Year Ended 30 June 2012

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RFM Chicken Income Fund

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Directors of the Responsible Entity's Report

30 June 2012

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 ("Group") for the financial year ended 30 June 2012.

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

David Bryant
Michael Carroll
Guy Paynter

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

Principal Activities

The principal activities of the Group during the financial year were the growing of chickens in accordance with chicken growing contracts including the provision of labour, management and infrastructure and the purchase and sale of livestock in accordance with livestock growing contracts.

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 loss before tax attributable to unitholders is $2,351,964 (2011: $39,723). One significant influence on the 2012 result was the unrealised loss/(gain) on interest rate financial instruments of $2,603,658 (2011: $(319,348)), excluding this loss, the underlying profit before tax was $251,694 (2011: $(359,071)).

The results include a before tax contribution from StockBank, an entity controlled by the CIF, of $56,231. During the year the CIF progressively invested in SBK initially by way of a loan that culminated in a $5m loan converting to equity in December 2011. Based on the average invested capital, measuring profit on an ungeared basis and adjusting profit based on unit pricing policies, the SBK return on capital was 8.07%. The SBK investment is considered by RFM to be important to the CIF in providing a diversity of income and sector, and providing financial capacity for the CIF if required.

Higher energy costs continued to affect the CIF's results with energy prices including network charges increasing by an average of 24%. Although these increases translate into higher growing fees received from Baiada in the following year, they are a permanent detriment in the year incurred and ongoing increases may impair the CIF's ability to maintain distributions.

An important achievement in the period was the change to contract management for most of the farms operated at Griffith. This operating change is delivering better growing performance and reduced operating costs. During the period the fund also completed its $3m upgrade of the older farms located in Griffith.

The chicken growing performance during the year was generally favourable with good feed conversion factors and no major wet litter issues or disease.

Review of Results and Operations (continued)

Operating Results (continued)
Capital expenditure during the year was $1,837,539 (2011: $2,109,799) and repairs and maintenance expenditure was $893,056 (2011: $995,556) across all assets. The major capital developments undertaken during the year were the shedding upgrades which continued over from the 2011 financial year.

Cash distributions paid during the year amounted to 10 cents per unit or $6.318m. Cash flow and therefore distributions, are typically above reported profit due to a number of non cash items charged to the profit and loss account such as depreciation, interest rate hedges and deferred taxation. The unit price has declined predominantly for the same reason; the cash distributions are paid from the earnings and also the capital items of depreciation, deferred interest rate and taxation liabilities. The deferred income tax liabilities are generated by tax depreciation exceeding accounting depreciation. When the assets are fully depreciated for taxation purposes income tax instalments will increase and distirbutions to unitholders may decrease correspondingly, though franking credits will apply.

In June 2012 Opteon (Victoria) Pty Ltd carried out an independent valuation of the CIF's properties. They valued them at $97.15m (2011: $96.82m) and this is largely consistent with previous valuations.

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 in distributions may be required.

Distributions

CIF paid four distributions during the year in August 2011 (2.5 cents per unit), November 2011 (2.5 cents), February 2012 (2.5 cents) and May 2012 (2.5 cents). The total amount paid to 30 June 2012 was $6.318m on a cash basis. A distribution of 2.5 cents per unit was declared in June 2012 and paid in August 2012.

For full details of distributions refer to Note 25.

Performance

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

CIF Financial Year Returns	2012	2011	2010	2009	2008
Distribution	11.58%	11.62%	12.99%	11.01%	10.54%
Growth	-11.07%	-2.81%	-5.60%	-16.03%	0.79%
Total Return	0.51%	8.80%	7.39%	-5.02%	11.33%
Grossed Up Distribution	11.58%	13.20%	12.99%	11.01%	10.67%
Grossed Up Total Return	0.51%	10.39%	7.39%	-5.02%	11.46%

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.

Review of Results and Operations (continued)

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 2012 is 3.09% (2011: 2.95%).

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 $1,058,097 (2011: $967,224)
- Farm management fee for the financial year paid to RFM $644,505 (2011: $559,559)
- Expenses incurred by RFM and reimbursed by the Group in accordance with the Trust's constitution $3,124,565 (2011: $2,828,660)

The interests in the Trust held by RFM and its associates at the end of the year are disclosed in Note 27 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.

	2012	2011	2010	2009	2008
As at 30th June	0.7681	0.8746	0.9042	0.9561	1.1307
Year to 30th June					
High	0.8606	0.8921	0.9478	0.9950	1.1307
Low	0.7681	0.8601	0.9042	0.9482	1.1012

In accordance with RFM's policies, the unit prices quoted above are based on those published on 15 July 2012 and prevailing at 30 June 2012.

Units on issue

63,396,831 units of CIF were on issue at 30 June 2012 (2011: 63,057,236). During the year 339,595 (2011: 323,224) units were issued by the Trust and none (2011: nil) were redeemed.

Trust assets

At 30 June 2012, the consolidated Group held assets to a total value of $108,945,644 (2011: $104,612,271). 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

At 30 June 2012 CIF's facilities with its banker, National Australia Bank Limited (NAB) comprised a $36 million floating rate bill facility and a $5 million market rate facility. Under the original terms of these facilities, CIF was due to repay $3 million of the bill facility on 30 June 2012 and the $5 million market rate facility on 31 December 2012. As a result of the renegotiation of these facilities completed in August 2012, the bill facility has been extended to 30 June 2017 and the market rate facility has been extended to 31 December 2013. Under the terms of the bill facility, the loan to value ratio (LVR) against CIF poultry assets is not to exceed 40%, reducing to 35% from the financial year ending 30 June 2014.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Likely developments and expected results

The CIF is currently considering listing on the Australian Stock Exchange in the year ending 30 June 2014.

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 those 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 42 of the Financial Report.

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

David Bryant
Director

Dated: 28 September 2012

RFM Chicken Income Fund

ARSN 105 754 461

Independent Audit Report to the Unitholders 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 2012, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors declaration of the Responsible Entity of the consolidated entity.

Directors' Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

RFM Chicken Income Fund

ARSN 105 754 461

Independent Audit Report to the Unitholders 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 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

36 Bombala Street
PO Box 56
Cooma NSW 2630

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

www.boyceca.com
Cooma Moree Dubbo Goulburn Orange Wagga Wagga

BOYCE ASSURANCE SERVICES

Knowledge. Insight. Experience.

RFM Chicken Income Fund

ARSN 105 754 461

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 2012 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 Group 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 Chicken Income Fund

ARSN 105 754 461

Statement of Comprehensive Income

For the Year Ended 30 June 2012

	Note	2012 $	2011 $
Revenue	3	**30,321,818**	22,286,913
Unrealised gain/(loss) on interest rate swaps		**(2,603,658)**	319,348
Cost of livestock sold		**(6,335,338)**	-
Direct grower costs		**(8,306,611)**	(5,848,146)
Employee costs		**(3,676,532)**	(5,324,655)
Depreciation and impairments	4	**(5,506,308)**	(5,081,109)
Repairs and maintenance		**(893,056)**	(995,556)
Management fees	27(a)	**(1,702,602)**	(1,526,783)
Increase in the value of biological assets	12	**1,859,360**	33,514
Other expenses		**(2,349,246)**	(1,483,642)
Finance costs	4	**(3,159,791)**	(2,419,607)
Profit/(loss) before income tax		**(2,351,964)**	(39,723)
Income tax expense	7	**670,290**	(23,998)
Profit/(loss) after income tax		**(1,681,674)**	(63,721)
Finance costs			
Distribution	25	**-**	(2,559,479)
Distribution - non controlling interest		**(250)**	-
Profit/(loss) for the period		**(1,681,924)**	(2,623,200)
Other comprehensive income			
Revaluation increment	24	**3,195,518**	9,352,731
Income tax relating to components of other comprehensive income	24	**(958,664)**	(2,830,939)
Other comprehensive income for the period, net of tax		**2,236,854**	6,521,792
Total comprehensive income for the period, representing changes in net assets attributable to unitholders		**554,930**	3,898,592
Profit attributable to:			
Members of the parent entity		**(1,697,406)**	(2,623,200)
Non-controlling interests		**15,482**	-
		(1,681,924)	(2,623,200)
Total comprehensive income attributable to:			
Members of the parent entity		**539,448**	3,898,592
		539,448	3,898,592

The accompanying notes form part of these financial statements.

RFM Chicken Income Fund

ARSN 105 754 461

Statement of Financial Position

30 June 2012

	Note	2012 $	2011 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**2,014,741**	64,273
Trade and other receivables	9	**4,465,461**	3,995,273
Inventories	10	**61,160**	57,339
Other current assets	11	**278,218**	454,218
Biological assets	12	**4,520,399**	1,954,733
Current tax receivable	13	**46,148**	53,667
Total current assets		**11,386,127**	6,579,503
Non-current assets			
Property, plant and equipment	14	**96,510,517**	96,867,767
Intangible assets	15	**1,049,000**	1,165,001
Total non-current assets		**97,559,517**	98,032,768
TOTAL ASSETS		**108,945,644**	104,612,271
LIABILITIES			
Current liabilities			
Trade and other payables	16	**3,458,466**	1,990,757
Interest bearing liabilities	17	**8,167,933**	775,825
Short-term provisions	19	**1,674,964**	1,872,168
Total current liabilities		**13,301,363**	4,638,750
Non-current liabilities			
Interest bearing liabilities	17	**33,060,296**	35,898,180
Deferred tax liabilities	18	**9,691,586**	9,403,211
Long-term provisions	20	**33,174**	56,088
Derivative financial liabilities	21	**3,066,010**	462,352
Total non-current liabilities		**45,851,066**	45,819,831
TOTAL LIABILITIES (excluding net assets attributable to unitholders)		**59,152,429**	50,458,581
Net assets attributable to unitholders		**48,647,733**	54,153,690
Non-controlling interest	29	**1,145,482**	-
TOTAL LIABILITIES		**108,945,644**	104,612,271

RFM Chicken Income Fund

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Statement of Changes in Net Assets Attributable to Unitholders

For the Year Ended 30 June 2012

2012

	Note	Issued Units $	Asset revaluation reserve $	Retained earnings $	Total $	Non-controlling Interests $	Total Equity $
Balance at 1 July 2011		30,198,980	24,812,191	(857,481)	54,153,690	-	54,153,690
Other comprehensive income	24	-	3,195,518	-	3,195,518	-	3,195,518
Income tax relating to other comprehensive income	7	-	(958,664)	-	(958,664)	-	(958,664)
Total income and expense for the period recognised directly in equity		-	2,236,854	-	2,236,854	-	2,236,854
Profit attributable to unitholders		-	-	(2,374,438)	(2,374,438)	22,474	(2,351,964)
Income tax applicable	7	-	-	677,032	677,032	(6,742)	670,290
Total income and expense for the period		-	2,236,854	(1,697,406)	539,448	15,732	555,180
Equity transactions							
Additional non-controlling interests arising on issue of shares		-	-	-	-	1,130,000	1,130,000
Issue of units		281,319	-	-	281,319	-	281,319
		281,319	2,236,854	(1,697,406)	820,767	1,145,732	1,966,499
Sub-total		30,480,299	27,049,045	(2,554,887)	54,974,457	1,145,732	56,120,189
Return of Capital	25	(6,326,724)	-	-	(6,326,724)	-	(6,326,724)
Distributions		-	-	-	-	(250)	(250)
Balance at 30 June 2012		24,153,575	27,049,045	(2,554,887)	48,647,733	1,145,482	49,793,215

The accompanying notes form part of these financial statements.

RFM Chicken Income Fund

ARSN 105 754 461

Statement of Changes in Net Assets Attributable to Unitholders

For the Year Ended 30 June 2012

2011

	Note	Issued Units $	Asset revaluation reserve $	Retained earnings $	Total $	Non-controlling Interests $	Total Equity $
Balance at 1 July 2010		33,648,360	18,290,399	1,765,719	53,704,478	-	53,704,478
Other comprehensive income	24	-	9,352,731	-	9,352,731	-	9,352,731
Income tax relating to other comprehensive income	7	-	(2,830,939)	-	(2,830,939)	-	(2,830,939)
Total income and expense for the period recognised directly in equity		-	6,521,792	-	6,521,792	-	6,521,792
Profit attributable to unitholders		-	-	(39,723)	(39,723)	-	(39,723)
Income tax applicable	7	-	-	(23,998)	(23,998)	-	(23,998)
Total income and expense for the period		-	6,521,792	(63,721)	6,458,071	-	6,458,071
Equity transactions							
Issue of units		284,881	-	-	284,881	-	284,881
		284,881	6,521,792	(63,721)	6,742,952	-	6,742,952
Sub-total		33,933,241	24,812,191	1,701,998	60,447,430	-	60,447,430
Distribution/Return of Capital	25	(3,734,261)	-	(2,559,479)	(6,293,740)	-	(6,293,740)
Balance at 30 June 2011		30,198,980	24,812,191	(857,481)	54,153,690	-	54,153,690

The accompanying notes form part of these financial statements.

RFM Chicken Income Fund

ARSN 105 754 461

Statement of Cash Flows

For the Year Ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities:			
Receipts from customers		**29,543,425**	25,571,623
Legal settlement received		**-**	8,250,000
Payments to suppliers and employees		**(22,352,779)**	(20,823,492)
Interest received		**29,421**	19,796
Finance costs		**(3,077,446)**	(2,591,566)
Income taxes paid		**(7,519)**	(1,120,088)
Net cash provided by operating activities	33	**4,135,102**	9,306,273
Cash flows from investing activities:			
Purchase of property, plant and equipment	14	**(1,837,539)**	(2,109,799)
Net cash used in investing activities		**(1,837,539)**	(2,109,799)
Cash flows from financing activities:			
Receipts from issue of units		**1,417,205**	284,881
Proceeds from borrowings		**5,237,188**	2,218,589
Repayment of borrowings		**(77,868)**	(3,932,463)
Distributions paid		**(6,318,523)**	(6,599,328)
Net cash provided by/(used in) financing activities		**258,002**	(8,028,321)
Net increase/(decrease) in cash and cash equivalents		**2,555,565**	(831,847)
Cash and cash equivalents at beginning of year		**(671,865)**	159,982
Cash and cash equivalents at end of year	8(a)	**1,883,700**	(671,865)

The accompanying notes form part of these financial statements.

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 authorative 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 Chicken Income Fund ("CIF" or the "Trust") as an individual entity and CIF and its controlled entity 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 2012 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 28 September 2012.

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.

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 28 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 conform to those used by the Trust.

(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.

1 Summary of Significant Accounting Policies (continued)

(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.

(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).

(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.

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.

1 Summary of Significant Accounting Policies (continued)

(l) Financial Instruments (continued)

(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.

(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.

1 Summary of Significant Accounting Policies (continued)

(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

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.

(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 is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured.

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. Griffith based 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 Griffith farm as per contract terms. This is multiplied by a current daily rate which is agreed with Baiada. Revenue for the provision of broiler sheds at Lethbridge is accrued according to the annual rate, pro-rated for the number of days in each month.

Revenue on livestock is recognised in accordance with Accounting Standard AASB 141 Agriculture, which requires livestock to be measured at net market value at each reporting date. The net market value is

1 Summary of Significant Accounting Policies (continued)

(u) Revenue (continued)

determined through price movements and the weight of the livestock, and deducting the costs expected to be incurred in realising the market value (including freight and selling costs).

Any increase or decrease in the net fair value of biological assets is recognised as income or an 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 year adjusted for sales and purchases.

Revenue from the sale of livestock is recognised when there has been a transfer of risks and rewards to the customer through the execution of a sales agreement at the time of delivery of the goods to the customer. The carrying value of the livestock is then transferred to cost of livestock sold. The carrying value of the livestock is deemed to be its net selling price at the date of sale and accordingly sales and cost of livestock sold will offset.

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 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.

1 Summary of Significant Accounting Policies (continued)

(x) Income Tax (continued)

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 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 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.

1 Summary of Significant Accounting Policies (continued)

(z) New Accounting Standards For Application in Future Periods (continued)

Standard name	Effective date for entity	Requirements	Impact
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 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 judgement 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.

Valuation of Livestock

In addition, judgements are made of the estimated weights of sheep and cattle in StockBank to determine their fair value at year end. The weights are subject to random tests in order to ensure the weight gain assumptions made are reliable. Once the weights are known, market prices at balance date are applied for the animals based on values being achieved in the market into which livestock is selling. Values of sheep skins are also considered where prices are achieved for these when the livestock are sold.

3 Revenue

	2012	2011
	$	$
Grower fees	**23,708,948**	22,182,710
Livestock sales	**6,335,330**	-
Interest received	**29,421**	19,797
Other revenue	**248,119**	84,406
Total	**30,321,818**	22,286,913

4 Profit from Ordinary Activities

	2012	2011
Finance Costs:		
External	**3,159,791**	2,419,607
Total finance costs	**3,159,791**	2,419,607
Depreciation and impairment		
Depreciation - Property, plant and equipment(Note 14(a))	**5,348,050**	4,752,419
Impairment / (impairment reversals) - Property, plant and equipment(Note 14(a))	**42,258**	(1,734)
Impairment - Intangibles(Note 15)	**116,000**	330,424
Depreciation and impairments	**5,506,308**	5,081,109

5 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:

	2012	2011
Year 1	**12,268,446**	11,437,314
Year 2	**12,268,446**	11,437,314
Year 3	**12,268,446**	11,437,314
Year 4	**12,268,446**	11,437,314
Year 5	**12,268,446**	11,437,314
Subsequent	**131,917,572**	131,659,185
Total	**193,259,802**	188,845,755

6 Auditor's Remuneration

	2012	2011
	$	$
Remuneration of the auditor of the Group for:		
- Auditing or reviewing the financial report	**108,521**	86,666
- Taxation and other services	**35,815**	32,625
Total	**144,336**	119,291

7 Income Tax Expense

(a) The major components of tax expense comprise:

	2012	2011
Adjustments in respect of current income tax of previous years	**-**	1,048
Adjustments in respect deferred income tax of previous years	**(1,211)**	1,189
Relating to origination and reversal of temporary differences	**(669,079)**	21,761
Income tax expense reported in the income statement	**(670,290)**	23,998

(b) Amounts charged or credited directly to equity

	2012	2011
Net gain on revaluations	**958,664**	2,380,939
Income tax expense reported in equity	**958,664**	2,380,939

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

	2012	2011
Accounting profit before tax	**(2,351,964)**	(39,723)
At the statutory income tax rate of 30% (2011: 30%)	**(705,589)**	(11,917)
- Adjustment in respect of current income tax of previous years	**-**	1,048
- Reclassification of assets between a 30% and 15% tax rate	**28,663**	36,978
- Adjustments in respect of deferred tax for previous years	**(1,211)**	1,189
- Adjustment on intercompany dividend received where tax remains payable	**7,847**	-
- disposal of assets tax effected at 15%	**-**	(3,300)
Total	**(670,290)**	23,998

(d) Franking credits

At 30 June 2012 CIF had a franking account balance of $291,107 (2011: $344,774).

8 Cash and Cash Equivalents

	2012	2011
	$	$
Cash at bank	**2,014,741**	64,273
	2,014,741	64,273

(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		**2,014,741**	64,273
Bank overdraft	17	**(131,041)**	(736,138)
		1,883,700	(671,865)

9 Trade and Other Receivables

CURRENT		
Trade receivables	**4,409,769**	3,770,142
Other receivables	**55,692**	225,131
	4,465,461	3,995,273

Trade receivables are non-interest bearing and are generally on 30 days terms. There were no impaired or past due receivables at 30 June 2012.

10 Inventories

CURRENT		
Gas Inventory	**61,160**	57,339
Total	**61,160**	57,339

11 Other Assets

CURRENT		
Prepayments	**278,218**	454,218
	278,218	454,218

12 Biological Assets

	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
Opening balance	**1,954,733**	**1,954,733**
Additions/purchases	**7,041,636**	**7,041,636**
Fair value adjustments	**1,859,360**	**1,859,360**
Decreases due to sales	**(6,335,330)**	**(6,335,330)**
Balance at 30 June 2012	**4,520,399**	**4,520,399**

Biological assets held at 30 June 2012 comprise 9,507 sheep (2011: 1,915 sheep) and 4,370 cattle (2011: 2,221 cattle).

13 Current Income Tax Receivable

	2012	2011
	$	$
Current income tax receivable	**46,148**	53,667
Total	**46,148**	53,667

14 Property Plant and Equipment

	2012	2011
	$	$
LAND AND BUILDINGS		
Freehold land and buildings		
At independent valuation	**96,099,678**	71,190,720
At cost	**-**	16,335
Less accumulated depreciation	**-**	(12,150)
Total freehold land and buildings	**96,099,678**	71,194,905
Capital works in progress		
At cost	**-**	854,901
Total capital works in progress	**-**	854,901
Total land and buildings	**96,099,678**	72,049,806
PLANT AND EQUIPMENT		
Capital works in progress		
At independent valuation	**-**	24,473,709
At cost	**860,787**	855,170
Less accumulated depreciation	**(449,948)**	(510,918)
Total plant and equipment	**410,839**	24,817,961
Total property, plant and equipment	**96,510,517**	96,867,767

In 2012 the revaluation of property, plant and equipment is based on the assessment of their current market value as determined by independent valuation, conducted by Opteon (Victoria) Pty Ltd.

The carrying value of all property, plant and equipment had it been carried under the cost model would be $60,562,507 (2011: $63,043,456).

(a) Movements in Carrying Amounts

	Capital Works in Progress	Land and Buildings	Plant and Equipment	Total
	$	$	$	$
Current Year				
Balance at 1 July 2011	**854,901**	**71,194,905**	**24,817,961**	**96,867,767**
Additions	**1,758,309**	**-**	**79,230**	**1,837,539**
Transfers	**(2,613,210)**	**27,001,715**	**(24,388,505)**	**-**
Depreciation	**-**	**(5,250,202)**	**(97,848)**	**(5,348,050)**
Revaluation increase recognised in equity	**-**	**3,195,518**	**-**	**3,195,518**
Revaluation decrease recognised in income	**-**	**(42,257)**	**-**	**(42,257)**
Balance at 30 June 2012	**-**	**96,099,679**	**410,838**	**96,510,517**
Prior 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

Plant and equipment integral to the buildings have been reclassified in the 2012 year to land and buildings.

15 Intangible Assets

Water licences at fair values

	Note	2012 $	2011 $
Opening balance		**1,165,000**	1,662,888
Revaluation (decrease)/increase recognised in equity	24	**-**	(167,464)
Revaluation (decrease)/increase recognised in income	4	**(116,000)**	(330,424)
Total		**1,049,000**	1,165,000

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

	2012	2011
	$	$
CURRENT		
Unsecured liabilities		
Trade payables	**1,691,910**	990,974
Sundry payable and accruals	**1,766,556**	999,783
	3,458,466	1,990,757

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

17 Interest Bearing Liabilities

	2012	2011
CURRENT		
Secured liabilities		
Bank overdraft	**131,041**	736,138
Bills of exchange	**3,000,000**	-
Market rate facility loan	**5,000,000**	-
Asset purchase loan	**36,892**	39,687
	8,167,933	775,825
NON-CURRENT		
Secured liabilities		
Bills of exchange	**33,000,000**	35,860,000
Asset purchase loan	**60,296**	38,180
	33,060,296	35,898,180
Total current and non-current secured liabilities		
Bank overdraft	**131,041**	736,138
Bills of exchange	**36,000,000**	35,860,000
Market rate facility loan	**5,000,000**	-
Asset purchase loan	**97,188**	77,867
	41,228,229	36,674,005

17 Interest Bearing Liabilities (continued)

Total current and non-current secured liabilities (continued)

At 30 June 2012 CIF's facilities with its banker, National Australia Bank Limited (NAB) comprised a $36 million floating rate bill facility and a $5 million market rate facility. Under the original terms of these facilities, CIF was due to repay $3 million of the bill facility on 30 June 2012 and the $5 million market rate facility on 31 December 2012. As a result of the renegotiation of these facilities completed in August 2012, the bill facility has been extended to 30 June 2017 and the market rate facility has been extended to 31 December 2013. Under the terms of the bill facility, the loan to value ratio (LVR) against CIF poultry assets is not to exceed 40%, reducing to 35% from the financial year ending 30 June 2014.

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

First mortgage over freehold land and buildings and intangibles	**97,148,679**	96,820,000
Asset purchase over plant and equipment	**105,936**	92,422
	97,254,615	96,912,422

18 Deferred Tax

(a) Deferred Tax Liabilities

	2012 $	2011 $
CURRENT		
Biological assets	**74,609**	10,055
Fair-valued property, plant and equipment (including depreciation)	**11,164,618**	10,658,118
Gross deferred tax liabilities	**11,239,227**	10,668,173
Set-off of deferred tax assets	**(1,547,641)**	(1,264,962)
Net deferred tax liabilities	**9,691,586**	9,403,211

(b) Deferred Tax Assets

	2012 $	2011 $
CURRENT		
Accruals	**25,410**	38,319
Provisions for employee entitlements	**39,657**	112,129
Derivatives	**919,803**	138,705
Black hole expenses	**12,474**	-
Fair-valued property plant & equipment (including depreciation)	**296,944**	741,736
Equity raising costs	**733**	36,859
Borrowing costs	**-**	1,200
Unused income tax losses	**252,620**	196,014
Gross deferred tax assets	**1,547,641**	1,264,962
Set-off of deferred tax assets	**(1,547,641)**	(1,264,962)
Net deferred tax assets	**-**	-

(c) Recognised deferred tax assets and liabilities

	Current income tax		Deferred income tax	
	2012 $	2011 $	2012 $	2011 $
Opening balance	**53,667**	(1,065,374)	**(9,403,211)**	(6,549,321)
Charged to income	**-**	(1,048)	**670,289**	(22,951)
Charged to equity	**-**	-	**(958,664)**	(2,830,939)
Other payments	**(7,519)**	1,120,089	**-**	-
Closing balance	**46,148**	53,667	**(9,691,586)**	(9,403,211)
Tax expense in income statement	**-**	-	**(670,289)**	23,998
Amounts recognised in the balance sheet:				
Deferred tax liability	**-**	-	**(9,691,586)**	(9,403,211)
	-	-	**(9,691,586)**	(9,403,211)

19 Provisions - Current

	2012	2011
	$	$
Provision for distribution	**1,584,880**	1,576,431
Employee entitlements	**90,084**	295,737
Total	**1,674,964**	1,872,168

20 Provisions - Non Current

	2012	2011
Employee entitlements	**33,174**	56,088
Total	**33,174**	56,088

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 2012 quarterly distribution that was paid on 25 August 2012.

21 Derivative Financial Liabilities

	2012	2011
Interest rate swaps	**3,066,010**	462,352
	3,066,010	462,352

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 22(f).

22 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.

22 Financial Instruments (continued)

(a) Financial Risk Management Policies (continued)

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.

(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 2012 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 62% 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:

	2012 $	2011 $
Cash	**2,014,741**	64,273
Bank Overdraft	**(131,041)**	(736,138)
Bills of exchange	**(36,000,000)**	(35,860,000)
Market rate facility loan	**(5,000,000)**	-
	(39,116,300)	(36,531,865)

(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.

As at 30 June 2012 the Responsible Entity had a verbal confirmation that the amortisation payment of $3 million under the bill facility was waived while refinancing negotiations were continuing. This facility has subsequently been renegotiated with the NAB with a new termination date of 30 June 2017. At the same time, an extension in the termination date of the market rate facility from 31 December 2012 to 31 December 2013, has also been renegotiated with the NAB.

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.

22 Financial Instruments (continued)

(d) Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximun exposure equal to the carrying amount of the financial assets.

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.

(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 62% 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	
	2012	**2011**	**2012**	**2011**
	%	**%**	**$**	**$**
Settlement				
2 to 5 years	**5.15**	5.24	**8,904,598**	9,554,602
Greater than 5 years	**6.01**	6.01	**16,500,000**	16,500,000
Total			**25,404,598**	26,054,602

The net gain/(loss) recognised on the swap derivative instruments for the year ended 30 June 2012 was $2,603,658 (2011: loss $319,348).

22 Financial Instruments (continued)

(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 2012 is $97,188 (2011: $77,867). 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 2012.

The fixed interest rates range between 7.16% and 8.47% (2011: between 8.37% and 8.53%).

(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 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%	**(137,117)**	(104,772)
- Decrease in interest rate by 1%	**137,117**	104,772
Change in equity		
- Increase in interest rate by 1%	**(95,982)**	(73,340)
- Decrease in interest rate by 1%	**95,982**	73,340

22 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 2012.

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. Maturity dates shown below reflect the updated finance terms agreed with NAB.

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	**2,014,741**	64,273	**-**	-	**-**	-			**-**	-	**2,014,741**	64,273
Trade and other receivables	**4,465,461**	3,995,273	**-**	-	**-**	-	**-**	-	**-**	-	**4,465,461**	3,995,273
Total Financial Assets	**6,480,202**	4,059,546	**-**	-	**-**	-	**-**	-	**-**	-	**6,480,202**	4,059,546
Financial Liabilities:												
Market rate facility loan	**144,250**	-	**144,250**	-	**5,144,250**	-	**-**	-	**-**	-	**5,432,750**	-
Bills of exchange	**1,143,000**	1,041,452	**1,143,000**	3,147,992	**37,143,000**	36,631,900	**-**	-	**-**	-	**39,429,000**	40,821,344
Trade and sundry payables	**3,458,466**	1,990,757	**-**	-	**-**	-	**-**	-	**-**	-	**3,458,466**	1,990,757
Asset purchase liabilities	**20,226**	19,844	**20,226**	19,843	**66,582**	38,180	**-**	-	**-**	-	**107,034**	77,867
Bank overdraft	**131,041**	736,138	**-**	-	**-**	-	**-**	-	**-**	-	**131,041**	736,138
Interest rate swaps	**-**	-	**-**	-	**242,857**	26,756	**-**	-	**2,823,153**	435,596	**3,066,010**	462,352
Total Financial Liabilities	**4,896,983**	3,788,191	**1,307,476**	3,167,835	**42,596,689**	36,696,836	**-**	-	**2,823,153**	435,596	**51,624,301**	44,088,458

23 Issued Units

	2012 No.	2011 No.
Units on issue at the beginning of the financial year	**63,057,236**	62,734,012
Units issued during the financial year	**339,595**	323,224
Units on issue at the end of the financial year	**63,396,831**	63,057,236

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 $0.7681 (2011: $0.8746) representing $48,695,106 (2011: $55,149,859).

24 Asset Revaluation Reserve

	2012 $	2011 $
Opening balance	**24,812,191**	18,290,399
Increment/(decrement) in intangibles	**-**	(167,464)
Increment/(decrement) in property, plant and equipment	**3,195,518**	9,520,195
Total increment/(decrements) recognised in equity	**3,195,518**	9,352,731
Income tax applicable	**(958,664)**	(2,830,939)
Closing balance	**27,049,045**	24,812,191

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.

25 Distributions Paid and Payable

	Tax deferred $	Income $	Total $	Cents per unit $
Distributions paid and payable - 2012				
Interim distribution 30 September 2011	1,578,507	-	-	0.0250
Interim distribution 31 December 2011	1,580,726	-	-	0.0250
Interim distribution 31 March 2012	1,582,611	-	-	0.0250
Final distribution 30 June 2012	1,584,880	-	-	0.0250
Total distribution for the year ended 30 June 2012	6,326,724	-	-	0.1000
Distributions paid - 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

26 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 Trust 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 from CIF:

- 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. 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.

- 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 it 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.

In addition, under the constitution of StockBank, RFM is entitled to the following remuneration from StockBank:

- Contribution Fee - 2% of the value of each application for units in the Trust.

- Management Fee - 2.5% of gross margin of each livestock lot sold. The gross margin is calculated as the sale price of the livestock less all direct costs of acquisition, maintenance and disposal, and less fees payable to the landowner (profit share) and SBK earning a minimum return.

- Asset Management Fee - 10% of the gross margin as defined above.

- Expenses - all expenses incurred by RFM in relation to the proper performance of its duties in respect of the Trust are payable or reimburseable 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.

26 Key Management Personnel Compensation (continued)

(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.

27 Related Party Transactions

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

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

	2012	2011
	$	$
Management fee	**1,058,097**	967,224
Asset management fee	**644,505**	559,559
Total management fees	**1,702,602**	1,526,783
Expenses reimbursed to RFM and SBK	**3,124,565**	2,828,660
Total	**4,827,167**	4,355,443

(b) Debtors

RFM	**33,249**	-
Total	**33,249**	-

(c) Creditors

RFM	**1,092,706**	1,176,906
RFM Farming Pty Ltd	**7,425**	2,250
Total	**1,100,131**	1,179,156

(d) Custodian - Australian Executor Trustees Limited

Custodian fee	**50,471**	48,527
Total	**50,471**	48,527

27 Related Party Transactions (continued)

(e) Entities with significant influence over the trust

	Units held	%
RFM	373,379	0.59

On 16 March 2012, RFM Diversified Agricultural Fund made an in-specie distribution of units held by it to its unitholders. As a result, 6,126,318 units held by DAF in CIF comprising 9.72% of the units in the Trust at 30 June 2011 were distributed to DAF unitholders. DAF no longer holds any interest in CIF.

28 Controlled Entities

	Percentage Owned 2012	Percentage Owned 2011
Subsidiaries of parent entity:		
RFM StockBank	**81.97%**	100%

An amount of $1,130,000, being the proportionate share of the carrying amount of the net assets of RFM StockBank has been transferred to non-controlling interests.

29 Non-controlling interests

	2012 $	2011 $
Opening balance	**-**	-
Share of profit after tax for the year	**15,732**	-
Distributions	**(250)**	-
Issue of units in StockBank to non-controlling interests	**1,130,000**	-
Closing balance	**1,145,482**	-

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 remaining term in the range of 11 years to 25 years. CIF is therefore economically dependent upon Baiada Poultry Pty Limited.

31 Capital Expenditure Commitments

	2012 $	2011 $
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.

	2012 $	2011 $
Statement of Financial Position		
Assets		
Current assets	**4,492,729**	5,783,068
Non-current assets	**102,559,617**	98,032,869
Total Assets	**107,052,346**	103,815,937
Liabilities		
Current liabilities	**12,573,940**	3,886,642
Non-current liabilities	**45,832,382**	45,779,837
Total Liabilities (excluding net assets attributable to unitholders)	**58,406,322**	49,666,479
Issued units	**24,153,574**	30,198,979
Asset Revaluation Reserve	**27,049,044**	24,812,191
Retained profits/(accumulated losses)	**(2,556,594)**	(861,712)
Net assets attributable to unitholders	**48,646,024**	54,149,458
Total Liabilities	**107,052,346**	103,815,937
Statement of Comprehensive Income		
Total profit/(loss) for the year	**(1,694,880)**	(67,593)
Finance costs - Distributions	**-**	(2,559,479)
Other comprehensive income, net of tax	**2,236,854**	6,521,792
Total comprehensive income	**541,974**	3,894,720

33 Cash Flow Information

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2012 $	2011 $
Profit/(loss) for the year	**(1,681,674)**	(63,721)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit		
Depreciation	**5,348,050**	4,752,420
Impairment / (Impairment reversal) in value of property, plant and equipment	**42,257**	(1,734)
Unrealised (gain)/loss on interest rate swap	**2,603,657**	(319,348)
Impairment in intangibles	**116,000**	330,424
Changes in assets and liabilities		
Decrease/(increase) in trade and term receivables	**(680,996)**	8,654,523
(Increase)/decrease in prepayments	**176,000**	(278,803)
(Increase)/decrease in inventories	**(3,821)**	(9,823)
(Increase)/decrease in biological assets	**(2,565,665)**	(1,954,733)
(Decrease)/increase in trade payables and accruals	**1,672,631**	(693,369)
Increase/(decrease) in income tax refund due	**7,519**	(1,119,041)
Increase/(decrease) in deferred taxes payable excluding the impact on asset revaluation reserve	**(670,289)**	(228,567)
(Decrease)/increase in provisions	**(228,567)**	(13,473)
Cashflow from operations	**4,135,102**	9,054,755

The Group has a commercial bill facility amounting to $36,000,000 (2011: $36,000,000). At 30 June 2012 $36,000,000 of the limit of the bill facility was used (2011: 35,860,000).

In addtion, at 30 June 2012, the Group had a market rate facility of $5m which was fully utilised. This facility was due to expire on 31 December 2012 however, as part of the Group's refinancing agreed with its lender, NAB, the facility has been extended to 31 December 2013.

The Group has an overdraft facility of $800,000 of which $131,041 was used at 30 June 2012 (2011: $63,862).

RFM Chicken Income Fund

ARSN 105 754 461

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

36 Bombala Street
PO Box 56
Cooma NSW 2630

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

www.boyceca.com
Cooma Moree Dubbo Goulburn Orange Wagga Wagga

BOYCE ASSURANCE SERVICES

Knowledge. Insight. Experience.

Responsible Entity

Rural Funds Management Limited
ABN 65 077 492 838
AFSL 226 701

Level 2, 2 King Street
Deakin Act 2600

www.ruralfunds.com.au

Telephone (Investor Services)
1800 026 665

Telephone (Adviser Services)
1300 880 295

Facsimile
1800 625 518