# Australian Wine Fund

## Financial Statements

For the Year Ended 30 June 2012

Rural Funds Management

## DIRECTORY

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

**CONTENTS**

# RFM Australian Wine Fund

**ARSN 099 573 485**

**Directors of the Responsible Entity's Report**

**30 June 2012**

The Directors of Rural Funds Management Limited ("RFM"), Responsible Entity of RFM Australian Wine Fund ("AWF" 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 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 production, harvest and sale of wine grapes.

## Trust information

AWF is a registered Australian managed investment trust, and was constituted in 2002. 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.

AWF was formerly called the RFM Ultra Premium Vineyard Fund ("UPVF"). The name was changed on 3 March 2011 subsequent to the merger between UPVF and the Agricultural Income Trust Fund 1 ("AIT") which completed on 28 February 2011. As part of the merger transaction, AIT unitholders relinquished their AIT units and were issued with 1 UPVF unit for every 1.0235 AIT units held. The AIT continues to exist as an entity, however all AIT units are wholly owned by the AWF. RFM is the Responsible Entity of AIT.

# RFM Australian Wine Fund

**ARSN 099 573 485**

**Directors of the Responsible Entity's Report**

**30 June 2012**

## Review of Results and Operations

### Operating Results

The consolidated profit after income tax attributable to unitholders for the financial year ended 30 June 2012 amounted to $3,151,556 (2011: loss $(1,972,080)).

The vineyards were independently valued in June 2012 by Gaetjens Pickett Valuers and values increased from the June 2011 valuations by $1,500,000 (2012: $33.3m v 2011: $31.8m). The directors believe the valuation reflects stability in the marketplace for vineyard sales.

### Distributions

There have been no distributions paid or declared during the year ended 30 June 2012.

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

**Performance**

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Distribution return | 0.00% | 0.00% | -0.00% | 1.71% | 0.00% |
| Growth return | 9.31% | -40.71% | -0.58% | -48.10% | -9.10% |
| Total return | 9.31% | -40.71% | -0.58% | -46.39% | -9.10% |
| Grossed Up Distribution | 0.00% | 0.00% | 0.00% | 1.71% | 0.00% |
| Grossed Up Total Return | 9.31% | -40.71% | -0.58% | -46.39% | -9.10% |

The growth return is calculated as the return derived by a unitholder due to changes in AWF's unit price 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.

### Indirect cost ratio

The Indirect Cost Ratio (ICR) is the ratio of the Group's management costs over the Group'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 Group, 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 2.89% (2011:5.37%).

# RFM Australian Wine Fund

**ARSN 099 573 485**

**Directors of the Responsible Entity's Report**

**30 June 2012**

### 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 and payable to RFM $287,363 (2011: $189,780)
- Asset management fee for the financial year paid to RFM $191,345 (2011: $150,826)
- Expenses incurred by RFM and reimbursed by the Trust in accordance with the Trust's constitution $732,732 (2011: $871,831)

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

### Unit prices

The ex-distribution exit prices and the highest and lowest exit prices for the AWF 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 30 June | 0.3569 | 0.3265 | 0.5492 | 0.5524 | 1.0643 |
| Year to 30 June | | | | | |
| High | 0.3569 | 0.5426 | 0.5743 | 0.9510 | 1.1382 |
| Low | 0.3216 | 0.3256 | 0.5325 | 0.5524 | 1.0643 |

### Units on issue

70,572,756 units of AWF were on issue at 30 June 2012 (2011: 70,483,642). During the year 89,114 (2011: 49,310) units were issued by the Trust and no units (2011: nil) were redeemed.

### Trust assets

At 30 June 2012 the consolidated group held assets to a total value of $40,475,645 (2011: $37,463,614). The basis for valuation of the assets is disclosed in Note 1 to the financial statements.

### 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.

## Likely developments and expected results

Despite challenging vintage conditions in 2011 and 2012, the AWF continues to demonstrate the ability of its vineyards to produce increasingly high quality fruit in greater volumes. The AWF has now produced Grange quality fruit in four consecutive years, and very substantial quantities of fruit for other premium wine labels. This trend of rising quantities of high quality fruit has positioned the AWF for profitability with more normal vintage conditions, as the market for high quality fruit tightens.

Due to the improved operating result from the 2012 harvest, it is expected that the Group will meet the costs of the 2013 harvest out of operating cashflow.

## Environmental regulation and performance

The operations of the Group are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Group.

## Indemnification of Responsible Entity and Custodian

In accordance with the constitution of AWF, 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.

AWF 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 the AWF, Boyce Assurance Services Pty Limited, and can be found on page 44 of the Financial Report.

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

David Bryant
Director

Dated: 28 September 2012

# RFM Australian Wine Fund

**ARSN 099 573 485**

**Independent Audit Report to the unitholders of RFM Australian Wine Fund**

## Report on the Financial Report

We have audited the accompanying financial report of RFM Australian Wine 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 Trust's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

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BOYCE
ASSURANCE SERVICES

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# RFM Australian Wine Fund

**ARSN 099 573 485**

**Independent Audit Report to the unitholders of RFM Australian Wine Fund**

**Independence**

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 has been provided to the Directors of the Responsible Entity of RFM Australian Wine Fund on the date of this auditor's report.

**Auditor's Opinion**

In our opinion:

(a) the financial report of RFM Australian Wine Fund and its controlled entity 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

# RFM Australian Wine Fund

**ARSN 099 573 485**

**Directors of the Responsible Entity's Declaration**

In accordance with a resolution of the directors of the Responsible Entity of RFM Australian Wine 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 and Consolidated Entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards, Corporations Regulations 2001 and the Trust's constitution; and

(b) There are reasonable grounds to believe that the 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 Australian Wine Fund

**ARSN 099 573 485**

**Statement of Comprehensive Income**

**For the Year Ended 30 June 2012**

| | Note | 2012<br>$ | 2011<br>$ |
|---|---|---|---|
| Revenue | 4 | **7,532,953** | 5,643,373 |
| Other income | 5 | **96,121** | 7,400 |
| Direct cropping expenses | | **(1,992,425)** | (2,877,504) |
| Employee costs | | **(823,820)** | (576,104) |
| Depreciation and impairments | 7 | **(587,316)** | (804,329) |
| Increase/(decrease) in the value of biological assets | 14 | **2,168,414** | (488,484) |
| Management fees | 26 | **(478,708)** | (340,606) |
| Property rates and rentals | | **(689,782)** | (416,314) |
| Repairs and maintenance | | **(94,869)** | (59,199) |
| Professional fees | | **(339,283)** | (566,054) |
| Other expenses | | **(465,442)** | (461,969) |
| Finance costs | 7 | **(1,183,479)** | (970,019) |
| **Profit/(loss) before income tax** | | **3,142,364** | (1,909,809) |
| Income tax expense | 9 | **9,192** | (62,271) |
| **Profit/(loss) after income tax** | | **3,151,556** | (1,972,080) |
| **Other comprehensive income** | | | |
| Revaluation decrement | 24 | **(259,172)** | - |
| Income tax relating to components of other comprehensive income | 24 | **(2,437)** | - |
| **Other comprehensive income for the year, net of tax** | | **(261,609)** | - |
| **Total comprehensive gain/(loss) for the period, representing net change attributable to unitholders** | | **2,889,947** | (1,972,080) |

The accompanying notes form part of these financial statements.

# RFM Australian Wine Fund

**ARSN 099 573 485**

**Statement of Financial Position**

**As At 30 June 2012**

| | Note | 2012 $ | 2011 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 10 | **2,667,196** | 2,179,584 |
| Trade and other receivables | 11 | **2,948,058** | 2,292,802 |
| Inventories | 12 | **157,754** | 59,490 |
| Biological assets | 14 | **405,083** | 416,042 |
| Other current assets | 15 | **242,437** | 217,218 |
| **Total current assets** | | **6,420,528** | 5,165,136 |
| **Non-current assets** | | | |
| Investments | 13(c) | **1,689,768** | 1,466,265 |
| Derivative financial assets | 13(a) | **-** | 103,573 |
| Property, plant and equipment | 16 | **19,664,155** | 20,195,776 |
| Intangible assets | 17 | **81,529** | 81,613 |
| Biological assets | 14 | **12,619,665** | 10,451,251 |
| **Total non-current assets** | | **34,055,117** | 32,298,478 |
| **TOTAL ASSETS** | | **40,475,645** | 37,463,614 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **267,656** | 504,194 |
| Interest bearing liabilities | 19 | **842,063** | 67,930 |
| Short-term provisions | 20 | **75,983** | 73,337 |
| **Total current liabilities** | | **1,185,702** | 645,461 |
| **Non-current liabilities** | | | |
| Interest bearing liabilities | 19 | **13,541,889** | 14,119,751 |
| Derivative financial liabilities | 13(b) | **124,992** | - |
| Long-term provisions | 20 | **15,895** | 25,898 |
| **Total non-current liabilities** | | **13,682,776** | 14,145,649 |
| **TOTAL LIABILITIES (excluding net assets attributable to unit holders)** | | **14,868,478** | 14,791,110 |
| Net assets attributable to unit holders | | **25,607,167** | 22,672,504 |
| **TOTAL LIABILITIES** | | **40,475,645** | 37,463,614 |

The accompanying notes form part of these financial statements.

# RFM Australian Wine Fund

**ARSN 099 573 485**

**Statement of Changes in Net Assets Attributable to Unitholders**

**For the Year Ended 30 June 2012**

**2012**

| | Issued units | Asset Revaluation Reserve | Retained Earnings | Net assets attributable to unitholders |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Balance at 1 July 2011 | **31,347,643** | **1,412,192** | **(10,087,331)** | **22,672,504** |
| Profit/(loss) after tax attributable to unitholders | **-** | **-** | **3,151,556** | **3,151,556** |
| Other comprehensive income (net of tax) | **-** | **(261,609)** | **-** | **(261,609)** |
| Equity issue costs (net of tax) | **15,763** | **-** | **-** | **15,763** |
| Units issued during the year | **28,953** | **-** | **-** | **28,953** |
| Sub-total | **44,716** | **(261,609)** | **3,151,556** | **2,934,663** |
| Balance at 30 June 2012 | **31,392,359** | **1,150,583** | **(6,935,775)** | **25,607,167** |

**2011**

| | Issued units | Asset Revaluation Reserve | Retained Earnings | Net assets attributable to unitholders |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Balance at 1 July 2010 | 14,107,519 | 1,412,192 | (8,115,251) | 7,404,460 |
| Shares issued as a result of acquisition of subsidiary | 11,260,099 | - | - | 11,260,099 |
| Profit/(loss) after tax attributable to unitholders | - | - | (1,972,080) | (1,972,080) |
| Equity issue costs (net of tax) | (145,301) | - | - | (145,301) |
| Units issued during the year | 6,125,326 | - | - | 6,125,326 |
| Sub-total | 17,240,124 | - | (1,972,080) | 15,268,044 |
| Balance at 30 June 2011 | 31,347,643 | 1,412,192 | (10,087,331) | 22,672,504 |

The accompanying notes form part of these financial statements.

# RFM Australian Wine Fund

**ARSN 099 573 485**

**Statement of Cash Flows**

**For the Year Ended 30 June 2012**

| | Note | 2012 $ | 2011 $ |
|---|---|---|---|
| **Cash from operating activities:** | | | |
| Receipts from customers | | **6,745,130** | 4,545,324 |
| Payments to suppliers and employees | | **(5,229,441)** | (3,481,805) |
| Interest received | | **33,838** | 41,570 |
| Interest paid | | **(996,825)** | (911,935) |
| **Net cash provided by / (used in) operating activities** | 28 | **552,702** | 193,154 |
| **Cash flows from investing activities:** | | | |
| Purchase of biological assets | 14 | **-** | (167,141) |
| Purchase of property, plant and equipment | 16 | **(415,530)** | (31,547) |
| Cash on acquisition | 6 | **-** | 194,241 |
| Proceeds from sale of non current assets | | **93,759** | - |
| **Net cash provided by / (used in) investing activities** | | **(321,771)** | (4,447) |
| **Cash flows from financing activities:** | | | |
| Proceeds from issue of units | | **37,890** | 6,125,326 |
| Refund of costs / (costs) in relation to unit issues | | **22,519** | (207,572) |
| Proceeds from borrowings | | **315,901** | 14,000,000 |
| Repayment of borrowings | | **(119,629)** | (19,543,623) |
| Other borrowings | | **-** | 19,061 |
| **Net cash provided by / (used in) financing activities** | | **256,681** | 393,192 |
| **Net increase (decreases) in cash and cash equivalents** | | **487,612** | 581,899 |
| Cash and cash equivalents at beginning of year | | **2,179,584** | 1,597,685 |
| **Cash and cash equivalents at end of year** | 10(a) | **2,667,196** | 2,179,584 |

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, 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 Australian Wine Fund ("AWF" or the "Trust") as an individual parent entity and AWF and its controlled entity as an economic entity. AWF is a Trust, established and domiciled in Australia.

The financial report of AWF 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.

AWF is a registered Australian managed investment trust, and was constituted in 2002. Rural Funds Management Ltd ("RFM"), the Responsible Entity of the Trust is incorporated and domiciled in Australia. The registered office of the Responsible Entity is Level 2, 2 King Street, Deakin, ACT 2600.

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

### (b) Going Concern

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

### (c) Reporting Basis and Conventions

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

### (d) Statement of Compliance

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

### (e) Basis of Consolidation

#### (i) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by RFM Australian Wine Fund at the end of the reporting period. A controlled entity is any entity over which RFM Australian Wine 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.

1 **Summary of Significant Accounting Policies (continued)**

**(e) Basis of Consolidation (continued)**

**(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 conform to those used by the Trust for like transactions and events in similar circumstances.

**(f) Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination, one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

1 **Summary of Significant Accounting Policies (continued)**

**(f) Business Combinations (continued)**

The consideration transferred for a business combination shall form the cost of the investment in the separate financial statements. Such consideration is measured at fair value at acquisition date and consists of the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

**(g) Cash and Cash Equivalents**

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

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

**(h) 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 over a period of 6 months in accordance with grape sale contracts.

**(i) Inventories**

Inventory is stated at the lower of cost and net realisable value. The Group's inventory is constantly monitored for obsolescence.

1 **Summary of Significant Accounting Policies (continued)**

**(j) Biological Assets**

Grape vines are measured at their fair value. The fair value of vineyards, including land, grapevines, and other vineyard infrastructure, is determined by an independent valuer, using the present value of expected net cash flows from the vineyards, discounted using a pre-tax market determined rate. The fair value of land and other vineyard infrastructure is deducted from the fair value of vineyards, to determine the fair value of grape vines.

Changes in fair value of grape vines are recognised in the income statement in the year they arise.

Key assumptions have been outlined in Note 2.

**(k) Investments in Available for Sale Securities**

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale. After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

**(l) Property, Plant and Equipment**

**(i) General Information**

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

**(ii) Property**

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

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

Revaluations of land and buildings:

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

## 1 Summary of Significant Accounting Policies (continued)

### (l) Property, Plant and Equipment (continued)

#### (ii) Property (continued)

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) Plant and equipment

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

#### (iv) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the 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 |
|---|---|
| Buildings | 2.5-5% |
| Plant and Equipment | 10-33% |
| Furniture, Fixtures and Fittings | 10-20% |
| Trellising | 2.5% |
| Irrigation system | 5% |

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.

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

1 **Summary of Significant Accounting Policies (continued)**

**(n) Financial Instruments**

**(i) Recognition**

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

**(iii) Financial liabilities**

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

**(iv) Fair value**

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

**(o) 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.

**(p) 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.

**(q) 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.

**(r) 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)**

**(s) 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.

**(t) Terms and Conditions on Units**

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

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

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

**(u) Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers when risk and reward of ownership transfers.

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

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.
All revenue is stated net of the amount of goods and services tax (GST).

**(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 Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the 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.

## 1 Summary of Significant Accounting Policies (continued)

### (x) Income Tax

The charge for current income tax expense is based on the adjusted profit 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 income statement 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 consolidated group 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.

1 **Summary of Significant Accounting Policies (continued)**

**(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.<br><br>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.<br><br>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.<br><br>The entity has not yet determined the magnitude of any changes which may be needed.<br><br>Some additional disclosures will be needed. |
| AASB 2011-9 - Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income. | 30 June 2013 | Entities will be required to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). | The items shown in other comprehensive income will be separated into two categories. |

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 119 Employee Benefits (September 2011)<br><br>AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements | 30 June 2014 | The main changes in this standard relate to the accounting for defined benefit plans and are as follows:<br><br>- elimination of the option to defer the recognition of gains and losses (the 'corridor method');<br><br>- requiring remeasurements to be presented in other comprehensive income; and<br><br>- enhancing the disclosure requirements. | Since the entity does not have a defined benefit plan, the adoption of these standards will not have any impact. |

## 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.

### Valuations

Valuations of the vineyard properties have been provided by an independent valuer, Gaetjens Pickett Valuers. The valuation is provided on a "value-in-use" assumption as compared to sales of similar assets in the market. A discounted cash flow of the future economic benefits generated by each property is calculated in order to verify the valuation. The valuer then uses judgement to allocate the value over land, water assets and the vineyard including the vines and the infrastructure.

A judgement is made on how to allocate vineyard revaluation increments or decrements to either the biological assets or property plant and equipment. Information is provided by external valuation regarding the vineyard value per hectare which covers the vines and vineyard infrastructure. It is assumed that the value of the vineyard infrastructure, being the trellis, irrigation, shedding and other plant and equipment is at written down value. Therefore the remainder of the vineyard value per hectare is applied to the biological asset.

**Valuation of Barossa infrastructure Limited (BIL) shares**

The shares in BIL have been valued using the number of mega litres of water that the Group is entitled to under the BIL scheme as supported by an external valuation on an in use basis, as noted above. This basis has been used due to a lack of evidence of trading in BIL shares.

**Allowance for Doubtful Debts**

A provision has been made against an outstanding receivable as at 30 June 2012, all of which relates to 2012 harvest revenue. An amount of $262,952 has been classified as doubtful and an allowance for that amount made against trade debtors accordingly.

## 3 Going Concern

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

AWF Cash Flow forecasts for 2012 and 2013 are based on a return to normal growing and harvest events and indicate a return to positive cash flows, growing year on year. Such cashflows will allow AWF to repay borrowings and bring gearing down to the required limit of 40% by June 2013. To reach this target it is required that there be no further decrement in independent valuations of the vineyards and associated water assets.

The going concern issues that surrounded AWF have significantly improved due to strong trading results and increased property valuations.

## 4 Revenue

| | 2012 | 2011 |
|---|---|---|
| | $ | $ |
| Sale of grapes | **7,499,115** | 5,601,803 |
| Interest received | **33,838** | 41,570 |
| **Total** | **7,532,953** | 5,643,373 |

## 5 Other Income

| | | |
|---|---|---|
| Other income | **96,121** | 7,400 |
| **Total** | **96,121** | 7,400 |

## 6 Business Combinations

On 28 February 2011, the Trust acquired a 100% interest of Agricultural Income Trust Fund 1 and resulted in RFM Australian Wine Fund obtaining control of Agricultural Income Trust Fund 1. The following table shows the assets acquired, liabilities assumed and the purchase consideration at the acquisition date.

| | Fair value<br>$ |
|---|---|
| Purchase consideration | 11,260,099 |
| Less: Identifiable assets acquired | 10,812,455 |
| Goodwill | 447,644 |
| Impairment | (447,644) |
| | - |

Revenue of Agricultural Income Trust Fund 1 included in the consolidated revenue of the Group from the acquisition date of 28 February 2011 to 30 June 2011 amounted to $ 3,125,450 with a profit of $ 32,408.

## 7 Profit from Ordinary Activities

**Expenses**

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Finance Costs:** | | |
| External | **954,915** | 911,936 |
| Movement in value of interest rate swap derivative | **228,564** | 58,083 |
| **Total finance costs** | **1,183,479** | 970,019 |
| **Depreciation and impairments:** | | |
| Depreciation - Property, plant and equipment (Note 17) | **459,364** | 287,254 |
| Impairment of goodwill on business combination | **-** | 447,646 |
| Impairment - Property, plant and equipment | **5,112** | - |
| Impairment - Intangibles | **84** | - |
| Doubtful debt expense | **122,756** | 69,429 |
| **Total depreciation and impairments** | **587,316** | 804,329 |

## 8 Auditor's Remuneration

| | | |
|---|---|---|
| - Auditing or reviewing the financial report | **78,047** | 47,793 |
| - Taxation and other services | **21,594** | 14,776 |
| **Total** | **99,641** | 62,569 |

## 9 Income Tax Expense

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

| | 2012 | 2011 |
|---|---|---|
| | $ | $ |
| Current tax | **317,315** | (336,829) |
| Originating and reversing temporary differences | **559,027** | (236,113) |
| Previously unrecognised deferred tax assets to reduce current tax expense | **(317,315)** | 336,829 |
| Adjustments in respect of deferred income tax of previous years | **67,177** | 6 |
| Derecognition of losses to offset temporary differences | **(635,396)** | 298,378 |
| **Income tax expense reported in the income statement** | **(9,192)** | 62,271 |

### (b) Amounts charged or credited directly to equity

| | 2012 | 2011 |
|---|---|---|
| Revaluations | **2,437** | - |
| Capitalised issue costs | **6,755** | (62,271) |
| **Total** | **9,192** | (62,271) |

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

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the trusts applicable income tax rate is as follows:

| | 2012 | 2011 |
|---|---|---|
| Accounting profit / (loss) before tax | **3,142,364** | (1,909,809) |
| At the statutory income tax rate of 30% (2011: 30%) | **942,709** | (572,943) |
| Impairment of assets tax effected at 15% | **(66,367)** | - |
| Adjustments in respect of current income tax of previous years | **67,177** | 6 |
| Derecognition of deferred tax assets | **(952,711)** | 635,208 |
| **Total** | **(9,192)** | 62,271 |

### (d) Franking credits

There are no franking credits accumulated available for future distributions.

## 10 Cash and Cash Equivalents

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Cash at bank | **2,667,196** | 2,179,584 |
| | **2,667,196** | 2,179,584 |

### (a) Reconciliation of Cash

| **Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:** | | |
|---|---|---|
| Cash and cash equivalents | **2,667,196** | 2,179,584 |
| | **2,667,196** | 2,179,584 |

## 11 Trade and Other Receivables

| **CURRENT** | | |
|---|---|---|
| Trade debtors | **3,193,352** | 2,464,002 |
| Provision for impairment | **(262,952)** | (203,324) |
| | **2,930,400** | 2,260,678 |
| Other receivables | **17,658** | 32,124 |
| | **2,948,058** | 2,292,802 |

Trade debtors are non-interest bearing and reflect the outstanding balance of the harvest grape proceeds as per the various grape sales contracts with wineries. The majority of contracts require payments in three equal instalments of which the last payment is due at the end of September in each year.

A provision for impairment of receivables of $262,952 has been made at 30 June 2012. The amount is in regard to the 2012 harvest and relates to 1 winery. The winery continues to make regular payments, however the winery has a history of slow payment and is currently not paying in accordance with the contracts.

## 12 Inventories

| **CURRENT** | | |
|---|---|---|
| **At Cost** | | |
| Chemical stock on hand | **45,434** | 59,490 |
| Grapes on hand retained for winemaking | **112,320** | - |
| | **157,754** | 59,490 |

## 13 Financial Assets/(Liabilities)

### (a) Held for Trading Derivative Financial Assets

| | 2012 $ | 2011 $ |
|---|---|---|
| Derivative financial assets | **-** | 103,573 |
| | **-** | 103,573 |

### (b) Held for Trading Derivative Financial Liabilities

| | 2012 $ | 2011 $ |
|---|---|---|
| Derivative financial liabilities | **124,992** | - |
| | **124,992** | - |

Gains and losses arising from changes in net fair value of interest rate swaps are recognised in the statement of comprehensive income in the period in which they arise. Terms and conditions are detailed at Note 22.

### (c) Available for Sale Financial Assets

| | 2012 $ | 2011 $ |
|---|---|---|
| Unlisted shares in Barossa Infrastructure Ltd - at fair value | **1,689,768** | 1,466,265 |
| | **1,689,768** | 1,466,265 |

The shares in Barossa Infrastructure Limited have been derived from the valuation provided by Gaetjens Pickett Valuers at 30 June 2012. The valuation is provided on a "value-in-use" assumption as compared to sales of similar assets in the market. A discounted cash flow of the future economic benefits generated by each property is calculated in order to verify the valuation. The valuer then uses judgement to allocate the value over land, water assets and the vineyard including the vines and the infrastructure. The value of water assets for the Geier and Hahn properties is assigned to the value of the Barossa Infrastructure Limited shares that provide the right to high security water.

# RFM Australian Wine Fund

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**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

## 14 Biological assets

| | Vines Kleinig | Vines Rosebank | Vines Dohnt | Grapes on vine | Vines Adelaide Hills | Vines Geier | Vines Hahn | Total |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | | |
| Opening balance 1 July 2011 | **3,239,325** | **381,174** | **566,226** | **416,042** | **1,252,066** | **4,204,268** | **808,192** | 10,867,293 |
| Additions/purchases | **-** | **-** | **-** | **405,083** | **-** | **-** | **-** | 405,083 |
| Revaluation | **1,648,034** | **157,428** | **(72,723)** | **-** | **301,105** | **117,485** | **17,085** | 2,168,414 |
| **Movements in vines** | | | | | | | | |
| Transfers to inventories | **-** | **-** | **-** | **(112,320)** | **-** | **-** | **-** | (112,320) |
| Decreases due to sales | **-** | **-** | **-** | **(303,722)** | **-** | **-** | **-** | (303,722) |
| **Balance at 30 June 2012** | **4,887,359** | **538,602** | **493,503** | **405,083** | **1,553,171** | **4,321,753** | **825,277** | **13,024,748** |
| Opening balance 1 July 2010 | **3,392,686** | **347,229** | **565,332** | **128,613** | **-** | **-** | **-** | 4,433,860 |
| Additions/purchases | **-** | **-** | **-** | **167,140** | **-** | **-** | **-** | 167,140 |
| Additions through business combinations | **-** | **-** | **-** | **2,461,302** | **1,161,415** | **4,052,145** | **777,110** | 8,451,972 |
| **Movements in vines** | | | | | | | | |
| Increase / (Decrease) due to biological transformation | **(153,361)** | **33,945** | **894** | **(235,503)** | **90,651** | **152,123** | **31,082** | (80,169) |
| Decreases due to sales | **-** | **-** | **-** | **(2,105,510)** | **-** | **-** | **-** | (2,105,510) |
| **Balance at 30 June 2011** | **3,239,325** | **381,174** | **566,226** | **416,042** | **1,252,066** | **4,204,268** | **808,192** | **10,867,293** |

## 14 Biological Assets (continued)

### Analysis of Biological Assets

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Current | **405,083** | 416,042 |
| Non-current | **12,619,665** | 10,451,251 |
| | **13,024,748** | 10,867,293 |

Biological assets consist of grape vines and grapes on the vines. The Group grows vines for the purpose of producing and selling winegrapes to wineries. Vineyards are located in South Australia and Victoria. Harvest occurs between February and April each year.

At 30 June 2012, the Group owned vines on 667.78 hectares of land (2011: 667.78 hectares). During the year ended 30 June 2012 the Group harvested 3,327 tonnes of winegrapes (2011: 3,599 tonnes).

The fair value less estimated point of sales costs of grape vines is determined by independent valuation by Gaetjens Pickett Valuers at balance date. Significant assumptions applied in this determination of fair value are:

| | 2012 | 2011 |
|---|---|---|
| Average remaining life of vines | >15 years | >15 years |
| Average annual yield per hectare of mature vineyards (tonnes/ha) | 7.94 | 5.41 |
| Pre tax average real rate at which net cashflows are discounted | 15% | 15% |
| Annual rate of inflation (costs) | 3.0% | 3.0% |
| Annual rate of grape price increases | 2.0% | 2.0% |
| Average grape prices/tonne (current year) | $2,254 | $1,566 |
| Average maintenance costs/hectare | $7,321 | $7,400 |

Grape vines are pledged as security for interest bearing non-current loans as disclosed in Note 19.

The Group is exposed to financial risks in respect of agricultural activity. The agricultural activity of the Group consists of the management of vineyards to produce grapes for sale to wineries. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of grape vines and on harvesting grapes, and ultimately receiving cash from the sale of grapes from third parties. The Group's strategy to manage this financial risk is to actively review and manage its working capital requirements. In addition, AWF maintains credit facilities at a level sufficient to fund the Group's working capital during the period between cash expenditure and cash inflow.

# RFM Australian Wine Fund

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**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

## 15 Other Assets

| | 2012 $ | 2011 $ |
|---|---|---|
| **CURRENT** | | |
| Prepayments | **242,437** | 217,218 |
| **TOTAL** | **242,437** | 217,218 |

## 16 Property Plant and Equipment

| | 2012 $ | 2011 $ |
|---|---|---|
| **LAND, BUILDINGS AND IMPROVEMENTS** | | |
| Freehold land at independent valuation | **3,865,828** | 4,431,394 |
| Kleinig | **1,050,241** | 964,355 |
| Rosebank | **430,228** | 504,460 |
| Dohnt | **1,479,568** | 1,468,852 |
| Geier | **4,506,865** | 4,712,406 |
| Hahn | **917,830** | 932,498 |
| Buildings | **469,797** | 222,354 |
| Less accumulated depreciation | **-** | (22,203) |
| Total land and buildings | **12,720,357** | 13,214,116 |
| At cost | **1,229,210** | 1,228,939 |
| Under lease | **(415,030)** | (368,827) |
| Total improvements | **814,180** | 860,112 |
| **Total land, buildings and improvements** | **13,534,537** | 14,074,228 |
| **PLANT AND EQUIPMENT** | | |
| **Trellis, irrigation system and shedding** | | |
| At cost | **8,519,928** | 8,553,678 |
| Less accumulated depreciation | **(3,145,427)** | (2,849,084) |
| Total trellis, irrigation system and shedding | **5,374,501** | 5,704,594 |
| **Plant and equipment** | | |
| At cost | **1,233,747** | 941,774 |
| Less accumulated depreciation | **(699,973)** | (650,912) |
| Total plant and equipment | **533,774** | 290,862 |
| **Motor vehicles** | | |
| At cost | **376,733** | 253,177 |
| Less accumulated depreciation | **(155,390)** | (127,085) |
| Total motor vehicles | **221,343** | 126,092 |
| **Total property, plant and equipment** | **19,664,155** | 20,195,776 |

# RFM Australian Wine Fund

**ARSN 099 573 485**

**Notes to the Financial Statements**

**For the Year Ended 30 June 2012**

**16 Property Plant and Equipment (continued)**

**(a) Movements in Carrying Amounts**

| | Land and buildings | Improvements and infrastructure | Trellis, irrigation & shedding | Plant and equipment | Motor Vehicles | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Current Year** | | | | | | |
| Balance at the beginning of the year | **$ 13,214,116** | **$ 860,112** | **$ 5,704,594** | **$ 290,862** | **$ 126,092** | $ 20,195,776 |
| Additions | **-** | **-** | **-** | **291,973** | **123,557** | 415,530 |
| Devaluation adjustments in equity | **(482,675)** | **-** | **-** | **-** | **-** | (482,675) |
| Devaluation adjustments in income | **(5,112)** | **-** | **-** | **-** | **-** | (5,112) |
| Depreciation | **(5,972)** | **(45,932)** | **(330,093)** | **(49,061)** | **(28,306)** | (459,364) |
| **Balance at 30 June 2012** | **$ 12,720,357** | **$ 814,180** | **$ 5,374,501** | **$ 533,774** | **$ 221,343** | **$ 19,664,155** |
| | | | | | | |
| **Prior Year** | | | | | | |
| Balance at the beginning of the year | $ 5,900,209 | $ 766,470 | $ 2,496,513 | $ 33,264 | $ - | $ 9,196,456 |
| Additions | - | - | - | - | 31,500 | 31,500 |
| Additions through acquisition of entity | 7,315,837 | 137,839 | 3,417,731 | 285,394 | 98,273 | 11,255,074 |
| Depreciation | (1,930) | (44,197) | (209,650) | (27,796) | (3,681) | (287,254) |
| **Balance at 30 June 2011** | $ 13,214,116 | $ 860,112 | $ 5,704,594 | $ 290,862 | $ 126,092 | $ 20,195,776 |

An independent valuation was performed for the revaluation of vineyard assets as at 30 June 2012 by Gaetjens Pickett Valuers.

For the basis and assumptions of the valuation refer to Biological Assets Note 14.

The carrying value of land if it had been carried under the cost model would be $11,456,670.

## 17 Intangible Assets

| | 2012 | 2011 |
|---|---|---|
| | $ | $ |
| Water licences | **81,529** | 81,613 |
| **Total** | **81,529** | 81,613 |

The intangible asset represents the value of a 130ML water licence with Grampians Wimmera Mallee Water Authority which is currently utilised for irrigating the Rosebank vineyard at Grampians, Victoria. An external valuation was obtained from Gaetjens Picketts Valuer in June 2012 on an unencumbered basis.

## 18 Trade and Other Payables

| | 2012 | 2011 |
|---|---|---|
| **CURRENT** | | |
| Unsecured liabilities | | |
| Trade payables | **165,410** | 468,132 |
| Sundry payables and accrued expenses | **102,246** | 36,062 |
| | **267,656** | 504,194 |

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

## 19 Interest Bearing Liabilities

| | 2012 | 2011 |
|---|---|---|
| **CURRENT** | | |
| **Secured liabilities** | | |
| Equipment finance loans | **142,063** | 67,930 |
| Bills of exchange | **700,000** | - |
| | **842,063** | 67,930 |
| **NON-CURRENT** | | |
| **Secured liabilities** | | |
| Equipment finance loans | **241,889** | 119,751 |
| Bank loans | **13,300,000** | 14,000,000 |
| | **13,541,889** | 14,119,751 |

**(a) Total current and non-current secured liabilities**

| | 2012 | 2011 |
|---|---|---|
| Equipment finance loans | **383,952** | 187,681 |
| Bills of Exchange | **14,000,000** | 14,000,000 |
| | **14,383,952** | 14,187,681 |

## 19 Interest Bearing Liabilities (continued)

### (a) Total current and non-current secured liabilities (continued)

The bills of exchange are secured by:

- A fixed and floating charge over the assets and undertakings of Rural Funds Management Limited as responsible entity for AWF;

- Guarantee and Indemnity from Rural Funds Management Limited as responsible entity for the AIT, supported by:
  - A fixed and floating charge over the assets and undertakings of Rural Funds Management Limited as responsible entity for AIT;

- Guarantee and Indemnity from Australian Executor Trustees Limited as custodian for the AWF, supported by:
  - A registered first mortgage from Australian Executor Trustees Limited as custodian for the AWF over Kleinig, Rosebank and Dohnt vineyards; and
  - A fixed and floating charge over the assets and undertakings of Australian Executor Trustees Limited as custodian for AWF;

- Guarantee and Indemnity from Australian Executor Trustees Limited as custodian for the AIT, supported by:
  - A registered first mortgage from Australian Executor Trustees Limited as custodian for the AIT over Geier, Hahn, Mundy and Murphy vineyards; and
  - A fixed and floating charge over the assets and undertakings of Australian Executor Trustees Limited as custodian for AIT;

- A registered charge over any water right, licence, allocation or entitlement situation on or benefiting the vineyards held as security.

The bills of exchange are accepted and discounted at the National Australia Bank's floating rate plus a facility fee of 2%.

The covenants within the bank borrowings require the maintaining of a maximum gearing ratio of 45% up to 30 June 2013 and thereafter to be 40%.

The loan facility expires on 31 May 2026.

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

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Floating charge over assets including investments at market value | **33,300,000** | 31,800,000 |
| | **33,300,000** | 31,800,000 |

## 20 Provisions

| | 2012 $ | 2011 $ |
|---|---|---|
| **CURRENT** | | |
| Employee entitlements | **75,983** | 73,337 |
| **Total** | **75,983** | 73,337 |
| **NON-CURRENT** | | |
| Employee entitlements | **15,895** | 25,898 |
| **Total** | **15,895** | 25,898 |

## 21 Deferred Tax

### (a) Deferred Tax Liabilities

| | 2012 $ | 2011 $ |
|---|---|---|
| Biological assets | **3,669,827** | 3,022,788 |
| Derivatives | **-** | 31,072 |
| Fair-valued land and buildings (including depreciation) | **479,224** | 497,767 |
| Accelerated depreciation - property, plant and equipment | **1,360,123** | 1,460,392 |
| Investments | **165,483** | 131,957 |
| Equity raising costs | **-** | (12,231) |
| **Gross deferred tax liabilities** | **5,674,657** | 5,131,745 |
| Set-off of deferred tax assets | **(5,674,657)** | (5,131,745) |
| **Net deferred tax liabilities** | **-** | - |

### (b) Deferred Tax Assets

| | 2012 $ | 2011 $ |
|---|---|---|
| Accruals | **22,457** | 29,159 |
| Provisions | **27,563** | 29,771 |
| Doubtful debts | **78,885** | 60,997 |
| Equity raising costs | **41,132** | 49,817 |
| Borrowing costs | **7,131** | - |
| Derivatives | **37,497** | - |
| Unused income tax losses | **8,322,867** | 8,777,587 |
| **Gross deferred tax assets** | **8,537,532** | 8,947,331 |
| Set-off of deferred tax liabilities | **(5,674,657)** | (5,131,745) |
| Unrecognised deferred tax assets | **(2,862,875)** | (3,815,586) |
| **Net deferred tax assets** | **-** | - |

### (c) Deferred tax assets not brought to account

The Group has Australian tax losses for which no deferred tax asset is recognised on the statement of financial position of $9,542,917 (2011: $12,718,621) which are available indefinitely for offset against future taxable income and capital gains tax subject to continuing to meet relevant statutory tests.

## 21 Deferred Tax (continued)

### (c) Deferred tax assets not brought to account (continued)

These trusts are considered to be non-fixed trusts and are able to satisfy the non fixed trust loss requirements. There is however uncertainty over the treatment of managed investment trusts and proposed changes to the legislation that may result in all MIT's being classified as fixed trusts. If this eventuates the AIT losses may still pass the relevant loss recoupment rules but the AWF losses will be lost. These changes have been announced to have effect from 1 July 2014 to coincide with the general update and rewrite of the trust provisions which may also result in a change to how the trust loss rules applicable to fixed trusts operate. As these changes have not been enacted or substantially enacted the possible impact has not been reflected in the reported figures.

## 22 Financial Instruments

### 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 counterparty, or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentration of risk, the 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.

## 22 Financial Instruments (continued)

### (a) 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. AWF 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, only equipment finance loans included in the Group's debt are fixed, excluding the impact of interest rate swap contracts. If interest rate swaps are taken into consideration then 44% of the Group's debt would be considered fixed. During the year $6.5m of interest rate swaps expired.

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

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Cash | **2,667,196** | 2,179,584 |
| Bills of exchange | **(14,000,000)** | (14,000,000) |
| | **(11,332,804)** | (11,820,416) |

### (b) 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 Group has a bank loan covenant of a loan-to-valuation ratio which is not to exceed 45% of the fair market value of the owned properties. The loan covenants as detailed in Note 18(a) require the gearing ratio to be reduced to 40% by 30 June 2013.

The Responsible Entity of the Trust defines capital as unitholders' funds plus 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, and reducing distributions until the funds are available to pay them.

### (c) 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.

In respect of the parent entity, credit risk also incorporates the exposure of the Group to the liabilities of all members of the closed group under the deed of cross guarantee.

Credit risk is managed on a group basis and reviewed regularly by the finance committee. It arises from exposures to customers as well as through certain derivative financial instruments and deposits with financial institutions.

## 22 Financial Instruments (continued)

### (c) Credit Risk (continued)

As disclosed in Note 27, the Trust has significant customers and has credit risk to these customers at year end. While the Group has no historic experience of significant losses associated with these customers, one customer is noted as being regularly outside its trading terms. Along with consideration of other amounts outstanding outside trading terms a provision of $262,952 has been made.

### (d) 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.

### (e) Interest Rate Swaps Held for Trading

Interest rate swap transactions are 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 43% 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 | | | | |
| Less than 1 year | **-** | 4.23 | **-** | 6,500,000 |
| 2 to 5 years | **4.56** | 4.56 | **6,000,000** | 6,000,000 |
| | | | **6,000,000** | 12,500,000 |

The net gain/(loss) recognised on the swap derivative instruments for the year ended 30 June 2012 was $228,534 loss (2011: $58,083 loss).

### (f) 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 lease and hire purchase liabilities at 30 June 2012 closely approximates the net fair value.

The fixed interest rates range between 7.26% and 8.81% (2011: 5.0% and 8.2%).

## 22 Financial Instruments (continued)

### (g) Sensitivity analysis - Interest rate risk

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

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Change in profit** | | |
| - Increase in interest rate by 1% | **(53,328)** | (15,000) |
| - Decrease in interest rate by 1% | **53,328** | 15,000 |
| **Change in equity** | | |
| - Increase in interest rate by 1% | **(53,328)** | (15,000) |
| - Decrease in interest rate by 1% | **53,328** | 15,000 |

## 22 Financial Instruments (continued)

### (h) Maturity analysis

Maturity analysis of financial liabilities based on contractual maturity. The table below reflects all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities as of 30 June 2012.

The amounts disclosed in the table are the contractual undiscounted cash flows, except for IR Swaps 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 | | 1-2 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 | **2,667,196** | 2,179,584 | **-** | - | **-** | - | **-** | - | **-** | - | **2,667,196** | 2,179,584 |
| Trade and other receivables | **2,948,058** | 2,292,802 | **-** | - | **-** | - | **-** | - | **-** | - | **2,948,058** | 2,292,802 |
| Interest rate swaps | **-** | 103,573 | **-** | 71,381 | **-** | - | **-** | - | **-** | - | **-** | 174,954 |
| **Total Financial Assets** | **5,615,254** | 4,575,959 | **-** | 71,381 | **-** | - | **-** | - | **-** | - | **5,615,254** | 4,647,340 |
| Financial Liabilities: | | | | | | | | | | | | |
| Bills of exchange | **330,400** | 1,097,600 | **330,400** | 2,195,200 | **1,321,600** | 2,195,200 | **1,321,600** | 24,240,608 | **19,286,400** | - | **22,590,400** | 29,728,608 |
| Trade and sundry payables | **-** | 504,194 | **267,657** | - | **-** | - | **-** | - | **-** | - | **267,657** | 504,194 |
| Asset purchase Liabilities | **71,032** | 67,930 | **71,032** | 119,751 | **193,889** | - | **48,000** | - | **-** | - | **383,953** | 187,681 |
| Interest rate swaps | **-** | - | **-** | - | **124,992** | - | **-** | - | **-** | - | **124,992** | - |
| **Total Financial Liabilities** | **401,432** | 1,669,724 | **669,089** | 2,314,951 | **1,640,481** | 2,195,200 | **1,369,600** | 24,240,608 | **19,286,400** | - | **23,367,002** | 30,420,483 |

## 23 Issued Units

| | 2012 No. | 2011 No. |
|---|---|---|
| Units on issue at the beginning of the financial year | **70,483,642** | 13,635,642 |
| Units issued during the financial year | **89,114** | 49,310 |
| Subscribed for under the rights issue | **-** | 36,107,587 |
| Units exchange for AIT units under the merger with AIT | **-** | 20,691,103 |
| **Units on issue at the end of the financial year** | **70,572,756** | 70,483,642 |

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 $0.3569 (2011: $0.3232) representing $25,187,417 (2011: $22,780,313).

## 24 Asset revaluation reserve

| | Note | 2012 $ | 2011 $ |
|---|---|---|---|
| Opening balance | | **1,412,192** | 1,412,192 |
| **Current year revaluations/(devaluations)** | | | |
| Current year revaluations/(devaluations) - Property, plant and equipment | 16 | **(482,675)** | - |
| Increment in investments | | **223,503** | - |
| **Total current year revaluations/(devaluations)** | | **(259,172)** | - |
| Income tax applicable | 9(a) | **(2,437)** | - |
| | | **(261,609)** | - |
| **Asset revaluation reserve** | | **1,150,583** | 1,412,192 |

## 25 Key Management Personnel Compensation

### (a) Details of Key Management Personnel - Directors

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

David Bryant

Guy Paynter

Michael Carroll

## 25 Key Management Personnel Compensation (continued)

### (b) Other Key Management Personnel

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

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

Application Fee – 3% of the value of each application for units in the Trust.

Management Fee – 0.8% per annum of the value of group assets. Net monthly value is defined as gross assets less any investments in RFM managed entities. Up to one third of this fee is paid to licensed security dealers as a service fee. This service fee is up to 0.75% of the issued value of subscribed units.

Asset Management Fee - 5% of annual operating expenses of the farming property calculated on a monthly basis applicable.

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. In 2012 the net profit before tax of the Group exceeded 10% of the opening application price. On this basis RFM was entitled to charge the Group a performance fee. However, as the performance excess arose due to asset revaluations, reinstating previous market devaluations, RFM will not be charging any performance fees for 2012.

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.

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 Group 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.

Fees paid to RFM, the Responsible Entity, are disclosed in Note 26.

## 26 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)

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

| | 2012 | 2011 |
|---|---|---|
| | $ | $ |
| Management fee | **287,363** | 189,780 |
| Asset management fee | **191,345** | 150,826 |
| **Total management fees - RFM** | **478,708** | 340,606 |
| Expenses reimbursed to RFM | **732,732** | 871,831 |
| **Total** | **1,211,440** | 1,212,437 |
| **Debtors** | | |
| RFM Diversified Agricultural Fund | **-** | 544 |
| **Total** | **-** | 544 |
| **Creditors** | | |
| RFM | **30,384** | 399,907 |
| RFM Farming Pty Ltd | **-** | 2,250 |
| **Total** | **30,384** | 402,157 |

### (b) Custodian fees

The custodian fee is a fixed annual fee paid to the custodian Australian Executor Trustees Limited.

| | | |
|---|---|---|
| AETL | **32,954** | 9,154 |

### (c) Entities with influence over the trust

| | Units Held | % |
|---|---|---|
| RFM | 1,482,840 | 2.10 |

The units held by DAF at 30 June 2012 were Nil (2011: 24,346,613) as a result of the in-specie distribution of assets by DAF during the year. DAF no longer holds any units in the Trust.

## 27 Economic Dependence

AWF has grape growing agreements with a number of recognised wineries. 76% of the Group's grape revenue comes from contracts with Treasury Wine Estates. Therefore the Group may be economically dependent on Treasury Wine Estates, depending on market circumstances.

## 28 Cash Flow Information

**Reconciliation of Cash Flow from Operations with Profit/(loss) after Income Tax**

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Profit/(loss) for the year | **3,151,556** | (1,972,080) |
| **Non-cash flows in profit** | | |
| Depreciation | **459,364** | 287,254 |
| Gain on disposal of property, plant and equipment | **(93,759)** | - |
| Increment in biological assets | **(2,168,414)** | - |
| Goodwill impairment | **-** | 447,644 |
| Asset impairment | **5,196** | - |
| Unrealised loss on interest rate swaps | **228,564** | 58,083 |
| Debtor impairment | **59,627** | 69,428 |
| Income tax benefit offset by corresponding deferred tax liability in asset revaluation reserve/issued units | **(9,192)** | 62,271 |
| changes in assets and liabilities | | |
| (Increase)/decrease in trade and term receivables | **(723,819)** | (899,676) |
| (Increase)/decrease in prepayments | **(25,219)** | (82,040) |
| (Increase)/decrease in inventories | **(98,265)** | (28,841) |
| (Increase)decrease in short term biological assets | **10,959** | 2,185,679 |
| Increase/(decrease) in trade payables and accruals | **(236,437)** | 51,822 |
| Increase/(decrease) in provisions | **(7,459)** | 13,610 |
| **Net cashflow provided from operating activities** | **552,702** | 193,154 |

The Group has an asset purchase facility amounting to $14,000,000 (2011: $16,000,000). At 30 June 2012 $14,000,000 of the bill facility was used (2011: $14,000,000).

The facility expires on 31 May 2026.

The Group has an asset purchase facility amounting to $500,000 (2011: $500,000). At 30 June 2012 $383,952 of the asset purchase facility was used (2011: $187,681).

During the year ended 30 June 2011, NAB repaid $187,681 to release the lease from BankSA and took over the new loans as asset purchase loans.

## 29 Controlled Entities

| | Percentage Owned (%)* 2012 | Percentage Owned (%)* 2011 |
|---|---|---|
| **Subsidiaries of parent entity:** | | |
| Agricultural Income Trust Fund 1 | **100** | 100 |

On 28 February 2011 as part of a merger transaction, AIT unitholders relinquished their AIT units and were issued with 1 AWF unit for every 1.0235 AIT units held. The AIT continues to exist as an entity, however all AIT units are wholly owned by the AWF. RFM is the Responsible Entity of AIT.

## 30 Parent Entity

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

| | 2012 $ | 2011 $ |
|---|---|---|
| **Statement of Financial Position** | | |
| Assets | | |
| Current assets | **11,342,720** | 10,588,619 |
| Non-current assets | **28,963,361** | 26,501,194 |
| Total Assets | **40,306,081** | 37,089,813 |
| Liabilities | | |
| Current liabilities | **1,183,752** | 431,708 |
| Non-current liabilities | **13,514,711** | 14,018,010 |
| Total Liabilities | **14,698,463** | 14,449,718 |
| Equity | | |
| Issued units | **31,392,364** | 31,347,648 |
| Accumulated losses | **(7,270,388)** | (10,119,745) |
| Asset revaluation reserve | **1,485,192** | 1,412,192 |
| Net assets attributable to unitholders | **25,607,168** | 22,640,095 |
| **Statement of Comprehensive Income** | | |
| Total profit/(loss) for the year after income tax | **2,849,359** | (2,004,488) |
| Other comprehensive income after income tax | **73,000** | - |
| **Total comprehensive income** | **2,922,359** | (2,004,488) |

# RFM Australian Wine Fund

**ARSN 099 573 485**

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Katherine M Kelly
Director
Boyce Assurance Services Pty Limited

Cooma

Dated: 28 September 2012

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Knowledge. Insight. Experience.

## Responsible Entity

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