

# Rural Funds Group

## Pro-forma Consolidated Statement of Financial Position

As at 30 June 2013

		30 June 2013
	Note	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2(a)	2,406,814
Financial assets (incl. term deposit)	2(b)	157,204
Trade and other receivables	2(c)	2,881,038
Inventories	2(d)	1,020,933
Current assets classified as held for sale		4,179,800
Other assets		310,498
<b>TOTAL CURRENT ASSETS</b>		<b>10,956,287</b>
<b>NON-CURRENT ASSETS</b>		
Investments		7,451,253
Investment property	2(g)	18,539,824
Property, plant and equipment	2(e),3	128,868,739
Deferred tax assets		2,070,677
Intangible assets	2(h)	25,966,638
Biological assets	2(f)	50,664,090
<b>TOTAL NON-CURRENT ASSETS</b>		<b>233,561,221</b>
<b>TOTAL ASSETS</b>		<b>244,517,508</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	2(i)	1,660,676
Interest bearing liabilities	2(k)	2,367,353
Short-term provisions	2(j)	1,000,677
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,028,706</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest bearing liabilities	2(l)	91,692,000
Other non-current liabilities		1,553,125
Derivative financial liabilities		5,342,832
Deferred tax liabilities		16,861,602
Long-term provisions	2(m)	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>115,449,559</b>
<b>TOTAL LIABILITIES (excluding net assets attributable to unitholders)</b>		<b>120,478,265</b>
<b>NET ASSETS attributable to unitholders</b>	2(o)	<b>124,039,243</b>
Non controlling interest		-
<b>TOTAL LIABILITIES</b>		<b>244,517,508</b>

# Rural Funds Group

## Notes to the Pro-forma Consolidated Statement of Financial Position

As at 30 June 2013

### 1 Summary of Significant Accounting Policies

#### (a) Basis of preparation

This financial statement has been prepared based on the financial statements for the year ended 30 June 2013 of RFM Australian Wine Fund ("AWF"), RFM Chicken Income Fund ("CIF") and RFM RiverBank ("RBK") reflecting the consolidation of these entities as a result of the proposed restructure transaction. This financial statement does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial position as the full financial report.

It is recommended that the Pro-forma Consolidated Statement of Financial Position be read in conjunction with the annual financial reports for the year ended 30 June 2013 for all entities and any public announcements made by AWF, CIF and RBK during the financial year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The statement is presented in Australian dollars and all values are rounded to the nearest dollar.

All accounting policies applied to the Pro-forma Consolidated Statement of Financial Position of Rural Funds Group are consistent with those applied by each of the entities. Accordingly, these accounts should be read in conjunction with the financial statements for the year ended 30 June 2013 of each entity.

### 2 Changes to asset and liability balances to reflect the merger of RFM RiverBank, RFM Chicken Income Fund and RFM Australian Wine Fund

The three entities do not have any cross ownership prior to RFM RiverBank acquiring 100% of RFM Chicken Income Fund and RFM Australian Wine Fund. As a result, the assets and liabilities shown in the Pro-forma Consolidated Statement of Financial Position represent the summation of the balances of those assets and liabilities shown in each entity's financial statements for the year ended 30 June 2013 unless otherwise noted below.

#### (a) Cash and cash equivalents

		30 June 2013
		\$
<b>Balance as per year end financial statements</b>	<b>Note</b>	
RFM RiverBank		182,462
RFM Chicken Income Fund		2,214,709
RFM Australian Wine Fund		666,401
Balance that would have been divested had merger occurred at 30 June 2013	2(n)	(4,556,759)
Reclassification of RFM Australian Wine Fund term deposit used to fund the divestment had merger occurred at 30 June 2013	2(b)	3,900,000
<b>Pro-forma balance of cash and cash equivalents</b>		<b>2,406,814</b>

# Rural Funds Group

## Notes to the Pro-forma Consolidated Statement of Financial Position

As at 30 June 2013

(b) Financial assets (incl. term deposit)

		30 June 2013
		\$
<b>Balance as per year end financial statements</b>	<b>Note</b>	
RFM RiverBank		-
RFM Chicken Income Fund		-
RFM Australian Wine Fund		4,057,204
Reclassification of RFM Australian Wine Fund term deposit used to fund the divestment had merger occurred at 30 June 2013	2(a)	(3,900,000)
<b>Pro-forma balance of cash and cash equivalents</b>		<b>157,204</b>

Financial assets include a \$3.9 million term deposit with National Australia Bank. The term deposit would have been used to fund the divestment of the chicken growing business in RFM Chicken Income Fund had the merger occurred at 30 June 2013.

(c) Trade and other receivables

<b>Balance as per year end financial statements</b>	<b>Note</b>	
RFM RiverBank		1,761,196
RFM Chicken Income Fund		4,095,652
RFM Australian Wine Fund		1,119,842
Balance that would have been divested had merger occurred at 30 June 2013	2(n)	(4,095,652)
<b>Pro-forma balance of trade and other receivables</b>		<b>2,881,038</b>

(d) Inventory

<b>Balance as per year end financial statements</b>	<b>Note</b>	
RFM RiverBank		987,119
RFM Chicken Income Fund		73,934
RFM Australian Wine Fund		33,814
Balance that would have been divested had merger occurred at 30 June 2013	2(n)	(73,934)
<b>Pro-forma balance of inventory</b>		<b>1,020,933</b>

# Rural Funds Group

## Notes to the Pro-forma Consolidated Statement of Financial Position

As at 30 June 2013

(e) **Property, plant and equipment**

	30 June 2013
	\$
<b>Balance as per year end financial statements</b>	<b>Note</b>
RFM RiverBank	29,521,136
RFM Chicken Income Fund	99,646,127
RFM Australian Wine Fund	-
Balance that would have been divested had merger occurred at 30 June 2013	2(n) (298,524)
<b>Pro-forma balance of property, plant and equipment</b>	<b>128,868,739</b>

(f) **Biological assets**

	Grape vines	Olive trees	Almond trees	Total
	\$	\$	\$	\$
<b>Balance as per year end financial statements</b>				
RFM RiverBank	-	1,312,433	34,081,277	35,393,710
RFM Chicken Income Fund	-	-	-	-
RFM Australian Wine Fund	15,270,380	-	-	15,270,380
<b>Pro-forma balance of biological assets</b>	<b>15,270,380</b>	<b>1,312,433</b>	<b>34,081,277</b>	<b>50,664,090</b>
Current biological assets	-	-	-	-
Non-current biological assets	15,270,380	1,312,433	34,081,277	50,664,090
<b>Total biological assets</b>	<b>15,270,380</b>	<b>1,312,433</b>	<b>34,081,277</b>	<b>50,664,090</b>

(g) **Investment property**

<b>Balance as per year end financial statements</b>	
RFM RiverBank	-
RFM Chicken Income Fund	-
RFM Australian Wine Fund	18,539,824
<b>Pro-forma balance of investment property</b>	<b>18,539,824</b>

(h) **Intangible assets**

<b>Balance as per year end financial statements</b>	
RFM RiverBank	24,417,609
RFM Chicken Income Fund	1,049,000
RFM Australian Wine Fund	500,029
<b>Pro-forma balance of intangible assets</b>	<b>25,966,638</b>

# Rural Funds Group

## Notes to the Pro-forma Consolidated Statement of Financial Position

As at 30 June 2013

(i) Trade and other payables

		30 June 2013
		\$
<b>Balance as per year end financial statements</b>	<b>Note</b>	
RFM RiverBank		1,573,684
RFM Chicken Income Fund		2,586,521
RFM Australian Wine Fund		86,993
Balance that would have been divested had merger occurred at 30 June 2013	2(n)	(2,586,522)
<b>Pro-forma balance of trade and other payables</b>		<b>1,660,676</b>

(j) Short-term provisions

<b>Balance as per year end financial statements</b>	<b>Note</b>	
RFM RiverBank		-
RFM Chicken Income Fund		175,031
RFM Australian Wine Fund		-
Balance that would have been divested had merger occurred at 30 June 2013	2(n)	(174,354)
Provision for costs required to be incurred under new business model		1,000,000
<b>Pro-forma balance of short-term provisions</b>		<b>1,000,677</b>

(k) Interest bearing liabilities (current)

<b>Balance as per year end financial statements</b>	<b>Note</b>	
RFM RiverBank		5,287,752
RFM Chicken Income Fund		9,614,303
RFM Australian Wine Fund		-
Balance that would have been divested had merger occurred at 30 June 2013	2(n)	(34,702)
Balance that would have been classified as non-current had merger occurred at 30 June 2013		(12,500,000)
<b>Pro-forma balance of interest bearing liabilities</b>		<b>2,367,353</b>

Loans classified as current liabilities totalling \$12.5 million were held by RFM Chicken Income Fund (CIF) and RFM RiverBank (RBK) at 30 June 2013. CIF's \$5.0 million market rate facility with National Australia Bank (NAB) is due to be repaid on 31 December 2013; in addition to a \$4.5 million amortisation of the core facility included in the NAB covenants, due in December 2013. RBK's \$3.0 million facility is due to be repaid on 30 June 2014.

The Board of Directors have approved a term sheet for Rural Funds Group for a new banking facility with Australia and New Zealand Banking Group (ANZ). Under the new arrangement, all loans held within Rural Funds Group will be consolidated and the term of the consolidated loan will be extended. As a result, at 30 June 2013, had the merger taken effect, the three amounts noted above would not have been classified as current liabilities.

# Rural Funds Group

## Notes to the Pro-forma Consolidated Statement of Financial Position

As at 30 June 2013

(l) Interest bearing liabilities (non-current)

		30 June 2013
		\$
<b>Balance as per year end financial statements</b>	<b>Note</b>	
RFM RiverBank		33,692,000
RFM Chicken Income Fund		31,510,983
RFM Australian Wine Fund		14,000,000
Balance that would have been divested had merger occurred at 30 June 2013	2(n)	(10,983)
Balance that would have been classified as non-current had merger occurred at 30 June 2013		12,500,000
<b>Pro-forma balance of interest bearing liabilities</b>		<b>91,692,000</b>

(m) Long-term provisions

<b>Balance as per year end financial statements</b>	<b>Note</b>	
RFM RiverBank		-
RFM Chicken Income Fund		9,517
RFM Australian Wine Fund		-
Balance that would have been divested had merger occurred at 30 June 2013	2(n)	(9,517)
<b>Pro-forma balance of long-term provisions</b>		<b>-</b>

(n) Balances divested had merger occurred at 30 June 2013

As detailed in the Explanatory Memorandum, prior to the merger, RFM Chicken Income Fund (CIF) will divest its chicken growing business to RFM Poultry. As a result of this, certain assets and liabilities of the business will move from CIF to RFM Poultry. RFM Poultry is not an entity owned by Rural Funds Group. Accordingly, the following balances have been eliminated from the net assets of the Rural Funds Group that relate to the divestment of CIF's operating business to the new entity, RFM Poultry.

	<b>Note</b>	
Cash and cash equivalents		4,556,759
Trade and other receivables		4,095,652
Inventories		73,934
Other assets		361,652
Property, plant and equipment		298,524
Trade and other payables		(2,586,522)
Short-term provisions		(174,354)
Long-term provisions		(9,517)
Interest bearing liabilities (current)		(34,702)
Interest bearing liabilities (non-current)		(10,983)
<b>Total amount divested at 30 June 2013</b>	<b>2(o)</b>	<b>6,570,442</b>

# Rural Funds Group

## Notes to the Pro-forma Consolidated Statement of Financial Position

As at 30 June 2013

(o) Net assets attributable to unitholders

		30 June 2013
		\$
<b>Balance as per year end financial statements</b>	<b>Note</b>	
RFM RiverBank		47,564,132
RFM Chicken Income Fund		53,749,187
RFM Australian Wine Fund		30,296,366
Balance that would have been divested had merger occurred at 30 June 2013	2(n)	(6,570,442)
Reduction due to provision for additional costs	2(j)	(1,000,000)
<b>Pro-forma net assets attributable to unitholders</b>		<b>125,039,243</b>

### 3 Property, plant and equipment

<b>Property, Plant and Equipment</b>	
<b>NON-CURRENT</b>	
<b>Land and buildings</b>	
Freehold land	10,053,547
Buildings	92,060,956
<b>Total land and buildings</b>	<b>102,114,503</b>
<b>Plant and equipment</b>	
Capital works in progress	866,719
Plant and equipment	2,531,409
Motor vehicles	196,410
Improvements and infrastructure	5,215,684
Irrigation systems	17,944,013
<b>Total plant and equipment</b>	<b>26,754,235</b>
<b>Total property, plant and equipment</b>	<b>128,868,739</b>





## Rural Funds Group – Independent Auditor’s Review Report

### Scope

We have reviewed the accompanying Pro-forma Consolidated Statement of Financial Position (“the statement”) and accompanying notes of the Rural Funds Group (“RFG”) at 30 June 2013. The statement has been prepared by the Responsible Entity of the proposed Group, being Rural Funds Management Limited (“RFM”) and this audit review has been conducted in order to provide a conclusion to enable RFM to forward an application to the ASX for listing the proposed new Group. We confirm we are the current auditors of each of the three underlying entities of RFM RiverBank, RFM Chicken Income Fund and RFM Australian Wine Fund. Individual audit opinions were issued for each of these funds for the reporting period at 30 June 2013. The purpose of the attached Pro-forma Consolidated Statement of Financial Position is to show the net value of the entities at 30 June 2013 as they would have been at that date had the merger already proceeded by that time.

### Director’s Responsibility for the Statement

The Directors of the Responsible Entity are responsible for the preparation and fair presentation of the statement. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the statement 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. The accounting policies used are based on those used in the financial reports at 30 June 2013.

### Auditor’s Responsibility

Our responsibility is to express a conclusion on the statement based on our review. We have conducted our review in accordance with the Auditing Standard on *Review Engagements ASRE 2405 – Review of Historical Financial Information Other than a Financial Report*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the statement is not presented fairly, in all material respects, in accordance with the accounting policies as detailed and otherwise referred to in the full 30 June 2013 financial report for each underlying entity. ASRE2405 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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**Independence**

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

**Conclusion**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro-forma Consolidated Statement of Financial Position and its accompanying notes, of the proposed Rural Funds Group as at 30 June 2013 is not prepared, in all material respects, in accordance with the Australian Accounting Standards and giving a true and fair view of the proposed consolidated entity's financial position at that date.



Katherine M Kelly

Director

Boyce Assurance Services Pty Ltd

Cooma

09 October 2013