Rural Funds Group (RFF) Annual Report for the year ended 30 June 2014

Rural Funds Group ARSN 112 951 578
Responsible Entity:
Rural Funds Management Limited
ACN 077 492 838 AFSL 226701

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Rural Funds Management

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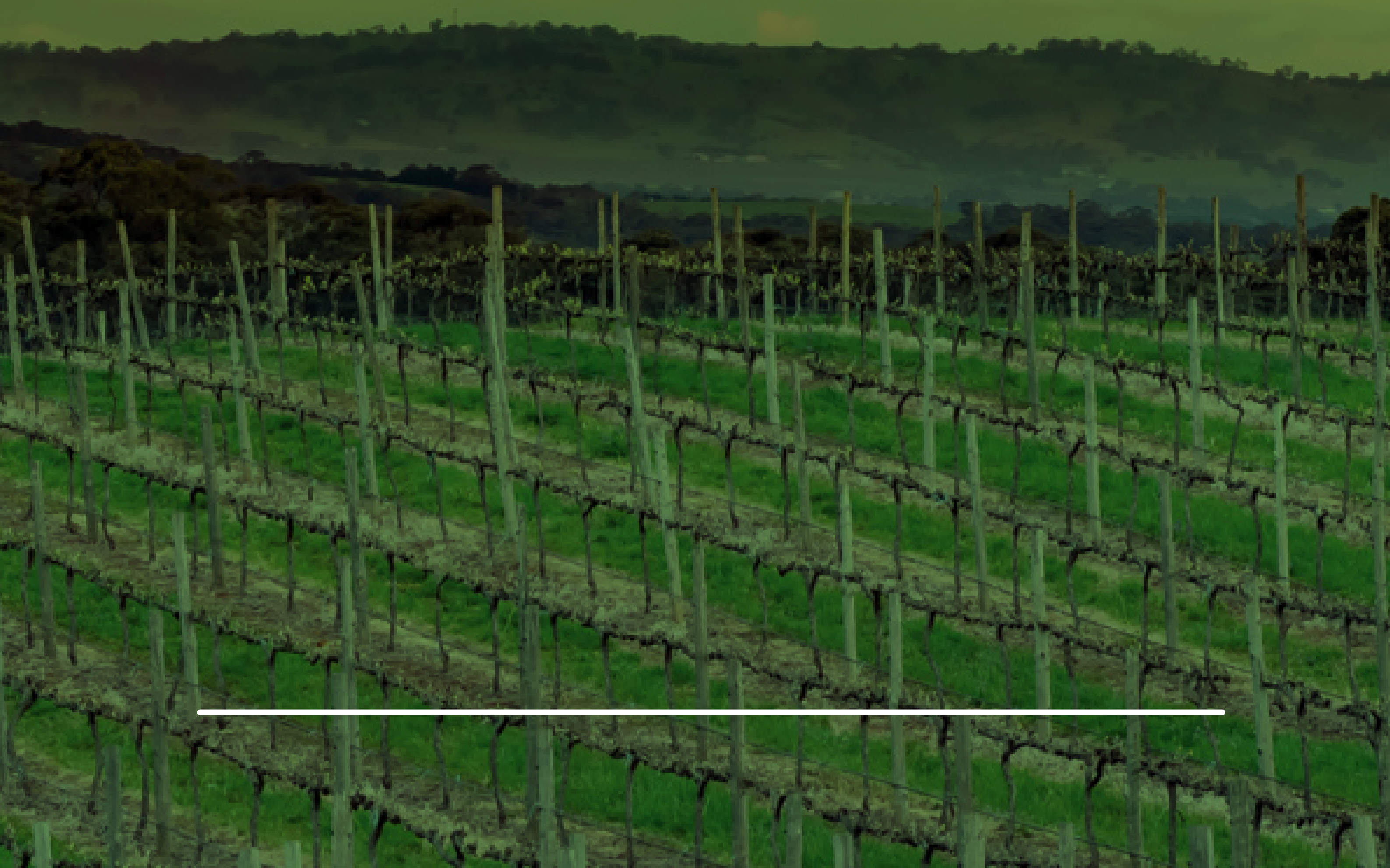

Letter from the Managing Director

Dear Unitholder,

The following is a brief outline of the achievements of the Rural Funds Group (RFF) during the past financial year and a discussion of the direction for RFF from here.

Review of financial year 2014

The 2014 financial year was a period of transformation for RFF. In December 2013, RFF (formerly called RFM RiverBank) merged with two other trusts to form a Real Estate Investment Trust (REIT). Then in February 2014, RFF listed on the ASX, becoming Australia's first and only diversified agricultural REIT.

On 2 July 2014, we were able to announce that it was expected that RFF would be taxed as a passive trust during the 2015 financial year. For this reason RFF received net income tax benefits of $16.7m, primarily as a consequence of the removal of provisions for future income tax liabilities. This event, combined with the transformation to a REIT, resulted in RFF experiencing an abnormal profit of $20.1 million for FY14. RFF's profit contributed to Net Asset Value (NAV) per unit increasing by 16 cents to $1.17.

While the transformation of RFF created very positive abnormal financial results, it should be noted that its underlying property business is relatively simple and performed to expectation. Lease revenue, property expenses and fund costs were as forecast. In addition the trust assets continue to have a 100% occupancy with long lease terms.

RFF in the current year

The current financial year will see RFF's first full year of stable leasing operations accompanied by some growth. The bulk of RFF's assets will be unaltered, lease payments will benefit from some indexation, while fund costs will be lower because the transformation to a REIT is now complete.

On 8 October 2014 there will be a Unitholder meeting to approve the creation of a stapled security structure. This structure will ensure that the bulk of the RFF's assets will continue to be held in a passive investment trust for taxation purposes.

On 29 August 2014 RFM announced that RFF would acquire 'Tocabil', a property located near the Group's existing almond orchards, at Hillston in central NSW. It is anticipated that a 600ha almond orchard will be developed there, at a total project cost of $33m. Funding this development will require a modest equity raising matched with debt. Future retained earnings will fund subsequent orchard expenses over the four years required to develop the orchard to economic yields. Lease payments for the property and orchard development will correspond to the capital expenditure as it occurs, thereby ensuring that the development is immediately earnings accretive.

Further growth

Data comparing market price to Net Asset Value (NAV) per unit for REITs confirms that REITs with a market capitalisation greater than $1 billion, are currently trading at a premium to their NAV. This compares to REITs with smaller market capitalisation that tend to trade at a discount. The present market capitalisation of RFF is approximately $120 million, and it is currently trading at a discount to its NAV.

Further analysis reveals that the percentage of annual turnover for a REIT increases with increased market capitalisation. Put simply, larger REITs are more liquid than smaller ones.

These two observations are confirmation of the basic investment principle concerning liquidity premiums: investors will pay more for a more liquid, but otherwise identical security that is less liquid. Having recognised this, RFM believes that Unitholders will benefit from growth in the scale of RFF because they are likely to enjoy greater liquidity and a higher market price for their units.

There are a number of caveats to this assertion. Most importantly, growth cannot be at the expense of investment returns, since this is a greater determinant of price than liquidity. Moreover, growth cannot be allowed to compromise asset or lessee quality, since these two attributes underpin investment returns over the long term.

Provided the growth of RFF is pursued prudently, there are a number of benefits that can be won, without compromising returns and the foundations that drive returns. Measured, steady growth will enable RFF to maintain a policy of owning good assets, while diversifying. By acquiring good assets in new locations or sectors, RFF will be able to attract good quality counterparts, thereby diversifying its sources of rental income. Finally, growth is likely to enable economies of scale, thereby reducing the per unit cost of managing the business of RFF.

A strategy of increasing the scale of Australia's only diversified agricultural REIT to achieve the benefits of greater liquidity is practical for two reasons. Firstly, Australia's agricultural industry while very large, has a relatively low level of institutional investment - implying less competition for assets. Secondly, the financial position of RFF and its stable cash flows mean that time is an ally.

David Bryant
Managing Director
Rural Funds Management Limited

Corporate governance statement

DEFINITIONS	
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange or ASX Limited
Corporations Act	Corporations Act 2001

The Rural Funds Group (the Fund) is a registered managed investment scheme under the Corporations Act and listed on the ASX. Rural Funds Management Limited (the Responsible Entity) is the Responsible Entity for the Fund and has established and oversees the corporate governance of the Fund. The Responsible Entity holds an Australian Financial Services License authorising it to operate the Fund. It has a duty to act in the best interest of Unitholders of the Fund. The Fund has a compliance plan that has been lodged with ASIC. A copy of the compliance plan can be obtained from ASIC or by contacting the Responsible Entity. The Responsible Entity publishes a number of its corporate governance related policies on its website at:

http://www.ruralfunds.com.au/info/corporate-governance/

The Board takes its corporate governance responsibilities seriously. The Board is comprised of three directors and has a mix of the experience and skills necessary to oversee the corporate governance requirements of the Responsible Entity. This ensures the Responsible Entity operates with integrity, is accountable and acts in a professional and ethical manner.   The board works together and their collective ability facilitates effective decision making to lead a viable, profitable and efficient business.

To the extent that they are applicable and appropriate for the Fund, the Responsible Entity has adopted and complies with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition.   In accordance with the ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance Council's eight principles of good corporate governance, and the extent to which there is compliance with the recommendations for each. The statement applies to the period from the Fund's admission to the official list of the ASX being 14 February 2014 to 30 June 2014 ("Statement Period").

There have been no material changes to the corporate governance policies and practices since 30 June 2014 to the time of printing this statement.

PRINCIPLE 1

Lay solid foundations for management and oversight

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

ASX RECOMMENDATION	FUND'S RESPONSE
1.1	The business of the Fund is managed under the direction of the Board of the Responsible Entity comprising: - Chairman: Guy Paynter (independent non-executive director) - Managing Director: David Bryant - Non-Executive Director: Michael Carroll (independent non-executive director) The conduct of the Board is governed by the Constitution of the Fund and the Corporations Act. The broad functions and responsibilities of the Board are set out in sections 3.3 – 3.4 of the Corporate Governance Charter. The specific responsibilities are set out in section 3.5. The Board has delegated responsibility for the day to day management of the Fund to the Managing Director of the Responsible Entity. The delegations are outlined in the Corporate Governance Charter. The Managing Director, David Bryant is responsible for financial, continuous disclosure and compliance oversight, media and analyst briefings and responses to Member questions, and ensuring the Board is provided with information to make fully informed decisions. The Constitution of the Fund is available by contacting the Responsible Entity. The Corporate Governance Charter is available on the Responsible Entity's website.
1.2	As an externally managed scheme Recommendation 1.2 does not apply to the Fund.

ASX RECOMMENDATION	FUND'S RESPONSE
1.3	All Directors of the Responsible Entity receive letters of appointment setting out the key terms and conditions of their appointment. All executives of the Responsible Entity enter into an employment agreement setting out the key terms and conditions of their employment including a position description, duties, rights, responsibilities, remuneration and entitlements on termination.
1.4	The Company Secretary of the Responsible Entity is accountable to the Board, through the chair, on all matters to do with the proper functioning of the Board. As stated in the Corporate Governance Charter, the Company Secretary reports directly to the Managing Director.
1.5	The Responsible Entity has a diversity policy. The policy provides the framework by which the Responsible Entity actively manages and encourages diversity and inclusion. It recognises that its employees are one of its greatest assets and it has a range of employees with a depth of skills and capabilities that ensure the ongoing strength, continuity and stability of the Responsible Entity. A copy of the policy is available on the Responsible Entity's website. The Responsible Entity's senior executive team includes two female executives (out of a total of four executives). Of the 58 staff, 19 or 33% are female.
1.6	The performance of the Board, its Committees and individual directors is outlined in the Corporate Governance Charter. The performance of individual Board members are reviewed annually in accordance with the timelines outlined in the Responsible Entity's Performance Management Policy.
1.7	The performance of senior executives are reviewed annually in accordance with the timelines outlined in the Responsible Entity's Performance Management Policy. The annual process reviews each individual's past performance, their achievement of key performance indicators over the previous 12 months, sets key performance indicators for the coming 12 months, and identifies training and development opportunities. The formal process provides an opportunity for the senior executive and the Managing Director to solely focus on performance and development.

PRINCIPLE 2

Structure the board to add value

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

ASX RECOMMENDATION	FUND'S RESPONSE
2.1	As an externally managed scheme Recommendation 2.1 does not apply to the Fund. Additionally, due to the small size of the Responsible Entity's Board it is usual that all of the Board members are involved in the full spectrum of discussion and decisions on matters. As a result they bring the full complement of skills and experience available to address matters. If and when gaps are identified, external advice is sought from senior consultants such as specialist tax, legal or business advisers to address any skills gaps.
2.2	As an externally managed scheme Recommendation 2.2 does not apply to the Fund.
2.3	The Responsible Entity Board comprises three members, two of whom are independent non-executive directors.

Director	**Commencement**	**Independent**
David Bryant	17 February 1997	No
Guy Paynter	15 April 2010	Yes
Michael Carroll	15 April 2010	Yes

The role of Chairman is held by independent director, **Guy Paynter**.

Guy Paynter is a former director of broking firm JB Were and brings to the Responsible Entity more than 30 years of experience in corporate finance. Guy is a former member of the ASX and a former associate of the Securities Institute of Australia (now known as the Financial Services Institute of Australasia). Today, Guy is chair of Aircruising Australia Limited.

Guy's agricultural interests include cattle breeding in the Upper Hunter region in New South Wales.

Guy holds a Bachelor of Laws from The University of Melbourne.

ASX RECOMMENDATION	FUND'S RESPONSE
2.3	

The role of Managing Director is held by **David Bryant**. David Bryant holds 80.28% of shares on issue in the Responsible Entity.

David Bryant established the Responsible Entity in February 1997. Since then, David has led the organisation with a team that has acquired over $300 million in agricultural assets across eight Australian agricultural regions. This has included negotiating the acquisition of more than 25 properties and over 60,000 megalitres of water entitlements.

On a day-to-day level, David is responsible for leading the executive team, maintaining key commercial relationships and sourcing new business opportunities. David holds a Diploma of Financial Planning from the Royal Melbourne Institute of Technology (RMIT) University and a Master of Agribusiness from The University of Melbourne.

Michael Carroll is a non-executive director and is the Chair of the Audit Committee.

Michael Carroll serves a range of food and agricultural businesses in a board and advisory capacity. Michael is on the Boards of Queensland Sugar Limited, Tassal Group Ltd, Select Harvests Limited, Sunny Queen Pty Ltd, Rural Finance Corporation of Victoria, and the Gardiner Dairy Foundation. Former Board positions include the Australian Farm Institute, Warrnambool Cheese & Butter and Meat & Livestock Australia.

Michael has senior executive experience in a range of companies, including establishing and leading the National Australia Bank (NAB) Agribusiness division.

Michael holds a Bachelor of Agricultural Science from La Trobe University and a Master of Business Administration (MBA) from The University of Melbourne's Melbourne Business School. Michael has completed the Advanced Management Program at Harvard Business School, Boston, and is a Fellow of the Australian Institute of Company Directors.

Further information on the composition of the Responsible Entity's Board, executive management and asset and business management profiles, and the skills, knowledge and experience of the individual members can be found on the Responsible Entity's website.

The independence of the non-executive directors has been ascertained in compliance with the Corporations Act and the ASX Listing Rules and there are no other factors which might reasonably be seen as undermining their independence. All directors must declare actual or potential conflicts of interest and excuse themselves from discussions on issues where an actual or potential conflict of interest arises. The directors' interests and any subsequent changes have been disclosed to the ASX. The Responsible Entity directors are subject to director rotation consistent with Responsible Entity's Constitution.

ASX RECOMMENDATION	FUND'S RESPONSE
2.4	As an externally managed scheme Recommendation 2.4 does not apply to the Fund however as outlined in 2.3 the Responsible Entity's Board is comprised of a majority of independent directors.
2.5	As an externally managed scheme Recommendation 2.5 does not apply to the Fund however the role of Chairman of the Responsible Entity is held by independent non-executive director, Guy Paynter.
2.6	As an externally managed scheme Recommendation 2.6 does not apply to the Fund however any new directors would be provided with an induction relevant to the Responsible Entity and the Fund. Additionally, directors are provided with opportunities to develop and maintain their skills and knowledge through both formal and informal training and networking opportunities.

PRINCIPLE 3

Act ethically and responsibly

A listed entity should act ethically and responsibly.

ASX RECOMMENDATION	FUND'S RESPONSE
3.1	The Responsible Entity has adopted a Directors' Code of Conduct that sets out the minimum acceptable standards of behaviour. The code seeks to give the Directors guidance on how best to perform their duties, meet their obligations and understand the Company's corporate governance practices. The code focuses on the directors' obligations to comply with codes and law, their general duties, their application of business judgement, the application of independent and sound decision making, confidentiality, improper use of information, cooperation, personal interests and conflicts, conduct and complaints. In addition to the Directors' Code of Conduct, the Responsible Entity has a general Code of Conduct that is applicable to directors and all staff including executive managers. The Corporate Governance Charter (which includes the Directors' Code of Conduct) and the Code of Conduct is available on the Responsible Entity's website. Both codes are reviewed annually to ensure that they remain current and relevant.

PRINCIPLE 4

Safeguard integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

ASX RECOMMENDATION	FUND'S RESPONSE
4.1	The Board of directors of the Responsible Entity has established an Audit Committee. The purpose of the Audit Committee is to assist the Board in overseeing the integrity of financial reporting, financial controls and procedures in respect of the Fund as well as the independence of the Fund's external auditors. The Audit Committee comprises of two members, both of whom are non-executive independent directors. It is chaired by an independent director who is not the chair of the Board of the Responsible Entity. The relevant qualifications and experience of the members is available on the Responsible Entity's website. The Audit Committee will routinely invite other individuals to attend meetings including Executive Management members of the Responsible Entity and the Auditor of the Fund. The Audit Committee and invitees will review the financial reports and provide commentary to the Board as required. One meeting of the Audit Committee was held in relation to the accounts during the Statement Period. The Audit committee will ordinarily meet two times per year, or more regularly if required. The Audit Committee has a formal charter that details the roles and responsibilities of the Audit Committee and its obligations to report to the Board. The charter sets out the powers of the Audit Committee, the meeting procedure framework and the process for selection of external auditors and audit planning. The Audit Committee charter can be found in Schedule 1 of the Corporate Governance Charter on the Responsible Entity's website.

ASX RECOMMENDATION	FUND'S RESPONSE
4.2	The Board has received from the Managing Director and the CFO a declaration, that in their opinion, the financial records of the Fund have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
4.3	As an externally managed scheme Recommendation 4.3 does not apply to the Fund. The Fund has not held an Annual General Meeting during the Statement Period.

PRINCIPLE 5

Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

ASX RECOMMENDATION	FUND'S RESPONSE
5.1	The Responsible Entity has adopted a Continuous Disclosure Policy that applies to all directors and employees of the Responsible Entity. The policy is available on the Responsible Entity's website. The policy reflects the desire to promote a fair market in the Fund's units, honest management and full and fair disclosure. It complies with the disclosure requirements of the ASX and explains the Fund's disclosure obligations, explains the types of information that need to be disclosed, identifies who is responsible for disclosure and explains how employees of the Responsible Entity can contribute. The policy underlines the Board's commitment to ensuring that Unitholders are provided with accurate and timely information about the Fund's activities.

PRINCIPLE 6

Respect the rights of security holders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

ASX RECOMMENDATION	FUND'S RESPONSE
6.1	The Responsible Entity is a boutique fund and asset manager specialising in the rural property sector. The Responsible Entity was established in 1997 to provide retail investors with an opportunity to invest in Australian rural assets. The management team includes specialist fund managers, finance professionals, horticulturists, livestock managers, and agronomists. This team provides the Responsible Entity with the specialised skills and experience required to manage the agricultural assets. The Responsible Manager also utilises the best available consultants and supporting resources to achieve desired outcomes and has a substantial network available to ensure that, where appropriate, tasks can be outsourced. The Responsible Entity has the primary responsibility for managing the Fund on behalf of Unitholders. Information about the Responsible Entity and the Fund is available on the Responsible Entity's website. Information about the corporate governance practices and policies of the Responsible Entity is available on the Responsible Entity's website.

ASX RECOMMENDATION	FUND'S RESPONSE
6.2	The Responsible Entity's website has several pages with sources of information available to investors to facilitate two way communication. In addition, investors are encouraged to contact the Responsible Entity using any of the following methods: By email: investorservices@ruralfunds.com.au By website: **http://www.ruralfunds.com.au/contact/** By phone: 1800 026 665 By fax: 1800 625 518 By visiting the Responsible Entity office: Level 2, 2 King St, Deakin ACT 2600 From time to time, the Responsible Entity arranges tours of the assets of the Fund. Investors are invited to attend tours when these are arranged. Additionally, investors are welcome to make their own arrangements to visit the assets by contacting Investor Services by any of the methods mentioned above.
6.3	As an externally managed scheme Recommendation 6.3 does not apply to the Fund.
6.4	The Responsible Entity encourages all investors to communicate with it and with the Fund's registry (Boardroom Pty Limited) electronically, however continues to communicate with any investor via traditional methods (mail and phone) when requested.

PRINCIPLE 7

Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

ASX RECOMMENDATION	FUND'S RESPONSE
7.1	The Responsible Entity has not established a risk committee. Due to the size of the Board and the nature of the business, the Board has determined that risk oversight should be managed by the full Board. The Board has ultimate responsibility for overseeing the risk management framework and for approving and monitoring compliance with the framework. The Board receives monthly reports on all material business risks in relation to the Fund, including a report on all risks rated extreme or high. The ongoing management of the identified risks is undertaken by the relevant Executive and/or Asset Managers of each business area who report to the Board on the effectiveness of control measures. The Responsible Entity has established a Risk Management Policy based on standards set out in the Australian/New Zealand Standard ISO 31000:2009 which documents the Responsible Entity's policy for the oversight and management of material business risks. The risk management policy ensures that risks are identified and assessed, and that measures to monitor and manage each of the material risks are implemented. The Risk Management Policy is available on the Responsible Entity's website.
7.2	The Responsible Entity's risk management framework is reviewed annually or more often if there has been a change in the relevant legislation or in business requirements. An annual risk review was performed during the Statement Period. The annual risk review requires each risk owner to review each risk and assess whether the existing risk rating is appropriate. This results in all risks being re-evaluated. In some cases, the risks may be re-rated and the residual risk amended depending on changes in the likelihood of the risk occurring, the consequence if the risk did occur, and the effectiveness of control measures in place.

ASX RECOMMENDATION	FUND'S RESPONSE
7.3	The Responsible Entity has an internal compliance committee that provides assistance to the Board in evaluating the risk management framework and material business risks on an ongoing basis. Whilst not an internal audit committee, this committee reports to the Board quarterly and may make recommendations to the Board for changes to processes and systems to ensure compliance with legal and regulatory requirements. The Internal Compliance Committee was comprised of: - Chief Operating Officer - Manager Corporate Services - Chief Financial Officer - Client Services Manager - Compliance Officer - Business Manager – Rural Funds Group, Almond Projects, Land Trust (invitee) - Business Manager – Livestock (invitee) This broad representation of roles on the committee ensures the committee is able to be fully informed of matters, and there is sufficient skills and experience among its members to make decisions as necessary. On 26 August 2014 the Chief Operating Officer was replaced on the committee with the Executive Manager Funds Management.
7.4	The Responsible Entity is committed to undertaking the Fund's business activities in a responsible and ethical manner and ensuring that it remains sustainable. Environmental, social and governance issues are imbedded in many of our policies and procedures and are considered when making investment decisions. The nature of the Fund is such that its activities are largely passive in nature, being the leasing of agricultural land and infrastructure. This means the environmental impact of the Fund is relatively low.

PRINCIPLE 8

Remunerate fairly and responsibly

An externally managed listed entity should clearly disclose the terms governing the remuneration of the Responsible Entity.

ASX RECOMMENDATION	FUND'S RESPONSE

8.1	The Responsible Manager has adopted the ASX's alternative recommendations for externally managed entities and provides the following details governing the remuneration to the Responsible Manager:
	- Contribution Fee – up to 3% of the amount invested;
	- Fund Management Fee – 1.50% p.a. of the gross asset value of the Fund;
	- Performance Fee – 15% of the returns in excess of a return on equity of 15% p.a. on the amount invested;
	- Acquisition Fee – 2.0% of the total purchase price of an asset; and
	- Asset Management Fee –
	  - where property is operated: 5.0% of the amount of annual operating expenses (the asset management fee is capped under the constitution at 1.0% p.a. of the gross asset value of the Fund); or
	  - where the property is leased: 5.0% p.a. of the annual rent.

8.2	Refer to 8.1
8.3	Refer to 8.1

ASX additional information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 10 September 2014.

(a) Distribution of Equity Securities

Analysis of numbers of unitholders by size of holding:

Holding size	Unitholders
1 – 1,000	48
1,001 – 5,000	323
5,001 – 10,000	525
10,001 – 100,000	1,968
100,001 and over	134

(b) Substantial unitholders

The number of substantial unitholders and their associates are set out below:

Unitholder	Number held	%
Aust Executor Trustees Ltd <Lanyon Aust Value Fund>	7,195,626	6.135

(c) Voting rights

The voting rights attaching to the ordinary units, set out in Section 253C of the Corporations Act 2001, are:

(i) on a show of hands every person present who is a unitholder has one vote; and

(ii) on a poll each unitholder present in person or by proxy has one vote for each dollar of the value of the total interests they have in the Fund.

(d) Twenty largest unitholders at 10 September 2014

Holder Name	Number of Units	Fully Paid Percentage
Aust Executor Trustees Ltd <Lanyon Aust Value Fund>	7,195,626	6.135
Netwealth Investments Limited <Wrap Services A/C>	5,472,189	4.666
Netwealth Investments Limited <Super Services A/C>	2,081,979	1.775
Bryant Family Services Pty Ltd <Bfs Super Fund>	1,871,596	1.596
Myer Family Investments P/L	1,851,277	1.578
Rural Funds Management Limited	1,450,465	1.237
Australian Executor Trustees Ltd <Mil Multi Strategy Fnd A/C>	1,426,426	1.216
Aust Executor Trustees Ltd <Tranzact Investment Service>	1,334,677	1.138
National Nominees Limited	984,557	0.839
J P Morgan Nominees Australia Limited	959,883	0.818
Zena Nominees Pty Ltd <Hind Family Trust>	957,648	0.817
Mr Laurence O'brien & Mrs Elizabeth O'brien <O'brien Family Super Fund>	683,918	0.583
Karen Mitchell Nominees P/L <Karen Mitchell Family Trust>	589,784	0.503
Pineross Pty Ltd	569,337	0.485
Kees De Vries Pty Ltd	475,445	0.405
Reicko Super Pty Ltd <Reicko S/F A/C>	465,000	0.396
Avanteos Investments Limited <2208249 Gary A/C>	459,112	0.391
Mrs Dorothy Nurse	448,778	0.383
Avanteos Investments Limited <Scenic Tours Pty Ltd A/C>	437,347	0.373
Regnal Superannuation Pty Ltd <Regnal Super Fund A/C>	434,400	0.370
Subtotal	**30,149,444**	**25.706**
Other investors	87,137,229	74.294
Total Units	**117,286,673**	**100**

Securities exchange

The Trust is listed on the Australian Securities Exchange Limited (ASX).

Financial statements for the year ended 30 June 2014

Rural Funds Group (formerly RFM RiverBank)
ARSN 112 951 578

Rural Funds Group (formerly RFM RiverBank)
ARSN 112 951 578

Corporate Directory

Registered Office	Level 2, 2 King Street DEAKIN ACT 2600
Responsible Entity	Rural Funds Management Limited ABN 65 077 492 838 Level 2, 2 King Street DEAKIN ACT 2600 Telephone: 02 6203 9700 Fax: 02 6281 5077
Directors	Guy Paynter David Bryant Michael Carroll
Company Secretary	Andrea Lemmon
Custodian	Australian Executor Trustees Limited ABN 84 007 869 794 Level 22 207 Kent Street SYDNEY NSW 2000
Auditors	PricewaterhouseCoopers Darling Park 201 Sussex Street SYDNEY NSW 2000
Share Registry	Boardroom Pty Limited Level 7 207 Kent Street SYDNEY NSW 2000
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000
Stock Exchange Listing	Rural Funds Group units are listed on the Australian Securities Exchange (ASX)

Directors of the Responsible Entity's Report
30 June 2014

The Directors of Rural Funds Management Limited ("RFM"), Responsible Entity of Rural Funds Group (formerly RFM RiverBank) ("RFF" or "Trust") present their report on the Trust and its controlled entities ("Group") for the year ended 30 June 2014.

Directors

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

Name	Position	Appointed
Guy Paynter	Non-Executive Chairman	15 April 2010
David Bryant	Managing Director	15 April 2010
Michael Carroll	Non-Executive Director	15 April 2010

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

Principal activities and significant changes in nature of activities

The principal activity of Rural Funds Group during the financial year was the leasing of agricultural properties.

On 16 December 2013 the unitholders of RFM Chicken Income Fund (CIF) and RFM Australian Wine Fund (AWF) agreed to merge CIF and AWF with RFM RiverBank. The merger was completed on 19 December 2013 and RFM RiverBank changed its name to Rural Funds Group (RFF). As a result of the merger, from 19 December 2013 the results of CIF and AWF are consolidated into the Group. Therefore, the results of the Group for the year include 12 months of RFF results and 6 months and 13 days of CIF and AWF results.

RFF and all of its controlled entities lease agricultural property with revenue derived from leasing almond orchards and water rights, poultry property and infrastructure and vineyards.

RFF listed on the Australian Securities Exchange (ASX) on 14 February 2014.

On 30 June 2014 RFF sold its almond farming plant and equipment to RF Active, a fund managed by RFM, and made a vendor finance loan to RF Active of $629,000. From 1 July 2014 RFF no longer holds any active trading assets and as a result is expected to be treated as a flow through entity for tax purposes.

RFF is intending to seek investor approval to create a stapled investment vehicle with RF Active. An explanatory memorandum and voting documentation is expected to be sent to unitholders in September 2014. The stapling will enable the stapled group to own more active leased assets ancillary to RFF's investment property.

Operating results and review of operations for the year

Operating results

The consolidated profit of the Group amounted to $20,126,000 (2013: $8,641,000) after providing for income tax.

Adjusting for one-off items related to the merger results in a net profit before tax of $7,349,000 (2013: $12,618,000) as detailed below.

The Group holds investment property, biological assets and derivatives at fair value. After adjusting for the effects of the merger and fair value adjustments during the year, the profit before tax would have been $7,027,000 (2013: $1,226,000).

Operating profit before tax adjusted for merger and revaluation items:

	2014 000's $	2013 000's $
Net profit before income tax	**3,402**	12,618
Adjusted for merger transaction:		
Impairment of goodwill	**2,800**	-
Consolidated merger related costs	**2,378**	-
Discount on acquisition	**(1,231)**	-
Net profit before income tax adjusted for merger transaction	**7,349**	12,618
Change in fair value of investment property	**8,874**	-
Change in fair value of biological assets	**(14,074)**	(13,748)
Change in fair value of derivatives	**920**	(588)
Depreciation and impairments	**3,958**	2,944
Adjusted net profit before tax	**7,027**	1,226

The adjusted net profit, having eliminated merger costs and fair value adjustments, effectively represents funds from operations from the property rental business. It includes the results of the restructured business from 19 December including the contracted revenues and the reduced cost and management fee structure of the merged group. The finance costs reflect the new financing arrangements and interest rate hedge arrangements. The results to 19 December reflect the former RFF property rental business and its higher cost structures. Further, the former RFF business operated a number of almond groves that were previously owned by former tenants. These groves were sold on 1 July 2013. However, the sale of the almond inventory on hand at 30 June 2013 is reflected in the Group revenues and cost of goods sold.

Operating results and review of operations for the year (continued)

Operating results (continued)

A summary of revenues, revaluations and results for the year by significant industry segment is set out below. These results include segment results for entities acquired by RFF for the consolidated period.

	Segment Revenue		Segment Revaluations		Segment Results	
	2014 000's $	2013 000's $	2014 000's $	2013 000's $	2014 000's $	2013 000's $
Almond property leasing	**9,665**	8,252	**2,635**	13,748	**7,067**	8,641
Poultry property and infrastructure leasing	**5,562**	-	**(2,214)**	-	**15,323**	-
Vineyard leasing	**1,748**	-	**1,232**	-	**1,684**	-
Total	**16,975**	8,252	**1,653**	13,748	**24,074**	8,641

Segment results are the net profit/(loss) after tax which is the measure of segment results that is reported to the Board to assess the performance of operating segments.

At 30 June 2014 RFF had $241,233,000 assets under management (2013: $96,697,000) an increase of 149% predominantly due to the merger with CIF and AWF and segment results for the period. RFF's vineyards, poultry property and infrastructure and almond properties were fully leased at 30 June 2014.

Comments on the operations and the results of those operations are set out below:

(a) Almond property

Almond property leasing segment results are consistent with prior years. The 2014 segment results include significant non-cash items including property revaluations of $5,012,000 (2013: $13,490,000), depreciation and impairments of $2,645,000 (2013: $2,942,000), unrealised loss on financial instruments of $920,000 (2013: gain of $587,000) and income tax writeback of $4,099,000 (2013: expense of $3,977,000). After adjusting for these items the 2014 profit before tax was $1,521,000 (2013: $1,482,000).

The segment leases almond orchards and water licences to tenants who make regular rental payments. The assets are located near Hillston in NSW and include 1,814 hectares (2013: 1,814) of developed almond orchards and associated water rights on two properties, Mooral and Yilgah, this is unchanged from the previous year. The full almond area is under lease to the following tenants: Select Harvests Limited (SHV) 1,221 hectares (2013: 1,221); RFM Almond Fund 2006 (AF06) 272 hectares (2013: 272); RFM Almond Fund 2007 (AF07) 73 hectares (2013: 93); RFM Almond Fund 2008 (AF08) 206 hectares (2013: 228) and RFM 42 hectares (2013: nil).

RFF owns 27,551ML of permanent ground water licence entitlements. Of this 12,120ML is leased with Mooral and 15,090ML with Yilgah, leaving a balance of 341ML currently unleased. In addition, a total of 5,717ML of supplementary ground water licence entitlements is owned by RFF.

Operating results and review of operations for the year (continued)

Operating results (continued)

In accordance with the funding agreement between RFF and AF07, RFF undertakes to fund the timing difference between incurring operating expenses and receiving payments from growers and harvest proceeds, in the form of a loan to AF07. The loan assists AF07 to meet the ongoing cost of orchard maintenance, management and other expenses. In a year where harvest revenues are not expected to cover costs and the deficit is invoiced to growers, RFF bears the risk of default by growers who do not meet the required payments. The estimated cash outlay for AF07 for 2014 for both loans and defaulting growers is $nil (2013: $364,000).

The funding agreement between RFF and AF08 provides that RFF will fund the timing difference and default amounts in the same manner as the AF07 agreement. RFF bears the risk of default by growers who do not meet the required payments. The estimated cash outlay for AF08 for 2014 for both loans and defaulting growers is $nil (2013: $360,000).

(b) Poultry property and infrastructure

The poultry property leasing results include a write back of deferred tax liabilities of $12,921,000 as a result of CIF being expected to maintain tax flow through status and a revaluation decrement of $2,214,000. Adjusting for these non-cash items, the result from poultry property and infrastructure was $4,616,000. These results exclude the effects of the merger during the period.

The poultry property and infrastructure includes 17 poultry growing farms located in Griffith, New South Wales and Lethbridge, Victoria. These farms were operated as full poultry growing businesses until 19 December 2013. On this date the poultry growing operations were transferred to RFM Poultry who took leases over the poultry property and infrastructure of between 10 and 22 years. As a result, 100% of the poultry infrastructure has been leased since 19 December 2013.

(c) Vineyards

Vineyard leasing results for the period adjusted for non-cash revaluations were $748,000.

The vineyard leasing business owns 7 vineyards with 6 located in South Australia in the Barossa Valley, Adelaide Hills and Coonawarra and one located in the Grampians in Victoria. All vineyards produce premium quality grapes and are leased to Treasury Wine Estates until June 2022.

(d) Other activities

The Group owns a 38.80% stake in RFM StockBank, a scheme managed by RFM, which operates a livestock leasing business. Under the livestock leasing operation, RFM StockBank retains the ownership of the livestock and leases them to property owners in return for a placement fee which is similar to interest, and an upfront fee from the livestock agent.

RFF owns three properties at Hillston, NSW comprising Yilgah (6,400 hectares), Mooral (3,841 hectares) and Collaroy (1,998 hectares). As described above, 1,814 hectares (2013: 1,814) are applied to almond growing, 1,006 hectares (2013: 1,006) at Yilgah and 808 hectares (2013: 808) at Mooral. These properties also include grazing and cropping land and 320 hectares of olive orchard. Grazing and cropping areas on Yilgah and Collaroy that are not used for almonds were licensed to RFM Farming Pty Limited (a subsidiary of RFM) for 2014. Water derived from water licences not leased is typically sold on a temporary basis.

RFF formerly held a licence for 949ML of high security Lachlan river water which was a non-core asset. In December 2013 the 949ML high security licence was sold. In addition, a licence for 2,808ML of excess ground water was sold in July 2013.

On 30 June 2014 RFF sold its almond related plant and equipment to RF Active for $2,663,000 and provided vendor finance of $629,000. Following this transaction the Group does not own any plant and equipment.

Operating results and review of operations for the year (continued)

Distributions paid or declared

	$
Distributions paid or declared during or since the end of the financial year are as follows:	
- Interim ordinary distribution of 2.8199 cents per unit paid on 29 November 2013	923,448
- Interim ordinary distribution of 2.1296 cents per unit paid on 24 January 2014	2,489,525
- Interim ordinary distribution of 2.1296 cents per unit paid on 14 April 2014	2,489,525
- Final ordinary distribution of 2.1296 cents per unit paid on 16 July 2014	2,493,744

	2014	2013
Earnings per unit		
Net profit after income tax for the year ($000's)	**20,126**	8,641
Weighted average number of units outstanding (thousands)	**77,285**	32,650
Basic and diluted earnings per unit (total) (cents)	**26.04**	26.46

Financial position

The net assets of the consolidated group have increased by $89,906,000 from 30 June 2013 to $137,471,000 on 30 June 2014. This increase is largely due to the merger with CIF and AWF on 19 December 2013, the write back of deferred tax liabilities on achieving flow through tax status for the Trust and CIF and segment results for the period.

Indirect cost ratio

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

Management costs include management fees and reimbursement of other expenses in relation to the 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 Group for the year ended 30 June 2014 is 4.79% (2013: 3.85%). The ICR in both 2014 and 2013 was impacted by costs related to the merger.

Significant changes in state of affairs

(i) Merger

On 16 December 2013 RFF unitholders approved the merger of RFF with RFM Chicken Income Fund (CIF) and RFM Australian Wine Fund (AWF). As a result, on 19 December 2013, RFF acquired all of the units in CIF and AWF in exchange for units in RFF. The merger increased the Group's assets under management by $148,920,000 at acquisition date.

(ii) Banking facilities

On 24 December 2013 RFF, CIF and AWF settled all finance facilities and interest rate derivative instruments with their former financier, National Australia Bank (NAB) and entered into facilities with the Australia and New Zealand Banking Group Limited (ANZ). On 2 May 2014 following the listing of RFF on the Australian Securities Exchange (ASX), the ANZ facilities were merged into one umbrella facility between the Group and ANZ.

The ANZ facility has a term of 5 years and may be drawn to a limit of $97,500,000. The ANZ facility is expected to provide lower financing costs and more flexibility to the Group. RFF has hedged 77% of the facility to manage interest rate risk.

At 30 June 2014 the facility was drawn to $94,300,000 giving the Group a loan to value ratio of 42.8%.

(iii) Sale of plant and equipment

On 30 June 2014, RFF sold its almond farming plant and equipment and ceased all active trading activities. From 1 July 2014 RFF is expected to be treated as a flow through trust for tax purposes.

Events after the reporting date

On 11 July 2014 the Board approved the acquisition of a property located near Hillston with land and water rights suitable for almond development, for an approximate cost of $5,200,000. This acquisition is initially expected to be 100% debt funded. ANZ provided approval of financing in July 2014.

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

Future developments and results

RFF is intending to seek investor approval to create a stapled investment vehicle with RF Active. An explanatory memorandum and voting documentation is expected to be sent to unitholders in September 2014. The stapling will enable the stapled group to own more active leased assets ancillary to RFF's investment property.

The Group expects to derive its future income from the holding and leasing of investment property, biological assets and water entitlements.

Environmental issues

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

Units on issue

117,099,159 units in RFF were on issue at 30 June 2014 (2013: 32,733,121). During the year 84,366,038 (2013: 429,995) units were issued by the Trust and nil (2013: nil) were redeemed.

Trust assets

At 30 June 2014 RFF held assets to a total value of $241,233,000 (2013: $96,697,000).

Regulatory compliance

RFM holds an Australian Financial Services Licence and is required to meet financial requirements as determined by ASIC. During the year, RFM complied with the obligations relevant to its status as a Responsible Entity.

Indemnification of Responsible Entity and Custodian

In accordance with the constitution, Rural Funds Group 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.

The Trust has not otherwise, during the year or since the year end, indemnified or agreed to indemnify an officer of RFM or of any related body corporate against a liability incurred as such by an officer.

Rounding of amounts

The Trust is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Information on Directors of the Responsible Entity

Guy Paynter	Non-Executive Chairman
Qualifications	Bachelor of Laws from The University of Melbourne.
Experience	Guy Paynter is a former director of broking firm JB Were and brings to RFM more than 30 years of experience in corporate finance. Guy is a former member of the Australian Securities Exchange (ASX) and a former associate of the Securities Institute of Australia (now known as the Financial Services Institute of Australasia). Guy is also chairman of Aircruising Australia Limited. Guy's agricultural interests include cattle breeding in the Upper Hunter region in New South Wales.
Special Responsibilities	Member of Audit Committee
Directorships held in other listed entities during the three years prior to the current year	Nil

David Bryant	Managing Director
Qualifications	Diploma of Financial Planning from the Royal Melbourne Institute of Technology and a Masters of Agribusiness from The University of Melbourne.
Experience	David Bryant established RFM in February 1997, Since then, David has led the RFM team that has acquired over $300 million in agricultural assets across eight Australian agricultural regions. This has included negotiating the acquisition of more than 25 properties and over 60,000 megalitres of water entitlements.
Special Responsibilities	Managing Director
Directorships held in other listed entities during the three years prior to the current year	Nil

Michael Carroll	Non-Executive Director
Qualifications	Bachelor of Agricultural Science from La Trobe University and a Master of Business Administration (MBA) from The University of Melbourne's Melbourne Business School. Michael has completed the Advanced Management Program at Harvard Business School, Boston, and is a Fellow of the Australian Institute of Company Directors.
Experience	Michael Carroll serves a range of food and agricultural businesses in a board and advisory capacity. Michael is on the Boards of Queensland Sugar Limited, Select Harvests Limited, Sunny Queen Pty Ltd and the Rural Finance Corporation of Victoria. Michael also has senior executive experience in a range of companies, including establishing and leading the National Australia Bank (NAB) Agribusiness division.
Special Responsibilities	Chairman of Audit Committee
Directorships held in other listed entities during the three years prior to the current year	Michael is on the Board of Select Harvests Limited and joined the Board of Tassal Group Limited in June 2014. Michael was also on the Board of Warrnambool Cheese and Butter Limited from August 2009 until May 2014.

Directors of the Responsible Entity's Report
30 June 2014

Information on Directors of the Responsible Entity (continued)

Interests of Directors of the Responsible Entity

Units in the Trust held by Directors of RFM or entities controlled by Directors of RFM as at 30 June 2014 were:

	Guy Paynter Number of units	David Bryant Number of units
Unit holdings		
Balance at 1 July 2012	-	1,265,604
Units acquired	-	4,529
Balance at 30 June 2013	-	1,270,133
Units acquired	351,833	2,017,239
Balance at 30 June 2014	351,833	3,287,372

Company secretary of the Responsible Entity

Stuart Waight (member of the Institute of Chartered Accountants) held the position of company secretary at the end of the financial year. Stuart has been the company secretary since 2010. Prior to this role, Stuart Waight was the Chief Financial Officer of a listed company with an annual turnover of $500 million. He is responsible for optimising the performance of the RFM funds, and analysing future developments, acquisitions and investments.

On 24 July 2014 Stuart Waight resigned from the position of company secretary and Andrea Lemmon was appointed as company secretary. Andrea has worked with RFM since its formation in 1997 and currently holds the position of Executive Manager Funds Management.

Meetings of Directors of the Responsible Entity

During the financial year 15 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Directors' meetings		Audit Committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Guy Paynter	15	13	1	1
David Bryant	15	15	-	-
Michael Carroll	15	14	1	1

PricewaterhouseCoopers attended the Board meeting where the Directors considered and approved the Financial Statements for the year ended 30 June 2014 as the audit committee was unable to form a quorum at that time.

Non-audit services

The Board of Directors of the Responsible Entity is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence as the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to PricewaterhouseCoopers for non-audit services provided during the year ended 30 June 2014:

	$
Taxation services	7,500

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2014 has been received and can be found on page 37 of the annual report.

This Directors of the Responsible Entity's Report, is signed in accordance with a resolution of the Board of Directors.

David Bryant

Director

28 August 2014

Auditor's Independence Declaration

As lead auditor for the audit of Rural Funds Group for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of Rural Funds Group and the entities it controlled during the period.

CMC Heraghty
Partner
PricewaterhouseCoopers

Sydney
28 August 2014

Rural Funds Group (formerly RFM RiverBank)
ARSN 112 951 578

Consolidated Statement of Comprehensive Income
For the Year Ended 30 June 2014

	Note	2014 000's $	2013 000's $
Revenue	4	**16,975**	8,252
Other income		**347**	32
Cost of goods sold		**(1,093)**	(225)
Management fees		**(1,894)**	(1,239)
Professional fees		**(2,899)**	(1,205)
Finance costs	5	**(4,478)**	(2,990)
Stamp duty and listing costs		**(1,452)**	-
Other operating expenses		**(812)**	(1,354)
Depreciation and impairments	5	**(3,958)**	(2,944)
Impairment of goodwill	5	**(2,800)**	-
Discount on acquisition	5	**1,231**	-
Loss on sale of assets		**(45)**	(45)
Change in fair value of investment property	5	**(8,874)**	-
Change in fair value of biological assets	5	**14,074**	13,748
Change in fair value of interest rate swaps		**(920)**	588
Profit before income tax		**3,402**	12,618
Income tax benefit/(expense)	6	**16,724**	(3,977)
Net Profit after income tax		**20,126**	8,641
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation decrement	30	**(44)**	(119)
Income tax relating to these items	6	**237**	18
Other comprehensive income/(loss) for the year, net of tax		**193**	(101)
Total comprehensive income attributable to unitholders		**20,319**	8,540
Earnings per unit			
From continuing operations:			
Basic and diluted earnings per unit (cents)	26	**26.04**	26.46

The accompanying notes form part of these financial statements.

Rural Funds Group (formerly RFM RiverBank)
ARSN 112 951 578

Consolidated Statement of Financial Position
As at 30 June 2014

	Note	2014 000's $	2013 000's $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	**2,723**	182
Trade and other receivables	9	**3,347**	1,761
Inventories	10	**-**	987
Financial assets	16	**676**	-
Other current assets	15	**109**	254
Current tax receivable	14	**126**	-
Assets held for sale	17	**3,952**	4,180
TOTAL CURRENT ASSETS		**10,933**	7,364
NON-CURRENT ASSETS			
Biological assets	11	**65,506**	35,394
Property, plant and equipment	12	**-**	29,521
Investment property	13	**138,108**	-
Financial assets	16	**1,520**	-
Intangible assets	18	**23,590**	24,418
Deferred tax assets	23(b)	**1,576**	-
TOTAL NON-CURRENT ASSETS		**230,300**	89,333
TOTAL ASSETS		**241,233**	96,697
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	**4,062**	1,573
Interest bearing liabilities	20	**-**	5,288
Distributions payable	25	**2,533**	-
TOTAL CURRENT LIABILITIES		**6,595**	6,861
NON-CURRENT LIABILITIES			
Interest bearing liabilities	20	**94,300**	33,692
Lessee deposits	21	**1,553**	1,553
Derivative financial liabilities	22	**1,314**	2,593
Deferred tax liabilities	23(a)	**-**	4,433
TOTAL NON-CURRENT LIABILITIES		**97,167**	42,271
TOTAL LIABILITIES (excluding net assets attributable to unitholders)		**103,762**	49,132
Net assets attributable to unitholders		**137,471**	47,565
TOTAL LIABILITIES		**241,233**	96,697

The accompanying notes form part of these financial statements.

Rural Funds Group (formerly RFM RiverBank)
ARSN 112 951 578

Consolidated Statement of Changes in Net Assets Attributable to Unitholders
For the Year Ended 30 June 2014

2014

	Note	Issued units 000's $	Retained earnings 000's $	Asset revaluation reserve 000's $	Total 000's $
Balance at 1 July 2013		37,715	8,645	1,205	47,565
Other comprehensive income	30	-	-	(44)	(44)
Income tax relating to other comprehensive income	6	-	-	237	237
Total income and expense for the period recognised directly in equity		-	-	193	193
Net profit before tax attributable to unitholders		-	3,402	-	3,402
Income tax applicable		-	16,724	-	16,724
Total comprehensive income for the year		-	20,126	193	20,319
Equity transactions					
Units issued on business combination		77,804	-	-	77,804
Units issued during the year		179	-	-	179
Issue costs		-	-	-	-
Income tax applicable		-	-	-	-
Total equity transactions		77,983	-	-	77,983
Total equity transactions		77,983	20,126	193	98,302
Distribution to unitholders		(7,417)	(979)	-	(8,396)
Balance at 30 June 2014		108,281	27,792	1,398	137,471

The accompanying notes form part of these financial statements.

Rural Funds Group (formerly RFM RiverBank)
ARSN 112 951 578

Consolidated Statement of Changes in Net Assets Attributable to Unitholders
For the Year Ended 30 June 2014

2013

	Issued units 000's $	Retained earnings 000's $	Asset revaluation reserve 000's $	Total 000's $
Balance at 1 July 2012	38,005	4	1,306	39,315
Other comprehensive income	-	-	(119)	(119)
Income tax relating to other comprehensive income	-	-	18	18
Total income and expense for the period recognised directly in equity	-	-	(101)	(101)
Net profit before tax attributable to unitholders	-	12,618	-	12,618
Income tax applicable	-	(3,977)	-	(3,977)
Total comprehensive income for the year attributable to the owners of the Parent	-	8,641	(101)	8,540
Equity transactions				
Units issued during the year	544	-	-	544
Issue costs	(59)	-	-	(59)
Income tax applicable	18	-	-	18
Total equity transactions	503	8,641	(101)	9,043
Distributions to unitholders	(793)	-	-	(793)
Balance at 30 June 2013	37,715	8,645	1,205	47,565

The accompanying notes form part of these financial statements.

Rural Funds Group (formerly RFM RiverBank)
ARSN 112 951 578

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2014

	Note	2014 000's $	2013 000's $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**19,362**	8,485
Payments to suppliers		**(11,264)**	(4,760)
Interest received		**86**	48
Finance costs		**(4,117)**	(2,996)
Income tax paid		**(126)**	-
Net cash provided by/(used in) operating activities	34	**3,941**	777
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash acquired from acquisition of subsidiaries		**5,130**	-
Payments for acquisition of investment property		**(2,300)**	-
Payments for acquisition of property, plant and equipment		**(579)**	(2,095)
Proceeds from the sale of intangible assets		**3,262**	-
Proceeds from the sale of financial assets		**994**	-
Proceeds from sale of property plant and equipment		**-**	90
Payments for biological assets		**(183)**	-
Acquisition of financial assets		**(89)**	-
Loans from related parties		**160**	-
Distributions received		**187**	-
Net cash provided by/(used in) investing activities		**6,582**	(2,005)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of units		**179**	288
Proceeds from borrowings		**94,300**	1,180
Repayment of borrowings		**(91,955)**	(3,559)
Costs in relation to unit issue		**-**	(59)
Distributions paid		**(5,863)**	(1,480)
Settlement of derivatives		**(4,643)**	-
Net cash provided by/(used in) financing activities		**(7,982)**	(3,630)
Net increase/(decrease) in cash and cash equivalents		**2,541**	(4,858)
Cash and cash equivalents at beginning of year		**182**	5,040
Cash and cash equivalents at end of financial year	8	**2,723**	182

The accompanying notes form part of these financial statements.

This financial report covers the consolidated financial statements and notes of Rural Funds Group (formerly RFM RiverBank) and it's Controlled Entities (the Group). Rural Funds Group (formerly RFM RiverBank) is a for profit entity domiciled in Australia. The financial statements were authorised for issue by the Board of Directors of the Responsible Entity on 28 August 2014.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The separate financial statements and notes of the parent entity, Rural Funds Group, have not been presented within this financial report as permitted by amendments made to the *Corporations Act 2001*. Parent entity information is included in note 36.

1 Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The report has been prepared on a going concern basis.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Basis of consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated Group have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to the controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a 30 June financial year end.

A list of controlled entities is contained in Note 31 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

1 Summary of significant accounting policies (continued)

(c) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a discount on acquisition may arise on the acquisition date, this is calculated by comparing the fair value of the consideration transferred and the amount of non-controlling interest in the acquirer with the fair value of the net identifiable assets acquired. Where the consideration is greater than the identifiable assets, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a discount on acquisition recognised in the statement of comprehensive income.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through the statement of comprehensive income.

(d) Comparative amounts

Comparatives are consistent with prior years, unless otherwise stated.

1 Summary of significant accounting policies (continued)

(e) Revenue

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, have been satisfied.

Revenue from the leasing of investment property, water rights, property, plant and equipment, infrastructure and biological assets, where substantially all of the risks and rewards are not transferred to the lessee, is recognised on an accruals basis in accordance with lease agreements.

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

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

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

(f) Income tax

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

Deferred tax is accounted for using the balance sheet 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 charged/credited in the Statement of Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on management judgement, 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.

The subsidiaries within the Group, AWF and AIT, have formed a tax consolidated group. AWF is the head entity and recognises, in addition to its transactions, the deferred tax assets and liabilities of all entities in the tax consolidated group in the first instance. Under the Tax Sharing Deed each entity recognises their own current tax expense and deferred tax amounts on the basis that they were stand-alone entities.

1 Summary of significant accounting policies (continued)

(g) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of trade and other receivables or payables in the consolidated statement of financial position.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the consolidated statement of cash flows and are presented within current liabilities on the consolidated statement of financial position.

(i) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less an allowance for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Individual impairment is identified at a counterparty specific level following objective evidence that a financial asset is impaired. This may be after an interest or principal payment is missed or when information comes to hand that would indicate an inability to meet repayments. An allowance for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the originally assessed effective interest rate and taking into account the amount of security held. The amount of the allowance is recognised in the income statement.

Debts which are known to be uncollectible are written off when identified. Write-offs are charged against accounts previously established for impairment allowance or directly to the income statement.

Where the debt is in relation to amounts due on almond groves and the impact of non payment would result in the cancellation of the almond grove rights, which would revert to RFF, then the impairment provision is measured against the value of the rights that would be obtained by RFF.

(j) Inventories

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

1 Summary of significant accounting policies (continued)

(k) Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the asset is recognised at the date of derecognition.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(l) Intangible assets

(i) Water rights

Permanent water rights and entitlements are recorded at historical cost less accumulated impairment losses. Such rights have an indefinite life, and are not depreciated. The carrying value is tested annually for impairment. If events or changes in circumstances indicate impairment, the carrying value is adjusted to take account of impairment losses.

(ii) Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

1 Summary of significant accounting policies (continued)

(m) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the consolidated statement of comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

Discounting is omitted where the effect of discounting is considered immaterial.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date and when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, impairment provisions are recorded in a separate allowance account with the loss being recognised in profit or loss. When confirmation has been received that the amount is not collectable, the gross carrying value of the asset is written off against the associated impairment provision.

Subsequent recoveries of amounts previously written off are credited against other income in profit or loss.

Notes to the Financial Statements
For the Year Ended 30 June 2014

1 Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

In some circumstances, the Group renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Group does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future
- designated by the entity to be carried at fair value through profit or loss upon initial recognition or
- which are derivatives not qualifying for hedge accounting.

The Group has some derivatives which are designated as financial assets at fair value through profit or loss.

Assets included within this category are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists.

1 Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets.

Purchases and sales of available-for-sale investments are recognised on settlement date.

All other available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Losses recognised in prior period consolidated income statements resulting from the impairment of debt securities are reversed through the income statement, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "finance costs" or "finance income".

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired. Although the Group uses derivative financial instruments in economic hedges of interest rate risk, it does not hedge account for these transactions.

The Group's financial liabilities include borrowings, trade and other payables, which are measured at amortised cost using the effective interest rate method.

All of the Group's derivative financial instruments that are not designated as hedging instruments in accordance with the strict conditions explained in AASB 139 are accounted for at fair value through profit or loss.

Impairment of financial assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

1 Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

Available-for-sale financial assets

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

(n) Property, plant and equipment

Classes of property, plant and equipment are measured using the cost or revaluation model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed on a periodic basis or when indications of impairment exist for all similar classes of assets.

Land and buildings are measured using the revaluation model.

All other properly, plant and equipment are measured using the cost model.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

1 Summary of significant accounting policies (continued)

(n) Property, plant and equipment (continued)

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on a straight-line method from the date that management determine that the asset is available for use.

Leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Capital works in progress	Nil
Plant and equipment	3-16 years
Irrigation systems	5-40 years
Motor vehicles	6-16 years
Leasehold improvements	10 years
Buildings	5-40 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(o) Biological assets

In accordance with AASB141, vines, almond and olive trees have been recognised at fair value, less costs to sell.

Fair value is determined as follows:

- up until the time when commercial yields are achieved, cost approximates fair value, less costs to sell.

- thereafter based on the present value of expected net cash flows from the vineyards, almond orchards and olive groves, discounted using a pre tax market determined rate.

Changes in the fair value of biological assets are recognised in the Statement of Comprehensive Income in the year they arise.

(p) Investment property

Investment properties, comprise land, buildings and integral infrastructure including irrigation and trellising. Almond related land and infrastructure was transferred from Property, Plant and Equipment on 1 July 2013 as a result of these assets no longer being owner occupied but fully leased.

Investment properties are held for long-term rental yields and are not occupied by the Group. They are carried at fair value and changes in fair value are presented in the statement of comprehensive income.

1 Summary of significant accounting policies (continued)

(q) Investment in subsidiaries

Investments in subsidiaries are recognised at historical cost less any accumulated impairment losses.

(r) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownerships are transferred to entities in the Group are classified as finance leases.

Lease payments for operating leases, where substantially all of the risks and benefits have not been transferred from the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(s) 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.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the consolidated statement of comprehensive income.

(i) Provisions for distributions

Provision is made for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(u) Earnings per unit

Basic earnings per unit are calculated on net profit attributable to unitholders of the Group divided by the weighted average number of issued units.

(v) Interest bearing liabilities

Interest-bearing liabilities are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost. Any difference between cost and redemption value is recognised in the statement of comprehensive income over the entire period of the borrowings on an effective interest basis. Interest-bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least twelve months from the balance sheet date.

1 Summary of significant accounting policies (continued)

(w) Issued capital

Ordinary units are classified as liabilities in accordance with AASB 132. Incremental costs directly attributable to the issue of ordinary units and unit options which vest immediately are recognised as a deduction from net assets attributable to unitholders, net of any tax effects.

(x) Rounding of amounts

The Trust is an entity to which ASIC class order 98/100 applies and accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars.

(y) New accounting standards and interpretations

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 that may impact on the Group:

Standard Name	Effective date for the Group	Requirements	Impact
AASB 9 Financial Instruments and amending standards AASB 2010-7 / AASB 2012-6	30 June 2016	Changes to the classification and measurement requirements for financial assets and financial liabilities. New rules relating to derecognition of financial instruments.	The impact of AASB 9 has not yet been determined as the entire standard has not been released.
AASB 1053 - Application of Tiers of Australian Accounting Standards and amending standards AASB 2010-2, AASB 2011-11, AASB 2012-1, AASB 2012-7 and AASB 2012-11	30 June 2014	This standard allows certain entities to reduce disclosures.	The entity is not adopting the RDR and therefore these standards are not relevant.
AASB 1055 - Budgetary Reporting AASB 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements	30 June 2015	This standard specifies the nature of budgetary disclosures and circumstances for inclusion in the financial statements.	No impact as the entity is not a public sector entity.
AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	30 June 2015	This standard adds application guidance to AASB 132 to assist with applying some of the offset criteria of the standard.	There will be no impact to the entity as there are no offsetting arrangements currently in place.

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 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.

Valuation

Independent property valuations were obtained for almond orchard and associated properties, and poultry property and infrastructure from independent valuer, CBRE Valuations Pty Limited in June 2014. Independent property valuations were obtained for vineyard properties from independent valuer, Colliers International Consultancy and Valuation Pty Limited in June 2014. Almond orchard and associated properties, poultry property and infrastructure and vineyard properties are valued at fair value. Increments and decrements recognised in the accounts are based on the valuation. The model uses judgement in calculating the values and allocating the values over investment property and biological assets. See note 27 to the consolidated financial statements.

Investment in RFM StockBank

The investment in RFM StockBank has been classified as held for sale as the Group is seeking investor approval to divest this investment. Judgement is applied by management in assessing the degree of influence that the Group holds in this investment, and in particular the degree of involvement it has in financial and operating policy decisions. See note 27 to the consolidated financial statements.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits. See Note 6 to the consolidated financial statements.

Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Historical differences between forecast and actual taxable profits have not resulted in material adjustments to the recognition of deferred tax assets.

During the year RFF and CIF ceased to own any active operating assets and consequently they are expected to qualify as flow through entities for tax purposes from 1 July 2014. As a result, as no tax is expected to be payable to, or recoverable from, a tax authority when an asset or liability is realised, RFF and CIF have not recognised a deferred tax asset or deferred tax liability.

Valuation of Barossa Infrastructure Limited (BIL) shares

The shares in BIL have been valued using the number of megalitres of water that the Group is entitled to under the BIL scheme as supported by an external valuation on an 'in use' basis. This basis has been used due to a lack of evidence of trading in BIL shares. See note 27 to the consolidated financial statements.

3 Operating segments

Identification of reportable segments

Management has determined the operating segments based on reports reviewed by the Board to review and make decisions on the business. During the year the Board considered the business based on the industry segment of agricultural property being leased. During the year ended 30 June 2014, all segments generated revenue in Australia and all assets are held in Australia.

On 19 December 2013 RFF acquired the vineyard leasing and poultry property and infrastructure leasing segments as a result of the merger of RFF with CIF and AWF. The results below reflect the results of these segments from the date of consolidation.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the use of the property; and
- any external regulatory requirements.

Performance is measured based on segment profit after income tax as included in the internal financial reports.

Types of products and services by reportable segment

(i) Almond properties

(ii) Poultry property and infrastructure

(iii) Vineyards

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated below, all amounts reported to the Board of Directors, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

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3 Operating segments (continued)

(b) Segment performance

	Almond properties		Poultry property and infrastructure		Vineyards		Total	
	2014 000's $	2013 000's $	2014 000's $	2013 000's $	2014 000's $	2013 000's $	2014 000's $	2013 000's $
REVENUE								
Revenue from external customers	**9,630**	8,204	**5,538**	-	**1,684**	-	**16,852**	8,204
Interest income	**35**	48	**24**	-	**64**	-	**123**	48
Segment revenue	**9,665**	8,252	**5,562**	-	**1,748**	-	**16,975**	8,252
Revaluation increment/(decrement)	**2,635**	13,748	**(2,214)**	-	**1,232**	-	**1,653**	13,748
Net profit before tax	**3,073**	12,618	**2,402**	-	**1,980**	-	**7,455**	12,618
Segment net profit after tax	**7,067**	8,641	**15,323**	-	**1,684**	-	**24,074**	8,641
Segment assets	**95,418**	92,517	**98,814**	-	**39,691**	-	**233,923**	92,517
Segment liabilities	**51,984**	46,539	**37,229**	-	**10,424**	-	**99,637**	46,539
Segment net assets	**43,434**	45,978	**61,585**	-	**29,267**	-	**134,286**	45,978

3 Operating segments (continued)

(c) Reconciliation

Reconciliation of segment revenue to consolidated statement of comprehensive income

	2014 000's $	2013 000's $
Total segment revenue	**16,975**	8,252
Total revenue	**16,975**	8,252

Reconciliation of total segment net profit after tax to the consolidated statement of comprehensive income

The Board meets on a monthly basis to assess the performance of each segment, net operating profit does not include non-operating revenue and expenses.

Segment net profit after tax	**24,074**	8,641
Other expenses	**(3,398)**	-
Impairment of goodwill	**(2,800)**	-
Discount on acquisition	**1,231**	-
Tax effect of other expenses	**1,019**	-
Total net profit after tax	**20,126**	8,641

Reconciliation of segment assets to the consolidated statement of financial position

Segment operating assets	**233,923**	92,517
Other financial assets	**3,358**	-
Held-for-sale assets	**3,952**	4,180
Total assets per the consolidated statement of financial position	**241,233**	96,697

Reconciliation of segment liabilities to the consolidated statement of financial position

Segment liabilities	**99,637**	46,539
Intersegment eliminations	**-**	-
Other unallocated liabilities	**4,125**	2,593
Total liabilities per the consolidated statement of financial position	**103,762**	49,132

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4 Revenue and other income

	2014 000's $	2013 000's $
Rental revenue	**14,798**	7,067
Reimbursement of water charges	**652**	865
Temporary water sales	**191**	-
Interest received	**123**	48
Sales - Almonds	**1,211**	272
Total revenue	**16,975**	8,252

5 Individually significant items

Expenses

	2014 000's $	2013 000's $
Finance costs		
RFM loan	**129**	172
Corporate debt facility	**4,224**	2,692
Equipment loan and finance leases	**125**	126
Total finance costs	**4,478**	2,990
Depreciation and impairments	**3,958**	2,944
Bad debt expense	**156**	3
Change in fair value of biological assets	**14,074**	13,748
Change in fair value of investment property	**(8,874)**	-
Impairment of goodwill	**2,800**	-
Discount on acquisition	**(1,231)**	-

6 Income tax expense

(a) The major components of tax expense comprise

	2014 000's $	2013 000's $
Deferred tax	**(16,724)**	3,977
Income tax (benefit)/expense reported in the Statement of Comprehensive Income	**(16,724)**	3,977
Income tax expense is attributable to:		
Profit from continuing operations	**(16,724)**	3,977
Aggregate income tax expense	**(16,724)**	3,977
Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease in deferred tax assets	**3,136**	3,977
Decrease in deferred tax liabilities	**(19,860)**	-
	(16,724)	3,977

(b) Amounts charged or credited directly to equity

	2014 000's $	2013 000's $
Capitalised issue costs	**-**	(18)
Writeback of deferred tax liability on revaluation of assets	**(237)**	-
Total	**(237)**	(18)

On 30 June 2014 RFF sold its almond farming plant and equipment and ceased all active trading activities. From 1 July 2014 RFF is expected to be treated as a flow through trust for tax purposes. Similarly, CIF disposed of all active trading assets during the year ended 30 June 2014 and is expected to be treated as a flow through entity for tax purposes from 1 July 2014. As a result, it is no longer probable that a tax liability will be incurred in RFF or CIF in relation to the future sale of assets for a gain or through trading. Deferred tax liabilities previously recorded in the Statement of Financial Position have consequently been written back in the Statement of Comprehensive Income.

6 Income tax expense (continued)

(c) Numerical reconciliation between aggregate tax expense recognised in the Statement of Comprehensive Income 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 Group's applicable income tax rate is as follows:

	2014 000's $	2013 000's $
Accounting profit before tax from continuing operations	**3,402**	12,618
At the statutory income tax rate of 30% (2013:30%)	**1,021**	3,785
Derecognition of tax losses that are no longer available for utilisation	**1,199**	-
Derecognition of deferred tax liabilities	**(20,881)**	-
Derecognition of deferred tax assets	**2,149**	-
Previously unrecognised deferred tax asset now recognised	**(242)**	-
Adjustments in respect of income tax of previous years	**30**	-
Capital gains subject to different rate of tax	**-**	192
Total	**(16,724)**	3,977

(d) Franking credits

At 30 June 2014 franking credits of $nil (2013: $128,537) are available to apply to future income distributions.

7 Remuneration of Auditors

	2014 $	2013 $
Remuneration of the auditor of the Group for:		
- auditing or reviewing the financial report	**177,000**	-
- tax and other services	**7,500**	-
Remuneration of other auditors for:		
- auditing or reviewing the financial report	**-**	76,974
- taxation services	**-**	930
Total auditors remuneration	**184,500**	77,904

The auditor of the parent entity for the year ended 30 June 2013 was Boyce Assurance Services Pty Limited.

8 Cash and cash equivalents

	Note	2014 000's $	2013 000's $
Cash at bank		**2,723**	182
Total cash and cash equivalents		**2,723**	182

Reconciliation of cash

Cash and cash equivalents reported in the consolidated statement of cash flows are reconciled to the equivalent items in the consolidated statement of financial position as follows:

Cash and cash equivalents		**2,723**	182

9 Trade and other receivables

	Note	2014	2013
CURRENT			
Trade receivables		**2,178**	834
Provision for impairment	28	**(157)**	-
Sundry receivables		**717**	107
Receivables from related parties		**609**	820
Total trade and other receivables		**3,347**	1,761

Trade receivables are non-interest bearing and are generally on 30 day terms. Impaired and past due receivables have been considered and appropriate provisions made.

10 Inventories

	2014	2013
CURRENT		
Agricultural produce	**-**	987
Total inventories	**-**	987

Agricultural produce inventory represents almonds which have been harvested but not yet sold.

11 Biological assets

	Almonds (Cost) 000's $	Olive Trees (Fair Value) 000's $	Almond Trees (Fair Value) 000's $	Vines (Fair Value) 000's $	Total 000's $
Opening balance	-	**1,312**	**34,082**	-	**35,394**
Additions/purchases	-	-	-	**16,038**	**16,038**
Revaluation increase recognised in income	-	**(1,312)**	**7,344**	**8,042**	**14,074**
Balance at 30 June 2014	-	-	**41,426**	**24,080**	**65,506**
(Non-current)	-	-	**41,426**	**24,080**	**65,506**
Opening balance	-	-	21,904	-	21,904
Additions/purchases	14	-	-	-	14
Decreases due to sales	(272)	-	-	-	(272)
Revaluation increase recognised in income	258	1,312	12,178	-	13,748
Balance at 30 June 2013	-	1,312	34,082	-	35,394
(Non-current)	-	1,312	34,082	-	35,394

Biological assets are mature bearer assets and include almond and olive trees situated on properties located near Hillston in NSW. The Trust owns and maintains the trees for the purpose of leasing these assets to third parties. At 30 June 2014 the Trust owned almond trees on 1,814 hectares of land (2013: 1,814 hectares), and olive trees on 320 hectares of land (2013: 320 hectares).

Biological assets also include grape vines located in South Australia and Victoria. The Group owns vines for the purposes of leasing to third parties. At 30 June 2014 the Group owned vines on 668 hectares of land.

The Trust is no longer responsible for any almond groves in AF07 (2013: 91) or AF08 (2013: 102). The Trust publicly advertised for expressions of interest to assign the operation of these almond groves effective from 1 July 2013. RFM was the successful applicant offering the most commercially attractive bid and the groves were transferred on 1 July 2013. RFF retained rights to the income from the 2013 crop and has received all proceeds during the year.

The determination of the fair value of biological assets is further discussed at Note 27(b).

12 Property, plant and equipment

Movements in carrying amounts of property, plant and equipment

	Capital works in progress 000's $	Land and buildings 000's $	Plant and equipment 000's $	Motor vehicles 000's $	Irrigation system 000's $	Leasehold improvements 000's $	Total 000's $
At 1 July 2012							
Cost or fair value	587	8,172	4,989	291	19,955	669	34,663
Accumulated depreciation	-	(30)	(2,161)	(98)	(2,229)	(17)	(4,535)
Net book amount	587	8,142	2,828	193	17,726	652	30,128
Year ended 30 June 2013							
Opening net book amount	587	8,142	2,828	193	17,726	652	30,128
Additions	2,178	-	-	-	-	-	2,178
Disposals	-	-	(99)	(36)	-	-	(135)
Reclassified to held for sale	-	(1,100)	-	-	-	-	(1,100)
Revaluation increase/(decrease)	-	(174)	-	-	-	-	(174)
Depreciation	-	(52)	(496)	(38)	(675)	(115)	(1,376)
Transfers	(2,051)	434	299	77	893	348	-
Closing net book amount	714	7,250	2,532	196	17,944	885	29,521
At 30 June 2013							
Cost or fair value	**714**	**7,333**	**5,190**	**332**	**20,848**	**1,017**	**35,434**
Accumulated depreciation	-	**(83)**	**(2,658)**	**(136)**	**(2,904)**	**(132)**	**(5,913)**
Net book amount	**714**	**7,250**	**2,532**	**196**	**17,944**	**885**	**29,521**
Year ended 30 June 2014							
Opening net book amount	**714**	**7,250**	**2,532**	**196**	**17,944**	**885**	**29,521**
Additions	-	-	**529**	**50**	-	-	**579**
Disposals	-	-	**(2,579)**	**(218)**	-	-	**(2,797)**
Reclassified from held for sale	-	**1,100**	-	-	-	-	**1,100**
Depreciation	-	-	**(421)**	**(28)**	-	-	**(449)**
Transfers to investment property	**(714)**	**(8,350)**	**(61)**	-	**(17,944)**	**(885)**	**(27,954)**
Closing net book amount	-	-	-	-	-	-	-

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13 Investment properties

	2014 000's $	2013 000's $
Non-current assets - at fair value		
Opening balance at 1 July	**-**	-
Acquisitions	**116,735**	-
Transfers	**27,954**	-
Additions	**2,300**	-
Net gain/(loss) from fair value adjustment	**(8,874)**	-
Disposals	**(7)**	-
Closing balance at 30 June 2014	**138,108**	-

(a) Amounts recognised in profit or loss for investment properties

	2014	2013
Rental income	**13,955**	-
Net gain/(loss) from fair value adjustment	**(8,874)**	-

(b) Leasing arrangements

Minimum lease payments receivable under non-cancellable operating leases of investment properties, biological assets, property plant and equipment and water rights not recognised in the financial statements, are receivable as follows:

	2014	2013
Within one year	**20,574**	6,600
Later than one year but not later than 5 years	**87,297**	27,102
Later than 5 years	**206,303**	67,002
	314,174	100,704

14 Current tax receivable

	Note	2014 000's $	2013 000's $
CURRENT			
Current tax receivable		**126**	-
Total		**126**	-

15 Other assets

	Note	2014 000's $	2013 000's $
CURRENT			
Prepayments		**100**	254
Deposits		**9**	-
Total other assets		**109**	254

16 Other financial assets

	Note	2014 000's $	2013 000's $
CURRENT			
Loan - RF Active		**316**	-
Vendor finance loan - RF Active		**180**	-
Loan - Murdock Viticulture		**180**	-
Total other financial assets - current		**676**	-
NON-CURRENT			
Investment - BIL	27	**520**	-
Investment - RFM Poultry	27	**89**	-
Vendor finance loan - RF Active		**450**	-
Loan - Murdock Viticulture		**461**	-
Total other financial assets - non-current		**1,520**	-

17 Assets classified as held for sale

	Note	2014 000's $	2013 000's $
Assets held for sale			
Investment - RFM StockBank	27	**3,952**	-
Other assets		**-**	4,180
Total assets held for sale		**3,952**	4,180

The Group's investment in units in RFM StockBank is held for sale. There are no fixed returns or a fixed maturity date attached to this asset.

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18 Intangible assets

	Goodwill 000's $	Water licences - Lachlan groundwater 000's $	Water licences - Lachlan river water 000's $	Poultry infrastructure - water licences 000's $	Vineyard - water licences 000's $	Total 000's $
NON-CURRENT						
Year ended 30 June 2013						
Opening net book amount	-	27,211	1,799	-	-	29,010
Additions	-	-	-	-	-	-
Reclassified as held for sale	-	(1,650)	(1,430)	-	-	(3,080)
Impairment	-	(1,143)	(369)	-	-	(1,512)
Closing net book amount	-	24,418	-	-	-	24,418
At 30 June 2013						
Cost	-	24,686	-	-	-	24,686
Accumulated amortisation and impairment	-	(268)	-	-	-	(268)
Net book amount	-	24,418	-	-	-	24,418
Year ended 30 June 2014						
Opening net book amount	-	24,418	-	-	-	24,418
Additions	2,800	-	-	1,049	500	4,349
Impairment	(2,800)	(2,377)	-	-	-	(5,177)
Closing net book amount	-	22,041	-	1,049	500	23,590
At 30 June 2014						
Cost	2,800	24,686	-	1,049	500	29,035
Accumulated amortisation and impairment	(2,800)	(2,645)	-	-	-	(5,445)
Net book amount	-	22,041	-	1,049	500	23,590

Intangible assets include water rights and entitlements. External valuations were obtained from CBRE Valuations Pty Limited and Colliers International Consultancy and Valuation Pty Limited at 30 June 2014 to assess the carrying value of intangible assets. The carrying value of the water rights was assessed for impairment by comparing to value in use or comparable sales.

19 Trade and other payables

	2014 000's $	2013 000's $
CURRENT		
Trade payables	**655**	209
Accruals	**1,292**	446
Sundry creditors	**2,115**	918
Total trade and other payables	**4,062**	1,573

Trade payables are payable on 30-90 day terms and are non interest bearing.

20 Interest bearing liablilities

	2014 000's $	2013 000's $
CURRENT		
Unsecured liabilities		
Loan RFM	**-**	1,800
Secured liabilities		
Borrowings (NAB)	**-**	3,000
Equipment loans	**-**	488
Total interest bearing liabilities - current	**-**	5,288
NON-CURRENT		
Borrowings (ANZ)	**94,300**	-
Equipment loans	**-**	1,422
Borrowings (NAB)	**-**	32,270
Total interest bearing liabilities - non current	**94,300**	33,692

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20 Interest bearing liablilities (continued)

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

	Investment property		Water licences		Biological assets		Property, plant and equipment		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's
	$	$	$	$	$	$	$	$	$	$
Mortgages - almond property leasing	**29,227**	-	**22,041**	24,418	**41,426**	35,394	**-**	30,770	**92,694**	90,582
Mortgages - poultry property and infrastructure leasing	**95,981**	-	**1,049**	-	**-**	-	**-**	-	**97,030**	-
Mortgages - vineyard leasing	**12,900**	-	**1,019**	-	**24,080**	-	**-**	-	**37,999**	-
Equipment loans	**-**	-	**-**	-	**-**	-	**-**	1,910	**-**	1,910
Total	**138,108**	-	**24,109**	24,418	**65,506**	35,394	**-**	32,680	**227,723**	92,492

The loan facility with Australia and New Zealand Banking Group Limited (ANZ) is secured by:

- fixed and floating charge over the assets listed above held by Australian Executor Trustees Limited as custodian for Rural Funds Group, RFM Chicken Income Fund, and RFM Australian Wine Fund and,

- registered mortgages over all property owned by the Rural Funds Group given by Australian Executor Trustees Limited as custodian for the Rural Funds Group.

Loan amounts are provided by ANZ at the Bank's floating rate plus a margin.

Water licences include water rights held as available for sale financial assets.

20 Interest bearing liablilities (continued)

(b) Borrowings

On 24 December 2013, RFF, CIF and AWF settled all finance facilities and derivative instruments with National Australia Bank (NAB) and entered into new facilities with Australia and New Zealand Banking Group Limited (ANZ). The ANZ facilities are expected to provide lower finance costs and increased flexibility to the Group.

Following the listing of RFF on the ASX, the facility agreement was amended to merge the facilities into one umbrella facility with a limit of $97,500,000 and extend the term of the facility to 5 years.

As at 30 June 2014, interest rate swaps with a face value of $75,000,000 were held by the Group to manage interest rate risk from the loans.

(c) Loan covenants

Under the terms of the ANZ borrowing facility, the Group is required to comply with the following financial covenants:

(a) maintenance of a maximum loan to value ratio of 50%,

(b) maintenance of net tangible assets for the Group in excess of $100,000,000, and

(c) an interest cover ratio for the Group not less than 2.25:1.00.

Rural Funds Group has complied with the financial covenants of its borrowing facilities during the 2014 and 2013 reporting periods.

21 Other non-current liabilities

	Note	2014 000's $	2013 000's $
Lessee deposits		**1,553**	1,553

22 Derivative financial liabilities

	Note	2014 000's $	2013 000's $
NON-CURRENT			
Interest rate swaps	27	**1,314**	2,593
Total derivative financial liabilities		**1,314**	2,593

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

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23 Deferred tax

(a) Deferred tax liabilities

	2014 000's $	2013 000's $
Biological assets	**5,551**	7,155
Fair valued investment property, plant & equipment (including depreciation)	**2,048**	430
Gross deferred tax liabilities	**7,599**	7,585
Set-off of deferred tax assets	**(7,599)**	(3,152)
Net deferred tax liabilities	**-**	4,433

On 30 June 2014 RFF sold its almond farming plant and equipment and ceased all active trading activities. From 1 July 2014 RFF is expected to be treated as a flow through trust for tax purposes. Similarly, CIF disposed of all active trading assets during the year ended 30 June 2014 and is expected to be treated as a flow through entity for tax purposes from 1 July 2014. As a result, it is no longer probable that a tax liability will be incurred in RFF or CIF in relation to the future sale of assets for a gain or through trading. Deferred tax liabilities previously recorded in the Statement of Financial Position have consequently been written back in the Statement of Comprehensive Income.

The only entity in the Group carrying deferred tax assets and liabilities at 30 June 2014 is AWF.

(b) Deferred tax assets

	2014 000's $	2013 000's $
Accruals	**15**	20
Investments	**223**	-
Fair value investment property	**2,341**	-
Receivables	**-**	90
Borrowing costs	**9**	11
Derivative financial instruments	**-**	778
Legal costs	**170**	93
Equity raising costs	**13**	212
Unused income tax losses	**8,000**	1,927
Unused capital tax losses	**-**	21
Gross deferred tax assets	**10,771**	3,152
Set-off deferred tax liabilities	**(7,599)**	(3,152)
Unrecognised income tax losses	**(1,596)**	-
Net deferred tax assets	**1,576**	-

24 Recognised deferred tax assets and liabilities

	Current income tax		Deferred income tax	
	2014 000's $	2013 000's $	2014 000's $	2013 000's $
Opening balance	-	-	(4,433)	(474)
Charged to income	-	-	16,724	(3,977)
Charged to equity	-	-	237	18
Acquisition of businesses	-	-	(10,952)	-
Closing balance	-	-	1,576	(4,433)
Tax expense in Statement of Comprehensive Income	-	-	(16,724)	3,977
Amounts recognised in the Statement of Financial Position:				
Deferred tax liability	-	-	-	4,433
Deferred tax asset	-	-	1,576	-

25 Distributions

(a) Distributions provided for or paid during the year

	2014 000's $	2013 000's $
Distribution (paid Nov 2013) 2.8199 cents (2013 - 2.4300 cents)	923	793
Distribution (paid Jan 2014) 2.1296 cents	2,490	-
Distribution (paid Apr 2014) 2.1296 cents	2,490	-
Distribution declared (Jun 2014) 2.1296 cents - paid on 16 July 2014	2,494	-
Total distributions provided for or paid	8,397	793

(b) Distributions payable

	2014	2013
CURRENT		
Distributions unpresented	39	-
Distributions declared June 2014	2,494	-
Distributions payable	2,533	-

26 Earnings per unit

	2014	2013
Net profit after income tax for the year ($000's)	20,126	8,641
Weighted average number of units outstanding (thousands)	77,285	32,650
Basic and diluted earnings per unit (total) (cents)	26.04	26.46

27 Fair value measurement of assets and liabilities

Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the Australian Accounting Standards.

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy. The level in the fair value hierarchy is determined having regard to the nature of inputs used to determine fair value. The hierarchy is as follows:

Level 1	Fair value based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date (such as publicly traded equities).
Level 2	Fair value based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	One or more significant inputs to the determination of fair value is based on unobservable inputs for the asset or liability.

(a) Financial assets and liabilities

(i) *Fair value hierarchy*

	Level 1 000's $	Level 2 000's $	Level 3 000's $	Total 000's $
At 30 June 2014				
Recurring fair value measurements				
Financial assets				
Equity securities (listed)	**89**	-	-	**89**
Equity securities (unlisted)	-	-	**520**	**520**
Assets classified as held for sale	-	**3,952**	-	**3,952**
Total financial assets	**89**	**3,952**	**520**	**4,561**
Financial liabilities				
Derivatives	-	**1,314**	-	**1,314**
Total financial liabilities	-	**1,314**	-	**1,314**
At 30 June 2013				
Recurring fair value measurements				
Financial liabilities				
Derivatives	-	2,593	-	2,593
Total financial liabilities	-	2,593	-	2,593

There were no transfers between levels for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

27 Fair value measurement of assets and liabilities (continued)

(ii) *Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the present value of the estimated future cash flows based on observable yield curves to determine the fair value of interest rate swaps; and
- discounted cash flow analysis to determine the fair value of the remaining financial instruments.

All of the resulting fair value estimates are included in level 1 or 2 except for unlisted equity securities which are level 3, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

(iii) *Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the changes in level 3 items for the years ended 30 June 2014 and 30 June 2013:

	Unlisted equity securities 000's $
Opening balance 1 July 2012	-
Disposals	-
Losses recognised in other comprehensive income	-
Closing balance 30 June 2013	-
Transfer from level 2	-
Acquisitions	**1,690**
Gains/(losses) recognised in other income	**(1,170)**
Closing balance 30 June 2014	**520**

27 Fair value measurement of assets and liabilities (continued)

(iv) Valuation inputs and relationships to fair value

Description	Fair value at 30 June 2014 000's $	Unobservable inputs	Range of inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
Investment in BIL	520	Water price	+/- 10%	A change in the price of water by +/- 10% results in a change in fair value of $52,000

(b) Non - financial assets

(i) *Fair value hierarchy*

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under Australian Accounting Standards as mentioned above.

	Level 1 000's $	Level 2 000's $	Level 3 000's $	Total 000's $
At 30 June 2014				
Investment properties				
Almond orchard property	-	-	29,227	29,227
Poultry property and infrastructure	-	-	95,981	95,981
Vineyard property	-	-	12,900	12,900
Biological assets				
Almond orchard	-	-	41,426	41,426
Vines	-	-	24,080	24,080
Total non-financial assets	-	-	203,614	203,614

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels for recurring fair value measurements during the year.

27 Fair value measurement of assets and liabilities (continued)

(ii) *Valuation techniques used to determine level 2 and level 3 fair values*

The Group obtains independent valuations for its non-financial assets at least annually.

At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows; and
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 3.

(iii) Fair value measurements using significant unobservable inputs (level 3)

	Investment property			Biological assets		Total
	Almond orchard property 000's $	Poultry property and infrastructure 000's $	Vineyard property 000's $	Almond orchards and olive trees 000's $	Vines 000's $	000's $
Opening balance 1 July 2013	**-**	**-**	**-**	**35,394**	**-**	**35,394**
Acquisitions	**-**	**98,195**	**18,540**	**-**	**15,854**	**132,589**
Transfers	**27,954**	**-**	**-**	**-**	**-**	**27,954**
Additions	**2,300**	**-**	**-**	**-**	**184**	**2,484**
Disposals	**(7)**	**-**	**-**	**-**	**-**	**(7)**
Fair value adjustment	**(1,020)**	**(2,214)**	**(5,640)**	**6,032**	**8,042**	**5,200**
Closing balance 30 June 2014	**29,227**	**95,981**	**12,900**	**41,426**	**24,080**	**203,614**

27 Fair value measurement of assets and liabilities (continued)

(iv) *Valuation inputs and relationships to fair value*

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

Description	Fair value at 30 June 2014 $'000	Unobservable inputs *	Range of inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
Almond orchard property (excluding water licences) **	70,653	Discount rate	9.5% - 10.5% (9.95%)	The higher the discount rate and terminal yield, the lower the fair value
		Terminal yield	10% - 10.5% (10.23%)	
Poultry property and infrastructure (excluding water licences) **	95,981	Capitalisation rate	10.5%	The higher the capitalisation rate, the lower the fair value
Vineyards (excluding water licences) **	36,980	Discount rate	9.5% - 10% (9.76%)	The higher the discount rate and terminal yield, the lower the fair value
		Terminal yield	9.75% - 10.25% (10.01%)	
		Capitalisation rate	8.75% - 9.5% (8.95%)	The higher the capitalisation rate, the lower the fair value

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

** Water licences are held at historical cost less accumulated impairment, as detailed in note 18 to the Consolidated Financial Statements.

(v) Valuation processes

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties. As at 30 June 2014 the fair values of the properties have been determined by CBRE Valuations Pty Limited and Colliers International Consultancy and Valuation Pty Limited.

The main level 3 inputs used by the Group include discount rates, terminal yields, and capitalisation rates estimated in the respective valuations based on comparable transactions and industry data.

Changes in level 2 and 3 fair values are analysed at each reporting date during the valuation discussion between management and external valuers. As part of this discussion management presents updated model inputs and explains the reason for any fair value movements.

28 Financial risk management

The Group is exposed to a variety of financial risks through its use of financial instruments. This note discloses the Group's objectives, policies and processes for managing and measuring these risks. The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The Group does not speculate in financial assets.

The most significant financial risks which the Group is exposed to are described below:

Specific risks

- Market risk - interest rate risk and price risk
- Credit risk
- Liquidity risk

Financial instruments used

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Bank overdraft
- Trade and other payables
- Floating rate bank loans
- Interest rate swaps

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 and liquidity 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 changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

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.

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28 Financial risk management (continued)

Liquidity risk and capital management

The table below reflects all contractually fixed repayments and interest resulting from recognised financial assets and liabilities as at 30 June 2014.

The amounts disclosed in the table are the contractual undiscounted cash flows, except for interest rate swaps and bills of exchange where the cash flows have been estimated using interest rates applicable at the reporting date.

	Less than 6 months		6 months to 1 year		1 to 3 years		3 to 5 years		Over 5 years		Total	
	2014 000's $	2013 000's $	2014 000's $	2013 000's $	2014 000's $	2013 000's $	2014 000's $	2013 000's $	2014 000's $	2013 000's $	2014 000's $	2013 000's $
Financial assets												
Cash and cash equivalents	**2,723**	182	**-**	-	**-**	-	**-**	-	**-**	-	**2,723**	182
Receivables	**3,347**	1,761	**-**	-	**-**	-	**-**	-	**-**	-	**3,347**	1,761
Loan - Murdock Viticulture	**124**	-	**124**	-	**495**	-	**30**	-	**-**	-	**773**	-
Vendor Finance - RF Active	**105**	-	**102**	-	**387**	-	**-**	-	**-**	-	**594**	-
Loan - RF Active	**10**	-	**10**	-	**42**	-	**316**	-	**-**	-	**378**	-
Investment - BIL	**-**	-	**-**	-	**-**	-	**-**	-	**520**	-	**520**	-
Investment - RFM Poultry	**-**	-	**-**	-	**-**	-	**-**	-	**89**	-	**89**	-
Total financial assets	**6,309**	1,943	**236**	-	**924**	-	**346**	-	**609**	-	**8,424**	1,943
Financial liabilities												
Borrowings	**2,312**	1,093	**2,311**	4,093	**9,248**	3,963	**101,156**	35,325	**-**	-	**115,027**	44,474
Trade and sundry payables	**4,062**	1,574	**-**	-	**-**	-	**-**	-	**-**	-	**4,062**	1,574
RFM Loan	**-**	83	**-**	1,883	**-**	-	**-**	-	**-**	-	**-**	1,966
Equipment loans	**-**	318	**-**	286	**-**	988	**-**	487	**-**	143	**-**	2,222
Interest rate swaps	**-**	-	**-**	-	**592**	-	**722**	-	**-**	2,593	**1,314**	2,593
Total financial liabilities	**6,374**	3,068	**2,311**	6,262	**9,840**	4,951	**101,878**	35,812	**-**	2,736	**120,403**	52,829

28 Financial risk management (continued)

Liquidity risk and capital management (continued)

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. The Group is compliant with the current loan to valuation ratio (LVR) covenant which is not to exceed 50% of the fair market value of the properties held for security. The LVR at 30 June 2014 was 42.8%.

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

The Group is able to maintain or adjust its capital by divesting assets to reduce debt or adjusting the amount of distributions paid to unitholders.

Interest rate swaps held for trading

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

The notional principal amounts of the swap contracts approximates 77% of the Trust's borrowing facility.

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

	Effective Average Fixed Interest Rate Payable		Balance	
	2014	**2013**	**2014 000's**	**2013 000's**
	%	**%**	**$**	**$**
Maturity of notional amounts				
Settlement - Greater than 5 years	**-**	6.54	**-**	23,000
Settlement - 3 to 5 years	**3.44**	-	**75,000**	-
Total			**75,000**	23,000

The net loss recognised on the swap derivative instruments for the year ended 30 June 2014 was $920,000 (2013: gain of $587,000).

28 Financial risk management (continued)

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. This has been disclosed in the statement of financial position and notes to the financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations.

The Group has exposure to the credit risk of Treasury Wine Estates, Select Harvests Limited, RFM Poultry, RFM Almond Fund 2006, RFM Almond Fund 2007 and RFM Almond Fund 2008.

(a) Impaired trade receivables

	2014 000's $	2013 000's $
1 to 3 months	**4**	-
3 to 6 months	**47**	1
Over 6 months	**106**	-
Total	**157**	1

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

At 1 July	**1**	-
Provision for impairment recognised during the year	**156**	1
Receivables written off during the year	**-**	-
At 30 June	**157**	1
Amounts recognised in profit or loss	**156**	1

Notes to the Financial Statements
For the Year Ended 30 June 2014

28 Financial risk management (continued)

Credit risk (continued)

(b) Past due but not impaired

As at 30 June 2014, trade receivables of $17,000 (2013: $54,000) were past due but not impaired. These relate to the sale of plant and equipment (prior year related to a debtor that has now been provided for).

The ageing analysis of these trade receivables is as follows:

	2014 000's $	2013 000's $
3 to 6 months	**-**	54
Over 6 months	**17**	-
Total	**17**	54

Market risk

Sensitivity analysis - Interest rate risk

At 30 June 2014, the effect on profit and equity as a result of changes in the interest rate, net of the effect of interest rate swaps, with all other variables remaining constant, would be as follows:

Change in profit		
- Increase in interest rate by 1%	**2,098**	(141)
- Decrease in interest rate by 1%	**(2,181)**	141
Change in equity		
- Increase in interest rate by 1%	**1,469**	(98)
- Decrease in interest rate by 1%	**(1,527)**	98

Notes to the Financial Statements
For the Year Ended 30 June 2014

28 Financial risk management (continued)

Interest rate risk

Interest rate risk is managed by using a floating rate debt and through the use of interest rate swap contracts. The Group does not speculate in the trading of derivative instruments. The Responsible Entity is responsible for determining the appropriate exposure to interest rate risk to further reduce the risk associated with variable interest rates. At 30 June 2014, 0% (2013: approximately 4.90%) of the Trust's debt is fixed, excluding the impact of interest rate swap contracts.

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

	2014 000's $	2013 000's $
Cash	**2,723**	182
Vendor finance - RF Active	**629**	-
Borrowings	**(94,300)**	(35,270)
Loan - RFM	**-**	(1,800)
Total	**(90,948)**	(36,888)

29 Issued capital

Ordinary units

	2014 No.	2013 No.
Units on issue at the beginning of the reporting period	**32,733,121**	32,303,126
Units issued during the year	**84,366,038**	429,995
Units on issue at the end of the financial year	**117,099,159**	32,733,121

The holders of ordinary units are entitled to participate in distributions and the proceeds on winding up of the Trust. On a show of hands at meetings of the Trust, each holder of ordinary units has one vote in person or by proxy, and upon a poll each unit is entitled to one vote.

The Trust does not have authorised capital or par value in respect of its units.

30 Asset revaluation reserve

	2014 000's $	2013 000's $
Opening balance	**1,205**	1,306
Net (decrement)/increment in financial assets	**(44)**	-
Net (decrement)/increment in property, plant and equipment	**-**	(119)
Total comprehensive income	**(44)**	(119)
Income tax applicable	**237**	18
	193	(101)
Closing balance	**1,398**	1,205

31 Business combinations

On 16 December 2013 the unitholders of the RFM Chicken Income Fund (CIF) and the RFM Australian Wine Fund (AWF) agreed to merge with RFM RiverBank. The merger was completed on 19 December 2013 and RFM RiverBank changed its name to Rural Funds Group (RFF).

The merger of the funds was considered the best solution for meeting the needs of unitholders by providing liquidity, cost savings, diversification, improved access to capital and opportunity for future growth.

From 19 December 2013 CIF and AWF are wholly owned by RFF and their results are consolidated into RFF. Therefore, the consolidated results of RFF for the year includes 6 months and 13 days results of CIF and AWF.

The following table shows the assets acquired, liabilities assumed and the purchase consideration at the acquisition date.

	CIF 000's $	AWF 000's $	Total 000's $
Purchase consideration:			
- Cash	-	-	**-**
- Value of units issued as consideration	44,900	32,904	**77,804**
Total purchase consideration	44,900	32,904	**77,804**
The fair value of identifiable assets and liabilities recognised as a result of the acquisition are as follows:			
Cash and cash equivalents	733	4,397	**5,130**
Property, plant and equipment	104	-	**104**
Investment property	98,195	18,540	**116,735**
Biological assets	-	15,854	**15,854**
Derivatives	(2,166)	(279)	**(2,445)**
Intangible assets	1,049	500	**1,549**
Financial assets	4,947	2,481	**7,428**
Receivables	855	849	**1,704**
Other assets	338	78	**416**
Payables	(3,867)	(387)	**(4,254)**
Borrowings	(41,034)	(14,000)	**(55,034)**
Net deferred tax liabilities	(13,023)	2,071	**(10,952)**
Fair value of net identifiable assets acquired	46,131	30,104	**76,235**
Add: Goodwill	-	2,800	**2,800**
Less: Discount on acquisition	(1,231)	-	**(1,231)**
Net assets acquired	44,900	32,904	**77,804**

The goodwill was attributable to the premium paid for the vineyard leasing business in order to achieve appropriate values attributable to the merging assets. This amount was fully impaired by the Group in testing for impairment. The discount on acquiring CIF arose due to certain costs of concluding the merger transaction being proportionately spread across the entities. None of the goodwill is expected to be deductible for tax purposes.

(i) Acquisition-related costs

Acquisition related costs of $2,378,000 were incurred in the Group during the year ended 30 June 2014 including the consolidated period from 19 December 2013.

31 Business combinations (continued)

(ii) Acquired receivables

The fair value of trade and other receivables acquired is $1,704,000 and includes trade receivables with a fair value of $1,134,000. The gross contractual amount for trade and other receivables due is $2,093,000 of which $389,000 is expected to be uncollectable.

(iii) Non-controlling interest

CIF and AWF are wholly owned by RFF and there are no non-controlling interests.

	2014 %	2013 %
Controlled entities		
RFM Chicken Income Fund	**100**	0
RFM Australian Wine Fund	**100**	0
RFM Agricultural Income Trust Fund 1 (subsidiary of AWF)	**100**	0

(iv) Revenue and profit contribution

The acquired business, CIF, contributed revenues of $5,562,000 and net profit before tax of $2,425,000 (net profit after tax: $15,346,000) to the Group for the period from 19 December 2013 to 30 June 2014. The acquired business, AWF, contributed revenues of $1,748,000 and net profit before tax of $1,692,000 (net profit after tax: $1,397,000) to the Group for the period from 19 December 2013 to 30 June 2014. If the transaction had occurred on 1 July 2013, consolidated revenue and consolidated net profit before tax would have been $28,875,000 and $8,153,000 respectively.

32 Key management personnel disclosures

(a) Directors

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

Guy Paynter

David Bryant

Michael Carroll

Interests of Directors of the Responsible Entity

Units in the Trust held by Directors of RFM or entities controlled by Directors of RFM as at 30 June 2014 were:

	Guy Paynter Number of units	David Bryant Number of units
Unit holdings		
Balance at 1 July 2012	**-**	1,265,604
Units acquired	**-**	4,529
Balance at 30 June 2013	**-**	1,270,133
Units acquired	351,833	2,017,239
Balance at 30 June 2014	351,833	3,287,372

32 Key management personnel disclosures (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 RFF 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:

- Management Fee - 0.6 % per annum of the gross value of Trust assets.

- Asset Management Fee - 5% per annum of the gross lease revenue.

- Acquisition fee - 1% of the total purchase price of an asset.

- Expenses - all expenses incurred by RFM in relation to the proper performance of its duties in respect of the Trust are payable or reimbursable out of the Trust assets to the extent that such reimbursement is not prohibited by the *Corporations Act 2001*.

At the discretion of the Responsible Entity, the management fee for the period up to the merger date was calculated at 1.00% per annum on the gross monthly value of the assets of RFF, which is less than the constitution entitlement of 1.5%. From 19 December 2013, the Responsible Entity, RFM, varied the management fee down to 0.60% per annum of the gross monthly value of the assets of the Trust. Gross monthly value is defined as gross assets less any investments in RFM managed entities.

RFM may retire as the Responsible Entity of the Trust as permitted by law. However, RFM must retire as the Responsible Entity of the Trust when required by law. When retired or removed, RFM will be released from all obligations and remuneration in relation to the Trust arising after the time of retirement or being removed.

(c) Compensation of key management personnel

No amount is paid by the Trust directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Trust to the Directors as Key Management Personnel. Fees paid to RFM, the Responsible Entity, are disclosed in Note 33.

33 Related party transactions

Transactions between related parties are on commercial terms and conditions.

(a) Responsible entity (Rural Funds Management Limited)

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

	2014 000's $	2013 000's $
Management fee	**1,232**	933
Asset management fee	**662**	306
Total management fees	**1,894**	1,239
Expenses reimbursed to RFM	**3,727**	1,252
Interest on loan - RFM	**129**	172
Funding to AF07	**-**	351
Funding to AF08	**-**	359
Income collected on behalf of and paid to RFM Poultry	**1,297**	-
Equity raising cost being marketing recoveries paid to RFM	**-**	59
Distribution paid/payable to RFM	**104**	10
Total amounts paid to RFM and related entities	**7,151**	3,442
Rental income - AF06	**1,714**	1,622
Rental income - AF07	**501**	552
Rental income - AF08	**1,349**	1,364
Rental income - RFM	**284**	90
Rental income - RFM Poultry	**5,437**	-
Payment for grant of almond grove licences - RFM	**100**	-
Expenses reimbursed from RFM Poultry	**1,726**	-
Distributions received/receivable from RFM Poultry	**5**	-
Distributions received/receivable from RFM StockBank	**131**	-
Interest on land rental - AF06	**5**	10
Interest on loan - AF07	**1**	3
Interest on loan - AF08	**3**	3
Interest on Loan - Murdock Viticulture	**51**	-
Water recharge - AF06	**201**	215
Water recharge - AF07	**58**	74
Water recharge - AF08	**157**	182
Water recharge - RFM	**102**	23
Total amounts received from RFM and related entities	**11,825**	4,138

Murdock Viticulture is a vineyard manager 28% owned by RFM.

33 Related party transactions (continued)

(b) Custodian fees (Australian Executor Trustees Limited)

	2014 000's $	2013 000's $
Custodian fee	**99**	45
Total	**99**	45

(c) Debtors and loans

	2014 000's $	2013 000's $
RFM	**72**	12
AF06	**32**	-
AF07	**111**	116
AF08	**315**	360
Murdock Viticulture	**642**	-
RF Active	**946**	-
Total	**2,118**	488

(d) Creditors and loans

	2014 000's $	2013 000's $
AF07	**-**	9
AF08	**-**	21
RFM Poultry	**172**	-
RFM	**225**	1,930
Total	**397**	1,960

(e) Entities with influence over the Trust

	Units held	%
RFM	1,450,465	1.24

Rural Funds Group (formerly RFM RiverBank)
ARSN 112 951 578

Notes to the Financial Statements
For the Year Ended 30 June 2014

34 Cash flow information

Reconciliation of net profit after income tax to cash flow from operating activities

	2014 000's $	2013 000's $
Profit for the year	**20,126**	8,641
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
Impairment of goodwill	**2,800**	-
Discount on acquisition	**(1,231)**	-
Change in fair value of biological assets	**(14,074)**	(13,748)
Change in fair value of investment property	**8,874**	-
Change in fair value of interest rate swaps	**920**	(588)
Depreciation and amortisation	**3,958**	2,944
(Profit)/loss on sale of assets	**45**	45
Distributions received	**(188)**	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(554)**	316
(Increase)/decrease in prepayments	**425**	(15)
(Increase)/decrease in inventories	**987**	(762)
Increase/(decrease) in trade payables and accruals	**(2,436)**	(33)
Increase/(decrease) in unearned income	**750**	-
Increase/(decrease) in other liabilities	**(17)**	-
Increase/(decrease) in GST (net)	**280**	-
Increase/(decrease) in deferred taxes payable	**(16,724)**	3,977
Cash flow from operating activities	**3,941**	777

35 Subsequent events

On 11 July 2014 the Board provided approval for the acquisition of a property located near Hillston with land and water rights suitable for almond development, for an approximate cost of $5,200,000. This acquisition is initially expected to be 100% debt funded. ANZ provided approval of financing in July 2014.

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

36 Parent entity

The following information has been extracted from the books and records of the parent, Rural Funds Group and has been prepared in accordance with Australian Accounting Standards.

	2014 000's $	2013 000's $
Statement of financial position		
Assets		
Current assets	**54,688**	3,185
Non-current assets	**168,999**	89,332
Assets held for sale	**-**	4,180
Total assets	**223,687**	96,697
Liabilities		
Current liabilities	**5,767**	6,862
Non-current liabilities	**97,167**	42,271
Total liabilities (excluding net assets attributable to unitholders)	**102,934**	49,133
Net assets attributable to unitholders	**120,753**	47,564
Total liabilities	**223,687**	96,697
Statement of comprehensive income		
Total profit/(loss) for the year, net of tax	**3,367**	8,640
Other comprehensive income, net of tax	**235**	(101)
Total comprehensive income for the year	**3,602**	8,539

Rural Funds Group (formerly RFM RiverBank)
ARSN 112 951 578

Directors of the Responsible Entity's Declaration

The Directors of the Responsible Entity declare that:

1. the financial statements and notes of Rural Funds Group set out on pages 38 to 90 for the year ended 30 June 2014 are in accordance with the *Corporations Act 2001* and:

    a. comply with Australian Accounting Standards as stated in accounting policy Note 1 to the Consolidated Financial Statements and the *Corporations Regulations 2001*; and

    b. give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date.

2. in the Directors of the Responsible Entity's opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the Consolidated Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer as required by Section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors of RFM.

David Bryant

Director

28 August 2014

Independent auditor's report to the unitholders of Rural Funds Group

Report on the financial report

We have audited the accompanying financial report of Rural Funds Group (the registered scheme), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in net assets attributable to unit holders 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 for Rural Funds Group (the consolidated entity). The consolidated entity comprises the registered scheme and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Rural Funds Management Limited (the responsible entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those 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 consolidated entity'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 entity'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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of Rural Funds Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 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*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

PricewaterhouseCoopers

by

CMC Heraghty
Partner

Sydney
28 August 2014