

Rural Funds Group (RFF)



Rural Funds Management Ltd
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ASX Release

Media Release: Rural Funds Group delivers on adjusted funds from operations and increases FY16 forecast distribution

Rural Funds Management (RFM), as responsible entity for the Rural Funds Group (ASX: RFF), today released RFF's 2015 financial results. Highlights include:

- Adjusted funds from operations (AFFO) of \$11.0m in line with previous forecast;
- Increased FY16 forecast distribution to 8.93 cents per unit (cpu), up 4% from the FY15 distribution of 8.59 cpu;
- Independent valuation uplift of \$11.3m;
- Lower debt costs and increase in hedging instruments; and
- Confirmation Tocabil orchard development is on schedule for 2015 plantings.

Earnings and valuation increases

The FY2015 AFFO of \$11.0m is in line with the previous forecast. The net profit before income tax for the period was \$9.4m.

Independent property valuations have provided an uplift of \$11.3m which is largely attributable to almond orchard revaluations. RFF has reported a net asset value (NAV) of \$1.15 per unit, with water entitlements recorded at cost in accordance with accounting standards and ASIC guidelines. By including the independent value of water entitlements, RFF's adjusted NAV is \$1.22 per unit.

Tocabil update

In October 2014, RFF acquired Tocabil, a property suitable for development as an almond orchard. In March 2015, RFM executed a 22 year lease with Olam Orchards Australia Pty Ltd (Olam) to develop and operate a 600 ha almond orchard. Funding was secured for the development through a Placement and Entitlement Offer.

Olam is expected to complete the first stage of development including a 400 ha initial planting in the 2015 calendar year. A further 200 ha is forecast to be planted in 2016, as outlined in the Equity Raising presentation dated 6 March 2015.

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Capital management

RFM negotiated lower debt costs for RFF during the financial year, and increased the amount and tenor of interest rate hedges to more closely align with the weighted average expiry profile of leases.

Gearing as at 30 June 2015 was 35.1% of adjusted total assets.

Revised distribution forecast

Importantly, because of indexation and review clauses within each lease, RFM is satisfied RFF can lift distribution growth from the previously indicated 3% per annum, to 4%, commencing immediately. This will increase the forecast FY16 distribution to 8.93 cpu whilst retaining additional cash for debt reduction or investment opportunities.

The revised distribution forecast provides investors a yield of 8.1% based on the 30 June 2015 closing price of \$1.10.

About Rural Funds Group (RFF)

RFF owns a diversified portfolio of high quality Australian agricultural assets. RFF's investment objective is to generate a stable income stream derived from leasing its assets to suitable counterparts and capital growth through any appreciation in the value of those assets. RFF is a stapled security, incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805), trading under the ASX code 'RFF'. Rural Funds Management Ltd (RFM) is the responsible entity of RFF.

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