Rural Funds Group (RFF) Annual Report for the year ended 30 June 2015

Rural Funds Group (ASX: RFF) stapled group comprising:
Rural Funds Trust ARSN 112 951 578 and
RF Active ARSN 168 740 805
Responsible Entity: Rural Funds Management Limited
ACN 077 492 838 AFSL 226701

Issued on: 26 August 2015

Rural Funds Management

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Rural Funds Management

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Letter from the Managing Director

Dear Unitholder,

We are pleased to present to you the accounts for the Rural Funds Group (RFF) for the year ended 30 June 2015.

Around 2,500 Unitholders continue to maintain holdings in RFF following initial investments made over a decade ago. During the year they were joined by approximately 300 new Unitholders who acquired units on market or via the equity raising that occurred in April 2015.

Rural Funds Group at 30 June 2015

RFF owns a diverse portfolio of quality agricultural assets with an adjusted total asset value of $262 million [1]. The assets are leased out for a weighted average term of 12.2 years. This portfolio has provided an investment yield during the 2015 financial year of 7.8%, based on a year-end unit price of $1.10.

An important focus for Rural Funds Management Ltd (RFM), as manager of RFF, is overseeing sustainable earnings growth. One of the mechanisms available to achieve such growth is the rent indexation and review features of RFF's leases.

Each lease contains indexation clauses which provide RFF with annual increases in rent, and therefore additional free cash flow that can be distributed to Unitholders. In the coming year, indexation and market review mechanisms are expected to result in an increase to free cash flow, sufficient for RFF to grow distributions by 4%, whilst retaining cash for debt reduction or investment opportunities.

In summary, RFF possesses a book of quality assets with long leases to reliable tenants. This underpins the high and increasing income that is paid as distributions on your units.

RFF has some challenges that are also opportunities. Its trading price remains below its adjusted net asset value per unit of $1.22 [1], while most other Real Estate Investment Trusts (REITs) trade at a premium. This discount is probably due to two factors. Firstly, RFF is a relatively small trust with adjusted net assets of $162 million [1] and a market capitalisation of around $145 million, compared to many REITs with market capitalisation of more than $1 billion. Secondly, RFF is Australia's only listed diversified agricultural REIT, which means the investment and the asset class is unfamiliar to many investors.

1 Accounting standards and ASIC guidance require water assets to be valued at cost as set out in the financial report. The values stated as "adjusted values" reflect RFF's water assets at market value as assessed by a licensed valuer. Asset values with water assets recorded at cost are as follows: total assets **$253 million,** net assets of **$152 million** and net asset value per unit of **$1.15.**

RFM has undertaken a number of initiatives in the past year to address these challenges and capitalise on the opportunities they present.

A review of financial year 2015

In October 2014, RFF was divided into a passive investment trust and an operating trust, turning your units into stapled units, so as to better reflect the dual operations of RFF.

During the same month, RFF had the opportunity to acquire Tocabil Station at Hillston, NSW and in March 2015, signed a 22 year lease with Olam Orchards Australia. The development by Olam of a 600 hectare almond orchard on Tocabil will ultimately turn a $5.2 million mixed farm into a $32.1 million almond, cropping and grazing asset. Funding to achieve this expansion was completed by April 2015.

Aside from expanding the net assets of RFF, management continued the task of meeting with existing and potential Unitholders and communicating the distinctive attributes and prospects of this unique fund. As a consequence of this work, and the equity raising completed in April 2015, new Unitholders joined the fund.

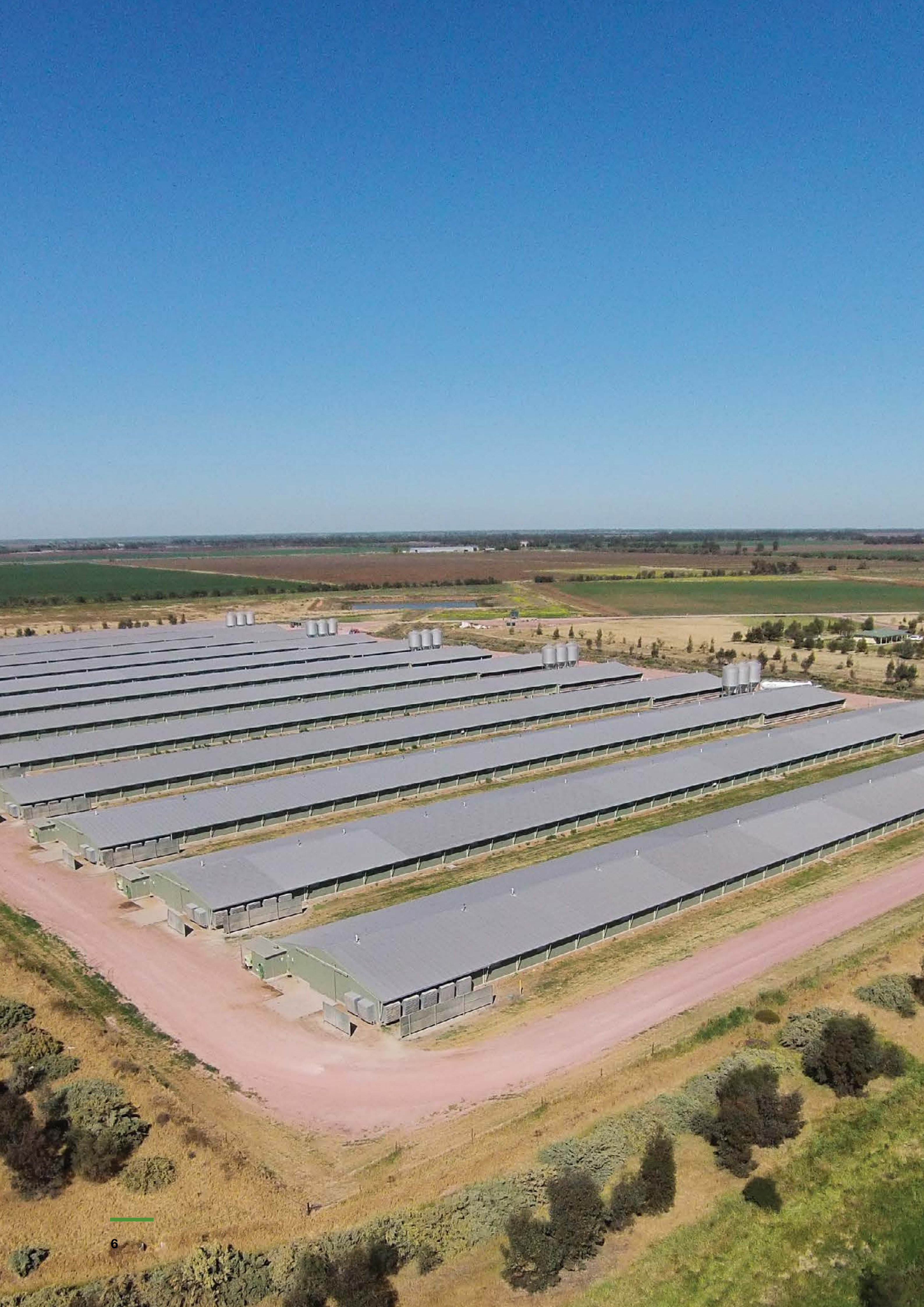
RFF during 2016

In the current year, RFF will continue to pursue a similar course to that followed in 2015. There is demand within the almond industry for new plantings which may enable the acquisition of another property for development, provided RFF can structure a lease that is accretive to the existing Unitholders. Communication to existing and potential Unitholders will continue throughout the year, with the aim of expanding our Unitholder base and market awareness of RFF.

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. The significant boost in cash flow from our leases is a major improvement, and a feature that will likely assist with market appreciation of the potential of the Rural Funds Group.

Yours faithfully,

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 listed on the ASX and comprises Rural Funds Trust and RF Active, both registered managed investment schemes under the Corporations Act. Units in Rural Funds Trust are stapled to units in RF Active. 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 Licence 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 and 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://ruralfunds.com.au/rural-funds-group/about/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 has been approved by the board of the Responsible Entity and applies to the period 1 July 2014 to 30 June 2015 ("Statement Period").

There have been no material changes to the corporate governance policies and practices between 30 June 2015 and 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.

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 one female executive (out of a total of three executives). Of the 54 staff, 26 or 48% 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 is reviewed annually in accordance with the timelines outlined in the Responsible Entity's Performance Management Policy.

1.7 The performance of senior executives is 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:

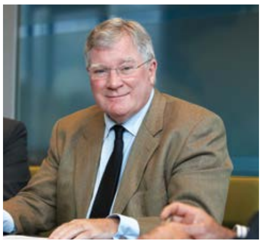
Structure the board to add value

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



Independent director, Guy Paynter, holds the role of chairman of the board.

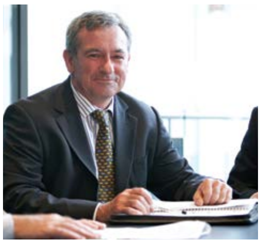
Guy Paynter is a former director of broking firm JB Were and brings to the Responsible Entity more than 30 years of experience in corporate finance. Guy is a former member of the ASX and a former associate of the Securities Institute of Australia (now known as the Financial Services Institute of Australasia).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

David Bryant holds the role of managing director.

David Bryant holds 80.28% of shares on issue in the Responsible Entity. David established the Responsible Entity in February 1997. Since then, David has led the organisation with a team that has acquired over $350 million in agricultural assets across eight Australian agricultural regions. This has included negotiating the acquisition of more than 25 properties and over 65,000 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 Tassal Group Ltd, Select Harvests Limited, Paraway Pastoral Company, Sunny Queen Ltd and the Gardiner Dairy Foundation. Former board positions include the Australian Farm Institute, Warrnambool Cheese & Butter Factory Company Holdings Limited, Meat & Livestock Australia, Queensland Sugar Limited and Rural Finance Corporation of Victoria.

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 the Responsible Entity's constitution.

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, independent non-executive director, Guy Paynter, holds the role of chairman of the Responsible Entity.

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:

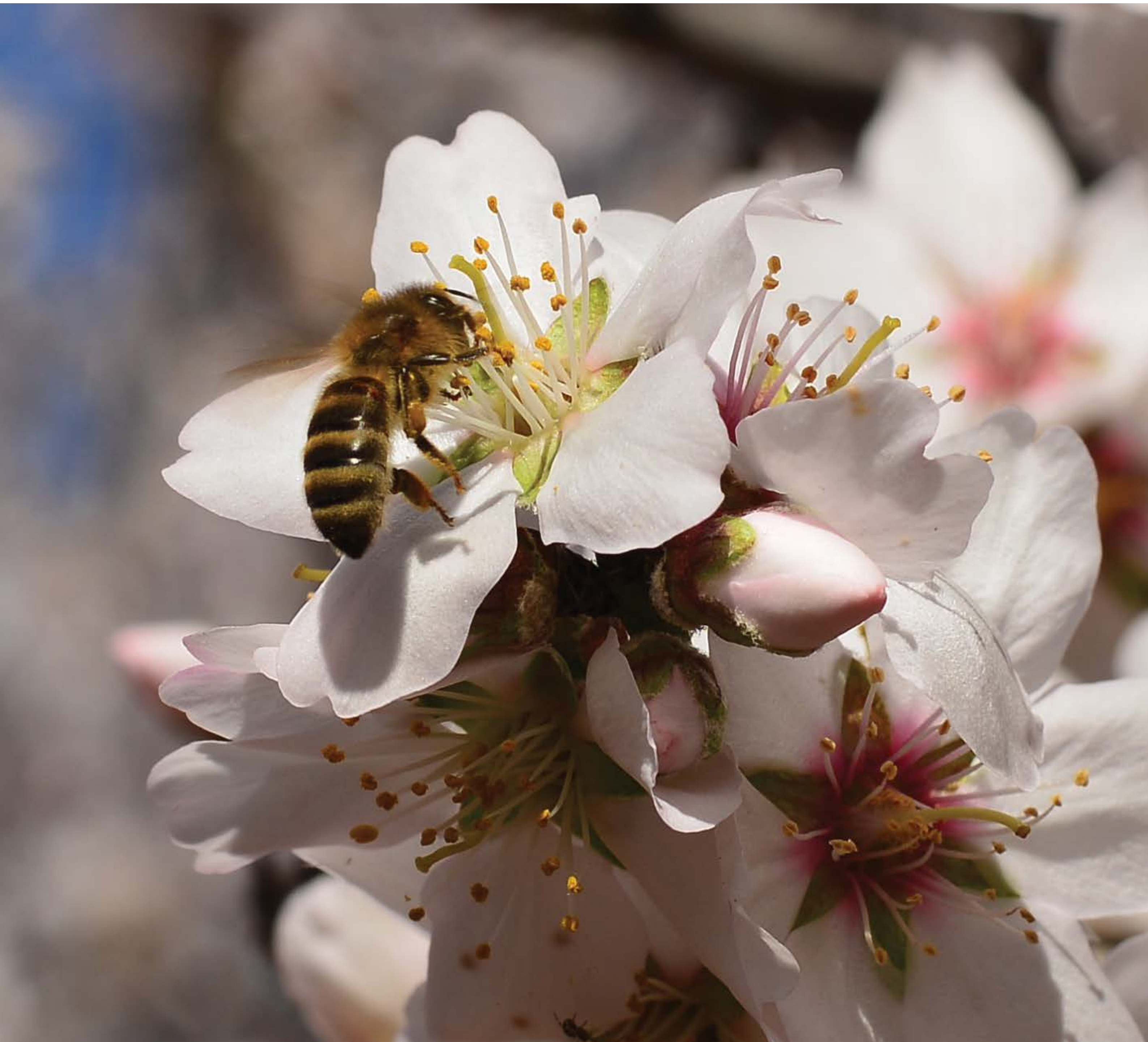
Safeguard integrity in corporate reporting

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. An independent director, who is not the chair of the board of the Responsible Entity, is chair of the committee. 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 and 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. Two meetings of the Audit Committee were held in relation to the accounts during the Statement Period. The Audit committee ordinarily holds two meetings 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.

4.2 The board has received a declaration, from the managing director and the chief operating officer that, in their opinion, the financial records of the Fund have been properly maintained in accordance with section 286 and that the financial statements and notes referred to in paragraph 295(3)(b) for the financial year comply with the accounting standards and the financial statements and notes 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.

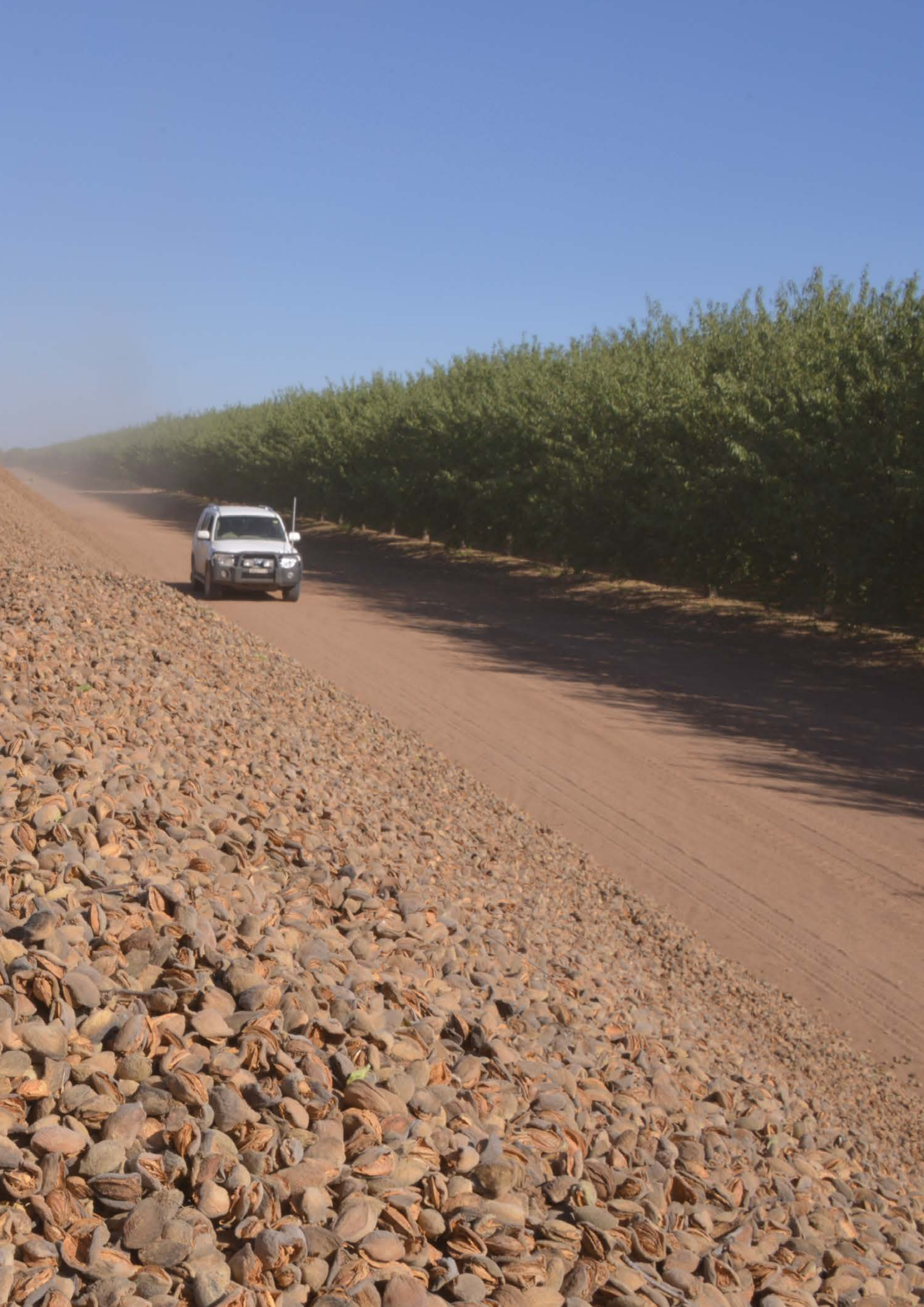


PRINCIPLE 5:

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 timely, full and fair disclosure. It complies with the disclosure requirements of the ASX and explains the Fund's disclosure obligations, the types of information that needs to be disclosed, and 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 Entity 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.

6.2 The Responsible Entity's website (www.ruralfunds.com.au) has sources of information available to unitholders to facilitate two way communication. The investment products tab on the website provides a link to the Fund's website which provides a Fund overview, sector, asset and lease information, strategy and investment process, financial information, key documents, news and announcements and details about how to contact the Responsible Entity and the Share Registry.

In addition, unitholders 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. Unitholders are invited to attend tours when these are arranged. Additionally, unitholders 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 that does not hold periodic meetings, 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, the Responsible Entity continues to communicate with any investor via traditional methods (mail and phone) when appropriate.

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.

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:

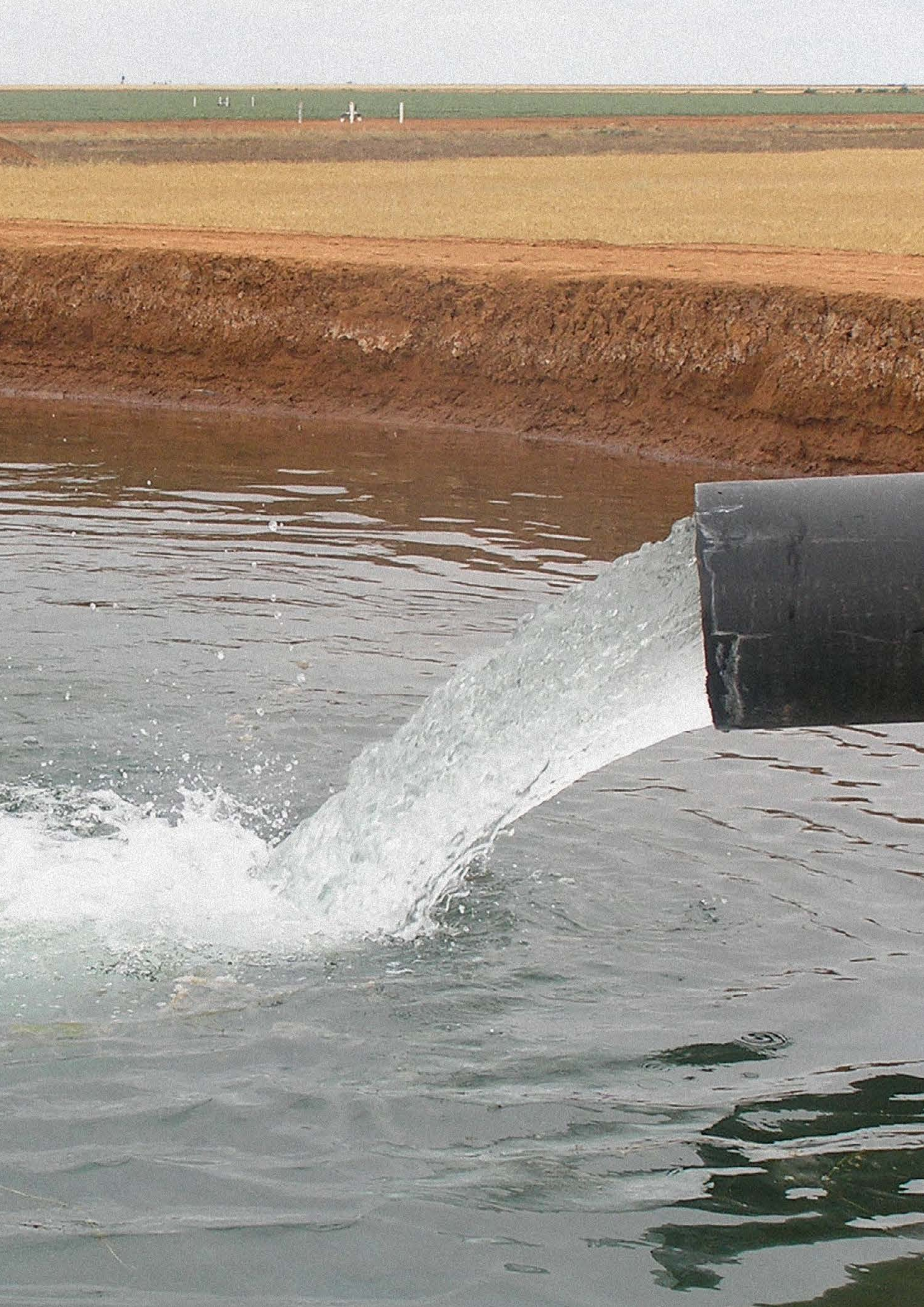
- Chief Operating Officer (until 25 August 2014)
- Executive Manager Funds Management (from 26 August 2014)
- Manager Corporate Services
- Chief Financial Officer (until 15 October 2014)
- Financial Controller (from 16 October 2014)
- Client Services Manager
- Compliance Officer
- Business Manager – 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.

During August 2014, the responsibility for compliance was moved from the portfolio of the chief operating officer to the portfolio of the executive manager funds management. On 15 October 2014, the chief financial officer role was made redundant. The financial controller filled the position on the internal compliance committee.

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 Entity has adopted the ASX's alternative recommendations for externally managed entities and provides the following details governing the remuneration to the Responsible Manager: • Fund Management Fee – up to 1.0% p.a. of the gross asset value of the Fund • Asset Management Fee – up to 1.0% p.a. of the gross asset value of the Fund • Termination Fee – 1.5% of the gross asset value of the Fund. The fees listed above represent the maximum allowed under the the Fund's Constitution. At present the Responsible Entity charges total fees (fund management and asset management fees) of 1.05% of the gross asset value of the Fund.
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 17 August 2015.

(a) Distribution of Equity Securities

HOLDING SIZE	UNITHOLDERS	CLASS
1 – 1,000	108	Ordinary fully stapled securities
1,001 – 5,000	417	Ordinary fully stapled securities
5,001 – 10,000	567	Ordinary fully stapled securities
10,001 – 100,000	2,115	Ordinary fully stapled securities
100,001 and over	132	Ordinary fully stapled securities

(b) Substantial unitholders

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

UNITHOLDER	NUMBER HELD	%
Netwealth Investments Limited <Wrap Services A/C>	11,132,907	8.410
National Nominees Limited	9,290,419	7.018

(c) Holders of less than marketable parcels

The number of holders of less than marketable parcels, being $500 based on the ASX unit closing price of $1.11 as at 17 August 2015 is set out below:

NUMBER OF UNITHOLDERS	TOTAL UNITS HELD
39	3,539

(d) 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, each member of a registered scheme has 1 vote; and

(iI) on a poll, each member of the scheme has 1 vote for each dollar of the value of the total interests they have in the scheme.

(e) Twenty largest unitholders at 17 August 2015

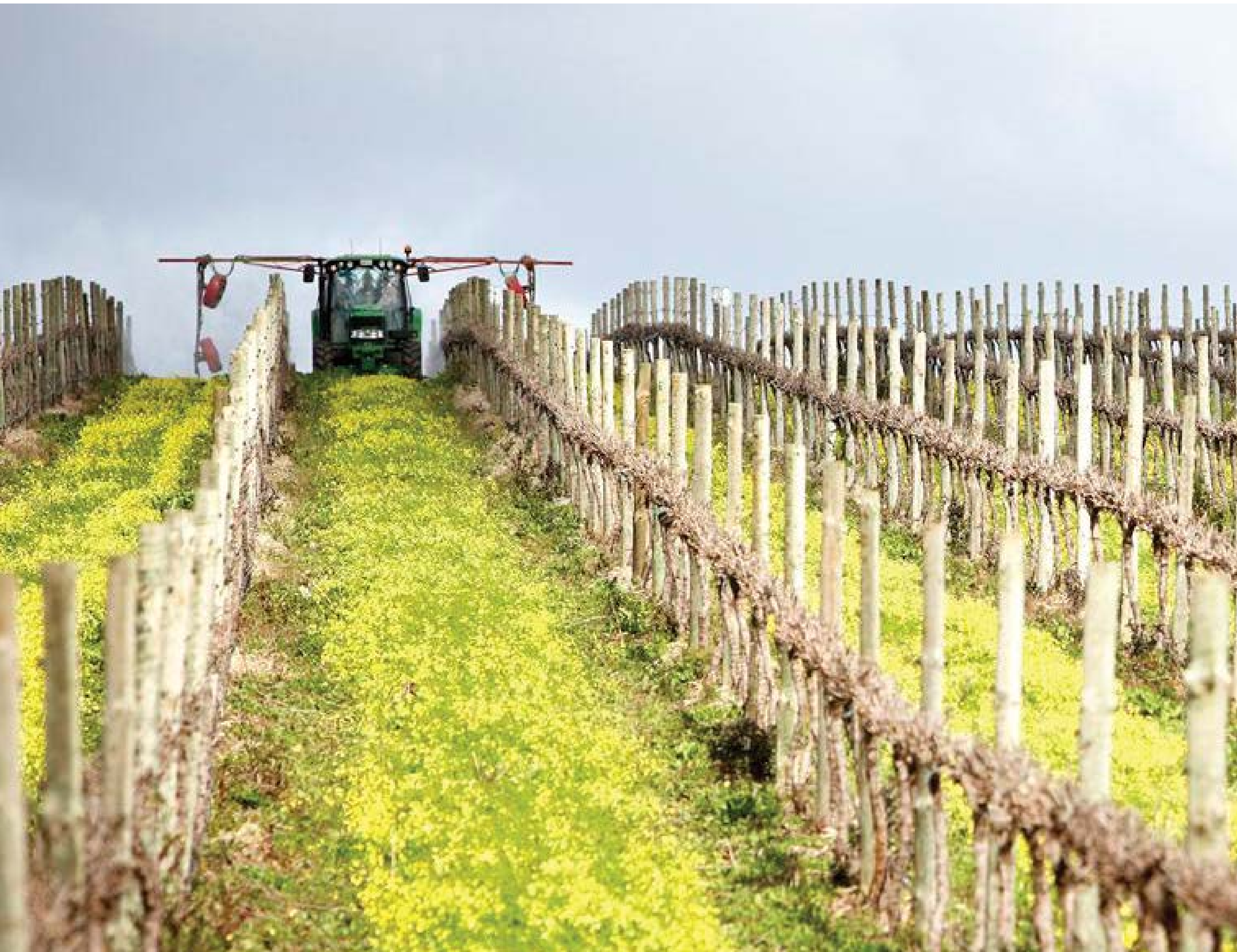
HOLDER NAME	BALANCE	%
Netwealth Investments Limited <Wrap Services A/C>	11,132,907	8.410
National Nominees Limited	9,290,419	7.018
J P Morgan Nominees Australia Limited	5,891,251	4.450
Netwealth Investments Limited <Super Services A/C>	3,725,765	2.814
Bryant Family Services Pty Ltd <BFS Super Fund>	2,151,404	1.625
Myer Family Investments P/L	1,851,277	1.398
Rural Funds Management Limited	1,538,371	1.162
Citicorp Nominees Pty Limited	1,374,257	1.038
WF Super Pty Ltd <Wilson Family Super Fund A/C>	826,846	0.625
Merrill Lynch (Australia) Nominees Pty Limited	673,000	0.508
Reicko Super Pty Ltd <Reicko S/F A/C>	596,333	0.450
Karen Mitchell Nominees P/L <Karen Mitchell Family Trust>	589,784	0.446
HSBC Custody Nominees (Australia) Limited	494,650	0.374
One Managed Investment Funds Limited Folkestone Maxim A-Reit Securities A/C Level 11	475,000	0.359
Zena Nominees Pty Ltd <Hind Family A/C>	472,648	0.357
Mrs Dorothy Nurse	448,778	0.339
Navigator Australia Ltd <MLC Investment Sett A/C>	435,337	0.329
Mrs Jocelyn Alleyne Besly	423,065	0.320
Noeljen Pty Ltd <N & J Peters Family A/C>	418,240	0.316
Mr Joseph Altoff & Mrs Andrea Altoff <Altoff Family Trust>	408,222	0.308

(f) On-market buy-back

As at 17 August 2015, RFF confirms there is no on-market buy-back facility in operation.

Securities exchange

The Trust is listed on ASX Limited (ASX). ASX reserves the right (but without limiting its absolute discretion) to remove Rural Funds Trust (RFT), or RF Active (RFA) from the official list if any of their securities cease to be "stapled" together, or any securities are issued by RFA which are not stapled to equivalent securities in RFT, or any securities are issued by RFT which are not stapled to equivalent securities in RFA.



Financial statements for the year ended 30 June 2015

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stapled group comprising:
Rural Funds Trust ARSN 112 951 578 and
RF Active ARSN 168 740 805
Responsible Entity: Rural Funds Management Limited
ACN 077 492 838 AFSL 226701

Rural Funds Group

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
Directors	Guy Paynter David Bryant Michael Carroll
Company Secretaries	Andrea Lemmon Stuart Waight
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 12 225 George 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 (Rural Funds Trust and RF Active form a stapled investment vehicle) are listed on the Australian Securities Exchange (ASX)
ASX Code	RFF

Rural Funds Group

Directors of the Responsible Entity's Report

30 June 2015

Rural Funds Group (the "Group" or "RFF") comprises the stapled units in two Trusts, Rural Funds Trust (formerly Rural Funds Group) (ARSN 112 951 578) and RF Active (ARSN 168 740 805) (collectively the "Trusts"). The Responsible Entity for the Trusts is Rural Funds Management Limited (ACN 077 492 838, AFSL 226701) ("RFM"), which present the Group's Consolidated Financial Report for the year ended 30 June 2015.

In accordance with Accounting Standard AASB 3: Business Combinations, the stapling arrangement referred to above is regarded as a business combination and Rural Funds Trust ("RFT") has been identified as the Parent for the purpose of preparing the Consolidated Financial Report.

The Directors of the Responsible Entity's report is a combined report that covers both Trusts. The financial information for the Group is taken from the Consolidated Financial Statements and Notes.

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
Guy Paynter	Non-Executive Chairman
David Bryant	Managing Director
Michael Carroll	Non-Executive Director

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 year was the leasing of agricultural properties and equipment. The Group is a lessor of agricultural property with revenue derived from leasing almond orchards and water rights, poultry property and infrastructure, vineyards and agricultural plant and equipment.

On 16 October 2014 a distribution of 1 cent per unit was made to Unitholders of Rural Funds Group. The funds were compulsorily applied to subscribe for units in RF Active ("RFA") on the basis of one unit in RF Active for each unit held in Rural Funds Group. Each unit in Rural Funds Group was stapled to a unit in RF Active and Rural Funds Group was renamed Rural Funds Trust and the stapled entity named Rural Funds Group.

On 31 October 2014 the Group acquired Tocabil Station near Hillston in central NSW. The Tocabil property, which includes land and water rights, was initially leased to RFM Farming Pty Limited (a subsidiary of RFM) that operated the land as a cropping farm. In March 2015 a 22 year lease with Olam Orchards Australia Pty Limited was executed to develop a 600 hectare almond orchard on Tocabil. To fund this development, a placement of $7,500,000 (7.143 million fully paid stapled securities) and a non-renounceable rights issue of $7,484,000 (2 new units for every 33 existing units) were completed in March 2015.

Rural Funds Group

Directors of the Responsible Entity's Report
30 June 2015

Operating results

The consolidated profit before income tax of the Group for the year ended 30 June 2015 amounted to $9,441,000 (2014: $3,402,000).

The Group holds investment property, biological assets and derivatives at fair value. After adjusting for the effects of the fair value adjustments and depreciation during the year (and the merger transaction for the year ended 30 June 2014), the profit before tax would have been $11,009,000 (2014: $7,027,000).

The results of the Group for the prior period included 12 months of Rural Funds Trust results and 6 months and 13 days of results of RFM Chicken Income Fund ("CIF") and RFM Australian Wine Fund ("AWF") (subsidiaries of Rural Funds Trust).

Adjusted funds from operations (AFFO):

	2015 000's $	2014 000's $
Net profit before income tax	**9,441**	3,402
Adjusted for merger transaction		
Impairment of goodwill	**-**	2,800
Consolidated merger related costs	**-**	2,378
Discount on acquisition	**-**	(1,231)
Profit before income tax adjusted for merger transactions	**9,441**	7,349
Change in fair value of investment property	**4,824**	8,874
Change in fair value of biological assets	**(1,835)**	(14,074)
Change in fair value of derivatives	**734**	920
Reversal of impairment of intangible assets	**(2,645)**	-
Depreciation and impairments	**490**	3,958
AFFO	**11,009**	7,027
AFFO per unit (cents)	**9.1**	9.1

The AFFO having eliminated fair value adjustments (and the merger transaction for the year ended 30 June 2014), effectively represents funds from operations from the property rental business.

Financial position

The net assets of the consolidated group have increased from $137,471,000 at 30 June 2014 to $151,940,000 on 30 June 2015.

At 30 June 2015, the Group had total assets of $252,663,000 (2014: $241,233,000), and the Group's investment properties were fully leased at 30 June 2015.

At 30 June 2015, RFF held total water entitlements (including investment in Barossa Infrastructure Limited (“BIL”)) of 33,062 megalitres at a book value of $29,485,000. Independent valuations have been received on the almond orchard and associated properties and poultry property and infrastructure that attribute a value to the water entitlements held by the Group. The Directors consider that these valuations are reasonable estimates of the fair value at 30 June 2015. These valuations have valued the water rights at $39,060,000. The following depicts the Net assets of the Group following the revaluation of intangible assets per these valuations.

Rural Funds Group

Directors of the Responsible Entity's Report
30 June 2015

Operating results (continued)

Adjusted NAV

	2015 000's $	2014 000's $
Net assets per Consolidated Statement of Financial Position	**151,940**	137,471
Revaluation of intangible assets per valuation	**9,575**	-
Adjusted Net assets	**161,515**	137,471
Adjusted NAV per unit ($)	**1.22**	1.17

Property leasing

At 30 June 2015, the Group held 27 properties as follows:

- 17 poultry farms (303,216 square metres);
- 2 almond orchards (1,814 planted hectares);
- 1 almond orchard under development (600 hectares);
- 7 vineyards (666 planted hectares)

During the year ended 30 June 2015, the properties held by the Group recorded a fair value of investment properties decrement of $4,824,000 (2014: $8,874,000 decrement), a change in fair value of biological assets increment of $1,835,000 (2014: $14,074,000 increment), and a reversal of impairment on intangible assets of $2,645,000 (2014: $Nil).

Almond orchards

Almond orchards and water licences are leased to tenants who make regular rental payments. The assets are located near Hillston in NSW and include 1,814 hectares (2014: 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 (2014: 1,221); RFM Almond Fund 2006 (AF06) 272 hectares (2014: 272); RFM Almond Fund 2007 (AF07) 73 hectares (2014: 73); RFM Almond Fund 2008 (AF08) 206 hectares (2014: 206) and RFM 42 hectares (2014: 42).

The Tocabil property was leased to Olam Orchards Australia Pty Limited in March 2015. A 600 hectare almond orchard is to be developed in accordance with the lease of this property.

For its almond orchards the Group owns 30,638ML of permanent ground water licence entitlements (2014: 27,551ML). Of this 12,120ML is leased with Mooral, 15,090ML with Yilgah, and the balance of 3,428ML is leased with Tocabil. 56ML of river water was purchased during the year, with deposits also being paid for 250ML of river and 600ML of ground water.

Operating results (continued)

Poultry property

The poultry property and infrastructure held by the Group includes 17 poultry growing farms located in Griffith, New South Wales and Lethbridge, Victoria and 1,432ML of water entitlements (2014: 1,432ML). 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, a scheme managed by RFM, 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.

Vineyards

The vineyard properties held by the Group include 7 vineyards with 6 located in South Australia in the Barossa Valley, Adelaide Hills and Coonawarra and one located in the Grampians in Victoria. For its vineyards, the Group owns 936ML of water entitlements (2014: 936ML). All vineyards produce premium quality grapes and are leased to Treasury Wine Estates Limited until June 2022.

Other activities

The Group owns a 33.52% stake in RFM StockBank (2014: 38.80%), 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.

The Group owns four properties at Hillston, NSW comprising Yilgah (6,400 hectares), Mooral (3,841 hectares), Collaroy (1,998 hectares), and Tocabil (6,900 hectares). As described above, 2,414 hectares (2014: 1,814) are applied to almond growing, 1,006 hectares (2014: 1,006) at Yilgah, 808 hectares (2014: 808) at Mooral, and 600 hectares (2014: nil) at Tocabil. These properties also include grazing and cropping land and 320 hectares of olive orchard. The majority of grazing and cropping areas on Yilgah, Mooral, Tocabil and Collaroy that are not used for almonds were licensed to RFM Farming Limited (a subsidiary of RFM) for 2015. Water derived for water licences not leased is typically sold on a temporary basis.

$3,153,000 of agricultural plant and equipment is owned by the Group and leased to AF06, AF07 and AF08.

Banking Facilities

In October 2014 RFF's core debt facility was increased from $97,500,000 to $103,000,000 in order to facilitate the acquisition of the Tocabil property. The facility expiry is unchanged (being December 2018), and RFF has interest rate swaps totalling 73% of the facility to manage interest rate risk (2014: 77%). This has increased to 85% from 1 July 2015.

Subsequent to balance date, the Group has negotiated reduced pricing of the core debt facility.

Rural Funds Group

Directors of the Responsible Entity's Report
30 June 2015

Operating results (continued)

Distributions paid or declared

	$
Distributions paid or declared during or since the end of the financial year are as follows:	
- Distribution of 2.1296 cents per unit paid on 16 July 2014	2,493,744
- Distribution of 2.1475 cents per unit paid on 13 October 2014	2,518,763
- Distribution of 1.0000 cents per unit paid on 15 October 2014 to subscribe for units in RF Active	1,174,585
- Distribution of 2.1475 cents per unit paid on 15 January 2015	2,522,422
- Distribution of 2.1475 cents per unit paid on 24 April 2015	2,832,793
- Distribution of 2.1475 cents per unit declared on 1 June 2015	2,837,755

	2015	2014
Earnings per unit		
Net profit after income tax for the year ($000's)	**10,153**	20,126
Weighted average number of units outstanding (thousands)	**121,153**	77,285
Basic and diluted earnings per unit (total) (cents)	**8.38**	26.04

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 2015 is 2.42% (2014: 4.79%). The ICR in 2014 was impacted by costs related to the merger.

Events after the reporting date

Subsequent to balance date, the Group has negotiated reduced pricing of the core debt facility.

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

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

Environmental regulations and performance

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.

Rural Funds Group

Directors of the Responsible Entity's Report

30 June 2015

Units on issue

132,142,235 units in Rural Funds Trust were on issue at 30 June 2015 (2014: 117,099,159). During the year 15,043,076 (2014: 84,366,038) units were issued by the Trust and nil (2014: nil) were redeemed.

132,142,235 units in RF Active were on issue at 30 June 2015 (2014: 50,000). During the year 132,142,235 units were issued by RF Active and 50,000 were redeemed.

Indemnification of Responsible Entity and Custodian

In accordance with the constitution, Rural Funds Group indemnifies the Directors, Company Secretaries and all other Officers of the Responsible Entity and Custodian, when acting in those capacities, against costs and expenses in defending certain proceedings.

The Group 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 Group 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.

Rural Funds Group

Directors of the Responsible Entity's Report
30 June 2015

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 Bill Peach Group Limited (previously known as 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	RFM Poultry

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 $350 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	RFM Poultry

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 Tassal Group Ltd, Select Harvests Limited, Paraway Pastoral Company, Sunny Queen Pty Ltd, and the Gardiner Dairy Foundation. 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 Tassal Group Limited, RFM Poultry and Select Harvests Limited. Michael was on the Board of Warrnambool Cheese and Butter Limited from August 2009 until May 2014.

Rural Funds Group

Directors of the Responsible Entity's Report
30 June 2015

Information on Directors of the Responsible Entity (continued)

Interests of Directors of the Responsible Entity

Units in the Group held by Directors of RFM or entities controlled by Directors of RFM as at 30 June 2015 were:

	Guy Paynter Number of units	David Bryant Number of units
Unit holdings:		
Balance at 1 July 2013	**-**	1,270,133
Units acquired	351,833	2,017,239
Balance at 30 June 2014	351,833	3,287,372
Units acquired	30,323	368,819
Balance at 30 June 2015	382,156	3,656,191

Company secretaries of the Responsible Entity

Stuart Waight and Andrea Lemmon are RFM's joint company secretaries. Stuart joined RFM in 2003, is a Chartered Accountant and is RFM's Chief Operating Officer. Andrea has been with RFM since 1997 and currently holds the position of Executive Manager Funds Management.

Meetings of Directors of the Responsible Entity

During the financial year 23 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	23	18	1	1
David Bryant	23	23	-	-
Michael Carroll	23	21*	1	1

*Michael Carroll excused himself from 2 meetings in order to avoid any potential conflict of interest.

Non-audit services

There were no fees paid or payable to PricewaterhouseCoopers for non-audit services provided during the year ended 30 June 2015 (2014: $7,500).

Rural Funds Group

Directors of the Responsible Entity's Report

30 June 2015

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 2015 has been received and can be found on page 38 of the financial report.

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

David Bryant

Director

26 August 2015

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Rural Funds Group for the year ended 30 June 2015, 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.

David Ronald
Partner
PricewaterhouseCoopers

Sydney
26 August 2015

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

Rural Funds Group

Consolidated Statement of Comprehensive Income
For the Year Ended 30 June 2015

	Note	2015 000's $	2014 000's $
Revenue	5	**22,218**	16,975
Other income		**69**	347
Cost of goods sold		**-**	(1,093)
Management fees		**(2,496)**	(1,894)
Professional fees		**(2,253)**	(2,899)
Finance costs		**(5,285)**	(4,478)
Other expenses		**(1,364)**	(812)
Share of net profit - equity accounted investments		**125**	-
Loss on sale of assets		**(5)**	(45)
Depreciation and impairments		**(490)**	(3,958)
Change in fair value of biological assets		**1,835**	14,074
Change in fair value of investment property		**(4,824)**	(8,874)
Change in fair value of interest rate swaps		**(734)**	(920)
Reversal of impairment of intangible assets		**2,645**	-
Stamp duty and listing costs		**-**	(1,452)
Impairment of goodwill		**-**	(2,800)
Discount on acquisition		**-**	1,231
Profit before income tax		**9,441**	3,402
Income tax benefit	6	**712**	16,724
Net Profit after income tax		**10,153**	20,126
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation increment/(decrement)	26	**8**	(44)
Income tax relating to these items	6	**-**	237
Other comprehensive income for the year, net of tax		**8**	193
Total comprehensive income attributable to unitholders		**10,161**	20,319
Total comprehensive income for the year attributable to unitholders arising from:			
Rural Funds Trust		**10,088**	20,319
RF Active (non controlling interest)		**73**	-
		10,161	20,319
Earnings per unit			
Basic and diluted earnings per unit from continuing operations:			
Per stapled unit (cents per unit)	28	**8.38**	26.04
Per unit of Rural Funds Trust (cents per unit)	28	**8.32**	26.04
Per unit of RF Active (cents per unit)	28	**0.06**	-

The accompanying notes form part of these financial statements.

Rural Funds Group

Consolidated Statement of Financial Position
As at 30 June 2015

	Note	2015 000's $	2014 000's $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	**712**	2,723
Trade and other receivables	9	**2,729**	3,347
Financial assets	15	**-**	676
Other current assets	14	**307**	109
Current tax receivable	13	**-**	126
Current assets classified as held for sale	17	**-**	3,952
TOTAL CURRENT ASSETS		**3,748**	10,933
NON-CURRENT ASSETS			
Plant and equipment	11	**3,153**	-
Investment property	12	**142,379**	138,108
Intangible assets	18	**28,965**	23,590
Biological assets	10	**67,581**	65,506
Investment accounted for using the equity method	16	**3,903**	-
Financial assets	15	**617**	1,520
Deferred tax assets	23(b)	**2,317**	1,576
TOTAL NON-CURRENT ASSETS		**248,915**	230,300
TOTAL ASSETS		**252,663**	241,233
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	**2,038**	4,062
Interest bearing liabilities	20	**657**	-
Current tax liabilities	24	**29**	-
Distributions payable	27	**2,947**	2,533
TOTAL CURRENT LIABILITIES		**5,671**	6,595
NON-CURRENT LIABILITIES			
Interest bearing liabilities	20	**91,451**	94,300
Other non-current liabilities	21	**1,553**	1,553
Derivative financial liabilities	22	**2,048**	1,314
TOTAL NON-CURRENT LIABILITIES		**95,052**	97,167
TOTAL LIABILITIES (excluding net assets attributable to unitholders)		**100,723**	103,762
Net assets attributable to unitholders		**151,940**	137,471
TOTAL LIABILITIES		**252,663**	241,233

The accompanying notes form part of these financial statements.

Rural Funds Group

Consolidated Statement of Financial Position
As at 30 June 2015

	Note	2015 000's $	2014 000's $
Net assets attributable to unitholders			
Unitholders of Rural Funds Trust			
Contributed equity		**111,711**	108,281
Reserves		**1,406**	1,398
Accumulated profit/(loss)		**37,427**	27,792
Parent entity interest		**150,544**	137,471
Unitholders of RF Active			
Contributed equity		**1,323**	-
Reserves		**-**	-
Accumulated profit/(loss)		**73**	-
Non-controlling interest		**1,396**	-
Unitholders of Rural Funds Trust		**150,544**	137,471
Unitholders of RF Active		**1,396**	-
Total net assets attributable to unitholders		**151,940**	137,471

Water entitlements are held at cost in the Statement of Financial Position in accordance with accounting standards. Refer to Note 4(a) (page 58) for disclosure of the Directors' valuation of water entitlements, which are supported by independent property valuations.

The accompanying notes form part of these financial statements.

Rural Funds Group

Consolidated Statement of Changes in Net Assets Attributable to Unitholders
For the Year Ended 30 June 2015

2015

	Note	Issued units 000's $	Retained earnings 000's $	Asset revaluation reserve 000's $	Total 000's $
Balance at 1 July 2014		108,281	27,792	1,398	137,471
Other comprehensive income	26	-	-	8	8
Income tax relating to other comprehensive income	6	-	-	-	-
Total income and expense for the period recognised directly in equity		-	-	8	8
Profit before income tax		-	9,441	-	9,441
Income tax applicable		-	712	-	712
Total income and expenses		-	10,153	-	10,153
Total comprehensive income for the year		-	10,153	8	10,161
Equity transactions					
Units issued during the year		15,777	-	-	15,777
Issue costs		(760)	-	-	(760)
Total equity transactions		15,017	-	-	15,017
Total equity transactions		15,017	10,153	8	25,178
Distribution to unitholders		(10,264)	(445)	-	(10,709)
Balance at 30 June 2015		113,034	37,500	1,406	151,940

The accompanying notes form part of these financial statements.

Rural Funds Group

Consolidated Statement of Changes in Net Assets Attributable to Unitholders
For the Year Ended 30 June 2015

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	26	-	-	(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
Profit before income tax		-	3,402	-	3,402
Income tax applicable		-	16,724	-	16,724
Total income and expenses		-	20,126	193	20,319
Equity transactions					
Units issued on business combination		77,804	-	-	77,804
Units issued during the year		179	-	-	179
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

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2015

	Note	2015 000's $	2014 000's $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**24,539**	19,362
Payments to suppliers		**(9,988)**	(11,264)
Interest received		**21**	86
Finance costs		**(5,350)**	(4,117)
Income tax paid		**-**	(126)
Net cash provided by/(used in) operating activities	34	**9,222**	3,941
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash acquired as a result of the stapling transaction		**591**	-
Cash acquired from acquisition of subsidiaries		**-**	5,130
Payments for acquisition of investment property		**(9,095)**	(2,300)
Payments for acquisition of plant and equipment		**(334)**	(579)
Payments for intangible assets		**(2,730)**	-
Payments for biological assets		**(240)**	(183)
Acquisition of financial assets		**-**	(89)
Proceeds from the sale of intangible assets		**-**	3,262
Proceeds from the sale of financial assets		**-**	994
Proceeds from equity accounted investments		**132**	-
Loans to related parties		**642**	160
Distributions received		**113**	187
Net cash provided by/(used in) investing activities		**(10,921)**	6,582
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of units		**15,017**	179
Proceeds from borrowings		**3,585**	94,300
Repayment of borrowings		**(8,630)**	(91,955)
Distributions paid		**(10,284)**	(5,863)
Repayment of derivatives		**-**	(4,643)
Net cash provided by/(used in) financing activities		**(312)**	(7,982)
Net increase/(decrease) in cash and cash equivalents		**(2,011)**	2,541
Cash and cash equivalents at beginning of year		**2,723**	182
Cash and cash equivalents at end of financial year	8	**712**	2,723

The accompanying notes form part of these financial statements.

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

This financial report covers the consolidated financial statements and notes of Rural Funds Trust and its Controlled Entities and RF Active ("Rural Funds Group") or the ("Group"). Rural Funds Group is a for profit entity domiciled in Australia. The Directors of the Responsible Entity have authorised the Financial Report for issue on 27 August 2015 and have the power to amend and reissue the Financial Report.

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 Trust, 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) The Group

The Rural Funds Group was formed on 16 October 2014 by the stapling of the units in two Australian registered schemes, Rural Funds Trust (the "Parent") and RF Active (collectively defined as the "Trusts").

The accounting policies that have been adopted in respect of the Financial Report are those of Rural Funds Management Limited ("RFM") as Responsible Entity for the Trusts.

The Trusts have common business objectives and operate as an economic entity collectively known as Rural Funds Group. The accounting policies included in this note apply to the Group as well as the Trusts, unless otherwise noted.

(b) 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.

As permitted by Class Order 05/642, issued by the Australian Securities and Investments Commission, these Financial Statements are consolidated financial statements and accompanying notes of both Rural Funds Trust and RF Active.

As permitted by Class Order 13/1644, which amends Class Order 13/1050, this Financial Report presents the Consolidated Financial Statements and accompanying notes of the Rural Funds Group (being the consolidated financial statements and notes of the Group).

(c) Principles 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.

1 Summary of significant accounting policies (continued)

(c) Principles of consolidation (continued)

(i) *Controlled entities*

In accordance with AASB 3: Business Combinations, Rural Funds Trust is deemed to control RF Active from the Stapling date of 16 October 2014. Rural Funds Trust is considered to be the acquirer of RF Active due to the size of the respective entities and as the Stapling transaction and capitalisation of RF Active was funded by a distribution from Rural Funds Trust that was compulsorily used to subscribe for units in RF Active.

(ii) *Associates*

Associates are entities over which the Group has significant influence but not control or joint control, generally accompanying a holding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associate's post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends or distributions receivable from associates are recognised as a reduction in the carrying amount of the investment.

(d) 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.

(e) Comparative amounts

Comparatives are consistent with prior years, unless otherwise stated.

(f) 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.

1 **Summary of significant accounting policies (continued)**

(f) Revenue (continued)

Revenue from the leasing of investment property, water rights, property, plant and equipment, infrastructure and biological assets, where the Group is a lessor, is recognised in income over the lease term on an accruals basis. The respective leased assets are included in the Consolidated Statement of Financial Position based on that nature.

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).

(g) 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 income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

(h) 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.

1 Summary of significant accounting policies (continued)

(i) 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.

(j) 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.

(k) Inventories

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

(l) 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.

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

1 Summary of significant accounting policies (continued)

(l) Assets held for sale (continued)

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.

(m) 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 as well as for possible reversal of impairment. If events or changes in circumstances indicate impairment, or reversal of 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.

(n) 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).

Notes to the Financial Statements
For the Year Ended 30 June 2015

1 Summary of significant accounting policies (continued)

(n) Financial instruments (continued)

(i) 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.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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.

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.

Notes to the Financial Statements
For the Year Ended 30 June 2015

1 Summary of significant accounting policies (continued)

(n) Financial instruments (continued)

(iii) 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.

(iv) 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.

(v) 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.

1 Summary of significant accounting policies (continued)

(n) Financial instruments (continued)

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.

(vi) 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.

(vii) 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.

(viii) 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.

(o) Plant and equipment

Classes of 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.

All other 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.

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

1 Summary of significant accounting policies (continued)

(o) Plant and equipment (continued)

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
Motor vehicles	6-16 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.

(p) Biological assets

In accordance with AASB 141, 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 income statement in the year they arise.

(q) Investment property

Investment properties, comprise land, buildings and integral infrastructure including irrigation and trellising.

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 income statement.

(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.

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

1 Summary of significant accounting policies (continued)

(s) Provisions (continued)

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 income statement.

(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.

(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 Group 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) Parent entity financial information

The financial information of the parent entity, Rural Funds Trust, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at historical cost less any accumulated impairment. Distributions received from associates are recognised in the parent entity's profit or loss when its right to receive the distribution is established.

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

1 Summary of significant accounting policies (continued)

(z) 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 not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Group where the standard is relevant:

Standard Name	Effective date for the Group	Requirements	Impact
AASB 15 Revenue from contracts with customers / AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2017	Recognise contracted revenue when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards.	Management is currently assessing the impact of the new rules. It is not expected that this standard will have a material impact.
AASB 2014-9 Equity method in separate financial statements (Amendments to AASB 127)	1 January 2016	This standard will allow entities to use the equity method to account for its interest in subsidiaries, joint venture and associates in separate financial statements.	No material impact.
AASB 2015 – 1 Annual improvements (2012 – 2014 cycle)	1 January 2016	AASB 5 – reclassification from held for sale to held for distribution to owners or from held for distribution to owners to held for sale is considered to the continuation of the original plan of disposal; AASB 7 – adds basis of conclusion to clarify disclosure requirements for transferred financial assets and offsetting arrangements; AASB 119 – confirms that high quality corporate bonds or national government bonds used to determine discount rates must be in the same currency as the benefits paid to the employee; AASB 134 – clarifies information about cross references in the interim financial report.	No material impact.
AASB 2015-2 Disclosure Initiative – Amendment to AASB 101	1 January 2016	The Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.	No impact on reported financial position or performance is expected.

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

1 Summary of significant accounting policies (continued)

(z) New accounting standards and interpretations (continued)

Standard Name	Effective date for the Group	Requirements	Impact
AASB 2014-6 Amendments to AASB 116 and AASB 141 for bearer plants	1 January 2016	Amends the accounting for bearer plants to now be the same as property, plant and equipment in AASB 116 Property, Plant and Equipment, because their operation is similar to that of manufacturing.	Revaluation of biological assets above cost will be taken through comprehensive income.
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.

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, from independent valuer, CBRE Valuations Pty Limited in June 2015. Independent property valuations were obtained for poultry property and infrastructure from independent valuer, Opteon (Victoria) Pty Limited in June 2015. Independent property valuations were obtained for vineyard properties from independent valuer, Colliers International Consultancy and Valuation Pty Limited in June 2015.

Almond orchard and associated properties, poultry property and infrastructure and vineyard properties are valued at fair value excluding the value of water rights. Water rights are treated as intangible assets, which are held at historical cost less accumulated impairment losses. Increments and decrements recognised in the accounts are based on the independent property valuations. The model uses judgement by using discount rates, capitalisation rates and comparable sales in calculating the values and allocating the values over investment property and biological assets.

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.

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 29 to the consolidated financial statements.

3 Working capital

The deficiency in working capital at 30 June 2015 is due to the timing of distributions. Based on the forecast cash flows, the Group believes it can pay all of its debts as and when they fall due.

4 Operating segment information

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 in its entirety being an entity that holds and leases agricultural property and agricultural equipment operating as one reportable segment (2014: three segments).

All revenue is generated in Australia, and all non-current assets are located in Australia. Three external customers individually account for more than 10% of Group revenues.

(a) Water rights and entitlements

The Board reviews the business based upon external valuations of its properties.

Permanent water rights and entitlements are held at historical cost less accumulated impairment losses. The book value of the water rights (including investment in BIL) at 30 June 2015 is $29,485,000.

Independent property valuations have been performed by CBRE Valuations Pty Limited and Opteon (Victoria) Pty Limited on the almond orchard and associated properties and poultry property and infrastructure that attribute a value to the water entitlements held by the Group. The Directors consider that these valuations are reasonable estimates of the fair value at 30 June 2015. These valuations have valued the water rights at 30 June 2015 at $39,060,000 representing an increase in the value of the water rights of $9,575,000.

The following is a comparison of the book value at 30 June 2015 to an adjusted value based on the Directors' valuation of the water rights.

	Per Statutory Consolidated Statement of Financial Position	Revaluation of water entitlements per Directors' valuation	Adjusted Consolidated Statement of Financial Position
	000's	000's	000's
	$	$	$
As at 30 June 2015			
Assets			
Total current assets	3,748	-	3,748
Total non-current assets	248,915	9,575	258,490
Total assets	**252,663**	**9,575**	**262,238**
Liabilities			
Total current liabilities	5,671	-	5,671
Total non-current liabilities	95,052	-	95,052
Total liabilities	**100,723**	**-**	**100,723**
Net assets	**151,940**	**9,575**	**161,515**
Net asset value per unit ($)	**1.15**	**0.07**	**1.22**

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

5 Revenue

	2015 000's $	2014 000's $
Rental revenue	**21,719**	14,798
Reimbursement of water charges	**212**	652
Temporary water sales	**182**	191
Interest received	**69**	123
Sales - Almonds	**-**	1,211
Other revenue	**36**	-
Total revenue	**22,218**	16,975

6 Income tax expense

(a) The major components of tax expense comprise

Current tax	**29**	-
Deferred tax	**(741)**	(16,724)
Income tax (benefit)/expense reported in the Statement of Comprehensive Income	**(712)**	(16,724)
Income tax expense is attributable to: Profit from continuing operations	**(712)**	(16,724)
Aggregate income tax expense	**(712)**	(16,724)
Deferred income tax (benefit)/expense included in income tax expense comprises: Decrease in deferred tax assets	**(932)**	3,136
Decrease in deferred tax liabilities	**191**	(19,860)
	(741)	(16,724)

(b) Amounts charged or credited directly to equity

Writeback of deferred tax liability on revaluation of assets	**-**	(237)
Total	**-**	(237)

On 30 June 2014 RFF sold its almond farming plant and equipment and ceased all active trading activities. From 1 July 2014 RFF is 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 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.

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

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:

	2015 000's $	2014 000's $
Accounting profit before tax from continuing operations	**9,441**	3,402
At the statutory income tax rate of 30% (2014: 30%)	**2,832**	1,021
Derecognition of tax losses that are no longer available for utilisation	**-**	1,199
Derecognition of deferred tax liabilities	**-**	(20,881)
Tax effect of expenses that are not deductible in determining taxable profit	**(1,948)**	-
Derecognition of deferred tax assets	**-**	2,149
Previously unrecognised deferred tax asset now recognised	**(1,596)**	(242)
Adjustments in respect of income tax of previous years	**-**	30
Total	**(712)**	(16,724)

(d) Franking credits

At 30 June 2015 franking credits of $Nil (2014: $Nil) are available to apply to future income distributions.

7 Remuneration of Auditors

	2015 $	2014 $
Remuneration of the auditor of the Group for:		
- auditing or reviewing the financial report	**213,073**	177,000
- tax and other services	**-**	7,500
Total auditors remuneration	**213,073**	184,500

8 Cash and cash equivalents

	2015 000's $	2014 000's $
Cash at bank	**712**	2,723
Total cash and cash equivalents	**712**	2,723

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	**712**	2,723

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Notes to the Financial Statements
For the Year Ended 30 June 2015

9 Trade and other receivables

	Note	2015 000's $	2014 000's $
CURRENT			
Trade receivables		**1,804**	2,178
Provision for impairment	30	**-**	(157)
Sundry receivables		**517**	717
Receivables from related parties		**408**	609
Total trade and other receivables		**2,729**	3,347

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 Biological assets

	Olive Trees (Fair Value) 000's $	Almond Trees (Fair Value) 000's $	Vines (Fair Value) 000's $	Total 000's $
Opening balance	**-**	**41,426**	**24,080**	**65,506**
Additions/purchases	-	-	**240**	**240**
Change in fair value	**-**	**1,309**	**526**	**1,835**
Balance at 30 June 2015	-	**42,735**	**24,846**	**67,581**
(Non-current)	-	**42,735**	**24,846**	**67,581**
Opening balance	1,312	34,082	**-**	35,394
Additions/purchases	**-**	**-**	16,038	16,038
Decreases due to sales	**-**	**-**	**-**	-
Change in fair value	(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

Biological assets are mature bearer assets and include almond and olive trees situated on properties located near Hillston in NSW. The Group owns and maintains the trees for the purpose of leasing these assets to third parties. At 30 June 2015 the Group owned almond trees on 1,814 hectares of land (2014: 1,814 hectares), and olive trees on 320 hectares of land (2014: 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 2015 the Group owned vines on 668 hectares of land.

The determination of the fair value of biological assets is further discussed at Note 29(b).

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

11 Plant and equipment

Movements in carrying amounts of 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 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	-	-	-	-	-	-	-
At 30 June 2014							
Cost or fair value	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-
Net book amount	-	-	-	-	-	-	-
Year ended 30 June 2015							
Opening net book amount	-	-	-	-	-	-	-
Acquisitions	**30**	-	**2,885**	**259**	-	-	**3,174**
Additions	**14**	-	**244**	**93**	-	-	**351**
Disposals	-	-	-	**(18)**	-	-	**(18)**
Depreciation	-	-	**(314)**	**(40)**	-	-	**(354)**
Closing net book amount	**44**	-	**2,815**	**294**	-	-	**3,153**

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12 Investment property

	2015 000's $	2014 000's $
Non current assets - at fair value		
Opening balance at 1 July	**138,108**	-
Acquisitions	**-**	116,735
Transfers	**-**	27,954
Additions	**9,095**	2,300
Change in fair value	**(4,824)**	(8,874)
Disposals	**-**	(7)
Closing balance at 30 June	**142,379**	138,108

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

Rental income	**21,042**	13,955
Change in fair value	**(4,824)**	(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:

Within one year	**21,665**	20,574
Later than one year but not later than 5 years	**105,396**	87,297
Later than 5 years	**223,195**	206,303
Total	**350,256**	314,174

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

13 Current tax receivable

	Note	2015 000's $	2014 000's $
CURRENT			
Current tax receivable		-	126
Total		-	126

14 Other assets

		2015	2014
CURRENT			
Prepayments		**166**	100
Deposits		**141**	9
Total other assets		**307**	109

15 Financial assets

	Note	2015	2014
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	29	**520**	520
Investment - RFM Poultry	29	**97**	89
Vendor finance loan - RF Active		-	450
Loan - Murdock Viticulture		-	461
Total other financial assets - non-current		**617**	1,520

16 Investments accounted for using the equity method

Name of entity	Place of Business	% of ownership interest 2015 %	% of ownership interest 2014 %	Carrying amount 2015 $ 000's	Carrying amount 2014 $ 000's
RFM StockBank	Australia	**33.52**	-	**3,903**	-

There are no commitments or contingent liabilities noted. At 30 June 2014 this investment was classified as held for sale and RFF had a 38.80% ownership interest.

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

16 Investments accounted for using the equity method (continued)

(a) Summarised financial information for associates

	2015 000's $
Summarised balance sheet	
Total current assets	**17,560**
Total current liabilities	**(2,224)**
Total non-current liabilities	**(3,693)**
Net assets	**11,643**
Reconciliation to carrying amounts	
Opening net assets 1 July 2014	**-**
Additions	**11,656**
Profit for the period	**341**
Other comprehensive income	**-**
Distributions provided for	**(354)**
Closing net assets	**11,643**
Group's share in %	**33.52%**
Group's share in $	**3,903**
Carrying amount	**3,903**
Summarised statement of comprehensive income	
Revenue	**1,440**
Profit from continuing operations	**341**
Other comprehensive income	**-**
Total comprehensive income	**1,781**
Distributions received or receivable from associate	**173**

17 Current assets classified as held for sale

	Note	2015 000's $	2014 000's $
Assets held for sale			
Investment - RFM StockBank	29	-	3,952
Total assets held for sale		-	3,952

The Group's investment in units in RFM StockBank was held for sale at 30 June 2014. RF Active purchased these units in October 2014, and the Group now accounts for this investment using the equity method. There are no fixed returns or a fixed maturity date attached to this asset.

Rural Funds Group

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18 Intangible assets

	Goodwill 000's $	Almonds - water licences 000's $	Poultry infrastructure - water licences 000's $	Vineyard - water licences 000's $	Total 000's $
NON-CURRENT					
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
Year ended 30 June 2015					
Opening net book amount	**-**	**22,041**	**1,049**	**500**	**23,590**
Additions	**-**	**2,730**	**-**	**-**	**2,730**
Reversal of impairment	**-**	**2,645**	**-**	**-**	**2,645**
Closing net book amount	**-**	**27,416**	**1,049**	**500**	**28,965**
At 30 June 2015					
Cost	**-**	**27,416**	**1,049**	**500**	**28,965**
Net book amount	**-**	**27,416**	**1,049**	**500**	**28,965**

Intangible assets include water rights and entitlements. External valuations were obtained from CBRE Valuations Pty Limited, Opteon (Victoria) Pty Limited and Colliers International Consultancy and Valuation Pty Limited at 30 June 2015 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.

Refer to note 4(a) for Directors' valuation of water rights and entitlements.

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

19 Trade and other payables

	2015 000's $	2014 000's $
CURRENT		
Trade payables	**226**	655
Accruals	**467**	1,292
Sundry creditors	**1,345**	2,115
Total trade and other payables	**2,038**	4,062

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

20 Interest bearing liabilities

	2015 000's $	2014 000's $
CURRENT		
Equipment loans	**657**	-
Total interest bearing liabilities - current	**657**	-
NON-CURRENT		
Borrowings (ANZ)	**89,650**	94,300
Equipment loans	**1,801**	-
Total interest bearing liabilities - non current	**91,451**	94,300

Rural Funds Group

Notes to the Financial Statements
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20 Interest bearing liabilities (continued)

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

	Investment property		Water licences		Biological assets		Plant and equipment		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's
	$	$	$	$	$	$	$	$	$	$
Mortgages - almond property leasing	**36,926**	29,227	**27,416**	22,041	**42,735**	41,426	**-**	-	**107,077**	92,694
Mortgages - poultry property and infrastructure leasing	**91,918**	95,981	**1,049**	1,049	**-**	-	**-**	-	**92,967**	97,030
Mortgages - vineyard leasing	**13,535**	12,900	**1,020**	1,020	**24,846**	24,080	**-**	-	**39,401**	38,000
Equipment loans	**-**	-	**-**	-	**-**	-	**3,153**	-	**3,153**	-
Total	**142,379**	138,108	**29,485**	24,110	**67,581**	65,506	**3,153**	-	**242,598**	227,724

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 Trust, RFM Chicken Income Fund, RFM Australian Wine Fund and RF Active, and

- registered mortgages over all property owned by the Rural Funds Trust and its subsidiaries are provided by Australian Executor Trustees Limited as custodian for the Rural Funds Trust and its subsidiaries.

Loan amounts are provided by ANZ at the Bank's floating rate plus a margin. For bank reporting purposes, these assets are valued at market value. Refer to note 4(a) for Directors' valuation of water rights and entitlements.

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

20 Interest bearing liabilities (continued)

(b) Borrowings

RFF's core debt facility was $103,000,000 (expiring December 2018) and RFF has interest rate swaps totalling 73% (2014: 77%) of the facility to manage interest rate risk. This increased to 85% on 1 July 2015.

(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 2015 and 2014 reporting periods.

21 Other non-current liabilities

	Note	2015 000's $	2014 000's $
Lessee deposits		**1,553**	1,553

22 Derivative financial liabilities

	Note	2015 000's $	2014 000's $
NON-CURRENT			
Interest rate swaps	29	**2,048**	1,314
Total derivative financial liabilities		**2,048**	1,314

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.

23 Deferred tax

(a) Deferred tax liabilities

	2015 000's $	2014 000's $
Biological assets	**5,720**	5,551
Fair valued investment property, plant & equipment (including depreciation)	**2,070**	2,048
Gross deferred tax liabilities	**7,790**	7,599
Set-off of deferred tax assets	**(7,790)**	(7,599)
Net deferred tax liabilities	**-**	-

On 30 June 2014 RFT sold its almond farming plant and equipment and ceased all active trading activities. From 1 July 2014 RFF is 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 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 RFT 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 entities in the Group carrying deferred tax assets and liabilities at 30 June 2015 are AWF and RF Active.

(b) Deferred tax assets

	2015	2014
Accruals	**11**	15
Investments	**223**	223
Fair value investment property	**2,112**	2,341
Borrowing costs	**6**	9
Legal costs	**126**	170
Equity raising costs	**-**	13
Unused income tax losses	**7,629**	8,000
Gross deferred tax assets	**10,107**	10,771
Set-off deferred tax liabilities	**(7,790)**	(7,599)
Unrecognised income tax losses	**-**	(1,596)
Net deferred tax assets	**2,317**	1,576

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

24 Recognised deferred tax assets and liabilities

	Current income tax		Deferred income tax	
	2015	2014	2015	2014
	000's	000's	000's	000's
	$	$	$	$
Opening balance	**-**	-	**1,576**	(4,433)
Charged to income	**(29)**	-	**741**	16,724
Charged to equity	**-**	-	**-**	237
Acquisition of businesses	**-**	-	**-**	(10,952)
Closing balance	**(29)**	-	**2,317**	1,576
Tax expense in Statement of Comprehensive Income	**-**	-	**(712)**	(16,724)
Amounts recognised in the Statement of Financial Position:				
Deferred tax asset	**-**	-	**2,317**	1,576

25 Issued capital

Ordinary units

	2015	2014
	No.	No.
Units on issue at the beginning of the reporting period	**117,099,159**	32,733,121
Units issued during the year	**15,043,076**	84,366,038
Units on issue at the end of the financial year	**132,142,235**	117,099,159

The holders of ordinary units are entitled to participate in distributions and the proceeds on winding up of the Group. On a show of hands at meetings of the Group, 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 Group does not have authorised capital or par value in respect of its units.

26 Asset revaluation reserve

	2015	2014
	000's	000's
	$	$
Opening balance	**1,398**	1,205
Net increment/(decrement) in financial assets	**8**	(44)
Total comprehensive income	**8**	(44)
Income tax applicable	**-**	237
	8	193
Closing balance	**1,406**	1,398

Rural Funds Group

Notes to the Financial Statements
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27 Distributions

(a) Distributions provided for or paid during the year

	2015 000's $	2014 000's $
Distribution (October 2014) 2.1475 cents	**2,519**	-
Distribution (January 2015) 2.1475 cents	**2,522**	-
Distribution (April 2015) 2.1475 cents	**2,833**	-
Distribution (declared June 2015) 2.1475 cents	**2,838**	-
Distribution (November 2013) 2.8199 cents	**-**	923
Distribution (January 2014) 2.1296 cents	**-**	2,490
Distribution (April 2014) 2.1296 cents	**-**	2,490
Distribution (declared June 2014) 2.1296 cents	**-**	2,494
In specie distribution on 15 October 2014 to subscribe for units in RF Active - 1.0000 cents	**1,175**	-

(b) Distributions payable

	2015	2014
CURRENT		
Distributions unpresented	**109**	39
Distributions declared June 2015	**2,838**	2,494
Distributions payable	**2,947**	2,533

28 Earnings per unit

(a) Per stapled unit

	Group	
	2015	2014
Weighted average number of units outstanding	**121,153,081**	77,284,748
Profit from continuing operations attributable to unitholder ($000's)	**10,153**	20,126
Basic and diluted earnings per unit from continuing operations (cents)	**8.38**	26.04

(b) Per unit of each Trust

	Rural Funds Trust		RF Active	
	2015	2014	2015	2014
Weighted average number of units outstanding	**121,153,081**	77,284,748	**122,787,543**	-
Profit from continuing operations attributable to unitholders ($000's)	**10,080**	20,126	**73**	-
Basic and diluted earnings per unit from continuing operations (cents)	**8.32**	26.04	**0.06**	-

Rural Funds Group

Notes to the Financial Statements
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29 Fair value measurement of assets and liabilities

Fair value hierarchy

This note 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 2015				
Recurring fair value measurements				
Financial assets				
Equity securities (listed)	**97**	-	-	**97**
Equity securities (unlisted)	-	-	**520**	**520**
Total financial assets	**97**	**-**	**520**	**617**
Financial liabilities				
Derivatives	-	**2,048**	-	**2,048**
Total financial liabilities	-	**2,048**	-	**2,048**
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

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

29 Fair value measurement of assets and liabilities (continued)

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 during the current reporting period.

(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 2015 and 30 June 2014:

	Unlisted equity securities 000's $
Opening balance 1 July 2013	-
Acquisitions	**1,690**
Gains/(losses) recognised in other comprehensive income	**(1,170)**
Closing balance 30 June 2014	**520**
Transfer from level 2	-
Acquisitions	-
Gains/(losses) recognised in other comprehensive income	-
Closing balance 30 June 2015	**520**

(iv) Valuation inputs and relationships to fair value

Description	**Fair value at 30 June 2015 000's $**	**Unobservable inputs**	**Range of inputs (probability - weighted average)**	**Relationship of unobservable inputs to fair value**
Investment in BIL	520	N/A	N/A	A change in the price of water by +/- 10% results in a change in fair value of $50,000

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Notes to the Financial Statements
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29 Fair value measurement of assets and liabilities (continued)

(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 2015				
Investment properties				
Almond orchard property	**-**	**-**	**36,926**	**36,926**
Poultry property and infrastructure	**-**	**-**	**91,918**	**91,918**
Vineyard property	**-**	**-**	**13,535**	**13,535**
Biological assets				
Almond orchard	**-**	**-**	**42,735**	**42,735**
Vines	**-**	**-**	**24,846**	**24,846**
Total non-financial assets	**-**	**-**	**209,960**	**209,960**
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.

The Tocabil property acquired during the period is held at fair value of $10,316,000.

29 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 property assets at least annually, except for properties that are under development.

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	Poultry property and infrastructure	Vineyard property	Almond trees	Vines	
	000's	000's	000's	000's	000's	000's
	$	$	$	$	$	$
Opening balance 1 July 2014	29,227	95,981	12,900	41,426	24,080	203,614
Additions	8,755	341	-	-	239	9,335
Fair value adjustment	(1,055)	(4,404)	635	1,309	526	(2,989)
Closing balance 30 June 2015	36,927	91,918	13,535	42,735	24,845	209,960

Rural Funds Group

Notes to the Financial Statements
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29 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 2015 $'000	Unobservable inputs *	Range of inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
Almond orchard property (excluding water licences) **	79,662	Discount rate	9.5% - 10.5% (10.26%)	The higher the discount, the lower the fair value.
Poultry property and infrastructure (excluding water licences) **	91,918	Capitalisation rate	11.32%	The higher the capitalisation rate, the lower the fair value.
Vineyards (excluding water licences) **	38,380	Discount Rate	9.5% - 10.5% (10.06%)	The higher the discount rate, the lower the fair value.
		Capitalisation rate	8.75% - 9.5% (9.07%)	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 4(a) and 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 2015 the fair values of the properties have been determined by CBRE Valuations Pty Limited, Opteon (Victoria) Pty Limited, and Colliers International Consultancy and Valuation Pty Limited.

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

Changes in level 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.

30 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.

Notes to the Financial Statements
For the Year Ended 30 June 2015

30 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 2015.

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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's	000's
	$	$	$	$	$	$	$	$	$	$	$	$
Financial assets												
Cash and cash equivalents	**712**	2,723	**-**	-	**-**	-	**-**	-	**-**	-	**712**	2,723
Trade and other receivables	**2,729**	3,347	**-**	-	**-**	-	**-**	-	**-**	-	**2,729**	3,347
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	**520**	520
Total financial assets	**3,441**	6,309	**-**	236	**-**	924	**-**	346	**520**	520	**3,961**	8,335
Financial liabilities												
Interest bearing liabilities	**1,927**	2,312	**1,927**	2,311	**7,710**	9,248	**95,908**	101,156	**-**	-	**107,472**	115,027
Trade and other payables	**2,038**	4,062	**-**	-	**-**	-	**-**	-	**-**	-	**2,038**	4,062
Equipment loans	**500**	-	**308**	-	**1,102**	-	**755**	-	**223**	-	**2,888**	-
Interest rate swaps	**-**	-	**-**	-	**1,016**	592	**1,032**	722	**-**	-	**2,048**	1,314
Total financial liabilities	**4,465**	6,374	**2,235**	2,311	**9,828**	9,840	**97,695**	101,878	**223**	-	**114,446**	120,403

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

30 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 2015 was 42.2% (2014: 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 73% (2014: 77%) of the Group's borrowing facility at 30 June 2015. This increased to 85% on 1 July 2015.

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

	Effective Average Fixed Interest Rate Payable		Balance	
	2015	2014	2015 000's	2014 000's
	%	%	$	$
Maturity of notional amounts				
Settlement - Greater than 5 years	**3.77**	-	**25,000**	-
Settlement - 3 to 5 years	**3.27**	3.44	**50,000**	75,000
Total	**-**	-	**75,000**	75,000

The net loss recognised on the swap derivative instruments for the year ended 30 June 2015 was $734,000 (2014: loss of $920,000).

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

30 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.

(a) Impaired trade receivables

	2015 000's $	2014 000's $
1 to 3 months	-	4
3 to 6 months	-	47
Over 6 months	-	106
Total	-	157

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

	2015	2014
At 1 July 2014	**157**	1
Provision for impairment recognised during the year	**136**	156
Receivables written off during the year	**(293)**	-
At 30 June 2015	**-**	157
Amounts recognised in profit or loss	**136**	156

30 Financial risk management (continued)

Credit risk (continued)

(b) Past due but not impaired

As at 30 June 2015, trade receivables of $Nil (2014: $17,000) were past due but not impaired.

The ageing analysis of these trade receivables is as follows:

	2015 000's $	2014 000's $
3 to 6 months	-	-
Over 6 months	-	17
Total	-	17

Market risk

Sensitivity analysis - Interest rate risk

At 30 June 2015, the effect on profit before tax 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 before tax		
- Increase in interest rate by 1%	**3,467**	2,098
- Decrease in interest rate by 1%	**(3,696)**	(2,181)
Change in equity		
- Increase in interest rate by 1%	**3,467**	1,469
- Decrease in interest rate by 1%	**(3,696)**	(1,527)

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 2015, 0% (2014: 0%) of the Group's debt is fixed, excluding the impact of interest rate swap contracts.

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

Cash	**712**	2,723
Vendor finance - RF Active	**-**	629
Interest bearing liabilities	**(92,109)**	(94,300)
Total	**(91,397)**	(90,948)

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

31 Business combinations

A distribution was made to the Unitholders of Rural Funds Trust (formerly Rural Funds Group) which was compulsorily used to subscribe for units in RF Active.

Units in RF Active were then stapled to units in RFF. RF Active was created to separate the active and passive assets within the Rural Funds Group. RF Active invests in agricultural operating assets including the ownership and leasing of almond farm plant and equipment. The key benefit of the Stapling was to quarantine the operational assets to a single trust that is separate from the passive income producing assets of RFF.

From 16 October 2014 RF Active is consolidated into RFF. Therefore, the consolidated results for RFF for the year includes 8 months and 16 days of results from RF Active.

	2015 RF Active 000's $
The assets and liabilities recognised as a result of the acquisition were as follows:	
Cash and cash equivalents	591
Plant and equipment	3,175
Receivables	90
Payables	(25)
Borrowings	(2,654)
Net provision for tax	(1)
Non-controlling interest	(1,176)
Net assets acquired	-

(i) Revenue and profit contribution

The acquired business contributed revenues of $807,000 and net profit before tax of $83,000 to the Group for the period from 16 October 2014 to 30 June 2015.

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 Group held by Directors of RFM or entities controlled by Directors of RFM as at 30 June 2015 were:

	Guy Paynter Number of units	David Bryant Number of units
Unit holdings:		
Balance at 1 July 2013	-	1,270,133
Units acquired	351,833	2,017,239
Balance at 30 June 2014	351,833	3,287,372
Units acquired	30,323	368,819
Balance at 30 June 2015	382,156	3,656,191

(b) Other key management personnel

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

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

- Management Fee - 0.6% (2014: 0.6%) per annum of the gross value of Trust assets.

- Asset Management Fee - 0.45% (2014: 0.45%) per annum of the gross value of Trust assets.

- Acquisition fee - Nil (2014: 1%) of the total purchase price of an asset.

(c) Compensation of key management personnel

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

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

33 Related party transactions

Transactions between related parties are on commercial terms and conditions.

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

Transactions between the Group and the Responsible Entity and any of its associated entities:

	2015 000's $	2014 000's $
Management fee	**1,435**	1,232
Asset management fee	**1,061**	662
Total management fees	**2,496**	1,894
Expenses reimbursed to RFM	**2,114**	3,727
Interest on loan - RFM	**-**	129
Income collected on behalf of and paid to RFM Poultry	**135**	1,297
Distribution paid/payable to RFM	**128**	104
Total amounts paid to RFM and related entities	**4,873**	7,151
Rental income - AF06	**1,719**	1,714
Rental income - AF07	**501**	501
Rental income - AF08	**1,300**	1,349
Rental income - RFM	**279**	284
Rental income - RFM Poultry	**10,349**	5,437
Payment for grant of almond grove licences - RFM	**-**	100
Expenses reimbursed from RFM Poultry	**482**	1,726
Distributions received/receivable from RFM Poultry	**15**	5
Distributions received/receivable from RFM StockBank	**244**	131
Interest on land rental - AF06	**-**	5
Interest on loan - AF07	**-**	1
Interest on loan - AF08	**-**	3
Interest on Loan - Murdock Viticulture	**19**	51
Water recharge - AF06	**45**	201
Water recharge - AF07	**12**	58
Water recharge - AF08	**35**	157
Water recharge - RFM	**7**	102
Total amounts received from RFM and related entities	**15,007**	11,825

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

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

33 Related party transactions (continued)

(b) Custodian fees (Australian Executor Trustees Limited)

	2015 000's $	2014 000's $
Custodian fee	**109**	99
Total	**109**	99

(c) Debtors and loans

	2015	2014
RFM	**204**	72
AF06	**-**	32
AF07	**-**	111
AF08	**-**	315
Murdock Viticulture	**-**	642
RF Active	**-**	946
Total	**204**	2,118

(d) Creditors and loans

	2015	2014
RFM Poultry	**-**	172
RFM	**180**	225
Total	**180**	397

(e) Entities with influence over the Group

	2015		2014	
	% held	**Units held**	**% held**	**Units held**
RFM	1.16	1,539,447	1.24	1,450,465

(f) Interest in related parties

RFM StockBank	33.52	3,897,259	38.80	3,897,259
RFM Poultry	1.58	108,615	1.60	108,615

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

34 Cash flow information

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

	2015 000's $	2014 000's $
Net Profit after income tax	**10,153**	20,126
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
Share of net profit - equity accounted investments	**(125)**	-
Impairment of goodwill	**-**	2,800
Discount on acquisition	**-**	(1,231)
Change in fair value of biological assets	**(1,835)**	(14,074)
Change in fair value of investment property	**4,824**	8,874
Change in fair value of interest rate swaps	**734**	920
Reversal of impairment of intangible assets	**(2,645)**	-
Depreciation and amortisation	**490**	3,958
Loss on sale of assets	**5**	45
Distributions received	**(113)**	(188)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	**931**	(554)
(Increase)/decrease in prepayments	**(65)**	425
(Increase)/decrease in inventories	**-**	987
Increase/(decrease) in trade payables and accruals	**(1,359)**	(2,436)
Increase/(decrease) in unearned income	**(476)**	750
Increase/(decrease) in other liabilities	**-**	(17)
Increase/(decrease) in GST (net)	**(562)**	280
Increase/(decrease) in deferred taxes payable	**(735)**	(16,724)
Cash flow from operating activities	**9,222**	3,941

Rural Funds Group

Notes to the Financial Statements
For the Year Ended 30 June 2015

35 Events after reporting date

Subsequent to balance date the Group has negotiated reduced pricing of the core debt facility.

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 Trust and has been prepared in accordance with Australian Accounting Standards.

	2015 000's $	2014 000's $
Statement of financial position		
Assets		
Current assets	**49,824**	54,688
Non-current assets	**179,918**	168,999
Total assets	**229,742**	223,687
Liabilities		
Current liabilities	**4,830**	5,767
Non-current liabilities	**93,251**	97,167
Total liabilities (excluding net assets attributable to unitholders)	**98,081**	102,934
Net assets attributable to unitholders	**131,661**	120,753
Total liabilities	**229,742**	223,687
Statement of comprehensive income		
Total profit/(loss) for the year, net of tax	**6,332**	3,367
Other comprehensive income, net of tax	**8**	235
Total comprehensive income for the year	**6,340**	3,602

Rural Funds Group

Directors of the Responsible Entity's Declaration

In the Directors of the Responsible Entity's opinion:

(a) The financial statements and notes set out on pages 39 to 88 are in accordance with the *Corporations Act 2001*, including:

i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note 1(b) confirms that the 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 persons performing the chief executive officer function and the chief financial officer function as required by Section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors of Rural Funds Management Limited as the Responsible Entity of Rural Funds Group.

David Bryant

Director

26 August 2015

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 consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders and consolidated 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(b), 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 2015 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(b).

PricewaterhouseCoopers

PricewaterhouseCoopers

David Ronald

David Ronald
Partner

Sydney
26 August 2015

Rural Funds Group (RFF) Annual Report for the year ended 30 June 2015

ruralfunds.com.au