Rural Funds Group | ASX: RFF

Managed by: Rural Funds Management

Managing good assets with good people

Financial results presentation

for the year ended 30 June 2023

24 August 2023

Disclaimer and glossary of terms

Disclaimer

This presentation has been prepared by Rural Funds Management Limited (ACN 077 492 838, AFSL 226 701) (**RFM**) as the responsible entity of Rural Funds Group (**RFF**) and has been authorised for release by the Board of RFM. RFF is a stapled security, incorporating Rural Funds Trust (ARSN 112 951 578) and RF Active (ARSN 168 740 805). The information contained in this presentation is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. Please note that, in providing this presentation, RFM has not considered the investment objectives, financial circumstances or particular needs of any particular recipients.

This presentation is not, and does not, constitute an offer to sell or the solicitation, invitation or recommendation to purchase any securities, and neither this presentation nor anything contained herein shall form the basis of any contract or commitment. In particular, this presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. This presentation must not be released or distributed in the United States. Any securities described in this presentation have not been, and will not be, registered under the *US Securities Act of 1933* and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the *US Securities Act* and applicable US state securities laws.

RFM has prepared this presentation based on information available to it at the time of preparation. No representation or warranty is made as to the fairness, accuracy or completeness of the information, opinions and conclusions contained in this presentation or any other information that RFM otherwise provides. To the maximum extent permitted by law, RFM, its related bodies corporate and its officers, employees and advisers are not liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on this presentation or otherwise in connection with it.

This presentation includes 'forward-looking statements'. These forward-looking statements are based on current views, expectations and beliefs as at the date they are expressed. They involve known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of RFF to be materially different from those expressed or implied by the forward-looking statements. Accordingly, there can be no assurance or guarantee regarding these statements and you must not place undue reliance on these forward-looking statements. RFM and RFF disclaim any responsibility for the accuracy or completeness of any forward-looking statements.

Glossary of terms

Adjusted NAV – Net Asset Value (NAV) adjusted for the independent valuation of water entitlements, **Adjusted total assets** – Total assets adjusted for the independent valuation of water entitlements, **ASX** – Australian Securities Exchange, **AFFO** – Adjusted funds from operations, a financial metric used in the REIT sector to measure available cash flow from operations (adjustment relates to non-cash tax expense), **Approx** – Approximately, **CPI** – Consumer Price Index, **cpu** – cents per unit, **DPU** – Distributions per Unit, **Earnings** – calculated TCI/weighted average units, **EBITDA** – Earnings Before Interest, Taxes, Depreciation and Amortisation, **EPU** – Earnings per unit (calculated TCI divided by weighted average units), **Fair value** – Value of an asset as determined by an independent valuation, **FY** – Financial year, **FY22** – Full-year ended 30 June 2022, **FY23** – Full-year ended 30 June 2023, **Gearing** – Calculated as external borrowings/adjusted total assets, **GL** – Gigalitre, **Group** – Term used for the Rural Funds Group, **ha** – Hectare(s), **ICR** – Interest Cover Ratio, **LVR** – Loan to valuation ratio, a bank covenant calculated as debt divided by tangible assets (including water entitlements), **ML** – Megalitre, **m** – Million(s), **NAV** – Net asset value, calculated as assets minus the value of liabilities (does not recognise fair value of water entitlements), **P&E** – Plant and equipment, **REIT** – Real Estate Investment Trust, **RFF** – Rural Funds Group (ASX: RFF), **RFM** – Rural Funds Management Limited, manager and responsible entity for RFF, **TCI** – Total comprehensive income, **Total assets** – Total value of assets as presented on the balance sheet (water entitlements recorded at the lower of cost or fair value), **TRG** – (The Rohatyn Group) joint venture between TRG and a global institutional investor, **WALE** – Weighted average lease expiry, calculated as the FY24 forecast rent and the year of lease expiry (excludes J&F Australia guarantee fee, income from annual water allocation sales, operating income from owner occupied properties and other income), **x** – Times.

Cover image: Cattle grazing on developed cultivation area, Rewan, central Queensland, August 2023.

Contents

1. **Financial results summary**
2. **Portfolio and strategy update**
3. **Outlook and conclusion**
4. **Appendices**
   - A. Summarised comprehensive income
   - B. AFFO composition
   - C. Reconciliation of net profit to AFFO
   - D. Summarised balance sheet
   - E. Total assets reconciliation
   - F. Portfolio
   - G. Lessees
   - H. Indexation and lease expiry
   - I. Property compendium
   - J. Investment and development strategy

Presenters

David Bryant
Managing Director

Tim Sheridan
Chief Operating Officer

Daniel Yap
Chief Financial Officer

James Powell
General Manager – Investor Relations, Corporate Affairs and Sustainability

Cotton harvest at Mayneland, central Queensland, June 2023.

1 Financial results summary

Learn more:

Tocabil almond orchard late-season, Riverina NSW, April 2023.

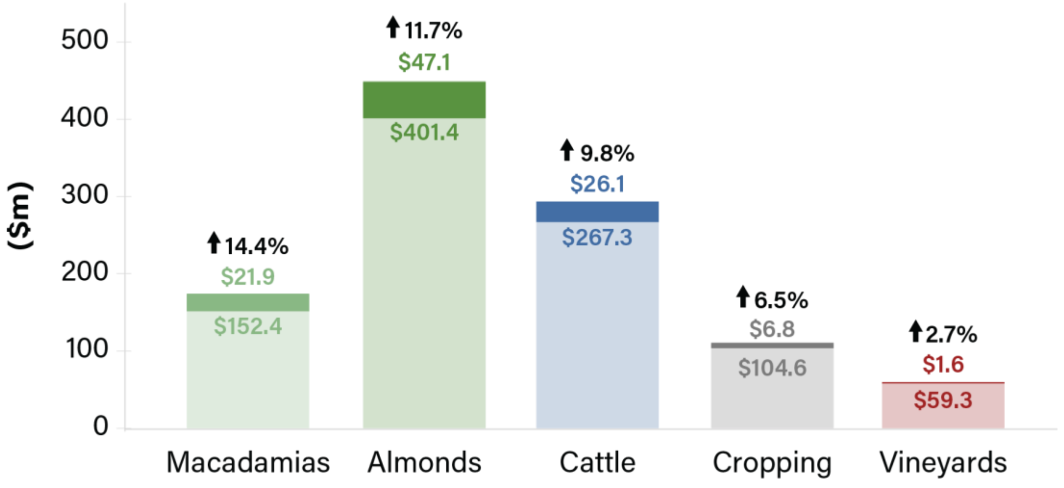
Earnings summary

Property revenue increased 11% primarily due to macadamia developments.

- Property revenue increased $7.9m, or 10.6%, primarily due to rental income earned on macadamia developments, rent reviews (cattle and vineyards) and lease indexation.
- Earnings of $115.5m, or 30.1 cpu driven by revaluations of $1.0b of assets, representing 67% of the portfolio.[1]
  - FY22 earnings include higher revaluation of interest rate hedges, property valuations and lower debt costs.
- Results in line with forecasts:
  - AFFO of 10.7 cpu.
  - DPU of 11.73 cents (plus 0.47 cpu franking credits).

Income and earnings metrics	FY23	FY22
Property revenue – $	81,824,000	73,956,000
Total comprehensive income (TCI) – $	115,521,000	210,206,000
Earnings per unit (EPU) – cents	30.10	55.58
Adjusted funds from operations (AFFO) – $	41,077,000	44,215,000
AFFO per unit – cents	10.7	11.7
Distributions per unit (DPU) – cents	11.73	11.73
AFFO payout ratio	109.6%	100.3%

External revaluations received FY23[2]



Notes:
1. Based on 30 June 2022 adjusted values. Adjusted values include water entitlements held at fair value.
2. Value of assets externally revalued ($) in FY23 (inclusive of capex since 30 June 2022 $0.1b) plus revaluation movement ($ and %). Excludes Directors' valuation on water entitlements (value $116.2m, movement -$6.3m).

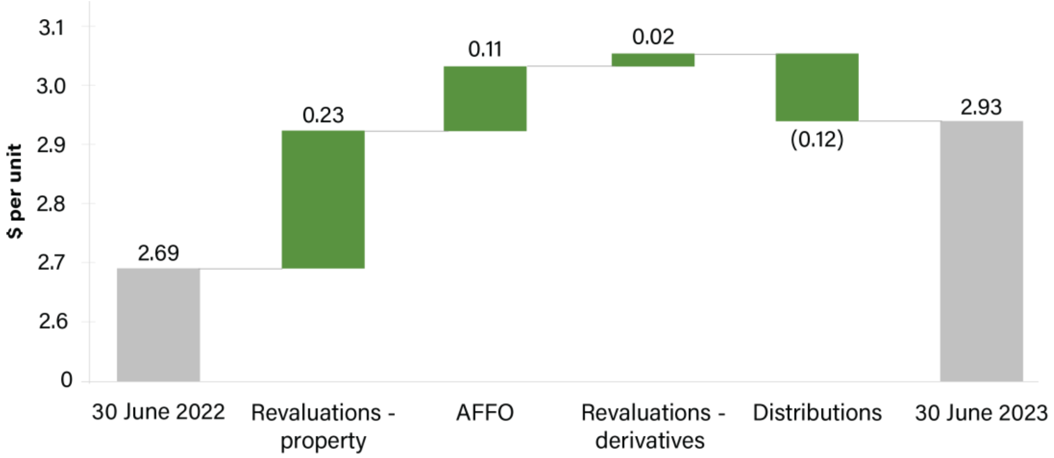
Balance sheet summary

Adjusted NAV increased 10% primarily due to external asset revaluations.

- Adjusted net assets increased $101.3m, or 9.9%, primarily due to asset revaluations of $97.2m.
- Adjusted total assets increased by $292.4m, or 19.3%, primarily due to:
  - acquisitions of $102.1m (including settlement of cattle property ‘Kaiuroo’ $55.5m and ‘Wyesby’, a property contiguous to existing cattle property ‘Rewan’ $37.0m)
  - revaluations of $97.2m and
  - capex of $59.2m.
- Gearing of 35.5% at upper end of target range of 30–35% as a result of acquisitions and development capex.
  - Transactions to reduce gearing planned (see page 12).
- Adjusted NAV per unit increased $0.24, or 8.9%.

Balance sheet metrics	30 June 2023	30 June 2022
Total assets – $	1,671,009,000	1,403,829,000
Adjustment for water at fair value – $	135,514,000	110,316,000
Adjusted total assets – $	1,806,523,000	1,514,145,000
External borrowings – $	640,415,000	457,625,000
Gearing – %	35.5%	30.2%
Net asset value (NAV) – $	993,159,000	917,011,000
NAV per unit – $	2.58	2.39
Adjusted NAV – $	1,128,673,000	1,027,327,000
Adjusted NAV per unit – $	2.93	2.69

Adjusted NAV per unit movement

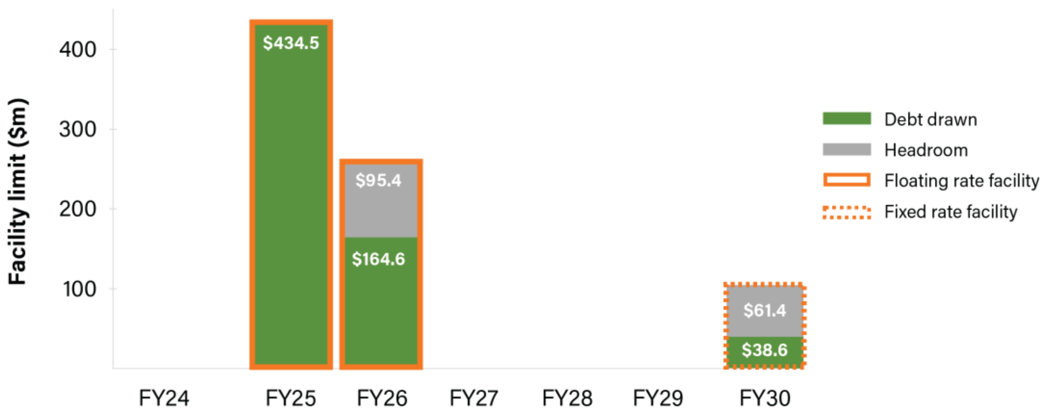


Capital management

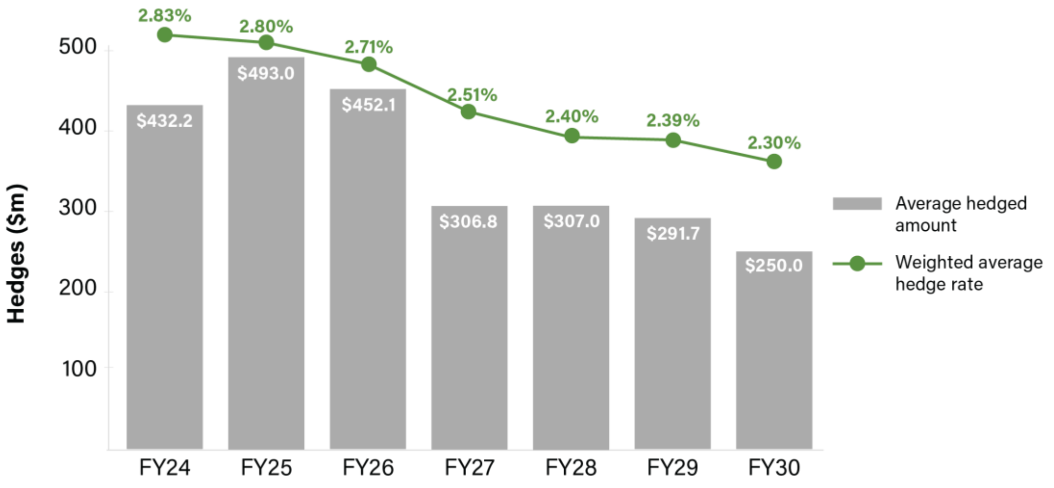
Increased interest rate hedging. Sufficient headroom for capex.

- Debt facilities increased to $794.5m (FY22: $520m), comprising $694.5m floating rate facility plus $100.0m fixed rate facility.
  - Sufficient headroom ($156.8m) for FY24 capex requirements.
  - Facility maturing FY25 expected to be extended in 1H24 with a limit increase as required.
- FY23 debt metrics:
  - Cost of debt 3.28% (FY22: 2.92%).[1]
  - LVR 45.3% (FY22: 42.7%): FY24 covenant 55.0%.[2,3]
  - ICR 2.91x (FY22: 5.07x): FY24 covenant >1.5x.[2]
- FY24 average interest rate hedges $432m (FY23: $200m).
  - Weighted average hedge duration 5.4 yrs (FY23: 8.6 yrs).[4]
  - Weighted average hedge rate (for duration) 2.55% (FY23: 2.73%).[4]
  - Portion of debt hedged and fixed 67.0% (FY23: 35.9%).[5]

Debt facility limits, maturity (FY) and headroom



Interest rate hedging profile and hedge rate



Notes:
1. Total interest expense plus cost of hedges, divided by average term debt drawn. Excludes capitalised borrowing costs.
2. Key financial covenants FY24: LVR <55%, ICR >1.50x, with distribution permitted at >1.65x, Adjusted NTA including water entitlements >$400m (FY23: $1,073.2m) and >40% hedging.
3. LVR calculated as term debt drawn plus guarantee of $132.0m (as at 30 June 2023), excluding TRG debt drawn; divided by directly secured assets based on independent valuations.
4. Duration and rate calculated on hedges from 1 July and includes forward start hedges.
5. FY24 average hedges and total fixed debt facility divided by total facilities. FY23 based on actuals.

2 Portfolio and strategy update

Learn more:

Macadamia orchard development, Maryborough, Queensland, May 2023.

Strategy

To generate income and capital growth from improving and leasing agricultural assets.

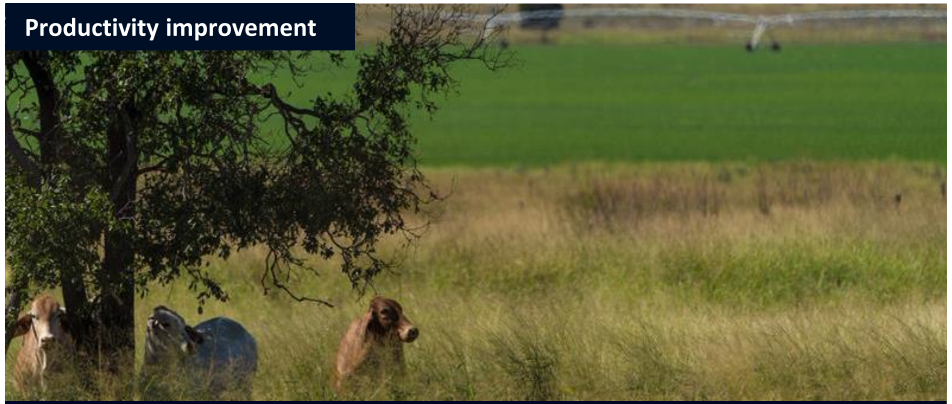
Leasing model

- Maintain a majority of long WALE triple net leases of agricultural assets to high-quality lessees.
  - Distribution growth target of 4% p.a.
- Improve leasing outcomes by developing assets for improved productivity or higher and better use.
  - Income generated during development phase by temporarily operating asset prior to leasing.

Acquisition considerations

- Preference agricultural sectors where:
  - low cost of production assets can be acquired or developed
  - Australia has a comparative advantage
  - RFM has operating experience.
- Appropriate diversification by agricultural sector and climatic zone.
- Appropriate capital structure (target gearing between 30–35%).

Productivity improvement



Pivot irrigated forage crop (background) developed on 'Comanche' prior to leasing to Australian Agricultural Company (ASX: AAC), Rockhampton, central Queensland, May 2021.

Higher and better use development

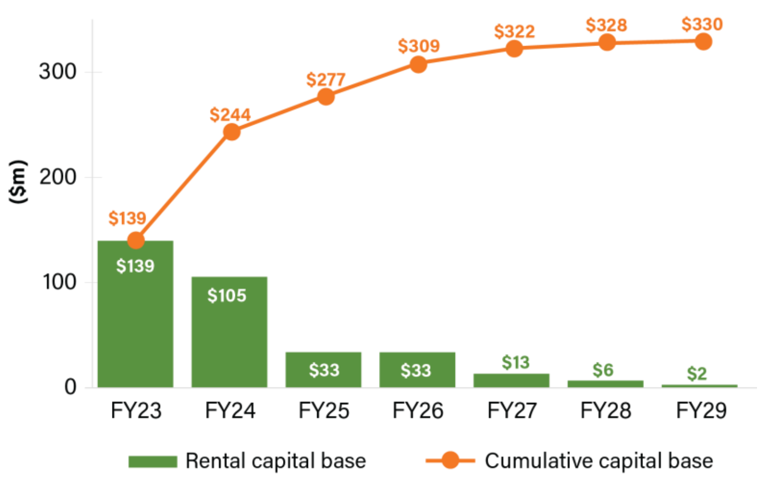
Cattle properties converted to macadamia orchards leased to TRG, Rockhampton, central Queensland, April 2023.

Macadamia developments

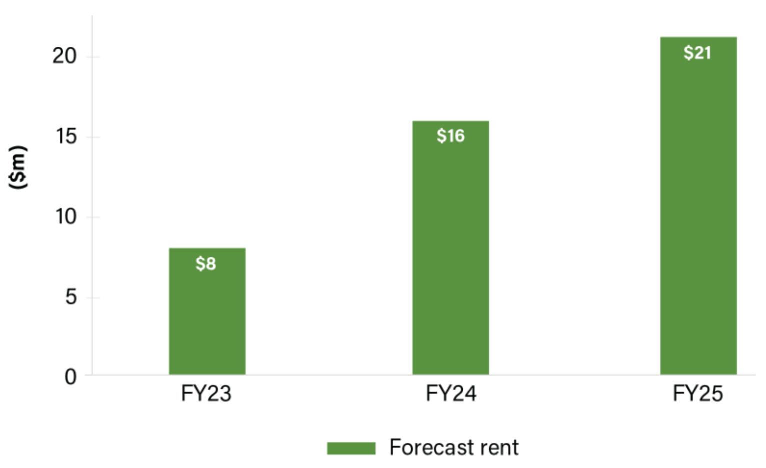
Macadamia developments progressing well and generating additional lease income.

- 3,000 ha 40-year lease with TRG commenced FY23.[1]
- Capital expenditure funded through existing balance sheet capacity, majority forecast to be deployed FY24e.
- Rent earned on the value of land, water and capex as it is deployed.

Forecast rental capital base by financial year[2]



Forecast rent (FY23-FY25)[3]



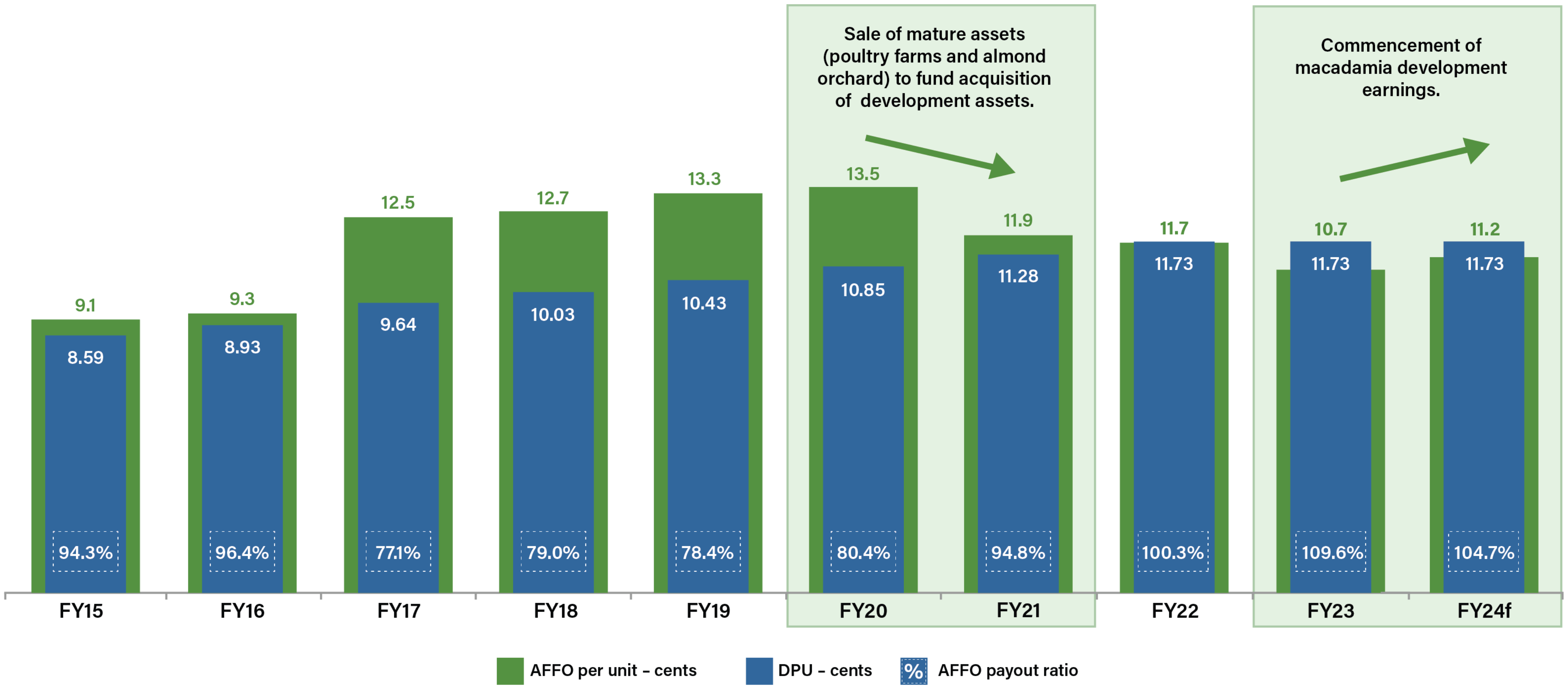
Macadamia investment thesis

- Growing sector of a growing industry:
  - Global consumption grew at approx. 8% p.a. in the 10-years prior to the COVID pandemic.
  - Macadamias are Australia's second largest tree-nut industry (23%) after almonds (66%) (Source: Australian Horticulture).
- Desirable health attributes:
  - One of the highest levels of monounsaturated fats of all tree nuts.
  - Plant-based source of protein.
- Market and product expansion limited by supply:
  - Macadamias represent <2% of world tree nut production.
- Australia can be a low-cost producer:
  - Low levels of labour required.
  - Water licensing enables irrigation and higher potential yields.
- Geographic constraints for new commercial-grade developments:
  - Requirements include suitable climate, soils and water availability.
- Long productive life (approximately 45-55 years) supporting long WALE.
- Potential for development margins (higher and better use strategy).
- RFM has extensive operating and development experience in tree nuts.

Notes:
1. Figures subject to rounding. Second stage of lease (1,800 ha) subject to completion of water supply infrastructure.
2. $110,000/ha comprising approx. $90,000/ha (land, water, orchard development and planting) and $20,000/ha (capitalised establishment costs over 5 years).
3. Rent earned on capital base dependent on timing of deployment throughout the relevant financial year.

AFFO growth

Forecast FY24 AFFO growth 5%. Several other transactions planned which seek to further improve AFFO.



Transactions

Material progress expected in FY24 on transactions which seek to improve gearing, operating exposure and earnings.

Cropping properties

- Lease of two cropping properties in advanced negotiations.[1]
- Combined value of assets $66.0m (Mayneland and Baamba Plains).
- Objective: Long term lease and high quality lessee.

Mature macadamia orchards

- Lease of five mature orchards in due diligence phase.[1]
- Combined value of assets $72.6m (Beerwah, Bauple, Bonmac, Swan Ridge and Moore Park).
- Objective: Long term lease and high quality lessee.

Developments and divestments

- Productivity developments on three cattle properties (Cerberus, Yarra and Kaiuroo) prior to leasing. Combined value of assets $120.6m.
- Non-core asset sales.

Additional macadamia developments

- Development of additional 2,000 ha subject to securing lessee and balance sheet capacity within target gearing range.

Cropping property, central Queensland, 2023.

Macadamia orchard, Queensland, 2023.

Cattle property, central Queensland, 2023.

Sugar cane farm, Queensland, 2023.

Note:
1. The parties have not entered into any binding agreements and there is a chance that the negotiations will not be successfully concluded.

Sustainability

RFM continues progress on relevant sustainability priorities. Additional information to be included in FY23 Annual Report.

Environmental

- Emissions:
  - Quantification of scope 1 and 2 emissions from assets for which RFF receives operational proceeds.
  - Worked with multiple lessees to explore carbon sequestration on RFF properties.
- Governance:
  - Updated Risk Management Policy to formalise the consideration of climate related risks in operations and asset acquisition process.
  - Sustainability Policy implemented (based on prior Environmental Policy).

Social

- Diversity:
  - Formalised target 40% female representation on the RFM Board by 2026.
- Safety:
  - Implementation of improvements to safety management system: Safe Ag.

Developing water efficient irrigation on cropping properties, which can have a 30% water saving when compared to flood irrigation, March 2023.

Irrigation pipeline installation project on Rookwood Farms which is estimated to recycle approximately 18 cubic metres of material waste, saving it from landfill, to re-use in other products, May 2023.

3 Outlook and conclusion

Learn more:

Cotton harvest at Mayneland, central Queensland, June 2023.

Outlook and conclusion

Macadamia development income commenced. Several other transactions in various stages of progress.

- **Forecast AFFO increased 5%:** developments expected to contribute to continued growth.
  - FY24 forecast AFFO 11.2 cpu
  - FY24 forecast distribution 11.73 cpu
  - DPU growth target of 4% per annum retained.

- **Material progress expected during FY24 on several transactions:** which seek to improve gearing, operating exposure and earnings.

Rural Funds Group attributes	
Defensive property sector in food production with inflationary hedge characteristics.[1]	**Quarterly distributions** March, June, September and December.[2]
Long WALE 13.9 years.	**Diversification** 67 properties, five sectors and multiple climatic zones.
Quality lessees 79% of FY24f income from corporate lessees.	**Structural rental growth** Mix of lease indexation mechanisms and market rent reviews.
Development pipeline Productivity improvement & conversion to higher and better use opportunities.	**Triple net leases** Property leases are largely triple net.

Notes:
1. See RFM June 2022 Newsletter: https://www.ruralfunds.com.au/news/rfm-newsletter-edition-17-june-2022
2. Months of distribution record dates shown, actual distribution dates advised via ASX.

4 Appendices

Appendix A – Summarised comprehensive income
Appendix B – AFFO composition
Appendix C – Reconciliation of net profit to AFFO
Appendix D – Summarised balance sheet
Appendix E – Total assets reconciliation
Appendix F – Portfolio
Appendix G – Lessees
Appendix H – Indexation and lease expiry
Appendix I – Property compendium
Appendix J – Investment and development strategy

Learn more:

Yarra, Rockhampton region, central Queensland, February 2023.

Appendix A – Summarised comprehensive income

- Sale of produce and cost of goods sold relates to sale of farming proceeds (primarily cattle, sugar and macadamias).
- Other income mainly relates to annual allocation sales of unleased water.
- Property and other expenses increased mainly due to costs associated with property acquisitions, TRG lease and continued development.
- Property and other expenses – farming operations increased mainly due to farming operations on Yarra and Cerberus (cattle), Baamba Plains (cropping) and Kaiuroo (cattle and cropping).
- Finance costs increased as a result of increase in interest rates, acquisitions and capital expenditure.
- Gain on sale of assets relates to water held as financial assets sold during the year.
- Net loss from Macgrove acquisition relates to the acquisition accounting treatment from the acquisition of 579 Macgroves in the 2007 Macgrove Project. The 2007 Macgrove Project was subsequently wound up in July 2023.
- Depreciation and impairments relates mainly to P&E owned within RF Active (RFA).
- Change in fair value of biological assets relates to farming operations (harvested and unharvested) on unleased Maryborough properties (sugar), Beerwah and Bauple (macadamias) Swan Ridge and Moore Park (macadamias), Yarra and Cerberus (cattle), Kaiuroo (cattle) and Baamba Plains (cropping).
- Property revaluations totalled $72.0m (including bearer plants, investment property, intangibles and property-owner occupied).
- Income tax expense relates to RFA and AWF.[1] RFT treated as a flow-through trust for tax purposes.

Summarised statement of comprehensive income

	12 months ended 30 June 2023 $	12 months ended 30 June 2022 $
Property revenue	81,824,000	73,956,000
Sale of agricultural produce – farming operations	13,180,000	7,909,000
Revenue	**95,004,000**	**81,865,000**
Other income	3,493,000	3,475,000
Cost of goods sold – farming operations	(13,049,000)	(7,708,000)
Property expenses	(3,165,000)	(3,457,000)
Other expenses	(7,522,000)	(6,638,000)
Property and Other expenses – farming operations	(5,408,000)	(1,745,000)
Management fees[2]	(8,558,000)	(6,850,000)
Asset management fees[2]	(6,419,000)	(5,138,000)
Finance costs	(17,281,000)	(11,186,000)
Gain on sale of assets	802,000	320,000
Net loss from Macgrove acquisition	(1,036,000)	–
Depreciation and impairments	(2,838,000)	(1,634,000)
Property revaluations – Bearer plants	(7,108,000)	(9,636,000)
Property revaluations – Investment property	61,106,000	123,191,000
Property revaluations – Intangible assets	(247,000)	(1,059,000)
Property revaluations – Property-owner occupied	(3,202,000)	(912,000)
Change in fair value of financial assets/liabilities	156,000	669,000
Change in fair value of biological assets – farming operations	513,000	5,054,000
Change in fair value of derivatives	8,930,000	51,852,000
Profit before tax	**94,171,000**	**210,463,000**
Income tax credit/(expense)	327,000	(1,327,000)
Profit after tax	**94,498,000**	**209,136,000**
Other comprehensive income	21,023,000	1,070,000
Income tax (expense)/benefit relating to these items	(473,000)	1,127,000
Total comprehensive income	**115,521,000**	**210,206,000**
Weighted average units	383.8m units	374.6m units
Earnings per unit	30.10	55.58

Notes:
1. RFM Australian Wine Fund (AWF) is a subsidiary of Rural Funds Trust (RFT) that has formed its own tax consolidated group.
2. Management fees calculated 0.6% and asset management fees calculated 0.45% of adjusted total assets excluding acquisition costs of macadamia properties under development, Kaiuroo, Wyseby, Beerwah and Bauple for 2H23 and derivative financial assets. FY23 management fee is 0.95% of the average adjusted total assets during the year.

Appendix B – AFFO composition

- Adjusted funds from operations (AFFO) is pre-tax and excludes fair value adjustments, depreciation and impairment to represent RFF's operating result.
- Property expenses relate to costs directly attributable to the properties (eg insurance, rates and taxes on properties, applicable cost recovery). Other expenses relate to non-property overheads (eg ASX, bank, audit, registry fees and cost recovery).
- Farming operations relate to operations on unleased Maryborough properties, Beerwah and Bauple, Yarra and Cerberus, Swan Ridge and Moore Park, Kaiuroo and Baamba Plains. Change in fair value of biological assets relates to the profit recognised for the harvested crops and cattle sold (or realised) during the year.
- Property leases are largely triple net.

Composition of AFFO (pre-tax)

	12 months ended 30 June 2023 $	12 months ended 30 June 2022 $
Property revenue	82,226,000	71,504,000
Property expenses	(3,165,000)	(3,457,000)
Net property income	**79,061,000**	**68,047,000**
Other income	3,493,000	3,475,000
Other expenses	(7,522,000)	(6,638,000)
Management fees	(8,558,000)	(6,850,000)
Asset management fees	(6,419,000)	(5,138,000)
Farming operations		
Revenue from farming operations	13,180,000	7,909,000
Cost of goods sold – farming operations	(13,049,000)	(7,708,000)
Change in fair value of biological assets (realised from harvested crops and cattle)	2,018,000	3,235,000
Change in fair value of biological assets (prior year unharvested crops realised during the year)	1,819,000	814,000
Property and Other expenses – farming operations	(5,408,000)	(1,745,000)
EBITDA	**58,615,000**	**55,401,000**
Income tax payable (AWF)	(257,000)	–
Finance costs	(17,281,000)	(11,186,000)
AFFO	**41,077,000**	**44,215,000**
AFFO per unit[1]	**10.7 cents**	**11.7 cents**
DPU	11.73 cents	11.73 cents

Note:
1. Based on the weighted average number of units on issue during the year.

Appendix C – Reconciliation of net profit to AFFO

- Non-cash items added back to reconcile net profit after tax to AFFO.

- Key adjustments include:
  - Property revaluations (excluding other comprehensive income) include $26.1m in cattle properties, $20.9m in almond properties, $13.0m in macadamia properties, $4.1m in cropping properties, $1.0m in vineyards and ($5.0m) for water entitlements.
  - Depreciation and impairments relates mainly to plant and equipment owned within RF Active.
  - Rental income recognised on a straight-lined basis over the term of the lease (under AASB16 for leases with fixed indexation).
  - Interest component of JBS feedlot finance lease reflects indexation due to finance lease classification.
  - Prepaid rent revenue (TRG) relates to the rent received prior to lease commencement.
  - Net accounting loss from Macgrove acquisition relates to the acquisition accounting treatment from the transaction.[1]

Reconciliation of net profit after tax to AFFO

	12 months ended 30 June 2023 $	12 months ended 30 June 2022 $
Net profit after income tax	94,498,000	209,136,000
Adjusted for:		
Property related		
Property revaluations	(60,132,000)	(117,117,000)
Depreciation – Bearer plants	9,583,000	5,533,000
Depreciation and impairment	2,838,000	1,634,000
Gain on sale of assets	(802,000)	(320,000)
Revenue items		
Rental revenue – prepaid rent (TRG)	6,050,000	–
Lease incentive amortisation (TRG)	9,000	–
Straight-lining of rental income	(1,470,000)	735,000
Interest component of JBS feedlot finance lease	(4,187,000)	(3,187,000)
Macgrove acquisition		
Net loss from Macgrove acquisition[1]	1,036,000	–
Farming operations		
Change in fair value of biological assets (prior year unharvested crops realised during the year)	1,819,000	814,000
Change in fair value of biological assets (unharvested crops not realised and unsold cattle)	1,505,000	(1,819,000)
Other		
Change in fair value of financial assets/liabilities	(156,000)	(669,000)
Change in fair value of interest rate swaps	(8,930,000)	(51,852,000)
FFO	**41,661,000**	**42,888,000**
Adjusted for income tax expense	(584,000)	1,327,000
AFFO	**41,077,000**	**44,215,000**
AFFO per unit[2]	**10.7**	**11.7**

Notes:
1. Relates to the acquisition accounting for 579 Macgroves in the 2007 Macgrove Project. Net loss from acquisition includes loss on settlement from pre-existing relationship ($1.281m), impairment of goodwill ($0.195m) offset by gain on bargain purchase $0.440m.
2. Based on the weighted average number of units on issue during the year.

Appendix D – Summarised balance sheet

- Water entitlements are recorded as intangible assets and held at the lower of cost less accumulated impairment or fair value in accordance with accounting standards and ASIC guidance. The adjustment for water entitlements shows the difference between book value and fair value (based on current independent valuations).
- Water entitlements totalled 149.8 GL and water delivery entitlements totalled 21.4 GL, representing a fair value of $314.5m or 17% of total adjusted assets.
- See page 25 for details of independent valuations.

Summarised balance sheet

	As at 30 June 2023 $	As at 30 June 2022 $
Cash	5,753,000	4,961,000
Property investments	1,546,118,000	1,312,065,000
Plant and equipment	27,045,000	16,530,000
Current tax receivable	259,000	1,038,000
Derivative financial assets	42,040,000	33,698,000
Deferred tax assets	918,000	–
Other assets	48,876,000	35,537,000
Total assets	**1,671,009,000**	**1,403,829,000**
Interest-bearing liabilities:		
– Current	33,150,000	2,723,000
– Non-current	607,463,000	455,100,000
Derivative financial liabilities	–	589,000
Deferred tax liabilities	8,334,000	7,634,000
Other liabilities	28,903,000	20,772,000
Total liabilities	**677,850,000**	**486,818,000**
Net assets	**993,159,000**	**917,011,000**
Units on issue	384,856,588	382,514,759
NAV per unit	**2.58**	**2.39**
Adjustment for water entitlements fair value per unit	0.35	0.30
Adjusted NAV per unit	**2.93**	**2.69**

Appendix E – Total assets reconciliation

Total assets reconciliation

	Investment property $	Bearer plants $	Intangible assets[1, 3] $	Property-owner occupied $	Financial assets (property)[2, 3] $	Plant and equipment $	Deposits $	Other assets $	Total $	Adjustment for water entitlements at fair value[1] $	Adjusted total assets $
Balance as at 30 June 2022	**787,523,000**	**190,661,000**	**157,679,000**	**68,427,000**	**89,271,000**	**16,530,000**	**18,504,000**	**75,234,000**	**1,403,829,000**	**110,316,000**	**1,514,145,000**
Additions – Cattle	42,541,000	–	8,918,000	45,997,000	304,000	3,613,000	–	–	**101,373,000**	–	**101,373,000**
Additions – Cropping	160,000	–	65,000	7,918,000	–	3,185,000	–	–	**11,328,000**	–	**11,328,000**
Additions – Almond orchard	1,202,000	232,000	–	–	–	341,000	–	–	**1,775,000**	–	**1,775,000**
Additions – Macadamias	36,363,000	14,130,000	573,000	828,000	–	5,753,000	–	–	**57,647,000**	–	**57,647,000**
Additions – Vineyards	–	24,000	–	–	–	–	–	–	**24,000**	–	**24,000**
Transfer	(4,677,000)	290,000	–	22,891,000	(1,151,000)	1,151,000	(18,504,000)	–	–	–	–
Disposals	(613,000)	(173,000)	–	–	–	(221,000)	–	–	**(1,007,000)**	–	**(1,007,000)**
Depreciation and impairments	–	(9,583,000)	–	(502,000)	–	(2,336,000)	–	–	**(12,421,000)**	–	**(12,421,000)**
Fair value adjustment[4]	61,106,000	22,128,000	(247,000)	(1,359,000)	(48,000)	–	–	204,000	**81,784,000**	**25,198,000**	**106,982,000**
Other movements	(200,000)	(9,000)	–	–	5,449,000	(971,000)	–	22,408,000	**26,677,000**	–	**26,677,000**
Balance as at 30 June 2023	**923,405,000**	**217,700,000**	**166,988,000**	**144,200,000**	**93,825,000**	**27,045,000**	–	**97,846,000**	**1,671,009,000**	**135,514,000**	**1,806,523,000**

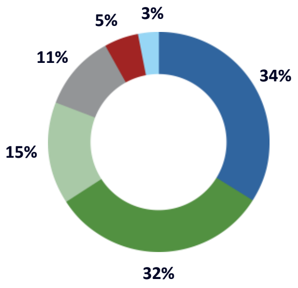
Notes:
1. Accounting standards and ASIC guidance require water entitlements to be recorded as intangible assets and held at the lower of cost less accumulated impairment or fair value. The adjustment for water entitlements shows the adjustment to the fair value of the water entitlements held.
2. Relates to water entitlements held as part of the investment in Barossa Infrastructure Limited, Coleambally Irrigation Co-operative Limited, breeder herd finance lease, straight-lined asset, equipment finance leases and finance lease with JBS Australia for five feedlots, which are accounted for as financial assets.
3. Water entitlements of 149,794 ML and water delivery entitlements of 21,430 ML held by the Group representing a fair value of $314.5m.
4. Fair value adjustments as part of valuations for the year ended 30 June 2023.

Appendix F – Portfolio

Portfolio consists of majority long WALE triple net leased assets.

Metrics	
Year listed	2014
Adjusted total assets	$1.8b
Number of properties/states	67/5
Weighted average lease expiry (WALE)	13.9 years
Adjusted NAV per unit	$2.93
Gearing	35.5%

Sector	FY23 value	FY24f revenue[1]
Cattle	$666.1m	$33.7m
Almonds	$448.7m	$31.0m
Macadamias	$265.7m	$14.9m
Cropping	$189.3m	$10.3m
Vineyards	$61.1m	$4.9m



Asset sector and locations[2]

Notes:

1. Figures subject to rounding. Includes AFFO contribution from farming operations from owner-occupied properties including Swan Ridge, Moore Park, Beerwah and Bauple – macadamias; unleased Maryborough properties – sugar cane; Baamba Plains – cropping; Yarra, Cerberus and Kaiuroo – cattle. Light blue portion of pie chart (3%) is 'other'.
2. Shaded areas denote climatic zones differentiated by rainfall seasonality (source: Bureau of Meteorology); see Climatic Diversification discussion paper dated 20 June 2016. Numbers in the circles/boxes on map show number of assets. Blue square boxes denote cattle feedlots.

Appendix G – Lessees

Majority of lessees are listed or corporate entities.[1]

Olam

Subsidiary of Olam Group, Singapore listed (SGX: O32)

Sector:	Lessee since:	% income:
Almonds	2015	22%

THE ROHATYN GROUP

US asset manager joint venture with global institutional investor

Sector:	Lessee since:	% income:
Macadamias	2023	16%

JBS

Subsidiary of JBS SA, Brazil listed (BVMF: JBSS3)

Sector:	Lessee since:	% income:
Cattle	2018	10%

SELECT HARVESTS

ASX listed (ASX: SHV)

Sector:	Lessee since:	% income:
Almonds	2010	9%

CAMM AGRICULTURAL GROUP

Large privately owned cattle operator

Sector:	Lessee since:	% income:
Cattle	2017	6%

STONE AXE PASTORAL COMPANY

Institutionally owned cattle operator

Sector:	Lessee since:	% income:
Cattle	2018	6%

TREASURY WINE ESTATES

ASX listed (ASX: TWE)

Sector:	Lessee since:	% income:
Vineyards	2012	5%

AACo THE ART OF AUSTRALIAN BEEF

ASX listed (ASX: AAC)

Sector:	Lessee since:	% income:
Cattle	2019	5%

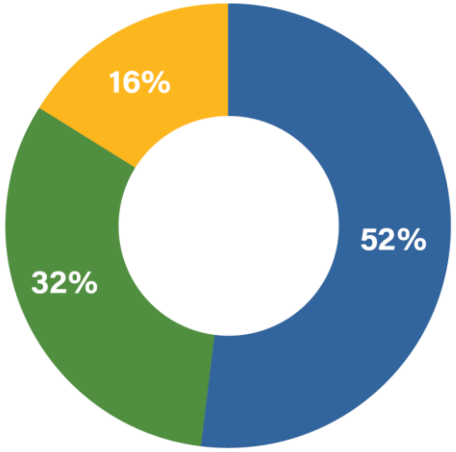
Note:

1. By forecast FY24 revenue including J&F Australia guarantee fee, income from annual water allocation sales, operating income, cattle finance leases and other short-term leases. Operating income represents forecast AFFO contributions from owner-occupied properties including Swan Ridge, Moore Park, Beerwah and Bauple – Macadamias; unleased Maryborough properties and Baamba Plains – Cropping; Yarra, Cerberus and Kaiuroo – Cattle.

Appendix H – Indexation and lease expiry

Weighted average lease expiry of 13.9 years with diversified mix of indexation mechanisms.

Lease indexation mechanisms (by FY24f revenue)[1]



CPI linked

- 29% CPI
- 18% CPI (cap and collar) plus profit share
- 3% CPI plus market review
- 2% CPI (cap and collar) plus market review

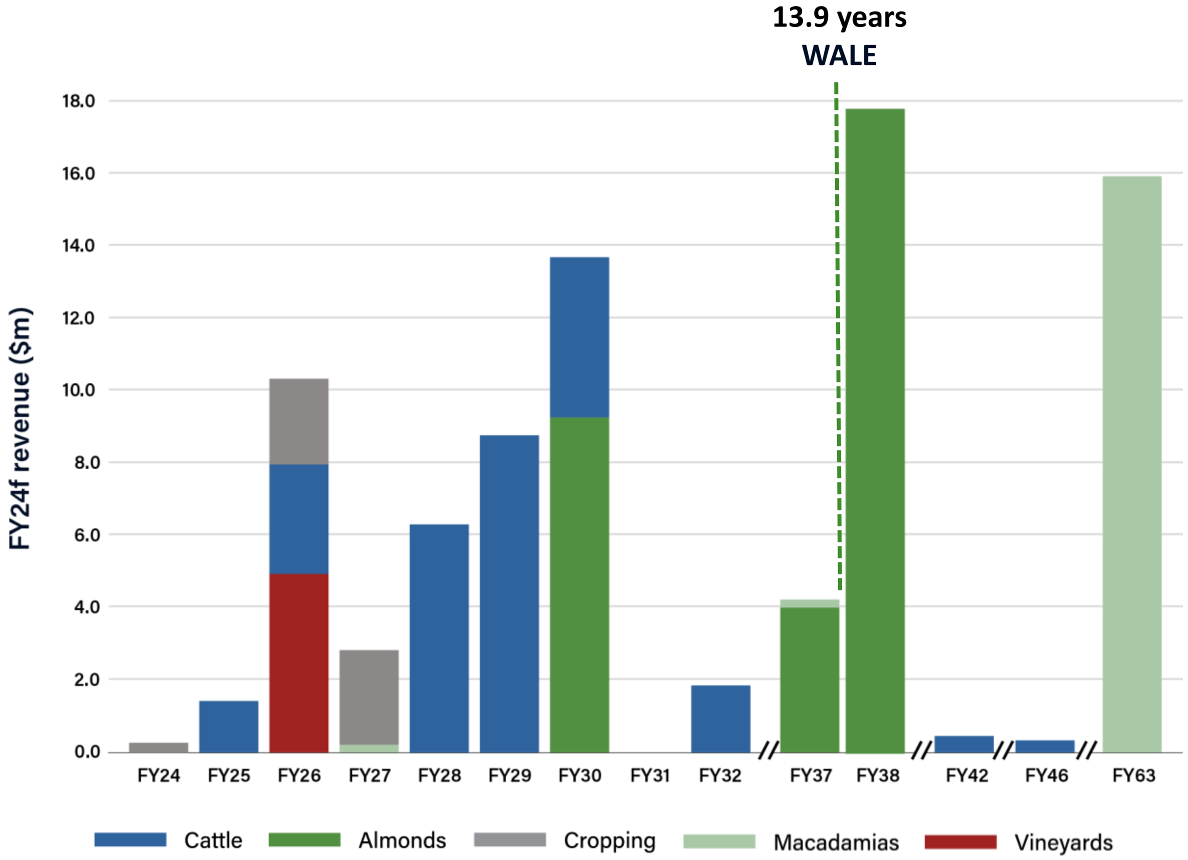
Fixed

- 27% Fixed plus market review
- 5% Fixed

Other

- 7% Finance income
- 4% Operating income
- 1% Nil
- 4% Annual

Weighted average lease expiry (WALE)



Note:

1. Figures are subject to rounding. CPI (cap and collar) plus profit share includes The Rohatyn Group (TRG) lease. 'Other' includes: J&F Australia guarantee fee, income from annual water allocation sales, operating income, cattle finance leases and other short-term leases. Operating income represents forecast AFFO contributions from owner-occupied properties including Swan Ridge, Moore Park, Beerwah and Bauple – Macadamias; unleased Maryborough properties and Baamba Plains – Cropping; Yarra, Cerberus and Kaiuroo – Cattle.

Appendix I – Property compendium

Policy to conduct independent valuations at least every two years.

Sector	Property by sector	State	Brief description	Acquisition date	Adjusted property value 30 June 2023	Valuation date (reporting date)	Valuation	Valuer	FY23 capex by sector	FY24f capex by sector	Development strategy	Rent review mechanism in lease
Almonds	Yilgah	NSW	935 ha orchard	Jun-2008	$ 114.5m	Jun-2023	$ 114.5m	LAWD				Yes
	Tocabil	NSW	603 ha orchard	Oct-2014	$ 61.5m	Jun-2023	$ 61.5m	LAWD	$1.5m	$8.0m		
	Kerarbury	NSW	2,530 ha orchard	Oct-2015	$ 272.5m	Jun-2023	$ 272.5m	LAWD				
Cattle	Rewan	Qld	17,479 ha property	Aug-2016	$ 72.5m	Nov-2022	$ 72.5m	LAWD			Productivity improvement	Yes
	Mutton Hole and Oakland Park	Qld	225,800 ha property	Jul-2016, Aug-2016	$ 28.9m	Jun-2023	$ 28.9m	Herron Todd White			Productivity improvement	Yes
	Natal Aggregation	Qld	390,600 ha property	Dec-2017	$ 138.5m	Apr-2022	$ 137.3m	LAWD			Productivity improvement	Yes
	Comanche	Qld	7,600 ha property	Jul-2018	$ 35.1m	Apr-2022	$ 35.0m	LAWD			Productivity improvement	Yes
	Cerberus	Qld	8,280 ha property	Sep-2018	$ 24.8m	Apr-2022	$ 24.3m	LAWD			Productivity improvement	
	Dyamberin	NSW	1,729 ha property	Oct-2018	$ 21.0m	Mar-2022	$ 21.0m	CBRE			Productivity improvement	Yes
	Woodburn	NSW	1,063 ha property	Jan-2019	$ 11.5m	Mar-2022	$ 11.3m	CBRE			Productivity improvement	Yes
	Cobungra	Vic	6,497 ha property	Mar-2019	$ 52.2m	Dec-2022	$ 52.2m	CBRE	$7.2m	$3.7m	Productivity improvement	Yes
	WA properties - Petro Farm, High Hill and Willara	WA	6,196 ha property	Feb-2020	$ 33.9m	Jun-2023	$ 33.9m	LAWD			Productivity improvement	Yes
	JBS feedlots x 5	NSW/Qld	150,000 head feedlots (total)	Oct-2018	$ 63.0m	N/A	N/A	Purchase price				
	Homehill	Qld	4,925 ha property	Jun-2020	$ 20.2m	Apr-2022	$ 19.3m	LAWD			Productivity improvement	Yes
	Yarra	Qld	4,090 ha property	May-2020	$ 24.8m	Dec-2021	$ 23.6m	CBRE			Productivity improvement	
	Coolibah	Qld	724 ha property	Dec-2021	$ 5.7m	Apr-2022	$ 5.6m	LAWD			Productivity improvement	
	Thirsty Creek	Qld	503 ha property	Mar-2022	$ 5.2m	Apr-2022	$ 5.2m	LAWD			Higher and better use	
	Kaiuroo	Qld	27,879 ha property	Apr-2023	$ 71.0m	Jun-2023	$ 71.0m	CBRE			Productivity improvement	
	Wyseby	Qld	14,071 ha property	Jun-2023	$35.0m	Jun-2023	$ 35.0m	LAWD			Productivity improvement	
Cropping	Lynora Downs	Qld	4,963 ha property	Dec-2016	$ 45.4m	Jun-2023	$ 45.4m	CBRE			Productivity improvement	
	Mayneland	Qld	2,942 ha property	Sep-2018	$ 28.6m	Jun-2023	$ 28.6m	CBRE	$8.1m	$6.2m	Productivity improvement	
	Maryborough properties x 12	Qld	2,537 ha properties	Nov-2020	$ 38.4m	Apr-2022	$ 37.8m	CBRE			Higher and better use	
	Baamba Plains	Qld	4,130 ha property	Nov-2021	$ 37.5m	Jun-2023	$ 37.5m	CBRE			Productivity improvement	
Macadamias	Swan Ridge	Qld	130 ha orchard	Mar-2016	$ 7.2m	Sep-2021	$ 7.0m	CBRE				
	Moore Park	Qld	104 ha orchard	Mar-2016	$ 4.4m	Sep-2021	$ 4.6m	CBRE				
	Bonmac	Qld	27 ha orchard	Mar-2016	$ 3.1m	Sep-2021	$ 3.2m	CBRE				Yes
	Cygnet	Qld	37 ha orchard	Oct-2019	$ 2.0m	Sep-2021	$ 1.6m	CBRE			Higher and better use	
	Swan Ridge South	Qld	40 ha orchard	Mar-2020	$ 4.0m	Oct-2022	$ 3.9m	CBRE			Higher and better use	
	Nursery Farm	Qld	41 ha orchard	Mar-2020	$ 5.5m	Oct-2022	$ 4.2m	CBRE	$42.4m	$130.6m	Higher and better use	
	Riverton	Qld	1,015 ha orchard	Nov-2020	$ 36.1m	Oct-2022	$ 26.7m	CBRE			Higher and better use	
	Rookwood Farms	Qld	4,136 ha orchard	Dec-2020	$ 33.9m	Apr-2022	$ 12.8m	CBRE			Higher and better use	
	Maryborough properties x 10	Qld	1,650 ha orchards	Nov-2020	$ 94.5m	Apr-2022	$ 78.7m	CBRE			Higher and better use	
	Beerwah	Qld	340 ha orchard	Dec-2021	$ 38.3m	Jun-2023	$ 38.3m	CBRE				
	Bauple	Qld	135 ha orchard	Dec-2021	$ 19.7m	Jun-2023	$ 19.7m	CBRE				
Vineyards	Vineyards x 6	SA/Vic	637 ha vineyards	2000-03	$ 60.9m	Jun-2023	$ 63.8m	JLL	$0.0m	$0.0m		Yes
Water	Ground water	NSW	8,338 ML	Aug-2021	$ 33.4m	Jul-2021	$ 38.4m	JLL				
	Unencumbered water entitlement – River	Qld	3,710 ML	Jan-2020	$ 1.1m	Jun-2020	$ 1.1m	CBRE				
	Unencumbered water entitlement – River	NSW	8,754 ML	Dec-2016	$ 76.6m	Jun-2022	$ 77.9m	JLL				
	Adjusted property assets				**$ 1,661.9m**		**$ 1,555.8m**	**Total capex**	**$59.2m**	**$148.5m**		
	Total adjusted assets				**$ 1,708.7m**							

Note:

1. For full details of asset valuation methodology please refer to Financial Statements. Total adjusted property assets include cattle financial lease and other assets $17.5m, plant and equipment $27.0m, other receivables and equipment leases $2.2m. Forecast capex includes rentable and non-rentable amounts.

Appendix J – Investment and development strategy

To generate income and capital growth from improving and leasing agricultural assets.

Spectrum of investment opportunities[1]

Infrastructure predominant — **Natural resource predominant**

Steel | Concrete | Copper | High density polyethylene (HDPE) | Irrigated infrastructure | Fencing | Improved pasture | Soil | Water

Feedlots | Poultry farms | Almond orchards | Vineyards | Macadamia orchards | Cropping | Cattle

Infrastructure assets: that produce higher income.

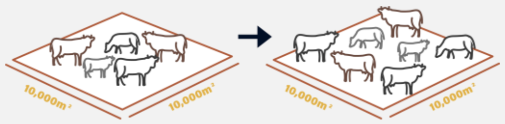
Higher and better use developments: supporting increased value and income.

Productivity improvements: which are reflected in value and then income.

Higher income 12%	**7.5%**	**Lower income 5%**
Lower growth -2%	**2.5%**	**Higher growth 5%**

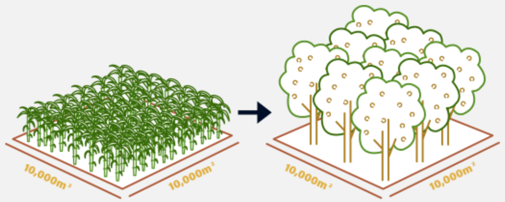
Development strategies

Productivity developments



Increasing the amount of the commodity that can be produced which supports increased asset values and rents.

Higher and better use



Converting agricultural land to produce a more profitable commodity which supports increased asset values and rents.

Note:

1. The income and growth figures presented in the chart above have been provided to differentiate the profile of income and growth that can be derived from different assets. They are based on RFM's experience and historical observations of agricultural lease transactions and historical rates of growth. They are neither forecasts nor projections of future returns. Past performance is not a guide to future performance.

Rural Funds Group | ASX: RFF

Managed by:

Rural Funds Management

Managing good assets with good people

Almond trees during bloom at Tocabil, Hillston NSW, August 2022.

Rural Funds Management Limited

ACN 077 492 838

AFSL 226701

Level 2, 2 King Street Deakin ACT 2600

T 02 6203 9700

E investorservices@ruralfunds.com.au

W www.ruralfunds.com.au

Follow us:

For further information:

James Powell:

E jpowell@ruralfunds.com.au

T +61 2 6203 9742

Tim Sheridan:

E tsheridan@ruralfunds.com.au

T +61 2 6203 9703

For more information on the RFM management team , visit the RFM website.