

Land Trust

Financial Statements

For the Half Year Ended 31 December 2013

RFM Land Trust

ARSN 128 112 442

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 Secretary

Stuart Waight

Custodian

Australian Executor Trustees Limited
ABN 84 007 869 794
Level 22
207 Kent Street
SYDNEY NSW 2000

Auditors

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
SYDNEY NSW 2000

RFM Land Trust

ARSN 128 112 442

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Directors of the Responsible Entity's Report

31 December 2013

The Directors of Rural Funds Management Limited ("RFM"), the Responsible Entity of RFM Land Trust ("Land Trust", "LT" or "the Trust") present their report on the Trust for the half year ended 31 December 2013.

Directors

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

Guy Paynter
David Bryant
Michael Carroll

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

Principal activity

The principal activity of the Trust during the half year was investment in land.

Trust information

RFM Land Trust is a registered Australian managed investment trust, and was constituted in 2007. RFM, the Responsible Entity of the Trust is incorporated and domiciled in Australia. The registered office of the Responsible Entity is Level 2, 2 King Street, Deakin, ACT 2600.

Review and results of operations

Operating results

The loss attributable to unitholders after providing for income tax amounted to \$143,826 (2012: \$11,853 loss). The result includes a decrement of \$209,460 in property values during the half year (2012: nil).

During the six months ended 31 December 2013, Land Trust made significant progress in selling its portfolio of land and completed sales of 8 of the 12 properties held for sale 30 June 2013. 4 properties remain on hand at the end of the half year. The Ridgeway property has been contracted for sale after balance date and the remainder are expected to be sold within 12 months. Once the remaining properties are sold, the Trust will distribute proceeds to unitholders and be wound up.

Distributions

There have been no distributions paid or declared during the half year ended 31 December 2013.

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Directors of the Responsible Entity's Report

31 December 2013

Fees paid to and interest held by the Responsible Entity and associates

The following fees were paid to RFM and its associates out of Trust property during the half year:

- Management fee for the half year paid to RFM \$21,319 (2012: \$30,520).
- Expenses incurred by RFM during the half year and reimbursed by the Trust in accordance with the Trust's constitution \$32,854 (2012: \$101,550).

Units on issue

22,884 units in Land Trust were on issue at 31 December 2013 (2012: 22,884). During the half year no units (2012: nil) were issued by the Trust and no units (2012: nil) were redeemed.

Trust assets

At 31 December 2013 LT held assets to a total value of \$5,807,826 (June 2013: \$5,935,698).

After balance day events

The Ridgeway property has been contracted for sale after balance date and RFM plans to sell the remaining three properties within 12 months. A gain of \$265,437 is expected on the sale of the Ridgeway property.

Significant changes in the state of affairs

No significant changes in the Trust's state of affairs occurred during the financial half year.

Environmental regulation and performance

The operations of the Trust are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Trust.

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Directors of the Responsible Entity's Report

31 December 2013

Indemnification of Responsible Entity and Custodian

In accordance with the Constitution of LT, the Trust indemnifies the Directors, Company Secretary and all other officers of the Responsible Entity and Custodian when acting in those capacities, against costs and expenses in defending certain proceedings.

LT has not otherwise, during or since the end of the financial half year, indemnified or agreed to indemnify and officer of the Responsible Entity or of any related body corporate against a liability incurred as such by an officer.

Auditor's independence declaration

An independent declaration has been provided to the Directors by the auditor of LT, PricewaterhouseCoopers and can be found on page 15 of the financial report.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in dark ink, appearing to read 'David Bryant', is written over a faint, circular embossed seal or watermark.

David Bryant

Director

Dated: 26 February 2014



Independent auditor's review report to the unitholders of RFM Land Trust

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of RFM Land Trust, which comprises the statement financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in net assets attributable to the unitholders and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of Rural Funds Management Limited (the responsible entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of RFM Land Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of RFM Land Trust is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter – going concern no longer appropriate

Without qualifying our conclusion, we draw attention to the following matter. As indicated in Note 1 (b) in the financial report, it is the intention of the directors to realise the assets of the Trust on an orderly basis and subsequently wind up the Trust. As a result, the financial statements have not been prepared on a going concern basis.

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PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be "CMC Heraghty".

CMC Heraghty
Partner

Sydney
26 February 2014

RFM Land Trust

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Directors of the Responsible Entity's declaration

In accordance with a resolution of the Directors of the Responsible Entity of RFM Land Trust:

In the opinion of the Directors:

- (a) The financial statements and notes of the Trust are in accordance with the Corporations Act 2001, including:
 - a. giving a true and fair view of the Trust's financial position as at 31 December 2013 and of the performance for the half year end on that date; and
 - b. complying with Australian Accounting Standards, Corporations Regulations 2001 and the Trust's constitution; and
- (b) As disclosed in note 1(b) to the financial statements, it is expected that the Trust will be wound up within twelve months from the date of this report as a result of the depressed market for forestry properties. However, the assets exceed the liabilities and there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in dark ink, appearing to read 'David Bryant', is written over a faint, circular embossed seal.

David Bryant

Director

Dated: 26 February 2014

RFM Land Trust

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Statement of comprehensive income

For the half year ended 31 December 2013

		31 December 2013	31 December 2012
	Note	\$	\$
Revenue		37,884	300,687
Management fees		(21,319)	(30,520)
Agribusiness expenses		(19,383)	(9,564)
Local government rates and charges		(11,622)	(15,399)
Professional services		(82,205)	(92,063)
Gain on sale of assets		175,254	-
Decrement on investment property at fair value		(209,460)	-
Impairment of receivable	3	-	(137,536)
Other expenses		(12,975)	(27,458)
Loss before income tax		(143,826)	(11,853)
Income tax expense		-	-
Loss attributable to unitholders		(143,826)	(11,853)
Other comprehensive income		-	-
Total comprehensive income for the period, representing changes in net assets attributable to unitholders		(143,826)	(11,853)

The accompanying notes form part of these financial statements

RFM Land Trust

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Statement of financial position

As at 31 December 2013

		31 December 2013	30 June 2013
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		78,670	166,050
Trade and other receivables		36,902	23,182
Other financial assets	4	3,405,864	700,000
Prepayments		7,140	1,300
Assets classified as held for sale	5	2,279,250	5,045,166
TOTAL CURRENT ASSETS		5,807,826	5,935,698
TOTAL ASSETS		5,807,826	5,935,698
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		326,581	260,165
Provisions		25,000	25,000
Liabilities directly associated with non-current assets classified as held for sale	5	140,088	190,550
TOTAL CURRENT LIABILITIES		491,669	475,715
TOTAL LIABILITIES (excluding net assets attributable to unitholders)		491,669	475,715
Net assets attributable to unitholders		5,316,157	5,459,983
TOTAL LIABILITIES		5,807,826	5,935,698

The accompanying notes form part of these financial statements

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Statement of change in net assets attributable to unitholders

For the half year ended 31 December 2013

31 December 2013	Issued units	Retained earnings	Total Equity
	\$	\$	\$
Balance at 1 July 2013	6,523,288	(1,063,305)	5,459,983
Profit/(loss) before income tax	-	(143,826)	(143,826)
Balance at 31 December 2013	6,523,288	(1,207,131)	5,316,157

31 December 2012	Issued units	Retained earnings	Total equity
	\$	\$	\$
Balance at 1 July 2012	6,523,288	977	6,524,265
Profit/(loss) before income tax	-	(11,853)	(11,853)
Balance at 31 December 2012	6,523,288	(10,876)	6,512,412

The accompanying notes form part of these financial statements

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Statement of cash flows

For the half year ended 31 December 2013

	31 December 2013 \$	31 December 2012 \$
Cash flow from operating activities:		
Receipts from customers	-	151,289
Interest received	13,199	27,508
Payments to suppliers and employees	(126,425)	(281,210)
Net cash provided by/(used in) operating activities	(113,226)	(102,413)
Cash flow from investing activities:		
Proceeds from sale of investment properties	2,731,710	-
Purchase of held to maturity financial assets	(2,705,864)	(400,000)
Net cash provided by/(used in) investing activities	25,846	(400,000)
Net increase/(decrease) in cash and cash equivalents	(87,380)	(502,413)
Cash and cash equivalents at beginning of period	166,050	858,702
Cash and cash equivalents at end of period	78,670	356,289

The accompanying notes form part of these financial statements

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Notes to the financial statements

For the half year ended 31 December 2013

1. Summary of significant accounting policies

(a) Basis of preparation

This general purpose condensed financial report for the half year ended 31 December 2013 has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The financial report covers RFM Land Trust ("Land Trust", "LT" or the "Trust") as an individual entity. LT is a trust established and domiciled in Australia. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Trust as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by LT during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

(b) Basis of accounting

In July 2011 the Directors of the Trust passed a resolution approving the sale of the Trust's assets and to subsequently wind up the Trust. The remaining properties are expected to be sold within the next 12 months with the sales proceeds to be distributed to the owners of the Trust. The Trust is expected to operate until all of the assets are sold.

The accounts are not prepared on a 'going concern' basis due to the decision by the Directors to wind down the Trust. Under this basis, all assets are required to be written down to the lower of their carrying amounts and their net realisable values. However, as the Trust will realise its assets in an orderly basis, no write down has been required except for its property assets. These have been reclassified to non-current assets held for sale measured at fair value, less a provision in respect to costs to sell.

All non-current assets and non-current liabilities have been reclassified to current and a provision has been recognised for costs of winding up operations.

(c) Statement of compliance

The financial report of LT complies with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the International Accounting Standards Board.

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Notes to the financial statements

For the half year ended 31 December 2013

1. Summary of significant accounting policies (continued)

(d) Reporting basis and conventions

The half year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All other accounting policies are the same as that of the year end.

(e) Assets held for sale

Assets are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

2. Significant accounting judgements, estimates and assumptions

The preparation of 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 critical 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.

Basis of valuations

Valuations were obtained in December 2012 from independent valuers on an accelerated sale basis considering the gross value of the assets and after deducting required ongoing maintenance costs. A tender process was run for the Western Australian properties that closed on 27 June 2013. Several offers resulted from this process, and a decrement totalling \$926,835 was taken up against these properties in the year ended 30 June 2013 consistent with the offers received. Recent sales have supported the carrying values of the remaining properties with the exception of 2 properties which have been further written down by \$209,460 in the half year ended 31 December 2013.

3. Impairment of receivable

A bad debt was written off by the Trust in relation to the December 2012 quarter rental revenue from Gunns Limited (Gunns). Rural Funds Management, Responsible Entity for the Trust, has terminated the leases with Gunns, and it is not expected that any rental revenue will be recovered from Gunns.

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Notes to the financial statements

For the half year ended 31 December 2013

4. Other financial assets

Other financial assets are comprised of the following short term deposits held with National Australia Bank:

- \$1,605,864 due to mature on 2 January 2014
- \$400,000 due to mature on 24 April 2014
- \$1,400,000 due to mature on 29 April 2014

5. Assets classified as held for sale

	31 December 2013 \$	30 June 2013 \$
Assets held for sale	2,279,250	5,045,166
Total assets held for sale	2,279,250	5,045,166
Liabilities associated with assets held for sale:		
Provision for selling costs	140,088	190,550
Total liabilities associated with assets held for sale	140,088	190,550
Net assets classified as held for sale	2,139,162	4,854,616

In July 2011 the Directors of the Trust passed a resolution to realise the Trust's assets. To date nineteen of the properties have been sold. The remaining four properties have been identified to be sold within 12 months.

(a) Disposals of property

Eight properties were sold during the half year ended 31 December 2013. Properties held for sale as at June 2013 valued at \$2,556,456 were sold for \$2,731,710 less fees of \$75,570 resulting in a gain in the period of \$175,254.

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Notes to the financial statements

For the half year ended 31 December 2013

6. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

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

	31 December 2013 \$	31 December 2012 \$
Management fees	21,319	30,520
Total management fees	21,319	30,520
Expenses reimbursed to RFM	32,854	101,550
Total	54,173	132,070

The management fee is 0.75% per annum of the value of net assets of the Trust, calculated daily.

(b) Custodian Fees

Australian Executor Trustees Limited	7,521	7,521
Total	7,521	7,521

7. After balance day events

The Ridgeway property has been contracted for sale after balance date and RFM plans to sell the remaining three properties within 12 months. A gain of \$265,437 is expected on the sale of the Ridgeway property.



Auditor's Independence Declaration

As lead auditor for the review of RFM Land Trust for the half-year ended 31 December 2013, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to be 'CMC Heraghty', with a long horizontal line extending to the right.

CMC Heraghty
Partner
PricewaterhouseCoopers

Sydney
26 February 2014

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Responsible Entity

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