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RFM Chicken Income Fund ARSN 105 754 461

16 May 2013

Introduction

Rural Funds Management Limited ABN 65 077 492 838 (**RFM**) is the Responsible Entity (**RE**) for the RFM Chicken Income Fund ARSN 105 754 461 (**CIF**).

The Australian Securities and Investments Commission (**ASIC**) Regulatory Guide (**RG**) 46 applies to registered unlisted property schemes in which retail investors have a direct or indirect investment. CIF is an unlisted property scheme as defined by RG46.

Under RG46, RFM as the RE for CIF must report against six disclosure benchmarks (**benchmark reporting**) and eight disclosure principles. RFM's benchmark reporting and disclosure will assist retail investors to analyse the relative risks and returns of an investment in CIF.

RFM will provide CIF investors with updated benchmark reporting and disclosure and any material changes by posting the information on the RFM website at www.ruralfunds.com.au.

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Benchmark Reporting & Disclosure

Benchmark / Disclosure Principle	Compliance / Disclosure
Benchmark 1: Gearing policy The responsible entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.	Yes. RFM as RE maintains and complies with a written policy that governs the level of gearing. The policy stipulates that gearing of CIF should not exceed 50%, with the target ratio at 35%. A copy of the policy governing gearing can be obtained by contacting Investor Services.
Disclosure Principle 1: Gearing ratio Responsible entities should disclose a gearing ratio for the scheme calculated using the following formula: $\text{Gearing ratio} = \dfrac{\text{Total interest-bearing liabilities}}{\text{Total assets}}$	The gearing ratio of CIF is **37.99%.** These values are taken from CIF's latest financial statement (parent entity for the 6 months ending 31 December 2012): Total interest bearing liabilities = $41,788,460 Total assets = $110,009,788 Gearing ratio = 37.99% There have been no material changes to CIF's gearing ratio since 31 December 2012. The gearing ratio demonstrates the extent to which CIF's assets are funded by interest bearing liabilities. It indicates the potential risk that CIF faces from increased interest rates or decreased property values. In RFM's view the CIF gearing ratio is appropriate given the current economic conditions.

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Benchmark / Disclosure Principle	Compliance / Disclosure
Benchmark 2: Interest cover policy The responsible entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.	Yes. RFM as RE maintains and complies with a written interest cover policy that governs the level of interest cover. The policy stipulates that the interest cover ratio of CIF should not be less than 1.75 times earnings. In addition, CIF is required to comply with any interest cover covenant under the terms of CIF's credit limit facilities. A copy of the policy governing interest cover can be obtained by contacting Investor Services.
Disclosure Principle 2: Interest cover ratio The interest cover ratio gives an indication of an unlisted property scheme's ability to meet the interest payments from earnings. Responsible entities should disclose the scheme's interest cover ratio calculated using the following formula and based on the latest financial statements: Interest cover ratio = $\frac{\text{EBITDA – unrealised gains + unrealised losses}}{\text{Interest expense}}$	The interest cover ratio of CIF is **2.77 times earnings**. These values are taken from CIF's latest financial statements (for the 6 months ending 31 December 2012): EBITDA = $4,410,989 Unrealised losses = $54,215.77 Interest expense = $1,610,434 Interest cover ratio = 2.77 There have been no material changes to CIF's interest cover since 31 December 2012. Interest cover demonstrates CIF's capacity to service interest payable on CIF's debts using its adjusted earnings. Interest cover is a critical indicator of CIF's financial position and of the sustainability and risks of CIF's debt level. In RFM's view, CIF's interest cover is appropriate given the current economic conditions.
Benchmark 3: Interest capitalisation	Yes. All interest costs are currently expensed in the profit

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Benchmark / Disclosure Principle	Compliance / Disclosure
The interest expense of the scheme is not capitalised.	and loss statement. CIF does not currently incur any interest costs that are required to be capitalised.
Disclosure Principle 3: Scheme borrowing If a scheme has borrowed funds (whether on or off balance sheet), responsible entities should clearly and prominently disclose: (a) for each borrowing that will mature in five years or less—the aggregate amount owing and the maturity profile in increments of not more than 12 months; (b) for borrowings that will mature in more than five years—the aggregate amount owing; (c) the amount (expressed as a percentage) by which either the operating cash flow or the value of the asset(s) used as security for the facility must fall before the scheme will breach any covenants in any credit facility; (d) for each credit facility: (i) the aggregate undrawn amount; (ii) the assets to which the facility relates; (iii) the loan-to-valuation and interest cover covenants under the terms of the facility; (iv) the interest rate of the facility; and (v) whether the facility is hedged; (e) details of any terms within the facility that may be invoked as a result of scheme members exercising their rights under the constitution of the scheme; and (f) the fact that amounts owing to lenders and other creditors of the scheme rank before an investor's interests in the scheme. If borrowings and credit facilities will mature within 12 months, the responsible	**Current value: $41.0 million** The current value of CIF's borrowings is taken from the CIF's latest financial statements (for the 6 months ending 31 December 2012). **Facility 1: $36.0 million** (a) Maturity Profile: 0 – 4 years $0.0 million 4 – 5 years $36.0 million (b) Maturity Date: 30 June 2017 (c) Amount by which drop in security value allowed prior to covenant breach: 4% (applicable until 31 December 2013) (d) For Facility 1: (i) Undrawn amount: $0.0 million (ii) Secured assets: $100.225 million (iii) Loan-to-valuation covenant is 40% until 31 December 2013, reducing to 35% thereafter. No interest cover covenant applicable. (iv) Unhedged Interest rate: 6.13% pa as at 31 December 2012. This rate is variable (v) Hedging: See below (e) There is an event of default if RFM ceases to be Responsible Entity for CIF or any step is taken to appoint a new responsible entity.

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Benchmark / Disclosure Principle	Compliance / Disclosure
entity should make appropriate disclosure about the prospects of refinancing or possible alternative actions (e.g. sales of assets or further fundraising). If the responsible entity has no reasonable grounds for commenting on the prospect of refinancing or possible alternative actions, it should state this and explain why to investors: see Regulatory Guide 170 Prospective financial information (RG 170) at RG 170.91–RG 170.94. Responsible entities should explain any risks associated with their borrowing maturity profile, including whether borrowings have been hedged and, if so, to what extent. Responsible entities should also disclose any information about scheme borrowing and breaches of loan covenants that is reasonably required by investors. Responsible entities should update investors about the status of scheme borrowings and any breaches of covenants through ongoing disclosure.	(f) The amount owing to the lender ranks ahead of investor's interests in CIF. **Facility 2: $5.0 million** (a) Maturity Profile: 0 – 1 years $5.0 million 1 – 5 years $0.0 million (b) Maturity Date: 31 December 2013 (c) Amount by which drop in security value allowed prior to covenant breach: 4% (applicable until 31 December 2013) (d) For Facility 2: (i) Undrawn amount: $0.0 million (ii) Secured assets: $100.225 million (iii) Loan-to-valuation covenant is 40% until 31 December 2013, reducing to 35% thereafter. No interest cover covenant applicable. (iv) Unhedged Interest rate: 5.507% pa as at 31 December 2012. This rate is variable (v) Hedging: See below (a) There is an event of default if RFM ceases to be Responsible Entity for CIF or any step is taken to appoint a new responsible entity. (b) The amount owing to the lender ranks ahead of investor's interests in CIF. CIF's borrowings are secured against its assets. This means that the lender and other creditors rank ahead of CIF investors if CIF becomes insolvent. Therefore, the maturity

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Benchmark / Disclosure Principle	Compliance / Disclosure
	and facility expiry profiles of CIF borrowings are important factors for CIF investors to consider. For example, borrowing facilities that are due to expire within a relatively short timeframe can be a significant risk factor, especially in tight credit markets. If CIF fails to renew borrowing facilities, CIF's ongoing viability could be adversely affected. CIF's debt is hedged against total swap facilities of \$24.917 million. \$8.417 million matures in December 2013, \$7.5 million matures in June 2020, \$4.0 million in July 2021, and \$5.0 million matures in July 2022. There have been no material changes to CIF borrowings since 31 December 2012. In RFM's view, CIF borrowings are appropriate given the current credit market conditions. RFM is not aware of any breaches or likely breaches of covenants of CIF borrowing facilities.
Benchmark 4: Valuation policy The responsible entity maintains and complies with a written valuation policy that requires: (a) a valuer to: (i) be registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists), or otherwise be a member of an appropriate professional body in that jurisdiction; and	Yes, RFM as RE maintains and complies with a written Asset Valuation Policy that requires: (a) the valuer to be registered or licensed; (b) the valuer to be independent; (c) procedures to be followed for dealing with conflicts of interest; (d) rotation of valuers every three years unless the Board considers there are special circumstances;

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<tr><td>(ii) be independent;
(b) procedures to be followed for dealing with any conflicts of interest;
(c) rotation and diversity of valuers;
(d) valuations to be obtained in accordance with a set timetable; and
(e) for each property, an independent valuation to be obtained:
(i) before the property is purchased:
(A) for a development property, on an ‘as is’ and ‘as if complete’ basis; and
(B) for all other property, on an ‘as is’ basis; and
(ii) within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.</td><td>(e) diversity of valuers based upon a pre-approved list, which is assessed annually;
(f) valuations to be obtained in accordance with a set timetable; and
(g) for each property an independent valuation to be obtained before a property is purchased and within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.

The CIF currently complies with this policy and a copy of this policy can be obtained by contacting Investor Services.</td></tr>
<tr><td>Disclosure Principle 4: Portfolio diversification
A responsible entity should disclose the current composition of the property scheme’s direct property investment portfolio, including:
(a) properties by geographic location by number and value;
(b) non-development properties by sector (e.g. industrial, commercial, retail, residential) and development projects by number and value;
(c) for each significant property, the most recent valuation, the date of the valuation, whether the valuation was performed by an independent valuer and, where applicable, the capitalisation rate adopted in the valuation;
(d) the portfolio lease expiry profile in yearly periods calculated on the basis of lettable area or income and, where applicable, the weighted average lease expiry;
(e) the occupancy rate(s) of the property portfolio;</td><td>The current composition of CIF’s direct property investment portfolio is displayed in figure 1 and figure 2 below. CIF property assets are chicken grow out farms at Griffith, New South Wales (figure 1) and Lethbridge, Victoria (figure 2). All valuations have been performed by an independent valuer in accordance with the Asset Valuation Policy.

Figure 1: CIF property assets – Griffith NSW

<table><tr><th>No.</th><th>Name</th><th>Number of Sheds</th><th>Total Farm (m2)</th><th>31 Dec 2012 valuations (million)</th></tr></table></td></tr>
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Benchmark / Disclosure Principle

(f) for the top five tenants that each individually constitute 5% or more by income across the investment portfolio, the name of the tenant and percentage of lettable area or income; and

(g) the current value of the development and/or construction assets of the scheme as a percentage of the current value of the total assets of the scheme.

Disclosure should cover the responsible entity's investment strategy on these matters, including its strategy on investing in other unlisted property schemes, whether the scheme's current assets conform to the investment strategy and an explanation of any significant variance from this strategy. A responsible entity should also provide a clear description of any significant non-direct property assets of the scheme, including the value of such assets.

Responsible entities of unlisted property schemes involved in property development should also disclose for each significant development asset:

(a) the development timetable with key milestones;

(b) a description of the status of the development against the key milestones identified;

(c) a description of the nature of the funding arrangements for the development (including the sources of funding and repayment strategies if borrowing is used to fund the development);

(d) the total amounts of pre-sale and lease pre-commitments, where applicable;

(e) whether the loan-to-valuation ratio for the asset under development exceeds 70% of the 'as is' valuation of the asset; and

(f) the risks associated with the property development activities being undertaken.

The responsible entity for any scheme that has over 20% of its property assets in development based on an 'as if complete' basis should ensure that the scheme is

Compliance / Disclosure

1	Farm 53a	10	17,244	$5.213
2	Farm 53b	10	17,820	$5.387
3	Farm 54	10	16,574	$4.934
4	Farm 55	10	16,574	$4.934
5	Farm 56	10	16,574	$4.934
6	Farm 57	10	12,480	$3.715
7	Farm 58	10	15,230	$4.533
8	Farm 63	10	15,230	$4.431
9	Farm 64	10	15,230	$4.431
10	Farm 65	10	15,230	$4.431
11	Farm 66	10	15,230	$4.432
12	Farm 67	12	35,088	$12.701
13	Farm 68	12	35,496	$12.849
	Total	**134**	**244,000**	**$76.925**

Figure 2: CIF property assets – Lethbridge, Vic

No.	Name	Number of Sheds	Total Farm (m2)	31 Dec 2012 valuations (million)
1	RFML1	5	14,790	$5.85
2	RFML2	5	14,970	$5.85
3	RFML3	5	14,970	$5.80

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<tr><td>clearly identified as a development and/or construction scheme.</td><td>
<table>
<tr><td>4</td><td>RFML4</td><td>5</td><td>14,970</td><td>$5.80</td></tr>
<tr><td></td><td>Total</td><td>20</td><td>59,160</td><td>$23.3</td></tr>
</table>
Bartter Enterprises Pty Limited ABN 22 000 451 374 (Bartter) is CIF's sole counterpart. Bartter is a wholly owned subsidiary of Baiada Poultry Pty Limited ABN 96 002 925 948.
RFM as Responsible Entity for CIF has entered into chicken (broiler) growing contracts with Bartter for each of the farms identified in figure 1 and figure 2, for periods of 20 to 30 years (expiring from 2024 onwards).
CIF does not own any development or construction assets. </td></tr>
<tr><td>Benchmark 5: Related party transactions
The responsible entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.</td><td> Yes. RFM as RE maintains and complies with a written policy on related party transactions. A copy of the RFM Conflict of Interest Management Policy can be obtained by contacting Investor Services. </td></tr>
<tr><td>Disclosure Principle 5: Related party transactions
Responsible entities that enter into transactions with related parties should describe related party arrangements relevant to the investment decision. The description should address:
(a) the value of the financial benefit;
(b) the nature of the relationship (i.e. the identity of the related party and the nature of the arrangements between the parties, in addition to how the parties are</td><td>CIF is party to the following related party transactions:
(a) CIF has invested $5 million into RFM StockBank ARSN 153 436 803 (StockBank). StockBank is a managed investment scheme of which RFM is the responsible entity.
(b) CIF has borrowed money from RFM via a loan on 17 April 2012. The loan provides for a maximum loan amount which can be drawn down of $1,000,000</td></tr>
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Benchmark / Disclosure Principle	Compliance / Disclosure
related for the purposes of the Corporations Act or ASX Listing Rules—for group structures, the nature of these relationships should be disclosed for all group entities); (c) whether the arrangement is on 'arm's length' terms, is reasonable remuneration, some other exception applies, or we have granted relief; (d) whether scheme member approval for the transaction has been sought and, if so, when (e.g. if member approval was obtained before the issue of interests in the scheme); (e) the risks associated with the related party arrangement; and (f) whether the responsible entity is in compliance with its policies and procedures for entering into related party transactions for the particular related party arrangement, and how this is monitored.	with the loan to be fully discharged by 31 December 2013. As at 31 December 2012 there was $0.388 million principle outstanding. Interest is payable on any amounts drawn down at the rate published by the National Australia Bank from time to time as its business finance benchmark rate. Interest is payable monthly in arrears. The transactions referred to above have been considered by the RFM Board and the External Compliance Committee as being reasonable in circumstances if the parties were dealing with each other at arm's length. The Board and ECC have considered the factors in ASIC's *Regulatory Guide 76: Related party transactions (RG76)*, to make this finding. As a consequence, investor approval was not sought for the transactions. RFM complied with the RFM Conflict of Interest Management Policy when entering into the transactions. CIF may enter into other transactions with parties that are related to RFM. These related parties include managed investment schemes for which RFM is the responsible entity or manager. The RFM Conflict of Interest Management Policy ensures that all related party transactions occur on a commercial arm's length basis. The RFM Conflict of Interest Management Policy requires that all related parties be clearly identified and that all related party transactions be submitted to the RFM External

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Benchmark / Disclosure Principle	Compliance / Disclosure
	Compliance Committee for review. RFM records all related party transactions in the Related Party Transaction Register. A copy of the RFM Conflict of Interest Management Policy can be obtained by contacting Investor Services.
Benchmark 6: Distribution practices The scheme will only pay distributions from its cash from operations (excluding borrowings) available for distribution.	Yes.
Disclosure Principle 6: Distribution practices If a scheme is making or forecasts making distributions to members, the responsible entity should disclose: (a) the source of the current distribution (e.g. from cash from operations available for distribution, capital, unrealised revaluation gains); (b) the source of any forecast distribution; (c) whether the current or forecast distributions are sustainable over the next 12 months; (d) if the current or forecast distribution is not solely sourced from cash from operations (excluding borrowings) available for distribution, the sources of funding and the reasons for making the distribution from these other sources; (e) if the current or forecast distribution is sourced other than from cash from operations (excluding borrowings) available for distribution, whether this is sustainable over the next 12 months; and (f) the impact of, and any risks associated with, the payment of distributions from the scheme from sources other than cash from operations (excluding borrowings)	CIF has historically paid quarterly distributions during the period from July 2004 to November 2012. These distributions have been paid from either income or capital depending on the position of the CIF at the time the distribution has been declared but always from cash. In the first instance, RFM will seek to pay distributions from the available realised income. Where realised income is not available, all or part of the distributions may be paid from capital but always from cash and not borrowings. Any distributions paid from capital are likely to reduce the Net Asset Value (NAV) of the CIF.

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Benchmark / Disclosure Principle	Compliance / Disclosure
available for distribution.	
Disclosure Principle 7: Withdrawal arrangements If investors are given the right to withdraw from a scheme, the responsible entity should clearly disclose: (a) whether the constitution of the scheme allows investors to withdraw from the scheme, with a description of the circumstances in which investors can withdraw; (b) the maximum withdrawal period allowed under the constitution for the scheme (this disclosure should be at least as prominent as any shorter withdrawal period promoted to investors); (c) any significant risk factors or limitations that may affect the ability of investors to withdraw from the scheme, or the unit price at which any withdrawal will be made (including risk factors that may affect the ability of the responsible entity to meet a promoted withdrawal period); (d) a clear explanation of how investors can exercise their withdrawal rights, including any conditions on exercise (e.g. specified withdrawal periods and scheme liquidity requirements); and (e) if withdrawals from the scheme are to be funded from an external liquidity facility, the material terms of this facility, including any rights the provider has to suspend or cancel the facility. The responsible entity should ensure that investors are updated on any material changes to withdrawal rights through ongoing disclosure. For example, investors should be informed if the responsible entity knows that withdrawal requests will be suspended during an upcoming withdrawal period for whatever reason. Responsible entities should also clearly disclose if investors have no withdrawal rights.	CIF is an illiquid registered managed investment fund and investors should consider an investment in CIF as long term. Under the CIF Constitution, RFM has the discretion to make limited withdrawal offers to CIF investors from time to time. However, under the Corporations Act, RFM may only provide a withdrawal offer if it is simultaneously open to all investors. Should no withdrawal offer be current, then investors are unable to have their units redeemed. There is no formal secondary trading market for CIF units. However, CIF units are transferable. RFM is committed to providing periodic redemption facilities to investors. For the latest information please visit the RFM website at www.ruralfunds.com.au.

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Disclosure Principle 8: Net tangible assets The responsible entity of a closed-end scheme should clearly disclose the value of the net tangible assets (NTA) of the scheme on a per unit basis in pre-tax dollars. We consider that responsible entities should calculate the NTA of the scheme using the following formula: NTA per unit = $\dfrac{\text{Net assets – intangible assets +/– any other adjustments}}{\text{Number of units in the scheme on issue}}$ The responsible entity should disclose the methodology for calculating the NTA per unit and details of the adjustments used in the calculation, including the reasons for the adjustments. Responsible entities should also explain to investors what the NTA per unit calculation means in practical terms and how investors can use the NTA per unit calculation to determine the scheme's level of risk.	The net tangible assets per unit is $0.7890. These values are taken from CIF's latest financial statements (for the 6 months ending 31 December 2012): Net assets = $51,237,386 Intangible assets = $1,049,000 Number of units = 63,590,765 Net tangible assets = 0.7890 There have been no material changes to CIF's interest cover since 31 December 2012. No adjustments are made in the calculation. NTA provides investors with an understanding of the real asset backing in CIF. A fund with a higher asset backing per unit is typically considered to be less volatile and more accurately valued.