

Australian Wine Fund

Financial Statements

For the Half Year Ended 31 December 2012

RFM Australian Wine Fund

ARSN 099 573 485

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For the Half Year ended 31 December 2012

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RFM Australian Wine Fund

ARSN 099 573 485

Directory

Directors

David Bryant
Michael Carroll
Guy Paynter

Company Secretary

Stuart Waight

Auditors

Boyce Assurance Services Pty Limited
36 Bombala Street
COOMA NSW 2630

Registered Office

Level 2, 2 King Street
DEAKIN ACT 2600

Responsible Entity

Rural Funds Management Limited
ABN 65 077 492 838
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Phone: (02) 6203 9700
Fax: (02) 6281 5077

Custodian

Australian Executor Trustees Limited
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RFM Australian Wine Fund

ARSN 099 573 485

Directors of the Responsible Entity's Report

31 December 2012

The Directors of Rural Funds Management ("RFM"), Responsible Entity of RFM Australian Wine Fund ("AWF" or the "Trust"), present their report on the Trust and its controlled entity for the half year ended 31 December 2012.

Directors

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

David Bryant

Michael Carroll

Guy Paynter

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

Review of Results and Operations

Operating Results

The consolidated profit after income tax attributable to unitholders for the half year ended 31 December 2012 was \$1,981,749 (2011: \$232,324).

The December 2012 result includes an increment of \$3,627,887 in biological assets. \$1,558,672 represents the increment over and above costs incurred on the grapes (2011: \$1,583,727), reflecting the added value in the growth of the biological asset being the current grape crop. A further \$2,069,215 represents an increase in the value of long term biological assets being the vines.

AWF continues to demonstrate the ability of its vineyards to produce increasingly high quality fruit in greater volumes. The AWF has now produced Grange quality fruit in four consecutive years, and very substantial quantities of fruit for other premium wine labels.

As noted in the 2012 Annual Report the AWF produced 3,326 tonnes of grapes from the 2012 harvest. The Kleinig vineyard in particular contributed 848.3 tonnes of which 71 tonnes was allocated to the iconic Penfold's Grange and Penfold's RWT, a further 65% of the grapes were premium grade, mostly contracted to Treasury Wine Estates in 2012.

The vineyards were independently valued at 31 December 2012 at \$35m by Gaetjens Pickett Valuers, an increase of \$1.7m over the June 2012 valuations (June 2012 \$33.3m). The comparative value at 31 December 2011 was \$31.8m. The directors believe that the December 2012 valuation reflects consistency in the high quality of the fruit and stability in the marketplace for vineyard sales.

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Directors of the Responsible Entity's Report

31 December 2012

Distributions

No distributions were paid or declared during the half year ended 31 December 2012.

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:

- Fund Management fee for the half year paid and payable to RFM \$158,858 (2011: \$147,881).
- Asset Management fee for the half year paid to RFM \$97,540 (2011: \$90,335).
- Expenses incurred by RFM during the half year and reimbursed by the Trust in accordance with the Trust's Constitution \$585,918 (2011: \$357,813).

Units on issue

70,614,076 units in AWF were on issue at 31 December 2012 (2011: 70,526,754). During the half year 41,320 (2011: 43,112) units were issued by the Trust and none (2011: nil) were redeemed.

Trust Assets

At 31 December 2012 AWF held assets to a total value of \$42,505,819 (2011: \$37,666,028).

Significant changes in state of affairs

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

After balance date events

On 15 February 2013 AWF entered into a 10 year lease agreement with Treasury Wine Estates (TWE) for all of its vineyards, except Hahn which is a 9 year lease commencing on 1 July 2013. Under the terms of the lease TWE will pay a 9% lease rental quarterly in arrears on the agreed capital value of \$33.3m in the first year. Indexation will be taken into consideration thereafter as agreed.

Under the lease AWF no longer incurs production costs but will invest in capital expenditure as required, which will be charged back to TWE as capital improvement rent until the next lease rent review.

Had the lease been signed at 1 July 2012 AWF's Statement of Comprehensive Income for the 6 months ended 31 December 2012 would have reported Profit before Income Tax of \$2,450,490.

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Directors of the Responsible Entity's Report

31 December 2012

Likely developments and expected results

In April 2013, it is expected that an Explanatory Memorandum and vote documentation will be sent to unitholders for a proposal to merge AWF with RFM Chicken Income Fund and RFM RiverBank. Under the proposal the new combined entity is expected to be listed on the Australian Stock Exchange. The restructure is expected to enable unitholders to unlock value in their investment by providing liquidity and the ability to exit their investment at a time they choose. It is also expected to lower the risk profile of the investment, increase diversification and provide the merged fund greater access to capital markets. The unitholder vote is currently scheduled to be held in May 2013.

Environmental regulation and performance

The Group's operations are not regulated by any significant environmental regulations 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 Group.

Indemnification of Responsible Entity and Custodian

In accordance with the constitution of AWF, 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.

AWF has not otherwise, during or since the half year, indemnified or agreed to indemnify an 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 independence declaration has been provided to the Directors by the auditor of AWF, Boyce Assurance Services Pty Limited, and can be found on page 14 of the financial report.

This report is signed in accordance with a resolution of the Board of Directors.



Director: David Bryant

Dated: 5 March 2012

RFM Australian Wine Fund

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Independent Auditor's Review Report to the unitholders of RFM Australian Wine Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year consolidated financial report of RFM Australian Wine Fund, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' of the Responsible Entity Declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the responsible entity of the trust are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year consolidated financial report based on our review. We conducted our review in accordance with the 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 trust's financial position as at 31 December 2012 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 Australian Wine Fund, 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.

Matters Relating to the Electronic Presentation of the Audited Financial Report

The review report relates to the financial report of the entity for the half-year ended 31 December 2012 included on the website of Rural Funds Management Limited. The directors of the responsible entity of the trust are responsible for the integrity of the website and we have not been engaged to report on its integrity.

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Independent Auditor's Review Report to the unitholders of RFM Australian Wine Fund

Matters Relating to the Electronic Presentation of the Audited Financial Report (continued)

This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the responsible entity's website.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of the Responsible Entity of RFM Australian Wine Fund on the date of this auditor's review report.

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 consolidated financial report of RFM Australian Wine Fund is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the trust and controlled entity's financial position as at 31 December 2012 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.



Katherine M Kelly
Director
Boyce Assurance Services Pty Limited

Cooma

Dated: 5 March 2013

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Directors of the Responsible Entity's Declaration

The Directors of the Responsible Entity of the Trust declare that:

1. The interim financial statements and notes, as set out on pages 7 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the Trust and of the Consolidated Entity's financial position as at 31 December 2012 and of their performance for the half-year ended on that date.
2. There are reasonable grounds to believe that the Trust and Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



David Bryant
Director

Dated: 5 March 2013

RFM Australian Wine Fund

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Statement of Comprehensive Income

For the Half Year Ended 31 December 2012

		31 December 2012	31 December 2011
	Note	\$	\$
Revenue		144,663	30,617
Other income		158	34,221
Profit on sale of property, plant and equipment		-	93,759
Depreciation and impairments		(196,019)	(229,869)
Increase in the value of biological assets	3	3,627,887	1,583,727
Management fees		(256,398)	(238,216)
Property rates, rentals and water charges		(13,646)	(15,934)
Repairs and maintenance		(9,293)	(29,177)
Professional fees		(391,698)	(298,496)
Other expenses		(72,518)	(64,227)
Finance costs		(501,746)	(466,807)
Decrease in the value of derivative financial assets		(330,417)	(174,029)
Profit before income tax		2,000,973	225,569
Income tax (expense) / benefit		(19,224)	6,755
Profit after income tax		1,981,749	232,324
Other comprehensive income:			
Other comprehensive income/(loss) for the period, net of tax		(123,506)	-
Total comprehensive income for the period, representing changes in net assets attributable to unitholders		1,858,243	232,324

The accompanying notes form part of these financial statements.

RFM Australian Wine Fund

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Statement of Financial Position

As At 31 December 2012

	31 December 2012	30 June 2012
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,860,421	2,667,196
Trade and other receivables	579,253	2,948,058
Inventories	148,520	157,754
Biological assets	3 3,994,024	405,083
Other assets	166,318	242,437
TOTAL CURRENT ASSETS	6,748,536	6,420,528
NON-CURRENT ASSETS		
Investments	1,689,769	1,689,768
Property, plant and equipment	19,297,105	19,664,155
Intangible assets	81,529	81,529
Biological assets	3 14,688,880	12,619,665
TOTAL NON-CURRENT ASSETS	35,757,283	34,055,117
TOTAL ASSETS	42,505,819	40,475,645
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	69,827	267,657
Interest bearing liabilities	152,861	842,063
Short-term provisions	133,572	75,983
Derivative financial liabilities	52,472	-
TOTAL CURRENT LIABILITIES	408,732	1,185,703
NON-CURRENT LIABILITIES		
Interest bearing liabilities	14,212,251	13,541,889
Derivative financial liabilities	402,937	124,992
Long-term provisions	1,643	15,894
TOTAL NON-CURRENT LIABILITIES	14,616,831	13,682,775
TOTAL LIABILITIES (excluding net assets attributable to unitholders)	15,025,563	14,868,478
NET ASSETS attributable to unitholders	27,480,256	25,607,167
TOTAL LIABILITIES	42,505,819	40,475,645

The accompanying notes form part of these financial statements.

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Statement of Changes in Net Assets Attributable to Unitholders

For the Half Year Ended 31 December 2012

31 December 2012

	Issued Units	Accumulated Losses	Asset Revaluation Reserve	Net Assets Attributable to Unitholders
	\$	\$	\$	\$
Balance at 1 July 2012	31,392,359	(6,935,775)	1,150,583	25,607,167
Net profit/(loss) attributable to unitholders, net of tax	-	1,981,749	-	1,981,749
Devaluation of property, plant and equipment	-	-	(123,506)	(123,506)
Total income and expense for the period	-	1,981,749	(123,506)	1,858,243
Equity transactions				
Units issued during the period	14,846	-	-	14,846
Total equity transactions	14,846	-	-	14,846
Balance at 31 December 2012	31,407,205	(4,954,026)	1,027,077	27,480,256

31 December 2011

	Issued Units	Accumulated Losses	Asset Revaluation Reserve	Net Assets Attributable to Unitholders
	\$	\$	\$	\$
Balance at 1 July 2011	31,347,643	(10,087,331)	1,412,192	22,672,504
Net profit/(loss) attributable to unitholders, net of tax	-	232,323	-	232,323
Total income and expense for the period	-	232,323	-	232,323
Equity transactions				
Units issued during the period	14,052	-	-	14,052
Equity issue costs (net of tax)	15,760	-	-	15,760
Total equity transactions	29,812	-	-	29,812
Balance at 31 December 2011	31,377,455	(9,855,008)	1,412,192	22,934,639

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the Half Year Ended 31 December 2012

	31 December 2012 \$	31 December 2011 \$
CASH FROM OPERATING ACTIVITIES:		
Receipts from customers	2,570,155	2,015,498
Payments to suppliers and employees	(2,859,161)	(2,899,516)
Interest received	41,916	30,618
Interest paid	(501,695)	(466,806)
Net cash provided by / (used in) operating activities	(748,785)	(1,320,206)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	-	93,759
Purchase of property, plant and equipment	(53,993)	(374,078)
Net cash provided by / (used in) investing activities	(53,993)	(280,319)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of units	14,842	14,052
Proceeds from borrowings	53,992	229,262
Repayment of borrowings	(72,831)	-
Equity issue costs	-	22,519
Net cash provided by / (used in) financing activities	(3,997)	265,833
Net decrease in cash and cash equivalents held	(806,775)	(1,334,692)
Cash and cash equivalents at beginning of period	2,667,196	2,179,584
Cash and cash equivalents at end of the period	1,860,421	844,892

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 2012

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

This general purpose consolidated financial report for the half year ended 31 December 2012 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

The half year 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 Group as the full financial report.

It is recommended that the half yearly consolidated financial report be read in conjunction with the annual consolidated financial report for the year ended 30 June 2012 and any public announcements made by AWF during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The financial report covers RFM Australian Wine Fund ("AWF" or the "Trust") and its controlled entities. AWF 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 same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

(b) Statement of Compliance

The financial report of AWF 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 financial reporting as issued by the International Accounting Standards Board.

(c) Reporting Basis and Convention

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.

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 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.

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Notes to the Financial Statements

For the Half Year Ended 31 December 2012

2 Significant Accounting Judgements, Estimates and Assumptions (continued)

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.

Valuation of Biological Assets - Grapes on Vines

Biological assets, being grapes on vines, are valued in accordance with the Agriculture standard by determining the relative contribution margin these grapes have achieved at 31 December 2012. In order to determine this, reliance is based on the most up to date forecast and known circumstances at the date of this report.

3 Biological Assets

Biological assets consist of 667.78 (2011:667.78) hectares of grape vines and grapes on the vines (grape crop). The vineyards are located in South Australia and Victoria and harvest occurs between February and April each year.

At 31 December 2012 the vineyards were independently valued by Gaetjens Pickett Valuers and the value of biological assets represented by the vines was increased by \$2,069,215 (2011:NIL).

As noted above the grapes on vines, are valued in accordance with the Agriculture standard by determining the relative contribution margin these grapes have achieved at 31 December 2012.

	Grape Vines	Grape Crop	Total
	\$	\$	\$
Opening balance at 1 July 2011	10,451,251	416,042	10,867,293
Additions/(disposals)	-	405,083	405,083
Revaluation increase/(decrease) recognised in income	2,168,414	-	2,168,414
Transfers to inventories	-	(112,320)	(112,320)
Decrease due to sales	-	(303,722)	(303,722)
Balance at 30 June 2012	12,619,665	405,083	13,024,748
Opening balance at 1 July 2012	12,619,665	405,083	13,024,748
Additions/(disposals)	-	2,030,269	2,030,269
Revaluation increase/(decrease) recognised in income	2,069,215	1,558,672	3,627,887
Balance at 31 December 2012	14,688,880	3,994,024	18,682,904

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Notes to the Financial Statements

For the Half Year Ended 31 December 2012

4 After Balance Day Events

On 15 February 2013 AWF entered into a 10 year lease agreement with Treasury Wine Estates (TWE) for all of its vineyards, except Hahn which is a 9 year lease commencing on 1 July 2013. Under the terms of the lease TWE will pay a 9% lease rental quarterly in arrears on the agreed capital value of \$33.3m in the first year. Indexation will be taken into consideration thereafter as agreed.

Under the lease AWF no longer incurs production costs but will invest in capital expenditure as required, which will be charged back to TWE as capital improvement rent until the next lease rent review.

5 Likely Developments and Expected Results

In April 2013, it is expected that an Explanatory Memorandum and vote documentation will be sent to unitholders for a proposal to merge AWF with RFM Chicken Income Fund and RFM RiverBank. Under the proposal the new combined entity is expected to be listed on the Australian Stock Exchange. The restructure is expected to enable unitholders to unlock value in their investment by providing liquidity and the ability to exit their investment at a time they choose. It is also expected to lower the risk profile of the investment, increase diversification, and provide the merged fund greater access to capital markets. The unitholder vote is currently scheduled to be held in May 2013.

6 Economic Dependence

Following the signing of the lease with Treasury Wine Estates (TWE) whereby all vineyards will be leased by TWE, the Group will be economically dependent on TWE. Formerly 70% of the Group's grape revenue came from contracts with TWE and the Group may have previously been economically dependent on TWE as a result.

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Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2012, there have been:

- a. no contraventions of the auditor independence requirements as set out in 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.



Katherine M Kelly
Director
Boyce Assurance Services Pty Limited

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Dated: 5 March 2013

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