

RFM RiverBank

ARSN 112 951 578

Financial Statements

For the Half Year Ended 31 December 2011

RFM RiverBank

ARSN 112 951 578

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	David Bryant Michael Carroll Guy Paynter
Company Secretary	Stuart Waight
Custodian	Australian Executor Trustees Limited ABN 84 007 869 794 Level 22 207 Kent Street SYDNEY NSW 2000
Auditors	Boyce Assurance Services Pty Limited 36 Bombala Street COOMA NSW 2630

RFM RiverBank

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Directors of the Responsible Entity's Report 31 December 2011

The Directors of Rural Funds Management Limited ("RFM"), Responsible Entity of RFM RiverBank ("RBK" or "Trust") present their report on the Trust for the financial half year ended 31 December 2011.

Directors

Information on 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 financial half year to the date of this report unless otherwise stated.

Review and Results of Operations

Operating Results

The loss attributable to unitholders of RBK after providing for income tax amounted to \$(712,409) (2010: profit \$202,509).

The main reasons for the decreased profits attributable to unitholders is a loss on swap contracts of \$1.3m in 2011 (2010: gain of \$0.6m) due to unfavourable market movements.

RBK currently has 1,814 hectares of developed almond orchard and associated water rights, and this is unchanged from the previous year. The developments are on two properties: the Yilgah property with 1,006 hectares and the Moorabool property with 808 hectares.

The full almond area is currently under lease to the following counterparts: Select Harvests Limited (SHV) 1,220 hectares; RFM Almond Fund 2006 (AF06), 272 hectares; RFM Almond Fund 2007 (AF07), 93 hectares; and RFM Almond Fund 2008 (AF08), 228 hectares.

In accordance with the funding agreement between RBK and AF07, RBK undertakes to fund the timing difference between actual operating costs and expenses compared to the amount received from growers in the form of a loan to AF07. The loan will assist AF07 to meet the ongoing cost of orchard maintenance, management and other expenses, and also cover the growers who fail to make payment against their invoice. In addition, RBK will bear the risk of default for growers who do not meet the required payments. The estimated cash outlay on AF07 is \$0.302m (\$0.213m cancelled groves, \$0.089m loan for shortfall). In 2010 RBK funded AF07 \$0.291m (\$0.117m cancelled groves, \$0.174m loan for shortfall).

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Directors of the Responsible Entity's Report

31 December 2011

Review and Results of Operations (continued)

Operating Results (continued)

In accordance with the funding agreement between RBK and AF08, RBK will fund those timing difference and default amounts as per the AF07 agreement, but in addition, will subsidise the growing costs for the difference between the fixed subscription amount initially invoiced to growers and the actual orchard maintenance costs. The estimated expenditure on AF08 is \$0.734m (\$0.132m cancelled groves, \$0.602 subsidy). In 2010 RBK funded \$1.155m (\$0.061m cancelled groves, \$1.094m subsidy).

In the event of a grower default RBK retains the harvest proceeds related to the forfeited groves.

RBK has financing of \$3m due to be repaid to Lachlan Farming Limited in December 2012 as the final payment for the purchase of Moorall. RBK is currently undergoing a capital raising to support funding of this commitment and capital expenditure projects.

Distributions

Distributions paid or declared for payment are as follows:

Distribution of 2.72 cents per unit paid in August 2011 (provided for at 30 June 2011)	\$745,020
Distribution of 2.10 cents per unit paid in November 2011	\$575,951
Distribution of 2.10 cents per unit paid in February 2012 (provided for at 31 December 2011)	\$576,650

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 financial year:

- Management fee for the financial half year paid to RFM \$432,814 (2010: \$380,014).
- Asset management fee for the financial year paid and payable to RFM \$143,322 (2010: \$132,107)
- Expenses incurred by RFM and reimbursed by the Trust in accordance with the Trust's constitution \$638,843 (2010: \$582,013).

Units on Issue

27,459,520 units of RBK were on issue at 31 December 2011 (2010: 27,343,535). During the year 61,177 (2010: 4,245,931) units were issued by the Trust and nil (2010: nil) were redeemed.

Trust Assets

At 31 December 2011 RBK held assets to a total value of \$90,049,051 (2011:\$89,167,157).

Significant Changes in State of Affairs

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

Directors of the Responsible Entity's Report 31 December 2011

Review and Results of Operations (continued)

After balance day events

No matters or circumstances have arisen since the end of the financial half year which significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in future financial years.

Likely developments and expected results

The Trust is expected to continue leasing activities and provide regular distributions to investors.

Environmental regulation and performance

The operations of the Trust are subject to significant environmental regulation under a law of the Commonwealth or of a State or Territory. Water usage for irrigation, domestic and levee purposes, including containing irrigation water from entering the river, water course or water aquifer are regulated by the Water Management Act 2000. Water licences are leased to external parties who are then responsible to meet the legislative requirements of these licences. There have been no known significant breaches of any environmental requirements applicable to the Trust.

Indemnification of Responsible Entity and Custodian

In accordance with the constitution, RBK 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.

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

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



David Bryant
Director

Dated: 13 March 2012

Independent Auditor's Review Report to the unitholders of RFM RiverBank

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of RFM RiverBank, which comprises the statement of financial position as at 31 December 2011, statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors of the responsible entity's declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Responsible Entity of the Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such 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 Trust's financial position as at 31 December 2011 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 RiverBank, 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 2011 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. 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.

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Independent Auditor's Review Report to the unitholders of RFM RiverBank

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 given to the directors of the Responsible Entity of RFM RiverBank 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 financial report of RFM RiverBank is not 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 2011 and of its 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: 13 March 2012

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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 RiverBank:

In the opinion of the Directors:

- (a) The financial statements and notes of the Trust are in accordance with the Corporations Act 2011, including;
 - i) giving a true and fair view of the Trust's financial position as at 31 December 2011 and of the performance for the half year end on that date; and
 - ii) complying with Australian Accounting Standards, Corporations Regulations 2011 and the Trust's constitution; and
- (b) 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



David Bryant
Director

Dated: 13 March 2012

RFM RiverBank

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Statement of Comprehensive Income For the Half Year Ended 31 December 2011

	31 December 2011	31 December 2010
	\$	\$
Revenue	3,267,312	3,330,286
Insurance proceeds	424,800	-
Other income	239,820	-
Increase/(decrease) in value of biological assets	37,910	139,154
Cost of goods sold	(45,979)	-
Depreciation, amortisation and impairments	(638,163)	(508,949)
Management fees	(576,136)	(512,121)
Professional services	(371,835)	(417,609)
Gain/(loss) on sale of assets	8,433	(6,036)
Insurance	(83,975)	(138,317)
Repairs and maintenance	(20,927)	(53,075)
Agribusiness operations	(50,974)	(285,098)
Other operating expenses	(260,374)	(407,353)
Finance costs	(1,605,296)	(1,406,402)
Unrealised gain/(loss) on interest swaps	(1,342,252)	554,819
Profit/(loss) before income tax	(1,017,636)	289,299
Income tax (expense)/benefit	305,227	(86,790)
Net profit/(loss) after income tax	(712,409)	202,509
Other comprehensive income		
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income attributable to unitholders	(712,409)	202,509

The accompanying notes form part of these financial statements.

RFM RiverBank

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Statement of Financial Position For the Half Year Ended 31 December 2011

	31 December 2011 \$	30 June 2011 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,981,859	2,537,137
Trade and other receivables	939,630	393,087
Inventories	167,269	-
Intangible assets	170,500	-
Biological assets	-	85,689
Other current assets	227,968	232,352
TOTAL CURRENT ASSETS	3,487,226	3,248,265
NON-CURRENT ASSETS		
Property, plant and equipment	30,067,715	29,424,782
Intangible assets	38,590,800	38,590,800
Biological assets	17,903,310	17,903,310
TOTAL NON-CURRENT ASSETS	86,561,825	85,918,892
TOTAL ASSETS	90,049,051	89,167,157
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	2,112,556	3,826,950
Borrowings	3,563,045	1,619,997
Other liabilities	1,223,423	-
TOTAL CURRENT LIABILITIES	6,899,024	5,446,947
NON-CURRENT LIABILITIES		
Trade and other payables	375,384	361,222
Interest bearing liabilities	35,536,807	35,046,498
Other non-current liabilities	1,553,125	1,553,125
Derivative financial liabilities	2,418,747	1,076,494
Deferred tax liabilities	1,207,921	1,613,807
TOTAL NON-CURRENT LIABILITIES	41,091,984	39,651,146
TOTAL LIABILITIES (excluding net assets attributable to unitholders)	47,991,008	45,098,093
Net assets attributable to unitholders	42,058,043	44,069,064
TOTAL LIABILITIES	90,049,051	89,167,157

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 2011

31 December 2011

	Units Issued \$	Asset Realisation Reserve \$	Retained Earnings / (Accumulated Losses) \$	Total \$
Balance at 1 July 2011	33,802,515	9,037,119	1,229,461	44,069,095
Other comprehensive income	-	-	-	-
Income tax relating to other comprehensive income	-	-	-	-
Total income and expense for the period recognised directly in equity	-	-	-	-
Net profit/(loss) before tax attributable to unitholders	-	-	(1,017,636)	(1,017,636)
Income tax applicable	-	-	305,227	305,227
Total income and expense for the period	-	-	(712,409)	(712,409)
Equity transactions				
Units issued during the period	81,166	-	-	81,166
Issue costs	(335,529)	-	-	(335,529)
Income tax applicable	100,659	-	-	100,659
Total equity transactions	(153,704)	-	(712,409)	(866,113)
Distribution to unitholders	(1,144,939)	-	-	(1,144,939)
Balance at 31 December 2011	32,503,872	9,037,119	517,052	42,058,043

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 2011

31 December 2010

	Units Issued	Asset Realisation Reserve	Retained Earnings / (Accumulated Losses)	Total
	\$	\$	\$	\$
Balance at 1 July 2010	32,154,997	9,094,641	(3,330,356)	37,919,282
Other comprehensive income	-	-	-	-
Income tax relating to other comprehensive income	-	-	-	-
Total income and expense for the period recognised directly in equity	-	-	-	-
Net profit/(loss) before tax attributable to unitholders	-	-	289,299	289,299
Income tax applicable	-	-	(86,790)	(86,790)
Total income and expense for the period	-	-	202,509	202,509
Equity transactions				
Units issued during the period	3,682,719	-	-	3,682,719
Issue cost	(43,943)	-	-	(43,943)
Income tax applicable	13,183	-	-	13,183
Total equity transactions	3,651,959	-	202,509	3,854,468
Distribution to unitholders	(1,329,537)	-	-	(1,329,537)
Balance at 31 December 2010	34,477,419	9,094,641	(3,127,847)	40,444,213

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the Half Year Ended 31 December 2011

	31 December 2011 \$	31 December 2010 \$
CASH FROM OPERATING ACTIVITIES:		
Receipts from customers	5,049,204	2,680,163
Payments to suppliers and employees	(2,705,290)	(1,077,555)
Interest received	15,103	72,556
Finance costs	(1,582,234)	(1,367,067)
Income tax paid	-	96,323
Net cash provided by / (used in) operating activities	776,783	404,420
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	12,955	154,595
Purchase of property, plant and equipment	(1,340,617)	(2,748,468)
Purchase of water intangibles	(2,140,500)	-
Net cash used in investing activities	(3,468,162)	(2,593,873)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions paid	(1,313,419)	(1,095,018)
Proceeds from subscriptions held in trust	1,270,525	-
Receipts from issue of units	81,166	3,682,720
Costs in relation to unit issue	(335,528)	(43,943)
Repayment of borrowings	(1,319,009)	(2,288,825)
Receipts from borrowings	3,752,366	-
Net cash provided by financing activities	2,136,101	254,934
Net (decrease) / increase in cash and cash equivalents held	(555,278)	(1,934,519)
Cash and cash equivalents at beginning of period	2,537,137	2,495,121
Cash and cash equivalents at end of period	1,981,859	560,602

The accompanying notes form part of these financial statements.

Notes to the Financial Statements For the Half Year Ended 31 December 2011

1 Summary of Significant Accounting Policies

(a) Basis of preparation

This general purpose condensed financial report for the half year ended 31 December 2011 has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

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 yearly financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by RBK during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001

The financial report covers RFM RiverBank ("RBK") as an individual entity. RBK 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.

(b) Statement of Compliance

The financial report of RBK 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.

(c) 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.

2 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following 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.

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Notes to the Financial Statements For the Half Year Ended 31 December 2011

2 Significant accounting judgements, estimates and assumptions (continued)

Revaluations

A judgement is made by the directors on the allocation between infrastructure and the almond trees, the infrastructure being mainly irrigation improvements, is judged to be valued at its written down value and therefore the remainder of the valuation is allocated to the biological assets being almond trees.

The last independent revaluation of biological assets was performed at 30 June 2011. Biological assets are currently valued at their last valuation amount plus any direct costs incurred. The next independent revaluation will occur before 30 June 2012.

3 Going Concern

The Directors of RFM have determined that RiverBank is a going concern and will be able to pay its debts as and when they fall due.

RiverBank launched a capital raising in September 2011 for which the minimum subscription amount of \$4m is required to be reached by 30 April 2012. The proceeds of this capital raising together with the debt available from the banking facility, will be used to meet the commitments due in 2012 including Vendor Finance repayments and capital expenditure. If sufficient funds are raised from the capital raising, the loan from RFM which is due to be repaid in October 2012, will also be repaid and funds may be applied to fund a unitholder redemption.

As noted in the last Annual Financial Statements of RBK, should the maximum subscription level of \$7.5m not be reached, RiverBank would not provide a unitholder redemption and defer repayment of the RFM loan. Should the minimum subscription level of \$4m not be reached, RFM intends to meet RiverBank's cash flow requirements through capital management strategies including making no unitholder redemption, accelerating the sale of non-core assets and reducing the level of distributions to unitholders.

4 Economic dependency

100% of the Trust's revenue comes from land and plant and equipment lease contracts with Select Harvest Limited, RFM Almond Fund 2006, RFM Almond Fund 2007 and RFM Almond Fund 2008. Therefore the fund may be economically dependent on these entities.

5 Commitments

On 30 July 2010 RFM RiverBank entered into a contract with Great Southern Olives Company Limited for the purchase of land for \$2,025,000. This purchase agreement was settled on 5 July 2011.

RBK has \$3m repayable to Lachlan Farming Limited in December 2012 being the final payment for the purchase of Moorall. RBK is currently undertaking a capital raising to support the funding of this commitment and capital expenditure projects.

There are no other significant capital items that have been contracted or committed for as at 31 December 2011.

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Auditor's 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 2011, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) 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: 13 March 2012

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