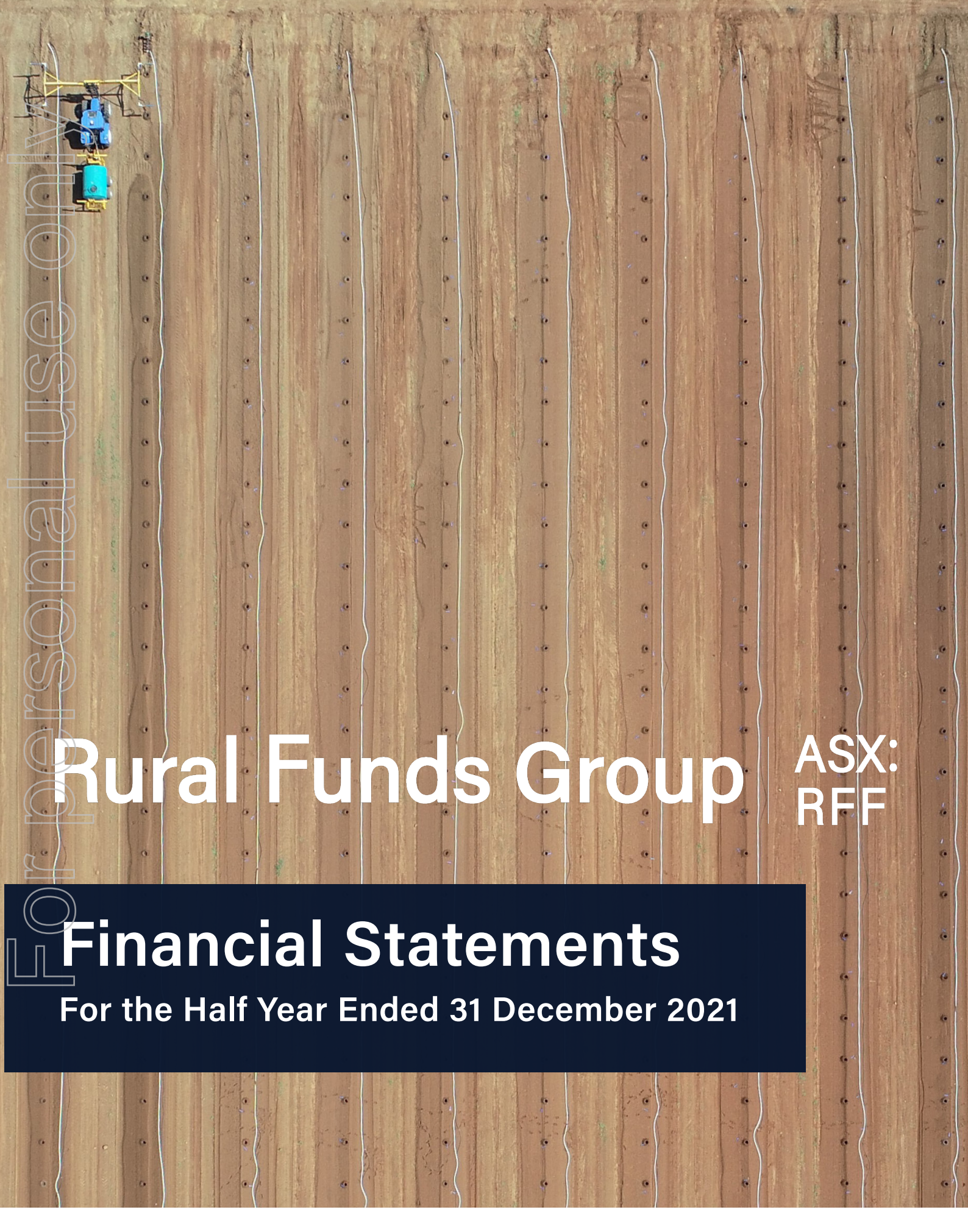


Rural Funds Group comprises:

Rural Funds Trust ARSN 112 951 578 and
RF Active ARSN 168 740 805

Managed by:



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Rural Funds Group

ASX:
RFF

Financial Statements

For the Half Year Ended 31 December 2021

Rural Funds Group

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Rural Funds Group

Corporate Directory

Registered Office	Level 2, 2 King Street DEAKIN ACT 2600
Responsible Entity	Rural Funds Management Limited ABN 65 077 492 838 AFSL 226701 Level 2, 2 King Street DEAKIN ACT 2600 Ph: 1800 026 665
Directors	Guy Paynter David Bryant Michael Carroll Julian Widdup Andrea Lemmon
Company Secretary	Emma Spear
Custodian	Australian Executor Trustees Limited ABN 84 007 869 794 Level 19, 60 Castlereagh Street SYDNEY NSW 2000
Auditors	PricewaterhouseCoopers One International Towers Sydney Watermans Quay BARANGAROO NSW 2000
Share Registry	Boardroom Pty Limited Level 12, 225 George Street SYDNEY NSW 2000 Ph: 1300 737 760
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000 Rabobank Australia Group Darling Park Tower 3 201 Sussex Street SYDNEY NSW 2000
Stock Exchange Listing	Rural Funds Group units (Rural Funds Trust and RF Active form a stapled investment vehicle) are listed on the Australian Securities Exchange (ASX)
ASX Code	RFF

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Rural Funds Group

Directors' Report

31 December 2021

Rural Funds Group (RFF or the Group) comprises the stapled units in two Trusts, Rural Funds Trust (RFT) (ARSN 112 951 578) and RF Active (RFA) (ARSN 168 740 805) (collectively, the Trusts). The Directors of Rural Funds Management Limited (RFM) (ACN 077 492 838, AFSL 226701), the Responsible Entity of Rural Funds Group present their report on the Group for the half year ended 31 December 2021.

In accordance with AASB 3 *Business Combinations*, the stapling arrangement referred to above is regarded as a business combination and Rural Funds Trust has been identified as the parent for the purpose of preparing the consolidated financial report.

The Directors' report is a combined report that covers both Trusts. The financial information for the Group is taken from the Consolidated Financial Statements and notes.

Directors

The following persons held office as Directors of the Responsible Entity during the period and up to the date of this report:

Guy Paynter	Non-Executive Chairman
David Bryant	Managing Director
Michael Carroll	Non-Executive Director
Julian Widdup	Non-Executive Director
Andrea Lemmon	Non-Executive Director (appointed on 1 November 2021)

Principal activities and significant changes in state of affairs

The principal activity of the Group during the half year was the development and leasing of agricultural properties and equipment. The Group is a lessor of agricultural property with revenue derived from leasing almond orchards, macadamia orchards, vineyards, cattle properties, cropping properties, agricultural plant and equipment, cattle and water rights. The Group also carries out cropping and macadamia operations on an interim basis for unleased properties and properties under development.

The Group also provides a guarantee to J&F Australia Pty Ltd (J&F), a wholly owned subsidiary of Rural Funds Management, earning a return equivalent to an equity rate of return calculated on the amount of the guarantee during the half year.

The following activities of the Group changed during the half year:

In July 2021, the Group completed the sale of surplus land on Kerarbury for approximately \$1.6m.

On 2 August 2021 the Group completed a fully underwritten equity raise for \$100.0m to fund the development of 1,000ha of macadamia orchards, the acquisition of cattle properties to be leased by corporate lessees, and the acquisition of 8,338 megalitres (ML) of Lower Murrumbidgee ground water entitlements.

In August 2021 the Group completed the purchase of 8,338ML of Lower Murrumbidgee ground water entitlements for approximately \$38.4m including transaction costs. The water entitlements are leased to a private farming company for a term of five years.

In November 2021 the Group leased an area on the Nursery Farm property in Bundaberg, Queensland to an external operator, Dalwood Nursery Pty Ltd. The arrangement provides a supply of macadamia trees to RFF to be planted on various developments in Queensland including Bundaberg, Rockhampton, and Maryborough.

In November 2021, the Group completed the acquisition of Baamba Plains, a 4,130ha cropping property located in central Queensland for \$34.0m including transaction costs and including \$2.5m of associated plant and equipment.

In November 2021, the Group paid a \$17.2m deposit on Kaiuroo, a 27,879ha aggregation of four cattle and cropping properties located in central Queensland. An extended settlement date of up to two years has been negotiated, allowing RFM to begin productivity developments and to seek a lessee prior to settlement.

In December 2021, the Group acquired The Pocket, to be managed as part of the existing Yarra property, a 1,917ha cattle and cropping property located near Rockhampton, Queensland for \$14.6m including transaction costs and associated plant and equipment.

In December 2021, the Group completed the acquisition of the River Block and Coolibah cattle properties totaling 724ha, located near Rockhampton, Queensland for \$4.9m including transaction costs. The properties will be managed as one property.

Rural Funds Group

Directors' Report

31 December 2021

Principal activities and significant changes in state of affairs (continued)

In December 2021, the Group completed the acquisition Beerwah and Bauple, consisting 475ha of mature macadamia orchards located in south-east Queensland, for \$66.6m including transaction costs, associated plant and equipment and shares in Marquis Macadamias Limited.

In December 2021, the Group renegotiated and increased its core debt facility to \$520,000,000 (30 June 2021: \$380,000,000). As part of this, the maximum loan to value ratio requirement was increased to 55% (30 June 2021: 50%).

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Group during the half year.

Operating results

The consolidated net profit after income tax of the Group for the half year ended 31 December 2021 amounted to \$38,207,000 (31 December 2020: \$58,425,000). The consolidated total comprehensive income of the Group for the half year ended 31 December 2021 amounted to \$38,807,000 (31 December 2020: \$58,425,000).

The Group holds investment property, bearer plants, owner-occupied property and derivatives at fair value. After adjusting for the effects of fair value adjustments, depreciation, impairments, non-cash tax expense and one-off transaction costs during the half year, the profit would have been \$21,791,000 (31 December 2020: \$22,170,000), representing adjusted funds from operations (AFFO).

Adjusted funds from operations (AFFO)

The adjusted funds from operations (AFFO) calculated below effectively represents the underlying and recurring cash earnings from the Group's operations from which distributions are funded:

	31 December 2021 \$'000	31 December 2020 \$'000
Net profit before income tax	39,675	59,304
Change in fair value of investment property	(17,962)	(5,832)
Change in fair value of bearer plants	2,258	-
Impairment of property - owner occupied	1,668	1,651
Impairment of intangible assets	1,454	467
Depreciation - bearer plants	2,147	2,019
Depreciation and impairments - other	497	268
Change in fair value of biological assets (unharvested)	(331)	-
Change in fair value of financial assets/liabilities	(325)	24
Change in fair value of interest rate swaps	(5,581)	(2,939)
Straight-lining of rental revenue	100	521
Interest component of JBS feedlot finance lease	(474)	(538)
Income tax payable (RF Active)	(1,281)	(237)
Gain on sale of assets	(54)	(32,538)
AFFO	21,791	22,170
AFFO cents per unit	5.8	6.6

Rural Funds Group

Directors' Report

31 December 2021

Financial position

The net assets of the consolidated Group have increased to \$764,688,000 at 31 December 2021 from \$648,544,000 at 30 June 2021. At 31 December 2021, the Group had total assets of \$1,254,374,000 (30 June 2021: \$1,041,904,000).

At 31 December 2021, the Group held total water entitlements (including investments in Barossa Infrastructure Limited (BIL) and Coleambally Irrigation Co-operative Limited (CICL)) at a book value of \$169,204,000 (30 June 2021: \$122,402,000). Directors obtain independent valuations on RFF properties ensuring that each property will have been independently valued every two years or more often where appropriate. These valuations attribute a value to the water entitlements held by the Group. The Directors have taken into account the most recent valuations on each property and consider that they remain a reasonable estimate of fair value. On this basis the fair value of water entitlements at 31 December 2021 was \$259,504,000 (30 June 2021: \$212,580,000). The value of water entitlements is illustrated in the table below:

	31 December 2021 \$'000	30 June 2021 \$'000
Intangible assets (water entitlements)	157,220	110,418
Investment in CICL	11,464	11,464
Investment in BIL	520	520
Total book value of water entitlements	169,204	122,402
Revaluation of intangible assets per valuation	90,300	90,178
Adjusted total water entitlements	259,504	212,580

Adjusted net asset value

The following depicts the net assets of the Group following the revaluation of water entitlements comprising intangible assets and investments in BIL and CICL per these valuations.

	31 December 2021 \$'000	30 June 2021 \$'000
Net assets per Consolidated Statement of Financial Position	764,688	648,544
Revaluation of intangible assets per valuation	90,300	90,178
Adjusted net assets	854,988	738,722
Adjusted NAV per unit	2.24	2.17

Property leasing

At 31 December 2021 the Group held 68 (30 June 2021: 66) properties as follows:

- 3 almond orchards (4,139 planted hectares);
- 7 vineyards (666 planted hectares);
- 7 macadamia orchards (814 planted hectares);
- 8 properties with potential for areas to be developed into macadamia orchards with development under way (5,103 hectares)
- 20 cattle properties made up of 15 breeding, backgrounding and finishing properties (674,983 hectares) and 5 cattle feedlots with combined capacity of 150,000 head;
- 23 cropping properties (15,780 hectares).

During the half year ended 31 December 2021, the properties held by the Group recorded an increment in the fair value of investment properties of \$17,962,000 (31 December 2020: \$5,832,000), a decrement in bearer plants revaluation of \$1,658,000 (31 December 2020: nil), an impairment of intangibles of \$1,454,000 (31 December 2021: \$467,000) relating to water entitlements and an impairment in property – owner occupied of \$1,668,000 (31 December 2020: \$1,651,000) relating to properties carrying out various cropping operations.

Rural Funds Group

Directors' Report

31 December 2021

Property leasing (continued)

Almond orchards

The three fully established almond orchard properties (including water entitlements) are located in Hillston, NSW and Darlington Point, NSW and are leased to tenants who make regular rental payments. These encompass a planted area of 4,139 hectares (30 June 2021: 4,139 hectares):

- Yilgah 1,006 planted hectares (30 June 2021: 1,006 hectares);
- Tocabil 603 planted hectares (30 June 2021: 603 hectares);
- Kerarbury 2,530 planted hectares (30 June 2021: 2,530 hectares).

These properties are under lease to the following tenants:

- Select Harvests Limited (SHV) 1,006 planted hectares (30 June 2021: 1,006 hectares);
- Olam Orchards Australia Pty Limited (Olam) 3,133 planted hectares (30 June 2021: 3,133 hectares);

For its almond orchards the Group owns water entitlements of 55,525ML (30 June 2021: 55,525ML) comprising groundwater, high security river water, general security river water, supplementary river water, and domestic and stock river water. In addition, the Group owns 21,430ML (30 June 2021: 21,430ML) of water delivery entitlements that provide access to water delivery through CICL, with a low annual allocation expected to be provided.

Vineyards

The vineyard properties held by the Group include seven vineyards, with six located in South Australia, in the Barossa Valley, Adelaide Hills and Coonawarra regions, and one located in the Grampians in Victoria. For its vineyards, the Group owns 936ML of water entitlements (30 June 2021: 936ML). All vineyards are leased to Treasury Wine Estates Limited and produce premium quality grapes. Six of the vineyards are leased until June 2026 and one is leased until June 2022 and is held for sale as at 31 December 2021.

Macadamia orchards

Three established macadamia orchards are located near Bundaberg, Queensland and leased to the following tenants:

- Swan Ridge and Moore Park, 234 hectares (30 June 2021: 234 hectares), located in Bundaberg currently leased to the 2007 Macgrove Project (M07)
- Bonmac, 27 hectares (RFM) (30 June 2021: 27 hectares), located in Bundaberg currently leased to RFM Farming.

Beerwah and Bauple, 475 hectares (30 June 2021: nil) located in Queensland is unleased and currently operated by the Group.

Cygnets, located in Bundaberg, Queensland consists of 37 hectares (30 June 2021: 37 hectares) of newly established plantings and is currently operated by the Group.

Nursery Farm, located in Bundaberg, Queensland consists of 41 hectares (30 June 2021: 41 hectares) of newly established plantings, operated by the Group and a macadamia tree nursery, leased to an external party.

Swan Ridge South, located in Bundaberg, Queensland totaling 123 hectares is under development to 40 hectares (30 June 2021: 40 hectares) of planned macadamia plantings.

The 25 Maryborough properties located in Queensland, have potential to be developed into approximately 2,200 hectares of macadamia orchards. 5 of these properties totaling 1,513 hectares are under development.

The Riverton property and Rookwood Farms aggregation, totaling 3,467 hectares (30 June 2021: 3,467 hectares), located in the Fitzroy region in Queensland under development for macadamia orchards.

Rural Funds Group

Directors' Report

31 December 2021

Property leasing (continued)

Cattle property

Cattle properties held by the Group comprise of cattle breeding, backgrounding and finishing properties and cattle feedlots.

- Rewan located near Rolleston in central Queensland 17,479 hectares (30 June 2021: 17,479 hectares);
- Mutton Hole and Oakland Park located in far north Queensland 225,800 hectares (30 June 2021: 225,800 hectares);
- Natal aggregation located near Charters Towers in north Queensland 390,600 hectares (30 June 2021: 390,600 hectares);
- Comanche located in central Queensland 7,600 hectares (30 June 2021: 7,600 hectares);
- Cerberus located north west of Rockhampton in central Queensland 8,280 hectares (30 June 2021: 8,280 hectares);
- Dyamberin located in the New England region of New South Wales 1,728 hectares (30 June 2021: 1,728 hectares);
- Woodburn located in the New England region of New South Wales 1,063 hectares (30 June 2021: 1,063 hectares);
- Cobungra located in the East Gippsland region of Victoria 6,497 hectares (30 June 2021: 6,497 hectares);
- Petro, High Hill and Willara located in Western Australia 6,196 hectares (30 June 2021: 6,196);
- Yarra located south west of Rockhampton in central Queensland 4,090 hectares (30 June 2021: 2,173);
- Homehill located north west of Rockhampton in central Queensland 4,925 hectares (30 June 2021: 4,925);
- River Block and Coolibah located south west of Rockhampton in central Queensland 724 hectares (30 June 2021: nil);
- Prime City, Mungindi, Caroon, Beef City and Riverina, 5 cattle feedlots with a combined capacity of 150,000 head (30 June 2021: 150,000 head).
- A deposit has been paid on Kaiuroo, located north west of Rockhampton in central Queensland, 27,879 hectares (30 June 2021: nil) with an extended settlement period of up to 24 months from November 2021.

The properties comprise a combined 672,342 hectares and are leased to the following tenants:

- Australian Agricultural Company Limited, leasing Rewan;
- Cattle JV Pty Limited, a wholly owned subsidiary of RFM, leasing Mutton Hole and Oakland Park;
- DA & JF Camm Pty Limited, a member of the Camm Agricultural Group, leasing the Natal aggregation;
- Elrose Enterprises Pty Limited, leasing Comanche; and
- Stone Axe Pastoral Company Pty Limited, leasing Dyamberin, Woodburn, Cobungra, Petro, High Hill and Willara.

In addition to this, JBS Australia Pty Limited (JBS) leases the Prime City, Mungindi, Caroon, Beef City and Riverina feedlots.

The remaining properties are not currently leased as at 31 December 2021.

On 1 July 2021, the lease on the Cerberus property by Katena Pty Ltd was terminated by mutual agreement and all amounts owing to the Group have since been paid. A long-term lessee is currently being sought.

Yarra and The Pocket are currently being operated by the Group, allowing for capital improvement designed to improve the productivity of the property while a long-term lessee is currently being sought.

The lease arrangement for the Natal aggregation includes a \$10 million secured loan provided to the lessee and a \$5 million cattle leasing arrangement to fund the purchase of cattle. On 28 January 2022, the secured loan and outstanding amounts on the cattle facility were fully repaid.

Rural Funds Group

Directors' Report

31 December 2021

Property leasing (continued)

Cropping property

Cropping properties held by the Group comprise of:

- Lynora Downs, a 4,963 hectare (30 June 2021: 4,963 hectare) cropping property located near Emerald, QLD is leased to Cotton JV Pty Limited (Cotton JV), a joint venture between RFM and Queensland Cotton Corporation Pty Limited (a subsidiary of Olam International Limited) until April 2022. Negotiations have commenced to extend the lease for another 5 years.
- Mayneland, a 2,942 hectare (30 June 2021: 2,942 hectare) cropping property located 25 km north of Lynora Downs in central Queensland, is leased to RFM Farming Pty Limited (a wholly owned subsidiary of RFM) until 30 June 2022. A long-term lessee is being sought.
- Baamba Plains, a 4,130 hectare (30 June 2021: nil) cropping property located 60 km south-east of Emerald in central Queensland. A capital development program has been designed to improve the productivity of the property. The property is currently operated by the Group on an interim basis while a long-term lessee is being sought.
- The 25 Maryborough properties located in Queensland, have potential to be developed into approximately 2,200 hectares of macadamia orchards. 20 of these properties are currently being leased out or owner occupied for various cropping operations.

Other activities

The Group provides a \$99,900,000 (30 June 2021: \$99,900,000) limited guarantee to J&F Australia Pty Ltd (J&F). The guarantee is currently used to support \$99,900,000 of J&F's debt facility which is used for cattle purchases, feed and other costs associated with finishing the cattle on the feedlots, enabling J&F to supply cattle to JBS Australia Pty Limited (JBS) for its grain fed business. The guarantee earns a return for RFF equivalent to an equity rate of return which is calculated on the amount of the guarantee during the period.

Breeder assets under finance lease with a net book value of \$17,754,000 (30 June 2021: \$17,778,000) are leased to Cattle JV Pty Limited.

Agricultural plant and equipment with a net book value of \$2,338,000 (30 June 2021: \$3,422,000) is owned by the Group and leased to M07, Cattle JV and RFM Farming. Agricultural plant and equipment with a net book value of \$13,533,000 (30 June 2021: \$5,294,000) is used for the Group's cropping operations and developments.

Banking facilities

At 31 December 2021 the core debt facility available to the Group was \$520,000,000 (30 June 2021: \$380,000,000), with a drawn balance of \$436,000,000 (30 June 2021: \$344,143,000). The facility is split into two tranches with a \$110,000,000 tranche expiring in November 2023 and a \$410,000,000 tranche expiring in November 2024. At 31 December 2021, RFF had active interest swaps totaling 42.0% (30 June 2021: 53.2%) of the drawn balance to manage interest rate risk.

Distributions

	Cents per unit	Total \$
Distribution declared 1 June 2021, paid 30 July 2021	2.8203	9,586,215
Distribution declared 1 September 2021, paid 29 October 2021	2.9331	11,168,247
Distribution declared 1 December 2021, paid 31 January 2022	2.9331	11,185,881

Earnings per unit

Net profit after income tax for the half year (\$'000)	38,207
Weighted average number of units on issue during the half year	374,640,860
Basic and diluted earnings per unit (total) (cents)	10.20

Rural Funds Group

Directors' Report

31 December 2021

Indirect cost ratio

The indirect cost ratio (ICR) is the ratio of the Group's management costs over the Group's average net assets for the half year, expressed as a percentage.

Management costs include management fees and other expenses such as corporate overheads in relation to the Group, but do not include transactional and operational costs such as brokerage. Management costs are not paid directly by the unitholders of the Group.

The ICR for the Group for the half year ended 31 December 2021 is 2.65% (31 December 2020: 1.95%).

Matters subsequent to the end of the half year

On 28 January 2022, the \$10 million secured loan and outstanding amounts on the \$5 million cattle leasing arrangement provided to the Camm Agricultural Group were repaid in full.

On 4 February 2022, RFF unitholders voted in favour of increasing the J&F guarantee from \$100 million to \$132 million. Initially, the current guarantee will increase from \$100 million to \$114 million to facilitate an increase in the J&F facility. The guarantee may increase to \$132 million subject to approval by RFF's financiers.

In February 2022, the Group entered into a lease with Australian Agricultural Company for the Comanche and Home Hill properties for 10 years to commence in May 2022.

No other matter or circumstance has arisen since the end of the half year that has significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Likely developments and expected results of operations

The Group expects to continue to derive its core future income from the holding and leasing of agricultural property and water entitlements. Management is continually looking for growth opportunities in agricultural and related industries.

Environmental regulation

The operations of the Group are subject to significant environmental regulations under the laws of the Commonwealth and States or Territories of Australia. 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*. Responsibility of water licences that are leased to external parties then requires the tenant to meet the legislative requirements for these licences. There have been no known significant breaches of any environmental requirements applicable to the Group.

Climate change risk

RFM is aware of the potential risks that climate change could present to the Group's assets. RFM has committed to a climatic diversification strategy in order to mitigate these risks. Some of the areas that RFM is focused on is the impact of emissions from Group's assets, including carbon dioxide, methane, and nitrous oxide.

The Group's assets produce these emissions through its agricultural infrastructure and machinery, cattle assets and through the application of fertiliser. As part of RFM's ongoing strategy to mitigate and improve climate related risks, RFM will continue to monitor emissions and seek to implement infrastructure and practice changes. RFM considers that climate change may present risks for the Group primarily in the form of residual risk of the Group's assets at the end of the lease terms. These risks may be mitigated by how the assets are managed. External valuations consider these types of factors as well as other risks when determining the valuations of the assets.

COVID-19 outbreak

The outbreak of Coronavirus Disease 2019 was ongoing during the half year ended 31 December 2021 and as at the date of the report. There have been unprecedented measures put in place by the Australian Government, as well as governments across the globe, to contain the coronavirus which has led to significant uncertainty and has had a significant impact on the Australian and global economies. Following the outbreak, the Group continues to operate with no significant impacts to its ongoing operation to date. RFM will continue to monitor the potential impacts of the outbreak.

Rural Funds Group

Directors' Report

31 December 2021

Units on issue

381,367,182 units in Rural Funds Trust were on issue at 31 December 2021 (30 June 2021: 339,900,556). During the half year 41,466,626 units (30 June 2021: 2,187,136) were issued by the Trust and nil (30 June 2021: nil) were redeemed.

Indemnity of Responsible Entity and Custodian

In accordance with its constitution, Rural Funds Group indemnifies the Directors, Company Secretary and all other officers of the Responsible Entity and Custodian when acting in those capacities, against costs and expenses incurred in defending certain proceedings.

Rounding of amounts

The Group is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and accordingly amounts in the consolidated financial statements and Directors' report have been rounded to the nearest thousand dollars.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2021 has been received and is included on page 10 of the financial report.

The Directors' report is signed in accordance with a resolution of the Board of Directors of Rural Funds Management Limited.



David Bryant
Director

18 February 2022

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Auditor's Independence Declaration

As lead auditor for the review of Rural Funds Group for the half-year ended 31 December 2021, 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.

This declaration is in respect of Rural Funds Trust and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Rod Dring', with a large, stylized flourish at the end.

Rod Dring
Partner
PricewaterhouseCoopers

Sydney
18 February 2022

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Rural Funds Group

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2021

		31 December 2021 \$'000	31 December 2020 \$'000
Revenue	B3	34,855	33,916
Other income	B3	6,941	2,859
Management fees		(5,578)	(5,424)
Property expenses		(2,217)	(1,156)
Finance costs		(5,132)	(5,280)
Cost of goods sold		(3,765)	-
Other expenses		(3,093)	(2,491)
Gain on sale of assets		54	32,538
Depreciation and impairments - other		(497)	(268)
Change in fair value of investment property	C2	17,962	5,832
Change in fair value of bearer plants	C3	(2,258)	-
Depreciation - bearer plants	C3	(2,147)	(2,019)
Impairment of intangible assets	C5	(1,454)	(467)
Impairment of property - owner occupied	C6	(1,668)	(1,651)
Change in fair value of biological assets	E2	1,766	-
Change in fair value of interest rate swaps		5,581	2,939
Change in fair value of financial assets/liabilities		325	(24)
Net profit before income tax		39,675	59,304
Income tax expense		(1,468)	(879)
Net profit after income tax		38,207	58,425
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation increment - Bearer plants	C3	600	-
Income tax relating to these items		-	-
Other comprehensive income for the half year, net of tax		600	-
Total comprehensive income attributable to unitholders		38,807	58,425

The accompanying notes form part of these financial statements.

Rural Funds Group

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2021

	31 December 2021 \$'000	31 December 2020 \$'000
Note	\$'000	\$'000
Total net profit after income tax for the half year attributable to unitholders arising from:		
Rural Funds Trust	35,301	57,144
RF Active (non-controlling interest)	2,906	1,281
Total	38,207	58,425
Total comprehensive income for the half year attributable to unitholders arising from:		
Rural Funds Trust	35,901	57,144
RF Active (non-controlling interest)	2,906	1,281
Total	38,807	58,425
Earnings per unit		
Basic and diluted earnings per unit attributable to the unitholders:		
Per stapled unit (cents)	10.20	17.26
Per unit of Rural Funds Trust (cents)	9.42	16.88
Per unit of RF Active (cents)	0.78	0.38

The accompanying notes form part of these financial statements.

Rural Funds Group

Consolidated Statement of Financial Position

As at 31 December 2021

		31 December 2021 \$'000	30 June 2021 \$'000
	Note		
ASSETS			
Current assets			
Cash and cash equivalents		11,709	11,647
Trade and other receivables		7,214	4,945
Other current assets		1,410	4,995
Assets held for sale	C8	1,124	1,621
Biological assets	E2	2,387	2,988
Inventories		1,059	-
Income tax receivable		-	477
Total current assets		24,903	26,673
Non-current assets			
Investment property	C2	648,954	596,924
Plant and equipment - bearer plants	C3	194,938	160,782
Financial assets	C4, E1	112,487	107,177
Intangible assets*	C5	157,220	110,418
Property - owner occupied	C6	73,340	28,284
Plant and equipment - other	C7	15,871	8,716
Deposits	C9	17,188	-
Derivative financial assets		2,606	2,930
Other assets		6,867	-
Total non-current assets		1,229,471	1,015,231
Total assets		1,254,374	1,041,904
LIABILITIES			
Current liabilities			
Trade and other payables		4,356	3,195
Unearned income		6,849	-
Current tax payable		195	-
Interest bearing liabilities	D1	2,745	2,456
Derivative financial liabilities		3,627	3,604
Distributions payable		11,665	10,022
Total current liabilities		29,437	19,277
Non-current liabilities			
Interest bearing liabilities	D1	436,000	344,143
Deferred tax liabilities		7,637	7,450
Other non-current liabilities		4,471	4,421
Derivative financial liabilities		12,141	18,069
Total non-current liabilities		460,249	374,083
Total liabilities (excluding net assets attributable to unitholders)		489,686	393,360
Net assets attributable to unitholders		764,688	648,544
Total liabilities		1,254,374	1,041,904

*Water entitlements are held at cost less accumulated impairment in the Consolidated Statement of Financial Position in accordance with accounting standards. Refer to note B1 Segment information, for disclosure of the Directors' valuation of water entitlements, which are supported by independent property valuations.

The accompanying notes form part of these financial statements.

Rural Funds Group

Consolidated Statement of Financial Position

As at 31 December 2021

		31 December 2021 \$'000	30 June 2021 \$'000
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
Unitholders of Rural Funds Trust			
Issued units	D2	467,665	380,440
Asset revaluation reserve		48,947	48,347
Retained earnings		230,243	206,767
Parent entity interest		746,855	635,554
Unitholders of RF Active			
Issued units	D2	6,637	4,700
Retained earnings		11,196	8,290
Non-controlling interest		17,833	12,990
Total net assets attributable to unitholders		764,688	648,544

The accompanying notes form part of these financial statements.

Rural Funds Group

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the half year ended 31 December 2021

31 December 2021	Note	Issued units \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interest \$'000	Total \$'000
Balance at 1 July 2021		380,440	48,347	206,767	635,554	12,990	648,544
Other comprehensive income		-	600	-	600	-	600
Total other comprehensive income		-	600	-	600	-	600
Profit before income tax		-	-	35,548	35,548	4,127	39,675
Income tax expense		-	-	(247)	(247)	(1,221)	(1,468)
Total comprehensive income for the half year		-	600	35,301	35,901	2,906	38,807
Issued units							
Units issued during the half year		100,524	-	-	100,524	1,994	102,518
Issue costs		(2,770)	-	-	(2,770)	(57)	(2,827)
Total issued units	D2	97,754	-	-	97,754	1,937	99,691
Distributions to unitholders		(10,529)	-	(11,825)	(22,354)	-	(22,354)
Balance at 31 December 2021		467,665	48,947	230,243	746,855	17,833	764,688

31 December 2020	Note	Issued units \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interest \$'000	Total \$'000
Balance at 1 July 2020		355,923	59,412	131,628	546,963	11,003	557,966
Other comprehensive income		-	-	-	-	-	-
Total other comprehensive income		-	-	-	-	-	-
Profit before income tax		-	-	57,474	57,474	1,830	59,304
Income tax expense		-	-	(330)	(330)	(549)	(879)
Total comprehensive income for the period		-	-	57,144	57,144	1,281	58,425
Transfer on disposal of bearer plants to retained earnings		-	(15,348)	15,348	-	-	-
Issued units							
Units issued during the half year		2,499	-	-	2,499	25	2,524
Issue costs		-	-	-	-	-	-
Total issued units	D2	2,499	-	-	2,499	25	2,524
Distributions to unitholders		5,993	-	(25,094)	(19,101)	-	(19,101)
Balance at 31 December 2020		364,415	44,064	179,026	587,505	12,309	599,814

The accompanying notes form part of these financial statements.

Rural Funds Group

Consolidated Statement of Cash Flows

For the half year ended 31 December 2021

		31 December 2021 \$'000	31 December 2020 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		41,678	40,091
Payments to suppliers (inclusive of GST)		(14,931)	(11,648)
Interest received		39	26
Finance income		7,630	5,992
Finance costs		(5,198)	(5,280)
Income tax paid		(1,468)	(206)
Net cash inflow from operating activities		27,750	28,975
Cash flows from investing activities			
Payments for investment property	C2	(32,863)	(72,443)
Payments for plant and equipment - bearer plants	C3	(37,871)	(1,549)
Payments for financial assets - property related	C4	(932)	(5,307)
Payments for financial assets - other	E1	(4,385)	-
Payments for intangible assets	C5	(45,700)	(7,046)
Payments for property - owner occupied	C6	(51,383)	(29,889)
Payments for plant and equipment	C7	(8,383)	(4,940)
Payment for other assets		(2,694)	-
Payments for deposits	C9	(17,188)	-
Proceeds from sale of plant and equipment	C7	435	-
Proceeds from settlement of financial assets – property related	C4	532	-
Proceeds from assets held for sale	C8	1,621	-
Proceeds from sale of Moorai assets		-	93,300
Distributions received		-	39
Net cash outflow from investing activities		(198,811)	(27,835)
Cash flows from financing activities			
Proceeds from issue of units	D2	99,691	2,524
Proceeds from borrowings		226,500	136,291
Repayment of borrowings		(134,357)	(115,498)
Distributions paid		(20,711)	(18,618)
Net cash inflow from financing activities		171,123	4,699
Net increase in cash and cash equivalents held		62	5,839
Cash and cash equivalents at the beginning of the half year		11,647	5,085
Cash and cash equivalents at the end of the half year		11,709	10,924

The accompanying notes form part of these financial statements.

Rural Funds Group

Notes to the Financial Statements

31 December 2021

A. REPORT OVERVIEW

General information

This financial report covers the consolidated financial statements and notes of Rural Funds Trust and its Controlled Entities including RF Active (Rural Funds Group, the Group or collectively the Trusts). Rural Funds Group is a for profit entity incorporated and domiciled in Australia. The Directors of the Responsible Entity authorised the Financial Report for issue on 18 February 2022 and have the power to amend and reissue the Financial Report.

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The separate financial statements and notes of the parent entity, Rural Funds Trust, have not been presented within this financial report as permitted by amendments made to the *Corporations Act 2001*.

COVID-19 outbreak

The outbreak of Coronavirus Disease 2019 was ongoing during the half year ended 31 December 2021 and as at the date of the report. There have been unprecedented measures put in place by the Australian Government, as well as governments across the globe, to contain the coronavirus which has led to significant uncertainty and has had a significant impact on the Australian and global economies. Following the outbreak, the Group continues to operate with no significant impacts to its ongoing operation to date. RFM will continue to monitor the potential impacts of the outbreak.

Basis of preparation

The Trusts have common business objectives and operate collectively as an economic entity known as Rural Funds Group. The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and the Trusts' Constitution. The report has been prepared on a going concern basis.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated. The financial statements are based on historical cost, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

This general purpose financial report for the half year ended 31 December 2021 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 Group 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 financial year ended 30 June 2021 and any public announcements made by the Group during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

These financial statements are consolidated financial statements and accompanying notes of both Rural Funds Trust and RF Active.

Rounding of amounts

The Group is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and accordingly amounts in the consolidated financial statements and Directors' report have been rounded to the nearest thousand dollars.

Principles of consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, income, expenses and cash flows relating to transactions between entities in the consolidated Group have been eliminated in full for the purpose of these financial statements.

Rural Funds Group

Notes to the Financial Statements

31 December 2021

Principles of consolidation (continued)

Appropriate adjustments have been made to the controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a 30 June financial year end.

Controlled entities

In accordance with AASB 3 *Business Combinations*, Rural Funds Trust is deemed to control RF Active from the stapling date of 16 October 2014. Rural Funds Trust is considered to be the acquirer of RF Active due to the size of the respective entities and as the stapling transaction and capitalisation of RF Active was funded by a distribution from Rural Funds Trust that was compulsorily used to subscribe for units in RF Active.

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, estimates and assumptions in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions 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 and may materially affect financial results or the financial position reported in future periods.

The following are areas for which significant judgements, estimates or assumptions are made:

Valuation of property related assets

Independent valuations on the Group's properties are obtained, ensuring that each property will have been independently valued every two financial years or more often where appropriate. Independent valuation reports assess and provide value for properties in their entirety.

Significant judgement is applied in order to allocate the total property value, as disclosed in the independent valuation reports where applicable, to investment property, bearer plants and water entitlements. The allocation technique will vary depending on the nature of the lease arrangement.

Where information is available, each component of the property, meaning the land and infrastructure, the trees and any water assets, disclosed in the financial statements as investment property, bearer plants and water entitlements, will be allocated on an encumbered (subject to lease) basis.

If this information is not available, the valuation report may provide additional information, such as the summation basis of the unencumbered (not subject to lease) value, evidence of other market transactions and the analysis of those component parts, which along with other sources, including the nature of capital expenditure on the property, is used to determine the encumbered allocation to components. Significant judgement is applied as part of these allocations, which vary from property to property, given the individual circumstances of the leasing arrangements. The allocation technique may change to reflect the best estimate of fair value attributable to each component at reporting date. Allocation techniques are disclosed in Note C1.

Estimation of useful lives of bearer plants

The useful lives of bearer plants have been estimated by assessing industry data. The useful lives of bearer plants are disclosed in Note C3.

Comparative amounts

Comparative amounts have not been restated unless otherwise noted.

Working capital

The deficiency in working capital at 31 December 2021 is due to the timing of distributions. Based on the forecast cash flows, the Group believes it can pay all its debts as and when they fall due for at least a minimum period of 12 months from the date of these accounts. The Group has headroom in its bank facility limit of approximately \$84.0 million as at 31 December 2021 subject to compliance with the Group's bank covenants.

Rural Funds Group

Notes to the Financial Statements

31 December 2021

B. RESULTS

B1 Segment information

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Directors of the Responsible Entity. During the half year ended 31 December 2021, the Group held property in agricultural sectors presented in five segments (30 June 2021: five segments) each holding and leasing agricultural property and equipment. Segment revenue includes rental income, finance income and interest income. Segment property assets include investment property, bearer plants, intangible assets, property – owner occupied, financial assets and plant and equipment. Revenue and property assets not categorised in these sectors are managed at a corporate level. Liabilities and direct or indirect expenses are not allocated to individual segments as these are reviewed by the chief operating decision maker on a consolidated basis.

Segment revenue and revaluation movements

	Almonds	Cattle	Vineyards	Cropping	Macadamias	Other	Total
31 December 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Rental revenue	14,076	6,931	2,074	1,937	667	1,128	26,813
Rental revenue - straight-lining	(140)	157	(109)	-	(4)	(4)	(100)
Interest received	-	39	-	-	-	-	39
Finance income	-	8,079	-	-	24	-	8,103
Total revenue	13,936	15,206	1,965	1,937	687	1,124	34,855
Gain on disposal	-	-	-	(5)	59	-	54
Depreciation - bearer plants	(1,410)	-	(620)	-	(117)	-	(2,147)
Depreciation - property (owner occupied)	-	-	-	(13)	-	-	(13)
Change in fair value through profit or loss	-	17,146	-	(1,112)	(3,093)	(34)	12,907
Revaluation increment through other comprehensive income	-	-	-	-	600	-	600
Total revaluation	-	17,146	-	(1,112)	(2,493)	(34)	13,507
Revaluation of water entitlements per director's valuation	-	-	-	-	122	-	122
Total revaluation	-	17,146	-	(1,112)	(2,371)	(34)	13,629

Rural Funds Group

Notes to the Financial Statements

31 December 2021

B1 Segment information (continued)

Segment revenue and revaluation movements (continued)

Revaluation for the cattle segment largely relates to the external valuation of Rewan, Petro, High Hill, Willara and Yarra. The revaluation increment is mainly due to market movements.

Revaluation movements to cropping and macadamia properties largely relates to transaction costs incurred as part of the acquisitions that have been written off in the independent valuations.

Refer to section C1 for details on properties valued during the half year.

	Almonds	Cattle	Vineyards	Cropping	Macadamias	Other	Total
31 December 2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Rental revenue	16,757	6,751	2,014	1,539	699	121	27,881
Rental revenue - straight-lining	(824)	227	76	-	-	-	(521)
Interest received	-	22	-	2	-	2	26
Finance income	12	6,502	-	-	16	-	6,530
Total revenue	15,945	13,502	2,090	1,541	715	123	33,916
Gain on disposal	32,562	-	-	-	-	(24)	32,538
Depreciation - bearer plants	(1,428)	-	(483)	-	(108)	-	(2,019)
Change in fair value through profit or loss	1,052	7,087	-	(3,351)	(1,098)	-	3,690
Revaluation increment through other comprehensive income	-	-	-	-	-	-	-
Total revaluation	1,052	7,087	-	(3,351)	(1,098)	-	3,690
Revaluation of water entitlements per director's valuation	-	-	-	-	-	-	-
Total revaluation	1,052	7,087	-	(3,351)	(1,098)	-	3,690

Rural Funds Group

Notes to the Financial Statements

31 December 2021

B1 Segment information (continued)

Segment assets

	Almonds	Cattle	Vineyards	Cropping	Macadamias	Unallocated	Total
31 December 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment property	127,141	340,332	34,260	85,627	61,594	-	648,954
Plant and equipment - bearer plants	124,474	-	22,918	-	47,546	-	194,938
Financial assets - property related	11,624	91,342	628	-	1,282	9	104,885
Intangible assets (water)	66,707	5,659	500	8,651	4,685	71,018	157,220
Property - owner occupied	-	-	-	51,612	21,728	-	73,340
Plant and equipment	-	788	-	4,062	11,021	-	15,871
Assets held for sale	-	-	1,124	-	-	-	1,124
Deposits	-	17,188	-	-	-	-	17,188
Total property assets per statutory accounts	329,946	455,309	59,430	149,952	147,856	71,027	1,213,520
Revaluation of intangible assets per director's valuation	50,350	-	5,330	-	529	34,091	90,300
Total adjusted property assets at director's valuation	380,296	455,309	64,760	149,952	148,385	105,118	1,303,820
Other assets per statutory accounts	-	-	-	-	-	40,854	40,854
Total adjusted assets	380,296	455,309	64,760	149,952	148,385	145,972	1,344,674

Rural Funds Group

Notes to the Financial Statements

31 December 2021

B1 Segment information (continued)

Segment assets (continued)

	Almonds	Cattle	Vineyards	Cropping	Macadamias	Unallocated	Total
30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment property	126,189	305,151	34,540	83,300	47,744	-	596,924
Plant and equipment - bearer plants	125,580	-	23,815	-	11,387	-	160,782
Financial assets - property related	11,762	90,846	738	-	952	14	104,312
Intangible assets (water)	66,707	1,848	500	4,236	4,464	32,663	110,418
Property - owner occupied	-	-	-	28,284	-	-	28,284
Plant and equipment	100	640	-	2,065	5,911	-	8,716
Assets held for sale	1,621	-	-	-	-	-	1,621
Total property assets per statutory accounts	331,959	398,485	59,593	117,885	70,458	32,677	1,011,057
Revaluation of intangible assets per director's valuation	50,349	-	5,330	-	408	34,091	90,178
Total adjusted property assets at director's valuation	382,308	398,485	64,923	117,885	70,866	66,768	1,101,235
Other assets per statutory accounts	-	-	-	-	-	30,847	30,847
Total adjusted assets	382,308	398,485	64,923	117,885	70,866	97,615	1,132,082

Rural Funds Group

Notes to the Financial Statements

31 December 2021

B1 Segment information (continued)

Net asset value adjusted for water rights

The chief operating decision maker of RFF assesses the segments on property asset values adjusted for water rights. RFF owns permanent water rights and entitlements which are recorded at historical cost less accumulated impairment losses. Such rights have an indefinite life and are not depreciated. The carrying value is tested annually for impairment as well as for possible reversal of impairment. If events or changes in circumstances indicate impairment, or reversal of impairment, the carrying value is adjusted to take account of impairment losses.

The book value of the water rights (including investments in BIL and CICL recognised as financial assets) at 31 December 2021 is \$169,204,000 (30 June 2021: \$122,402,000).

Independent valuations on the Group's properties are obtained, ensuring that each property will have been independently valued every two years or more often where appropriate. Independent valuation reports assess and provide value for properties in their entirety. The independent valuation reports contains information with which judgement is applied in order to allocate values to investment property, bearer plants and water entitlements. The Directors have taken into account the most recent valuations on each property and consider that they remain a reasonable estimate and on this basis the fair value of water entitlements before deferred tax adjustments at 31 December 2021 was \$259,504,000 (30 June 2021: \$212,580,000) representing the value of the water rights of \$90,300,000 (30 June 2021: \$90,178,000) above cost.

The following is a reconciliation of the book value at 31 December 2021 to an adjusted value based on the Directors' valuation of the water rights which are assessed by the chief operating decision maker.

	Per Statutory Consolidated Statement of Financial Position \$'000	Revaluation of water entitlements per Directors' valuation \$'000	Directors' valuation (Adjusted) \$'000
Assets			
Total current assets	24,903	-	24,903
Total non-current assets	1,229,471	90,300	1,319,771
Total assets	1,254,374	90,300	1,344,674
Liabilities			
Total current liabilities	29,437	-	29,437
Total non-current liabilities	460,249	-	460,249
Total liabilities (excluding net assets attributable to unitholders)	489,686	-	489,686
Net assets attributable to unitholders	764,688	90,300	854,988
Net asset value per unit (\$)	2.00	0.24	2.24

Rural Funds Group

Notes to the Financial Statements

31 December 2021

B1 Segment information (continued)

31 December 2021	Area*	31 December 2021	30 June 2021	Most Recent Independent Valuation	
		Adjusted value \$'000	Adjusted value \$'000	Date \$'000	Encumbered Valuation** \$'000
Almonds					
Yilgah (NSW)	1,006 ha	105,598	106,563	Mar 2021	107,000
Tocabil (NSW)	603 ha	49,227	48,876	Mar 2021	49,000
Kerarbury (NSW)	2,530 ha	225,313	226,472	Mar 2021	228,000
Cattle					
Rewan (QLD)	17,479 ha	62,400	50,400	Nov 2021	62,400
Mutton Hole (QLD)	140,300 ha	16,755	16,680	Jun 2021	16,680
Oakland Park (QLD)	85,500 ha	8,577	8,500	Jun 2021	8,500
Natal Aggregation (QLD)	390,600 ha	88,988	88,500	Jun 2021	88,500
Comanche (QLD)	7,600 ha	24,553	24,238	Jun 2020	21,997
Cerberus (QLD)	8,280 ha	14,090	13,963	Jun 2020	13,844
Dyamberin (NSW)	1,728 ha	13,959	13,959	Jun 2020	13,900
JBS Feedlots Finance Lease Receivable (NSW/QLD)	150,000 hd	56,088	55,615	N/A	N/A
Woodburn (NSW)	1,063 ha	7,397	7,397	Jun 2020	7,300
Cobungra (VIC)	6,497 ha	40,800	40,800	Jun 2021	40,800
Petro (WA)	2,942 ha	13,432	12,221	Nov 2021	13,200
High Hill (WA)	1,601 ha	6,249	4,967	Nov 2021	5,840
Willara (WA)	1,653 ha	5,718	4,985	Nov 2021	5,375
Yarra (QLD)	4,090 ha	23,600	6,245	Dec 2021	23,600
Homehill (QLD)	4,925 ha	13,374	12,875	Jun 2020	11,839
River Block and Coolibah (QLD)**	724 ha	4,933	-	Dec 2021	4,933
Cropping					
Lynora Downs (QLD)	4,963 ha	41,655	41,500	Jun 2021	41,500
Mayneland (QLD)	2,942 ha	23,727	20,450	Nov 2021	23,300
Maryborough – Cropping (QLD)	3,745 ha	50,507	53,870	Nov 2020	50,345
Baamba Plains (QLD)	4,130 ha	30,000	-	Nov 2021	30,000
Macadamias					
Swan Ridge (QLD)	130 ha	6,990	6,679	Sep 2021	7,000
Moore Park (QLD)	104 ha	4,529	3,882	Sep 2021	4,550
Bonmac (QLD)	27 ha	3,180	2,797	Sep 2021	3,200
Cygnat (QLD)	37 ha	3,104	2,826	Apr 2021	2,800
Swan Ridge South (QLD)	123 ha	1,614	1,692	Sep 2021	1,600
Nursery Farm (QLD)***	41 ha	7,010	5,914	Apr 2021	3,800
Riverton (QLD)	1,015 ha	9,509	4,900	Mar 2021	4,520
Rookwood Farms (QLD)****	2,452 ha	10,596	10,463	Mar 2021	7,070
Maryborough – Macadamias (QLD)	1513 ha	34,798	24,850	Nov 2020	24,314
Beerwah (QLD)	340 ha	36,307	-	Dec 2021	36,307
Bauple (QLD)	135 ha	18,443	-	Dec 2021	18,443
Vineyards					
Kleinig (SA)	206 ha	22,781	22,997	Mar 2021	23,100
Geier (SA)	243 ha	27,838	27,562	Mar 2021	27,700
Dohnt (SA)	30 ha	1,189	1,196	Mar 2021	1,200
Hahn (SA)	50 ha	5,005	5,069	Mar 2021	5,100
Mundy and Murphy (SA)	55 ha	4,079	4,093	Mar 2021	4,100
Rosebank (VIC)	82 ha	3,760	3,788	Mar 2021	3,800
Water rights					
River water (NSW)	8,754 ML	65,655	65,655	Jun 2021	65,655
River water (QLD)	3,710 ML	1,099	1,099	Jun 2020	1,099
Ground water (NSW)	8,338 ML	38,355	-	Aug 2021	38,355
Total property and water assets		1,232,781	1,054,538		
Cattle finance leases and other assets		35,133	35,582		
Plant and equipment		15,871	8,716		
Other receivables and equipment leases		2,847	2,399		
Deposit for acquisition of Kaiuroo property		17,188	-		
Total adjusted property assets		1,303,820	1,101,235		

* Unless otherwise denoted, the almond, vineyard and macadamia areas refer to planted. Swan Ridge South, Riverton, Rookwood Farms, Maryborough – Macadamias refer to total property area.

**Valuations are encumbered unless not applicable (for example where a property is not subject a lease or at acquisition).

***Nursery Farm includes the value of trees in the tree nursery which is not accounted for in the external valuation. Cost of trees in the tree nursery approximates fair value.

****Rookwood Farms aggregation comprises of the Stoneleigh, Corrowah and Tongola properties.

Rural Funds Group

Notes to the Financial Statements

31 December 2021

B1 Segment information (continued)

Total property assets by property (continued)

Revaluations from external valuations

The total uplift for the half year ended 31 December 2021 has been largely due to the external valuer's assessment of the value of the land. The uplift has largely been driven by improved demand and market sentiment for cattle properties in the respective regions. All of the Group's properties have been valued by an independent valuer within the last 18 months. Further information on the significant unobservable inputs adopted by the external valuer in the fair value measurement of the properties is described in note C1.

A number of properties acquired during the period were subject to independent valuations. Revaluation movements for these properties largely relate to transaction costs incurred that were written off in the independent valuations.

Adjusted property values movements after the most recent independent valuation

Increases to the adjusted property value from the last valuation is primarily a result of new acquisitions or capital expenditure subsequent to the valuation, designed to improve an asset's productivity and value.

Decrease to adjusted property value from last valuation is primarily a result of depreciation on the bearer plants.

B2 Adjusted funds from operations (AFFO)

The following presents the components of adjusted funds from operations (AFFO) and provides a reconciliation from AFFO to Net profit after income tax which is assessed by the chief operating decision maker.

	31 December 2021 \$'000	31 December 2020 \$'000
Revenue	34,855	33,916
Other income	6,941	2,859
Cost of goods sold (cropping operations)	(3,765)	-
Change in fair value of biological assets (harvested crops)	1,435	-
Management fees	(5,578)	(5,424)
Property expenses	(2,217)	(1,156)
Finance costs	(5,132)	(5,280)
Other expenses	(3,093)	(2,491)
Straight-lining of rental revenue	100	521
Interest component of JBS feedlot finance lease	(474)	(538)
Income tax payable (RF Active)	(1,281)	(237)
Adjusted Funds From Operations (AFFO)	21,791	22,170
Change in fair value of investment property	17,962	5,832
Change in fair value of bearer plants	(2,258)	-
Impairment of property - owner occupied	(1,668)	(1,651)
Impairment of intangible assets	(1,454)	(467)
Depreciation - bearer plants	(2,147)	(2,019)
Depreciation and impairments - other	(497)	(268)
Change in fair value of biological assets (unharvested crops)	331	-
Change in fair value of financial assets/liabilities	325	(24)
Change in fair value of interest rate swaps	5,581	2,939
Straight-lining of rental revenue	(100)	(521)
Interest component of JBS feedlot finance lease	474	538
Income tax expense	(187)	(642)
Gain on sale of assets	54	32,538
Net profit after income tax	38,207	58,425
AFFO cents per unit	5.8	6.6

Rural Funds Group

Notes to the Financial Statements

31 December 2021

B3 Revenue

	31 December 2021 \$'000	31 December 2020 \$'000
Rental income	26,713	27,360
Finance income	8,103	6,530
Interest received	39	26
Total	34,855	33,916

The Group's revenue is largely comprised of income under leases and finance income. All revenue is stated net of the amount of goods and services tax (GST).

Rental income arises from the leasing of property assets and operational plant and equipment and is accounted for on a straight-line basis over the period of the lease. The respective leased assets are included in the Consolidated Statement of Financial Position based on that nature.

Finance income arises from the provision of financial guarantees and working capital loans, finance leases on cattle feedlots and cattle breeders and leased agricultural plant and equipment and recognised on an accrual basis using the effective interest rate method.

Other Income

	31 December 2021 \$'000	31 December 2020 \$'000
Sale of temporary water allocations	3,028	2,806
Other income	148	53
Sale of agricultural produce	3,765	-
Total	6,941	2,859

Expenses

Expenses such as Responsible Entity fees, property expenses and overheads are recognised on an accruals basis. Interest expenses are recognised on an accrual basis using the effective interest method.

B4 Distributions

The group paid and declared the following distributions during the half year:

	Cents per unit	Total \$
Distribution declared 1 June 2021, paid 30 July 2021	2.8203	9,586,215
Distribution declared 1 September 2021, paid 29 October 2021	2.9331	11,168,247
Distribution declared 1 December 2021, paid 31 January 2022	2.9331	11,185,881

Rural Funds Group

Notes to the Financial Statements

31 December 2021

C. PROPERTY ASSETS

This section includes detailed information regarding RFF's properties, which are made up of multiple line items on the Consolidated Statement of Financial Position including Investment property, Plant and equipment – bearer plants, Financial assets – property related, Intangible assets, Property – owner occupied and Plant and equipment – other.

C1 RFF property assets

		31 December 2021 \$'000	30 June 2021 \$'000
Investment property	C2	648,954	596,924
Plant and equipment - bearer plants	C3	194,938	160,782
Financial assets - property related	C4	104,885	104,312
Intangible assets	C5	157,220	110,418
Property - owner occupied	C6	73,340	28,284
Plant and equipment - other	C7	15,871	8,716
Asset held for sale	C8	1,124	1,621
Deposits	C9	17,188	-
Total		1,213,520	1,011,057

Rental income and fair value movements from RFF property assets

	31 December 2021 \$'000	31 December 2020 \$'000
Rental income from property assets	34,816	33,890
Change in fair value of investment property	17,962	5,832
Revaluation decrement - bearer plants	(1,658)	-
Depreciation - bearer plants	(2,147)	(2,019)

Key changes to the property portfolio during the half year:

- In July 2021, the Group completed the sale of surplus land on Kerarbury for approximately \$1.6m.
- In August 2021 the Group completed the purchase of 8,338ML of Lower Murrumbidgee ground water entitlements for approximately \$38.4m including transaction costs. The water entitlements are leased to a private farming company for a term of five years.
- In November 2021 the Group leased an area on the Nursery Farm property in Bundaberg, Queensland to an external operator, Dalwood Nursery Pty Ltd. The arrangement provides a supply of macadamia trees to RFF to be planted on various developments in Queensland including Bundaberg, Rockhampton, and Maryborough.
- In November 2021, the Group completed the acquisition of Baamba Plains, a 4,130ha cropping property located in central Queensland for \$34.0m including transaction costs and including \$2.5m of associated plant and equipment.
- In November 2021, the Group paid a \$17.2m deposit on Kaiuroo, a 27,879ha aggregation of four cattle and cropping properties located in central Queensland. An extended settlement date of up to two years has been negotiated, allowing RFM to begin productivity developments and to seek a lessee prior to settlement.
- In December 2021, the Group acquired The Pocket, to be managed as part of the existing Yarra property, a 1,917ha cattle and cropping property located near Rockhampton, Queensland for \$14.6m including transaction costs and associated plant and equipment.
- In December 2021, the Group completed the acquisition of the River Block and Coolibah cattle properties totaling 724ha, located near Rockhampton, Queensland for \$4.9m including transaction costs. The properties will be managed as one property.
- In December 2021, the Group completed the acquisition Beerwah and Bauple, consisting 475ha of mature macadamia orchards located in south-east Queensland, for \$66.6m including transaction costs, associated plant and equipment and shares in Marquis Macadamias Limited.

Rural Funds Group

Notes to the Financial Statements

31 December 2021

C1 RFF property assets (continued)

Macadamia development

The Group is developing macadamia orchards across a number of properties located in Queensland, Australia. As part of the development, costs relating to the acquisition, construction and development of macadamia orchards will be capitalised to the respective asset class that the cost relates to. The asset classes identified are investment property, bearer plants and water entitlements.

Investment property

This includes costs associated with the acquisition for land, buildings, orchard and irrigation infrastructure and any costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

Bearer plants

This includes costs associated with the acquisition of macadamia trees, planting costs, growing costs incurred for the trees to reach maturity including fertiliser and watering costs and costs associated with establishing the macadamia trees in the orchard and bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

Water entitlements

This includes costs associated with the purchase of water entitlements. Water entitlements are deemed ready for use on acquisition.

Borrowing costs

Borrowing costs may be capitalised on qualifying assets up until the property is ready for use. Borrowing costs relating to the acquisition, construction and development of the macadamia orchards are capitalised to the respective asset classes up until the property is deemed ready for use. Properties could be deemed ready for use when the property has been leased or when the property is operating in a manner as intended by management, for example, a macadamia orchard may be deemed operational when the orchard is fully planted and the plantings have been established.

Valuations

Independent valuations on the Group's properties are obtained, ensuring that each property will have been independently valued every two financial years or more often where appropriate. Independent valuers engaged hold recognised and relevant professional qualifications with experience in agricultural properties.

The following existing properties had relevant independent valuations during the half year ended 31 December 2021:

Almond properties	Nil
Cattle properties	Rewan, Petro, High Hill, Willara, Yarra,
Macadamia properties	Swan Ridge, Moore Park, Bonmac, Swan Ridge South
Vineyard properties	Nil
Cropping properties	Mayneland
Other	Nil

The Directors have considered independent valuations and market evidence where appropriate to determine the appropriate fair value to adopt. The Directors have adopted all valuations from independent valuers in the periods where valuations have been obtained.

The Directors have deemed that independent valuations were not required on the remaining properties as there have been no material changes to the industry, physical and geographical conditions of these properties in which the independent valuers have previously assessed. For these properties, the Directors have performed internal assessments, considering the latest valuation reports, that the carrying amount is still reflective of the fair value of the properties at reporting date.

The Group's properties, including those under development, are carried at fair value excluding the value of water rights. Water rights are treated as intangible assets, which are held at historical cost less accumulated impairment losses. Independent valuation reports assess and provide value for properties in its entirety. The independent valuation reports contain information with which judgement is applied in order to allocate values to investment property, bearer plants and water entitlements, where relevant.

Rural Funds Group

Notes to the Financial Statements

31 December 2021

C1 RFF property assets (continued)

Valuations (continued)

Judgement is applied in order to allocate the total property value, as disclosed in the independent valuation reports, to each component; investment property, bearer plants and water entitlements. The allocation technique will vary depending on the nature of the lease arrangement.

Where information is available, such as when provided by the external valuer, each component of the property, meaning the land and infrastructure, the trees and any water assets, disclosed in the financial statements as investment property, bearer plants and water entitlements, will be allocated on an encumbered (subject to lease) basis. Conditions associated with individual assets are considered as part of the valuation allocation.

If this information is not available, the valuation report may provide additional information, such as the summation basis of the unencumbered (not subject to lease) value, which along with other sources, including the nature of capital expenditure on the property, is used to determine the encumbered allocation to components. Judgement is applied as part of these allocations which vary from property to property given the individual circumstances of the leasing arrangements. The allocation technique may change to reflect the best estimate of fair value attributable to each component at reporting date.

Valuation reports obtained during the half year ended to December 2021 have referred to circumstances of uncertainty as a result of the outbreak of COVID-19. For the avoidance of doubt, such references have not meant that the valuations cannot be relied upon but rather ensures transparency of the fact that in the current circumstances, less certainty can be attached to the valuation than would otherwise be the case. Discussions held with the valuers have confirmed that there is no expected material impact to the valuations as a result of COVID-19.

Significant accounting judgements, estimates and assumptions in relation to valuation of property assets

At the end of each reporting period, the Directors update their assessment of fair value of each property, considering the most recent independent valuations. The Directors determine a property's value using reasonable fair value estimates from the most recent independent valuer's valuation reports.

Independent valuation reports assess and provide fair values for properties in their entirety. Judgement is applied in order to allocate the total property values as disclosed in the independent valuation reports, to investment property, bearer plants, property – owner occupied and water entitlements. The independent valuation reports contain information with which judgement is applied to allocate values to investment property, bearer plants, property – owner occupied and water entitlements.

Rural Funds Group

Notes to the Financial Statements

31 December 2021

C1 RFF property assets (continued)

Valuations (continued)

Investment property, Bearer plants and Property – owner occupied

The main level 3 inputs used by the Group include discount rates, terminal capitalisation rates, capitalisation rates, rate per area of land, adult equivalent rates and carrying capacity estimated in the respective valuations based on comparable transactions and industry data. At the end of each reporting period, the directors update their assessment of the fair value of each property. Changes in level 3 fair values are analysed at each reporting date and during discussions with the independent valuers.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurement:

Description*	Fair value at		Primary valuation technique	Allocation technique	Unobservable inputs**	Range of inputs	
	31 December 2021 \$'000	30 June 2021 \$'000				31 December 2021 %	30 June 2021 %
Almond orchard property	251,615	251,769	Discounted Cash Flow	Rental base	Discount rate (%)	6.75 - 7.50	6.75 - 7.50
				Component based	Terminal Capitalisation Rate (%)	8.25 - 12.50	8.25 - 12.50
Cattle property and infrastructure	340,332	305,151	Summation assessment	Component based	\$ per adult equivalent (AE) carrying capacity (Backgrounding properties)	\$3,770 - \$11,765	\$3,804 - \$7,381
			Productive unit		\$ per adult equivalent (AE) carrying capacity (Breeder properties)	\$1,426 - \$2,091	\$1,426 - \$2,000
Vineyard property and infrastructure	57,178	58,355	Discounted Cash Flow	Component based	Discount rate (%)	7.50 - 8.50	7.50 - 8.50
					Terminal Capitalisation rate (%)	8.25 - 10.00	8.25 - 10.00

*Fair values disclosed exclude water assets.

**There were no significant inter-relationships between unobservable inputs that materially affect fair values. Unobservable inputs are based on assessments by external valuers.

Rural Funds Group

Notes to the Financial Statements

31 December 2021

C1 RFF property assets (continued)

Valuations (continued)

Investment property, Bearer plants and Property – owner occupied (continued)

Description*	Fair value at		Primary valuation technique	Allocation technique	Unobservable inputs**	Range of inputs	
	31 December 2021	30 June 2021				31 December 2021	30 June 2021
Cropping property and infrastructure	137,239	111,584	Summation assessment	Component based	\$ per irrigated hectare per property Average \$ per plantable hectare*** (Maryborough)	\$13,021 - \$16,681 \$10,249	\$16,681 - \$17,726 \$10,430
Macadamia orchard property	130,868	59,131	Discounted Cash Flow	Rental base/ Proportionate	Discount rate (%)	7.25 - 7.50	7.50 - 8.50
					Terminal Capitalisation rate (%)	7.25	7.25 - 8.00
			Summation assessment	Component based	\$ per planted hectare per property (planted orchard) Average \$ per plantable hectare (development orchard)***	\$69,700 - \$105,000 \$14,514	- \$12,508
Total	917,232	785,990					

*Fair values disclosed exclude water assets.

**There were no significant inter-relationships between unobservable inputs that materially affect fair values. Unobservable inputs are based on assessments by external valuers.

***Weighted average calculated based on estimated plantable hectares.

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Notes to the Financial Statements

31 December 2021

C1 RFF property assets (continued)

Valuations (continued)

Primary valuation technique

External valuations typically assess property values using different valuation techniques.

Discounted cash flow	Valuation based on future net rental cash flows discounted to the present value. The terminal value (as determined by the terminal capitalisation rate) is typically assessed and discounted in these types of valuations. The valuer may also use comparative sales as supporting information.
Summation assessment	Assessment of the property on an asset by asset basis based on comparative sales evidence and typically driven by a rate per productive hectare and assessment of other components such as water and supporting buildings.
Productive unit	Assessment on the property driven by the value per adult equivalent head that is supported by the property and carrying capacity of the property.

Allocation technique

Independent valuation reports assess and provide value for properties in their entirety. Component allocation techniques are adopted to allocate the total property value to investment property, bearer plants, property – owner occupied and water entitlements. The component allocation technique applied is assessed on each external valuation to ensure that the allocation technique is consistent with the nature and characteristics of the property including any lease encumbrances. The allocation technique may change to reflect the best estimate of fair value attributable to each component at reporting date.

The following allocation techniques have been applied:

Rental base	Applied for properties with long term indexed leases by allocating value to component assets using the rental base. The rental base is identifiable and generally determined by the cost of the assets. The allocation by rental base reflects the encumbered nature of the assets where rental incomes are not affected by short term market fluctuations in the value of the assets due to lack of rental review mechanism.
Component based	<p>The encumbered value is allocated based on information in the valuation report which enables the allocation by components on an encumbered basis. Conditions associated with individual assets are considered as part of the valuation allocation.</p> <p>To determine the allocation of components on an encumbered basis, the external valuer will assess various factors such as market indicators, comparable sales data of encumbered assets, comparable rental data and other relevant information such as replacement cost concepts.</p>
Component based – Almonds and Macadamias	<p>Applied for properties where leases include rental reviews. Information is provided in the valuation to allocate the encumbered value of the property to water assets, investment property and bearer plants on an encumbered basis.</p> <p>Firstly, the approach allocated value to water assets based on comparable encumbered rental data. The value of land was determined based on comparable sales data. Orchard infrastructure including irrigation was determined based on a replacement cost assumption adjusted for an estimate of the age of the assets. Bearer plants was identified as being the residual value of the total encumbered value of the property.</p>
Proportionate	Applied for properties where leases include rental reviews and where component based information is not able to be used. For properties with water assets, the allocation considers the unencumbered value of water assets and allocates this on a proportionate basis to the encumbered value of the property. Judgement is then applied to allocate encumbered values to investment property and bearer plants using available information, including information from the valuation report and the nature of capital expenditure on the relevant property.

Rural Funds Group

Notes to the Financial Statements

31 December 2021

C1 RFF property assets (continued)

Valuations (continued)

Unobservable inputs

Unobservable inputs are assumptions based on the assessments and determinations made by external valuers in their capacity as qualified experts which are key inputs in the valuation techniques utilised.

Discount rate (%)	The higher the discount rate the lower the fair value
Terminal capitalisation rate (%)	The higher the terminal capitalisation rate the lower the fair value
\$ per irrigated/planted hectare	The higher the value per irrigated/planted hectare, the higher the fair value
Average \$ per plantable hectare	The higher the value per plantable hectare, the higher the fair value
\$ per adult equivalent carrying capacity	The higher the value per adult equivalent carrying capacity, the higher the fair value

C2 Investment property

31 December 2021	Almond property	Cattle property	Vineyard property	Cropping property	Macadamia property	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening net book amount	126,189	305,151	34,540	83,300	47,744	596,924
Acquisitions	-	15,534	-	-	-	15,534
Additions	952	2,577	567	3,120	10,113	17,329
Capitalisation of borrowing costs	-	-	-	-	63	63
Classified as held for sale or disposals	-	-	(847)	-	-	(847)
Transfer from property – owner occupied	-	-	-	1,404	3,241	4,645
Transfer to intangible assets	-	-	-	(2,556)	-	(2,556)
Amortisation of lease incentives	-	(100)	-	-	-	(100)
Fair value adjustment	-	17,170	-	359	433	17,962
Closing net book amount	127,141	340,332	34,260	85,627	61,594	648,954

30 June 2021	Almond property	Cattle property	Vineyard property	Cropping property	Macadamia property	Total
Opening net book amount	127,519	249,534	38,170	47,896	11,719	474,838
Acquisitions	-	4,413	-	22,599	36,932	63,944
Additions	3,717	6,507	11	5,433	4,483	20,151
Capitalisation of borrowing costs	-	-	-	-	68	68
Classified as held for sale or disposals	(3,392)	(774)	-	-	-	(4,166)
Amortisation of lease incentives	-	(200)	-	-	-	(200)
Fair value adjustment	(1,655)	45,671	(3,641)	7,372	(5,458)	42,289
Closing net book amount	126,189	305,151	34,540	83,300	47,744	596,924

Investment properties comprise land, buildings and integral infrastructure including shedding, irrigation and trellising.

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Notes to the Financial Statements

31 December 2021

C2 Investment property (continued)

Investment properties are held for long-term rental yields and capital growth and are not occupied by the Group. RFF measures and recognises investment property at fair value where the valuation technique is based on unobservable inputs. Changes in fair value are presented through profit or loss in the Consolidated Statement of Comprehensive Income.

Capital expenditure that enhances the future economic benefits of the assets are capitalised to investment property. Incentives provided are also capitalised to the investment property and are amortised on a straight-line basis over the term of the lease as a reduction of rental revenue.

C3 Plant and equipment – bearer plants

31 December 2021	Bearer Plants - Almonds \$'000	Bearer Plants - Vineyards \$'000	Bearer Plants - Macadamias \$'000	Total \$'000
Opening net book amount	125,580	23,815	11,387	160,782
Acquisitions	-	-	35,480	35,480
Additions	304	-	2,451	2,755
Capitalisation of borrowing costs	-	-	3	3
Classified as held for sale or disposals	-	(277)	-	(277)
Depreciation and impairment	(1,410)	(620)	(117)	(2,147)
Fair value adjustment - profit and loss	-	-	(2,258)	(2,258)
Fair value adjustment - other comprehensive income	-	-	600	600
Closing net book amount	124,474	22,918	47,546	194,938
30 June 2021	Bearer Plants - Almonds \$'000	Bearer Plants - Vineyards \$'000	Bearer Plants - Macadamias \$'000	Total \$'000
Opening net book amount	126,805	19,756	6,967	153,528
Additions	948	-	3,845	4,793
Capitalisation of borrowing costs	-	-	1	1
Disposals	(18)	-	-	(18)
Depreciation and impairment	(2,798)	(1,016)	(218)	(4,032)
Fair value adjustment - profit and loss	-	1,007	-	1,007
Fair value adjustment - other comprehensive income	643	4,068	792	5,503
Closing net book amount	125,580	23,815	11,387	160,782

Bearer plants are solely used to grow produce over their productive lives and are accounted for under AASB 116 *Property, Plant and Equipment*.

Bearer plants are held for long-term rental yields and are not operated by the Group. RFF initially measures and recognises bearer plants at cost. After initial measurement, the Group adopts the revaluation model and bearer plants are carried at fair value less any accumulated depreciation and accumulated impairment losses.

Bearer plants are subject to revaluations based on the Group's valuation policies. Increases in the carrying amounts arising from revaluation of bearer plants are recognised in other comprehensive income and accumulated in net assets attributable to unitholders under asset revaluation reserve. Revaluation increases which reverse a decrease previously recognised in profit and loss are recognised in profit or loss. Revaluation decreases which offset previous increases are recognised in other comprehensive income in the asset revaluation reserve. Any other decreases are recognised in profit and loss.

Bearer plants are subject to depreciation over their respective useful lives calculated on a straight-line basis on the carrying amount. Depreciation commences when bearer plants are assumed ready for use which is based on when the trees reach maturity. The useful lives and maturity assumptions used for each class of depreciable asset are shown below:

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31 December 2021

C3 Plant and equipment – bearer plants (continued)

Fixed asset class:	Useful life:	Depreciation commences from years:
Almond bearer plants	30 years	6 years
Vineyard bearer plants	40 years	4 years
Macadamia bearer plants	45 years	13 years

At the end of each annual reporting period, the useful life, maturity assumptions and carrying amount of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Bearer plants as stated on a historical cost basis is as follows:

	31 December 2021 \$'000	30 June 2021 \$'000
Cost	169,384	130,585
Accumulated depreciation	(14,810)	(12,809)
Accumulated impairment	(4,327)	(1,827)
Bearer plants at historical cost less accumulated impairment	150,247	115,949

C4 Financial assets – property related

	31 December 2021 \$'000	30 June 2021 \$'000
Financial Assets - property related		
Investment - BIL	520	520
Investment - CICL	11,464	11,464
Finance Lease - Breeders	17,754	17,778
Finance Lease - Feedlots	56,088	55,615
Finance Lease - Equipment	1,614	1,066
Cattle Facility - Katena Pty Ltd ATF Schafferius Family Trust	-	532
Finance Lease - DA & JF Camm Pty Limited	6,212	6,004
Term Loan - DA & JF Camm Pty Limited	10,000	10,000
Other receivables	1,233	1,333
Total	104,885	104,312

Barossa Infrastructure Ltd (BIL) is an unlisted public Company supplying non-potable supplementary irrigation water for viticulture in the Barossa. The Group holds a minority interest in BIL.

Coleambally Irrigation Co-operative Limited (CICL) is one of Australia's major irrigation companies and is wholly owned by its farmer members. CICL's irrigation delivery system delivers water to 400,000 hectares of area across the Coleambally Irrigation District, in the Riverina, near Griffith, NSW. The Group holds a minority interest in CICL.

Finance Lease – Breeders is comprised of breeders owned by the Group which have been leased to Cattle JV Pty Limited, a wholly-owned subsidiary of Rural Funds Management Limited, for a term of ten years ending in 2026. As part of the arrangement, the lessee is required to maintain the breeder herd and maintain an active breeding program. The expected credit loss on the finance lease is assessed on the value of the breeder herd secured against the finance lease. This assessment involves the monitoring of the value of the breeder herd through a bi-annual mustering process conducted by Cattle JV Pty Limited and an annual valuation process. There has been no expected credit loss recognised at 31 December 2021 (30 June 2021: nil).

Rural Funds Group

Notes to the Financial Statements

31 December 2021

C4 Financial assets – property related (continued)

Finance Lease – Feedlots is comprised of feedlots leased to JBS Australia Pty Limited (JBS) for a term of ten years ending in 2028 with a repurchase call option exercisable by JBS and a sale put option exercisable by the Group. The call option held by JBS can be exercised from year six but will incur a break fee if exercised before year ten.

Finance Lease – Equipment is comprised of agricultural plant and equipment leased to 2007 Macgrove Project and Cattle JV Pty Limited.

Finance Lease – DA & JF Camm Pty Limited comprises of cattle owned by the Group and leased to DA & JF Camm Pty Limited, the lessee of the Natal aggregation, as part of a \$5,000,000 facility. The facility is secured and due to expire in December 2022. The gross balance drawn as at 31 December 2021 is \$6,212,488 (30 June 2021: \$6,004,000). The balance drawn net of security deposits held is \$4,947,000 (30 June 2021: \$4,789,000). A \$10,000,000 loan secured by properties was extended to DA & JF Camm Pty Limited and is due in December 2027. Its fair value approximates the carrying amount. The expected credit loss on the finance lease and term loan are based on an assessment of the value of the security held. There has been no expected credit loss recognised at 31 December 2021 (30 June 2021: nil). On 28 January 2022, the secured loan and cattle facility was fully repaid.

Other receivables relates to recognition of rental revenue on a straight-line basis in accordance with AASB 16 *Leases*.

Significant accounting judgements in the valuation of Coleambally Irrigation Co-operative and Barossa Infrastructure Limited shares

The investments in BIL and CICL are treated the same as water rights, that is, recorded at historical cost less accumulated impairment losses and not revalued.

Rural Funds Group

Notes to the Financial Statements

31 December 2021

C5 Intangible assets

Intangible assets are made up of water rights and entitlements. Refer to note B1 for Directors' valuation of water rights and entitlements.

31 December 2021	Almonds \$'000	Cattle \$'000	Vineyards \$'000	Cropping \$'000	Macadamias \$'000	Unallocated \$'000	Total \$'000
Non-current							
Opening net book amount	66,707	1,848	500	4,236	4,464	32,663	110,418
Additions	-	3,811	-	3,500	-	38,389	45,700
Transfer from investment property	-	-	-	2,556	-	-	2,556
Transfers	-	-	-	(221)	221	-	-
Impairment	-	-	-	(1,420)	-	(34)	(1,454)
Closing net book amount	66,707	5,659	500	8,651	4,685	71,018	157,220
Cost	67,462	6,371	500	14,044	4,986	71,052	164,415
Accumulated impairment	(755)	(712)	-	(5,393)	(301)	(34)	(7,195)
Net book amount	66,707	5,659	500	8,651	4,685	71,018	157,220
30 June 2021							
Non-current							
Opening net book amount	66,707	2,947	500	3,672	1,161	31,564	106,551
Additions	-	-	-	4,537	3,518	-	8,055
Transfers	-	(1,099)	-	-	-	1,099	-
Impairment	-	-	-	(3,973)	(215)	-	(4,188)
Closing net book amount	66,707	1,848	500	4,236	4,464	32,663	110,418
Cost	67,462	2,560	500	8,209	4,765	32,663	116,159
Accumulated impairment	(755)	(712)	-	(3,973)	(301)	-	(5,741)
Net book amount	66,707	1,848	500	4,236	4,464	32,663	110,418

Rural Funds Group

Notes to the Financial Statements

31 December 2021

C5 Intangible assets (continued)

Water rights

Permanent water rights and entitlements are recorded at historical cost less accumulated impairment losses. Such rights have an indefinite life and are not depreciated. The carrying value is tested annually for impairment as well as for possible reversal of impairment. If events or changes in circumstances indicate impairment, or reversal of impairment, the carrying value is adjusted to take account of impairment losses.

C6 Property – owner occupied

31 December 2021	Land \$'000	Building \$'000	Irrigation \$'000	Total \$'000
Opening net book amount	27,405	816	63	28,284
Acquisitions	45,563	5,753	-	51,316
Additions	9	1	57	67
Transfer to investment property	(4,321)	(317)	(7)	(4,645)
Impairment	(1,415)	(253)	-	(1,668)
Depreciation	-	(13)	(1)	(14)
Closing net book amount	67,241	5,987	112	73,340

30 June 2021	Land \$'000	Building \$'000	Irrigation \$'000	Total \$'000
Opening net book amount	-	-	-	-
Additions	29,056	840	63	29,959
Impairment	(1,651)	-	-	(1,651)
Depreciation	-	(24)	-	(24)
Closing net book amount	27,405	816	63	28,284

Property – owner occupied relates to owner occupied property that is being used to conduct cropping operations by the Group and accounted for under AASB 116 *Property, Plant and Equipment*. Property – owner occupied are held under the revaluation model. As at 31 December 2021, this included properties that were operated by the Group including the Maryborough properties (cropping), Baamba Plains (cropping), Beerwah (macadamias) and Bauple (macadamias).

These assets are subject to revaluations based on the Group's valuation policies. Increases in the carrying amounts arising from revaluation of Property are recognised in other comprehensive income and accumulated in net assets attributable to unitholders under asset revaluation reserve. Revaluation increases which reverse a decrease previously recognised in profit and loss are recognised in profit or loss. Revaluation decreases which offset previous increases are recognised in other comprehensive income in the asset revaluation reserve. Any other decreases are recognised in profit and loss.

Elements of Property – owner occupied are subject to depreciation over their respective useful lives calculated on a straight-line basis on the carrying amount. The useful lives and for each class of depreciable asset are shown below:

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class:	Useful life:
Land	Not applicable
Buildings	20 years

At the end of each annual reporting period, the useful life of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Rural Funds Group

Notes to the Financial Statements

31 December 2021

C6 Property – owner occupied (continued)

Property – owner occupied as stated on a historical cost basis is as follows:

31 December 2021	Land \$'000	Building \$'000	Irrigation \$'000	Total \$'000
Cost	70,307	6,268	113	76,688
Accumulated depreciation and impairment	(3,066)	(281)	(1)	(3,348)
Net book amount	67,241	5,987	112	73,340

30 June 2021	Land \$'000	Building \$'000	Irrigation \$'000	Total \$'000
Cost	29,056	840	63	29,959
Accumulated depreciation and impairment	(1,651)	(24)	-	(1,675)
Net book amount	27,405	816	63	28,284

C7 Plant and equipment – other

	31 December 2021 \$'000	30 June 2021 \$'000
Opening net book amount	8,716	3,201
Additions	8,383	7,187
Transfers from held for sale	-	248
Disposals	(381)	(767)
Depreciation	(483)	(787)
Decrement (depreciation capitalised to developments)	(364)	(337)
Impairment	-	(29)
Closing net book amount	15,871	8,716
Cost	24,713	16,711
Accumulated depreciation	(7,520)	(6,673)
Accumulated impairment	(1,322)	(1,322)
Net book amount	15,871	8,716

Classes of plant and equipment other than bearer plants are measured using the cost model as specified below. The asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and removing the asset, where applicable.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The Group manages and monitors its leased assets and physically attend to properties where assets are located on a regular basis.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class:	Useful life:
Capital works in progress	Not applicable
Plant and equipment	2-16 years
Farm vehicles and equipment	2-16 years

Rural Funds Group

Notes to the Financial Statements

31 December 2021

C7 Plant and equipment – other (continued)

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit and loss.

C8 Assets held for sale

	Note	31 December 2021 \$'000	30 June 2021 \$'000
Investment property	C2	847	1,621
Bearer plants	C3	277	-
Total		1,124	1,621

At 31 December 2021, investment property held for sale relates to the Dohnt vineyard.

C9 Deposits

	31 December 2021 \$'000	30 June 2021 \$'000
Deposit for acquisition of Kaiuroo property	17,188	-
Total	17,188	-

A deposit has been paid on Kaiuroo, located north west of Rockhampton in central Queensland, 27,879 hectares with an extended settlement period of up to 24 months from November 2021.

C10 Capital commitments

Capital expenditure across all properties largely relates to macadamia developments, almond property improvements, cattle property developments and cropping property developments. These commitments are contracted for but not recognised as liabilities. Increase in the commitments during the half year largely relates to the balance of settlement of the Kaiuroo property.

	31 December 2021 \$'000	30 June 2021 \$'000
Investment property	83,759	38,923
Bearer plants	15,107	16,235
Intangible assets	4,896	35,432
Total	103,762	90,590

Rural Funds Group

Notes to the Financial Statements

31 December 2021

D. CAPITAL STRUCTURE AND FINANCIAL RISK MANAGEMENT

RFM, the Responsible Entity of RFF, is responsible for managing the policies designed to optimise RFF's capital structure. This is primarily monitored through an internal gearing ratio target range of 30-35% calculated as interest bearing liabilities on adjusted total assets. The optimal capital structure is reviewed periodically, although this may be impacted by market conditions which may result in an actual position which may differ from the desired position.

D1 Interest bearing liabilities

	31 December	30 June
	2021	2021
	\$'000	\$'000
Current		
Equipment loans (ANZ)	2,693	2,407
J&F Guarantee - Borrowing loss provision	52	49
Total	2,745	2,456
Non-current		
Borrowings (ANZ)	279,040	220,252
Borrowings (Rabobank)	156,960	123,891
Total	436,000	344,143

Interest bearing liabilities are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest bearing liabilities are stated at amortised cost. Any difference between cost and redemption value is recognised in the consolidated statement of comprehensive income over the entire period of the borrowings on an effective interest basis. Interest-bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least twelve months from the balance sheet date.

J&F Guarantee Accounting policy

Subsequent to initial recognition, financial guarantee contracts are measured as financial liabilities at the higher of any loss allowance calculated and the amount initially recognised. A loss allowance is recognised for expected credit losses on a financial guarantee contract. The expected credit loss is assessed based on the probability of default and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the risk of default at reporting date is compared to the risk of default at the date of initial recognition. Consideration is made to factors that could impact the financial guarantee such as actual or expected significant adverse changes in business, financial or economic conditions, and any material / adverse changes to the operating results of the associated parties of the financial guarantee.

The J&F Guarantee is a \$99.9 million (30 June 2021: \$99.9m) limited guarantee provided by the Group to J&F Australia Pty Ltd (J&F), a wholly owned subsidiary of Rural Funds Management Limited, for a period of ten years from August 2018. From the provision of this guarantee, the Group earns a guarantee fee classified as finance income as noted in B3, paid on a monthly basis. The guarantee is currently used to support \$99.9 million (30 June 2021: \$99.9m) of J&F's debt facility which is used for cattle purchases, feed and other costs associated with finishing the cattle on the feedlots, enabling J&F to supply cattle to JBS Australia Pty Limited (JBS) for its grain fed business. Given J&F's primary source of income is from payments from JBS, a J&F default is only likely to occur in the event of a JBS default. In the event of a JBS default, J&F would cease buying cattle and commence selling cattle in the feedlots. As cattle are sold, J&F bank loans would be repaid. Given that lot-fed cattle can gain up to 2kgs per day, and are sold on a per kg basis, a material fall in the cattle price would be required for there to be a shortfall. The guarantee would be called to cover any shortfall between J&F borrowings and cattle sales, but limited to \$99.9 million, or up to a maximum of \$100.0 million if any future increases in the guarantee have been agreed.

The guarantee fee received from J&F during the half year was \$4,366,000 (31 December 2020: \$3,039,000). The return to the Group relating to the guarantee fee arrangement for the half year was approximately 11.2% (31 December 2020: 10.3%) inclusive of interest offset savings. There was no event of default during the half year, and as a result, the guarantee has not been called.

Rural Funds Group

Notes to the Financial Statements

31 December 2021

D1 Interest bearing liabilities (continued)

J&F Guarantee (continued)

The financial guarantee was recognised at fair value at inception, which was nil. Subsequently, it is carried at the value of the expected credit loss. The credit loss has been calculated considering the likelihood of the financial guarantee being triggered and its financial impact on the Group. In calculating the allowance, consideration is given to counterparty risk associated with the arrangement, with JBS being the ultimate counterparty. The credit risk of JBS was determined to not have increased significantly since initial recognition, therefore the loss allowance for the guarantee has been recognised at an amount equal to 12-month expected credit losses. Consideration is also given to the value of cattle in assessing any potential shortfall should the guarantee be called by the Group. The credit loss allowance is recognised at fair value through profit or loss. The additional credit loss provision recognised in the half year was \$3,000.

As part of the JBS transaction, the Group purchased five feedlots from JBS Australia Pty Limited (JBS) and leased them back to JBS. The feedlots are classified as a finance lease with a repurchase call option exercisable by JBS and a sale put option exercisable by the Group as noted in C4. The call option held by JBS can be exercised from year six but will incur a break fee if exercised before year ten in 2028.

Borrowings

At 31 December 2021 the core debt facility available to the Group was \$520,000,000 (30 June 2021: \$380,000,000), with a drawn balance of \$436,000,000 (30 June 2021: \$344,143,000). The facility is split into two tranches with a \$110,000,000 tranche expiring in November 2023 and a \$410,000,000 tranche expiring in November 2024.

As at 31 December 2021 RFF had active interest rate swaps totaling 42.0% (30 June 2021: 53.2%) of the drawn down balance to manage interest rate risk. Hedging requirements under the terms of the borrowing facility may vary with bank consent.

Loan covenants

Under the terms of the updated borrowing facility, the Group was required to comply with the following financial covenants for the half year ended 31 December 2021:

- maintain a maximum loan to value ratio of 55% (30 June 2021: 50%);
- maintain net tangible assets (including water entitlements) in excess of \$400,000,000; and
- an interest cover ratio for the Group not less than 3.00:1.00.

The loan to value ratio calculation includes the J&F guarantee of \$99.9 million (30 June 2021: \$99.9 million).

A minimum hedging percentage of 40% of debt drawn is required under the borrowing facility and may vary with bank consent.

Rural Funds Group has complied with the financial covenants of its borrowing facilities during the half year.

Loan amounts are provided at the Bankers' floating rate, plus a margin. For bank reporting purposes, these assets are valued at market value based on latest external valuation report. Refer to section B1 for Directors' valuation of water rights and entitlements.

Borrowings with Australian and New Zealand Banking Group (ANZ) and Rabobank Australia Group (Rabobank) are secured by:

- a fixed and floating charge over the assets held by Australian Executor Trustee Limited (AETL) as custodian for Rural Funds Trust, RFM Australian Wine Fund (a subsidiary of Rural Funds Trust) and RF Active; and
- registered mortgages over all property owned by the Rural Funds Trust and its subsidiaries provided by AETL as custodian for Rural Funds Trust and its subsidiaries.

Rural Funds Group

Notes to the Financial Statements

31 December 2021

D2 Issued units

	31 December 2021		31 December 2020	
	No.	\$'000	No.	\$'000
Units on issue at the beginning of the period	339,900,556	385,140	337,713,420	360,574
Units issued during the half year	41,466,626	99,691	1,192,016	2,524
Distributions to unitholders	-	(10,529)	-	5,993
Units on issue	381,367,182	474,302	338,905,436	369,091

The holders of ordinary units are entitled to participate in distributions and the proceeds on winding up of the Group. On a show of hands at meetings of the Group, each holder of ordinary units has one vote in person or by proxy, and upon a poll each unit is entitled to one vote. Voting is determined based on the closing market value of each unit.

The Group does not have authorised capital or par value in respect of its units.

Distributions totaling \$22,354,000 were declared during the half year. Distributions are allocated to the components of equity which is comprised of issued units and retained earnings.

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Rural Funds Group

Notes to the Financial Statements

31 December 2021

E. OTHER INFORMATION

E1 Financial assets – other (non-property related)

	31 December 2021 \$'000	30 June 2021 \$'000
Investment - Marquis Macadamias Limited	5,561	824
Investment - Almondco Australia Limited	2,041	2,041
Total	7,602	2,865

The Group's investments in Marquis Macadamias Limited and Almondco Australia Limited are held at fair value through profit and loss. Fair value has been assessed based on financial information relating to the investment and management's assessment of net realisable value.

E2 Biological assets

	31 December 2021 \$'000	30 June 2021 \$'000
Opening net book amount	2,988	-
Additions	2,504	2,336
Increases due to biological transformation	1,766	1,136
Decreases due to sales	(4,871)	(484)
Closing net book amount	2,387	2,988

Biological assets relate to the Group's cropping operations. In accordance with AASB 141 *Agriculture* the Group's biological assets have been recognised at fair value as determined based on the present value of expected net cash flows from the crops.

Fair value has been based on expected net cash flows from the crops discounted from the time of harvest. The main level 3 inputs used by the Group include estimates based on the expected sugar per hectare of cane planted, production costs (including input and harvest costs), and the estimated time of harvest adjusted for the risks of the cash flows.

Segment	Fair value at		Unobservable inputs	Range of inputs	
	31 December 2021 \$'000	30 June 2021 \$'000		31 December 2021	30 June 2021 \$'000
Biological assets (sugar)	1,845	2,988	Sugar from cane planted (tonnes per ha)	6.2 - 7.0 tonnes per ha	4.3 – 7.0 tonnes per ha
			Net price (\$ per tonne)	\$501.6 per tonne	\$366.1 - \$463.7 per tonne
Biological assets (macadamias)	542	-	Cost approximates fair value less costs to sell	-	-
Total	2,387	2,988		Total	2,387

Significant estimates used in determining the expected net cash flows:

Sugar from cane planted (tonnes per ha)	The higher the sugar from cane planted the higher the fair value
Net price (\$ per tonne)	The higher the net price, the higher the fair value

Changes in the fair value of biological assets are recognised in the consolidated statement of comprehensive income in the period that they arise.

Rural Funds Group

Notes to the Financial Statements

31 December 2021

E3 Related party transactions

Responsible Entity (Rural Funds Management) and related entities

Transactions between the Group and the Responsible Entity and its associated entities are shown below:

	31 December 2021 \$'000	31 December 2020 \$'000
Management fee	3,187	3,099
Asset management fee	2,390	2,325
Total management fees	5,577	5,424
Expenses reimbursed to RFM	3,951	2,923
Expenses reimbursed to RFM Macadamias	2,403	-
Expenses reimbursed to the Cattle JV	165	-
Expenses reimbursed to the RFM Farming	268	-
Dividends paid/payable to RFM	1,059	989
Total amount paid to RFM and related entities	13,423	9,336
Rental income received from RFM Almond Fund	-	2,123
Rental income received from RFM Farming	776	616
Rental income received from Cattle JV	1,067	499
Rental income received from Cotton JV	1,203	1,178
Rental income received from 2007 Macgrove Project	729	609
Finance income from Cattle JV	911	763
Finance income from J&F Australia Pty Limited	4,366	3,039
Expenses charged to RFM Almond Fund	-	58
Expenses charged to RFM Macadamias	49	55
Expenses charged to RFM Farming	23	2
Expenses charged to Cattle JV	55	-
Total amounts received from RFM and related entities	9,179	8,942

The terms and nature of the historical transactions between the Group and related parties have not changed during the half year ended 31 December 2021. Transactions entered into between related parties during the year have been reviewed.

Expenses reimbursed to RFM relates to expenses incurred or paid by RFM on behalf of the Group which are subsequently reimbursed by the Group. Examples of these expenses include corporate overheads, professional service fees such as a legal, audit and tax matter costs and regulatory fees and charges.

Expenses reimbursed from RFM Macadamias in the half year ended 31 December 2021 include capital development costs paid by RFM Macadamias on behalf of the Group which are subsequently reimbursed by the Group.

Expenses reimbursed to RFM Macadamias relates to expenses incurred or paid by RFM Macadamias on behalf of the Group in relation to the Group's macadamia developments.

Rural Funds Group

Notes to the Financial Statements

31 December 2021

E3 Related party transactions (continued)

Responsible Entity (Rural Funds Management) and related entities (continued)

Rental income from RFM Almond Fund (RAF) relates to rent on the Moorah almond orchard. Rental income from RAF ceased on 2 December 2020 when the Group completed the sale of the Moorah almond orchard and associated plant and equipment.

Finance income from J&F Australia Pty Limited (J&F) relates to the \$99.9 million (30 June 2021: \$99.9 million) limited guarantee provided to J&F, a wholly owned subsidiary of Rural Funds Management Limited. From the provision of this guarantee, the Group earns a guarantee fee classified as finance income.

Debtors and finance lease receivables

	31 December 2021 \$'000	30 June 2021 \$'000
RFM Farming Pty Limited	13	329
RFM Macadamias Pty Limited	1,281	946
Cattle JV Pty Limited	18,332	18,120
Cotton JV Pty Limited	12	-
J&F Australia Pty Limited	1,534	-
Total	21,172	19,395

Receivables are not secured and have terms of up to 30 days. Finance lease receivables are secured by the Group's ownership of the relevant assets. Outstanding balances are settled through payment.

Debtors totaling \$172,000 was overdue from Cattle JV Pty Limited as at 31 December 2021. Interest is charged on any overdue amounts.

Creditors

	31 December 2021 \$'000	30 June 2021 \$'000
RFM	767	-
Total	767	-

Custodian fees

	31 December 2021 \$'000	31 December 2020 \$'000
Australian Executor Trustees Limited	174	153
Total	174	153

Financial Guarantee

The Group provides a \$99.9 million (30 June 2021: \$99.9 million) guarantee to J&F Australia Pty Limited (J&F), a subsidiary of RFM. The guarantee is currently used to support \$99.9 million of J&F's debt facility which is used for cattle purchases, feed and other costs associated with finishing the cattle on the feedlots, enabling J&F to supply cattle to JBS Australia Pty Limited (JBS) for its grain fed business. The guarantee earns a return for RFF equivalent to an equity rate of return which is calculated on the amount of the guarantee during the period.

Entities with influence over the Group

	31 December 2021		30 June 2021	
	Units	%	Units	%
Rural Funds Management	12,353,659	3.24	11,843,659	3.48

Rural Funds Group

Notes to the Financial Statements

31 December 2021

E4 Events after the reporting date

On 28 January 2022, the \$10 million secured loan and outstanding amounts on the \$5 million cattle leasing arrangement provided to the Camm Agricultural Group were repaid in full.

On 4 February 2022, RFF unitholders voted in favour of increasing the J&F guarantee from \$100 million to \$132 million. Initially, the current guarantee will increase from \$100 million to \$114 million to facilitate an increase in the J&F facility. The guarantee may increase to \$132 million subject to approval by RFF's financiers.

In February 2022, the Group entered into a lease with Australian Agricultural Company for the Comanche and Home Hill properties for 10 years to commence in May 2022.

No other matter or circumstance has arisen since the end of the half year that has significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

E5 Contingent liabilities

Other than what has been disclosed in the accounts there are no contingent liabilities as at 31 December 2021.

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Rural Funds Group

Directors' Declaration

31 December 2021

In the Directors of the Responsible Entity's opinion:

- 1 The financial statements and notes of Rural Funds Group set out on pages 11 to 47 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- 2 There are reasonable grounds to believe that the Group 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 the Directors of Rural Funds Management Limited.



David Bryant
Director

18 February 2022

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Independent auditor's review report to the unitholders of Rural Funds Group

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Rural Funds Trust (the Registered Scheme) and the entities it controlled during the half-year (together Rural Funds Group, or the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in net assets attributable to unitholders and the consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Rural Funds Group does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors of the Responsible Entity for the half-year financial report

The directors of 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 and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of 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*.

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.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Rod Dring'.

Rod Dring
Partner

Sydney
18 February 2022

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Rural Funds Management Ltd

ABN 65 077 492 838

AFSL 226 701

Rural Funds Group comprises:

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