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Corporations Regulations
1.0.08

Copy of financial statements and reports

Company details

Company name

RURAL FUNDS MANAGEMENT LIMITED

ACN

077 492 838

Reason for lodgement of statement and reports

A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking

Dates on which financial year ends

Financial year end date
30-06-2017

Auditor's report

Were the financial statements audited?

Yes

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

No

Details of current auditor or auditors

Change address

Given names **CRAIG JAMES**

Family name **CUMMINS**

Address

'PRICEWATERHOUSECOOPERS'
One International Towers Sydney
Watermans Quay

Barangaroo NSW 2000
Australia

Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

Yes

Signature

Select the capacity in which you are lodging the form

Secretary

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

Yes

Authentication

This form has been authorised by

Name	Andrea Joan LEMMON , Secretary
Date	27-09-2017

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Rural Funds Management Limited

Financial Statements

For the Year Ended 30 June 2017

Rural Funds Management Limited
ABN 65 077 492 838

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Rural Funds Management Limited

ABN 65 077 492 838

Corporate Directory

Registered Office	Level 2, 2 King Street DEAKIN ACT 2600
Directors	Guy Paynter David Bryant Michael Carroll Julian Widdup
Company Secretaries	Andrea Lemmon Stuart Waight
Auditors	PricewaterhouseCoopers One International Towers Sydney Watermans Quay BARANGAROO NSW 2000
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000

Directors' Report
30 June 2017

The Directors of Rural Funds Management Limited (RFM or the Company) (ACN 077 492 838, AFSL 226701) present their report on the Company and its controlled entities (the Group) for the year ended 30 June 2017.

Directors

The following persons held office as Directors of the Company during the year 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 (appointed 15 February 2017)

Principal activities

The principal activity of the Company during the year was to act as the Responsible Entity for a number of managed investment schemes which operate for the purpose of generating capital appreciation and investment income. These managed entities operate in the agriculture sectors listed below.

Fund	Acronym	Sector/asset
Rural Funds Group (including RF Active (RFA))	RFF	Agricultural real estate investment trust and farming plant and equipment leasing
RFM Poultry	RFP	Poultry growing
RFM StockBank	SBK	Livestock leasing operation (wound up August 2017)
RFM Almond Fund 2006	AF06	Tax effective scheme for almond growers
RFM Almond Fund 2007	AF07	Tax effective scheme for almond growers
RFM Almond Fund 2008	AF08	Tax effective scheme for almond growers
2007 Macgrove Project	M07	Tax effective scheme for macadamia growers

In addition to funds management, RFM, through its wholly owned subsidiaries, RFM Farming Pty Limited (RFM Farming), RFM Macadamias Pty Limited (RMA), Cattle JV Limited (CJV) and jointly controlled entity, Cotton JV Pty Limited (CotJV), conduct direct agricultural activities including almond farming, macadamia farming, livestock and cropping operations on leased properties.

RFM continues to lease 484 almond groves in almond funds (2016: 484) which comprise of 291 almond groves in AF06 (2016: 291), 91 almond groves in AF07 (2016: 91) and 102 almond groves in AF08 (2016: 102).

RFM conducts the growing and harvest of the macadamias on the Bonmac property in Bundaberg, QLD which comprise an area of 25.6 hectares (2016: 25.6). RFM also owns the interest in 79 macadamia groves from M07 which comprise an area of 31.9 hectares (2016: 31.9).

At 30 June 2017, RFM held 8,632,418 shares in Rural Funds Group (2016: 5,153,883) and 225,529 shares in RFM Poultry (2016: 225,529).

Significant changes in nature of activities

On 25 October 2016 Cotton JV Pty Limited (CotJV), a jointly controlled entity, was established. RFM and Queensland Cotton Corporation Pty Limited, a subsidiary of Olam International Limited, share equal interests in CotJV. CotJV was established to conduct cotton growing operations on Lynora Downs, a farm located in central Queensland which was purchased by RFF. CotJV commenced operations in November 2016.

In June 2016 the Board of Rural Funds Management, in its capacity as Responsible Entity of RFM StockBank (SBK), approved the sale and transfer of livestock leases and the subsequent wind up of SBK. All the leases have gradually been either refinanced by agrifinance provider StockCo AgriCapital Pty Limited or repaid by the farmers during the year ended 30 June 2017. The fund was wound up in August 2017.

Rural Funds Management Limited
ABN 65 077 492 838

Directors' Report
30 June 2017

Operating results

The consolidated net profit after income tax of the Group for the year ended 30 June 2017 amounted to $4,919,000 (2016: $1,558,000). The Group's funds management and cattle breeding operation performed strongly during the year and its direct agricultural pursuits in horticulture performed in line with expectations. The Group's investments have performed strongly on the back of RFM's focus on growing the funds it manages.

The table below summarises funds under management as at balance date and is defined as the market capitalisation for listed entities and net equity value of investors' funds managed for unlisted entities. Investments between entities have been eliminated at the lowest ownership level.

Net assets under management

		2017	2016
Entity		**$'000**	**$'000**
RFF	Listed	469,202	257,238
RFP	Listed	8,261	8,399
SBK	Unlisted	-	11,610
AF06	Unlisted	12,626	15,287
AF07	Unlisted	5,669	6,496
AF08	Unlisted	16,035	16,020
M07	Unlisted	10,780	8,346
Total		**523,141**	**323,396**

Investments between entities which require elimination is RFF's investment in RFP $130,000 (2016: $133,000).

Financial position

The Group is well positioned operationally and financially to fulfil its responsibility to investors. Its net assets at balance date was $24,687,000 (2016: $18,731,000) including cash at bank of $3,066,000 (2016: $3,789,000).

Banking facilities

At 30 June 2017 the Group's total debt facilities were $18,450,000 (2016: $8,800,000), with a drawn down balance of $15,791,000 (2016: $7,700,000).

Dividends

A dividend of $500,000 was declared and paid on 6 October 2016 (2016: $500,000).

Significant changes in state of affairs

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

Matters subsequent to the end of the year

On 26 September 2017 a dividend of $504,000 was declared and paid.

Following the year end, based on changes in the market, the latest estimated sales price of almonds as provided by Almondco is $7.00/kg. The price decrease has not been taken to account as the movement represents the fair value movement in the market value of almonds since 30 June 2017. The final sales proceeds are subject to change based on market conditions throughout the next year and will not be known until 30 June 2018.

No other matter or circumstance has arisen since the end of the 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 its funds management business as well as cattle, farming and other investments. Management is continually pursuing growth opportunities to increase stakeholders' wealth as they arise.

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. There have been no known significant breaches of any environmental requirements applicable to the Group.

Indemnity of officers

In accordance with the constitution, Rural Funds Management indemnifies the Directors, Company Secretaries and all other officers of the Company, 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.

Information on Directors

Guy Paynter	**Non-Executive Chairman**
Qualifications	Bachelor of Laws from The University of Melbourne
Experience	Guy Paynter is a former director of broking firm JB Were and brings to RFM more than 30 years of experience in corporate finance. Guy is a former member of the Australian Securities Exchange (ASX) and a former associate of the Securities Institute of Australia (now known as the Financial Services Institute of Australasia). Guy is also Chairman of Bill Peach Group Limited (previously known as Aircruising Australia Limited). Guy's agricultural interests include cattle breeding in the Upper Hunter region in New South Wales.
Special responsibilities	Member of Audit Committee and Remuneration Committee
Directorships currently held in listed entities and during the three years prior to the current year	Rural Funds Group, RFM Poultry

Information on Directors (continued)

David Bryant	**Managing Director**
Qualifications	Diploma of Financial Planning from the Royal Melbourne Institute of Technology and a Masters of Agribusiness from The University of Melbourne.
Experience	David Bryant established RFM in February 1997 and since that time has led the team that is responsible for the acquisition of large scale agricultural property assets and associated water entitlements. RFM manages over $600 million of agricultural assets. On a day-to-day level, David is responsible for leading the RFM Executive, maintaining key commercial relationships and sourcing new business opportunities.
Special responsibilities	Managing Director
Directorships currently held in listed entities and during the three years prior to the current year	Rural Funds Group, RFM Poultry
Michael Carroll	**Non-Executive Director**
Qualifications	Bachelor of Agricultural Science from La Trobe University and a Masters of Business Administration from The University of Melbourne's Melbourne Business School. Michael has completed the Advanced Management Program at Harvard Business School, Boston, and is a Fellow of the Australian Institute of Company Directors.
Experience	Michael Carroll serves a range of food and agricultural businesses in a board and advisory capacity. Michael is on the boards of Tassal Group Limited, Select Harvests Limited, Paraway Pastoral Company, Sunny Queen Pty Limited, and the Gardiner Dairy Foundation. Michael also has senior executive experience in a range of companies, including establishing and leading the National Australia Bank (NAB) Agribusiness division.
Special responsibilities	Chairman of Audit Committee and Remuneration Committee
Directorships currently held in listed entities and during the three years prior to the current year	Michael is on the Board of Tassal Group Limited, Rural Funds Group, RFM Poultry and Select Harvests Limited.
Julian Widdup	**Non-Executive Director**
Qualifications	Bachelor of Economics from the Australian National University. Julian is a Fellow of the Institute of Actuaries of Australia and a Fellow of the Australian Institute of Company Directors.
Experience	Julian brings extensive experience to the RFM board having previously served as a director of Palisade Investment Partners, Darwin International Airport, Alice Springs Airport, NZ timberland company Taumata Plantations Limited, Regional Livestock Exchange Investment Company, Merredin Energy power generation company, Victorian AgriBioscience Research Facility, Casey Hospital in Melbourne and Mater Hospital in Newcastle.
Special responsibilities	Member of Audit Committee and Remuneration Committee.
Directorships currently held in listed entities	Rural Funds Group, RFM Poultry
Directorships held in listed entities during the three years prior to the current year	None noted

Rural Funds Management Limited
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Directors’ Report
30 June 2017

Company Secretaries

Stuart Waight and Andrea Lemmon are RFM’s joint company secretaries. Stuart joined RFM in 2003, is a Chartered Accountant and is RFM’s Chief Operating Officer. Andrea has been with RFM since 1997 and is RFM’s Executive Manager Funds Management.

Meetings of Directors

During the financial year 13 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Directors' meetings	
	Number eligible to attend	**Number attended**
Guy Paynter	13	12
David Bryant	13	13
Michael Carroll	13	13
Julian Widdup	6	6

Non-audit services

During the year ended 30 June 2017 fees of $3,000 (2016: $2,000) were paid or payable to PricewaterhouseCoopers for compliance audit services provided.

Auditor’s independence declaration

The auditor’s independence declaration in accordance with section 307C of the *Corporations Act* 2001 for the year ended 30 June 2017 has been received and is included on page 7 of the financial report.

David Bryant
Director

26 September 2017

Auditor's Independence Declaration

As lead auditor for the audit of Rural Funds Management Limited for the year ended 30 June 2017, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

CMC Heraghty
Partner
PricewaterhouseCoopers

Sydney
26 September 2017

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001 T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Rural Funds Management Limited
ABN 65 077 492 838

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue	4	**32,767**	30,547
Other income	5	**905**	792
Total revenue and other income		**33,672**	33,488
Share of net profit - equity accounted investments		**154**	180
Change in fair value of biological assets	13	**14,020**	1,633
Gain on sale of assets		**3**	336
Cost of agricultural produce sold		**(11,193)**	(8,792)
Direct agriculture expenses		**(16,001)**	(11,417)
Repairs and maintenance expense		**(1,349)**	(1,338)
Employee benefits expense		**(7,865)**	(6,774)
Property expenses		**(460)**	(396)
Professional fees		**(348)**	(470)
Finance costs		**(1,360)**	(111)
Marketing expenses		**(56)**	(94)
Other expenses		**(1,947)**	(1,605)
Bad debt expense		**-**	(8)
Depreciation and amortisation	6	**(384)**	(280)
Goodwill impairment	20	**-**	(35)
Net profit before income tax		**6,886**	2,168
Income tax expense	8	**(1,967)**	(610)
Net profit after income tax		**4,919**	1,558
Other comprehensive income:			
Items that may be reclassified to profit or loss Revaluation increment of available-for-sale financial assets		**2,194**	2,183
Income tax relating to these items	8	**(657)**	(655)
Other comprehensive income for the year, net of tax		**1,537**	1,528
Total comprehensive income for the year		**6,456**	3,086

The accompanying notes form part of these financial statements.

Rural Funds Management Limited

ABN 65 077 492 838

Consolidated Statement of Financial Position

As at 30 June 2017

	Note	2017 $'000	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	10	**3,066**	3,789
Trade and other receivables	11	**3,718**	4,259
Inventories	12	**3,516**	3,000
Biological assets	13	**26,951**	6,950
Other assets	14	**556**	994
Financial assets	15	**2,138**	500
Total current assets		**39,945**	19,492
Non-current assets			
Financial assets	15	**16,200**	8,420
Plant and equipment	16	**1,229**	783
Investments accounted for using the equity method	18	**194**	180
Intangible assets	19	**1,281**	1,416
Goodwill	20	**429**	429
Deferred tax assets	24	**190**	309
Total non-current assets		**19,523**	11,537
Total assets		**59,468**	31,029
LIABILITIES			
Current liabilities			
Trade and other payables	21	**2,836**	2,309
Interest bearing liabilities	22	**16,737**	7,700
Provisions	23	**2,002**	1,492
Income tax payable	25	**475**	476
Total current liabilities		**22,050**	11,977
Non-current liabilities			
Interest bearing liabilities	22	**10,517**	-
Provisions	23	**194**	210
Deferred tax liabilities	24	**2,020**	111
Total non-current liabilities		**12,731**	**321**
Total liabilities		**34,781**	12,298
Net assets		**24,687**	18,731
EQUITY			
Issued capital	28	**3,346**	3,346
Reserves	29	**3,583**	2,046
Retained earnings		**17,758**	13,339
Total equity		**24,687**	18,731

The accompanying notes form part of these financial statements.

Rural Funds Management Limited
ABN 65 077 492 838

Consolidated Statement of Changes in Equity
For the year ended 30 June 2017

	Issued units	Capital reserve	Asset revaluation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2016	**3,346**	**15**	**2,031**	**13,339**	**18,731**
Profit before income tax	**-**	**-**	**-**	**6,886**	**6,886**
Income tax expense	**-**	**-**	**-**	**(1,967)**	**(1,967)**
Total comprehensive income for the year	**-**	**-**	**-**	**4,919**	**4,919**
Other comprehensive income	**-**	**-**	**1,537**	**-**	**1,537**
Total other comprehensive income	**-**	**-**	**1,537**	**-**	**1,537**
Units issued during the year	**-**	**-**	**-**	**-**	**-**
Total issued units	**-**	**-**	**-**	**-**	**-**
Dividends paid or provided for	**-**	**-**	**-**	**(500)**	**(500)**
Balance at 30 June 2017	**3,346**	**15**	**3,568**	**17,758**	**24,687**

	Issued units	Capital reserve	Asset revaluation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2015	3,346	15	503	12,281	16,145
Profit before income tax	-	-	-	2,168	2,168
Income tax expense	-	-	-	(610)	(610)
Total comprehensive income for the year	-	-	-	1,558	1,558
Other comprehensive income	-	-	1,528	-	1,528
Total other comprehensive income	-	-	1,528	-	1,528
Dividends paid or provided for	-	-	-	(500)	(500)
Balance at 30 June 2016	3,346	15	2,031	13,339	18,731

The accompanying notes form part of these financial statements.

Rural Funds Management Limited
ABN 65 077 492 838

Consolidated Statement of Cash Flows
For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		**36,689**	32,446
Payments to suppliers and employees		**(39,410)**	(30,158)
Interest received		**59**	82
Finance costs		**(1,360)**	(111)
Distribution received		**799**	515
Income tax paid		**(597)**	(764)
Net cash inflow from operating activities	32	**(3,820)**	2,010
Cash flows from investing activities			
Payment for investments		**(5,586)**	(8,863)
Payment for biological assets (breeders)		**(8,181)**	-
Payments for plant and equipment		**(721)**	(1,604)
Payments for intangible assets		**-**	(380)
Acquisition of new business		**-**	(465)
Proceeds from sale of plant and equipment		**29**	1,620
Proceeds from sale of investments		**-**	211
Loans to related parties		**(2,138)**	(500)
Repayments from related parties		**500**	500
Receipts from equity accounted investments		**140**	-
Net cash outflow from investing activities		**(15,957)**	(9,481)
Cash flows from financing activities			
Proceeds from borrowings		**20,954**	7,700
Repayment of borrowings		**(1,400)**	1
Dividends paid		**(500)**	(500)
Net cash inflow/(outflow) from financing activities		**19,054**	7,201
Net decrease in cash and cash equivalents held		**(723)**	(270)
Cash and cash equivalents at the beginning of the period		**3,789**	4,059
Cash and cash equivalents at the end of the period	10	**3,066**	3,789

The accompanying notes form part of these financial statements.

1 General information

This financial report covers the consolidated financial statements and notes of RFM and its Controlled Entities (the Group). Rural Funds Management Limited is a for profit entity domiciled in Australia. The Directors of the Company have authorised the Financial Report for issue on 26 September 2017 and have the power to amend and reissue the Financial Report.

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 Management Limited, have not been presented within this financial report as permitted by amendments made to the *Corporations Act* 2001. Parent entity information is included in note 34.

2 Summary of significant accounting policies

Basis of preparation

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 Company's Constitution. The report has been prepared on a going concern basis.

The financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. 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.

As permitted by Class Order 05/642, issued by the Australia Securities and Investments Commission, this financial report presents the Consolidated Financial Statements and accompanying notes of the Rural Funds Management Limited (being the consolidated financial statements and notes of the Group).

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, equity, 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.

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.

Associates

Associates are entities over which the Group has significant influence but not control or joint control, generally accompanying a holding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends or distributions receivable from associates are recognised as a reduction in the carrying amount of the investment.

2 Summary of significant accounting policies (continued)

Principles of consolidation (continued)

Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a discount on acquisition may arise on the acquisition date, this is calculated by comparing the fair value of the consideration transferred and the amount of non-controlling interest in the acquirer with the fair value of the net identifiable assets acquired. Where the consideration is greater than the identifiable assets, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a discount on acquisition recognised in the consolidated statement of comprehensive income.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through the consolidated statement of comprehensive income.

Joint operations

A joint operation is an arrangement in which the Group shares joint control, primarily via contractual arrangement with other parties. In a joint operation, the Group has rights to the assets and obligations for the liabilities relating to the arrangement. This includes situations where the parties benefit from the joint activity through a share of the output, rather than by receiving a share of the results of trading. In relation to the Group's interest in a joint operation, the Group recognises: its share of assets and liabilities; revenue from the sale of its share of the output and its share of any revenue generated from the sale of the output by the joint operation; and its share of expenses. All such amounts are measured in accordance with the terms of the arrangement, which is usually in proportion to the Group's interest in the joint operation.

Comparative amounts

Comparative amounts have not been restated unless otherwise noted.

Revenue

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, have been satisfied.

Revenue from management fees in respect of managed entities are recognised on an accruals basis in accordance with entity constitutions, product disclosure statements and management agreements. It is levied as a percentage of gross assets under management, net value of the funds or operating costs.

Revenue earned from the rendering of services to managed entities is recognised in accordance with the terms of the service agreement and recognised as the services are provided.

Harvest proceeds revenue is recognised when there has been a transfer of risks and rewards to the customer.

2 Summary of significant accounting policies (continued)

Revenue (continued)

Interest revenue is recognised on an accruals basis taking into account the interest rates applicable to the financial assets.

Distributions and dividends received are recognised when the Group's right to receive payment is established.

All revenue is stated net of the amount of goods and services tax (GST).

Income tax

The charge for current income tax expense is based on the profit adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is charged/credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on management’s judgement, the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of trade and other receivables or payables in the consolidated statement of financial position.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the tax authority is classified as operating cash flows.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the consolidated statement of cash flows and are presented within current liabilities on the consolidated statement of financial position.

2 Summary of significant accounting policies (continued)

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less an allowance for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Individual impairment is identified at a counterparty specific level following objective evidence that a financial asset is impaired. This may be after an interest or principal payment is missed or when information comes to hand that would indicate an inability to meet repayments. An allowance for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the originally assessed effective interest rate and taking into account the amount of security held. The amount of the allowance is recognised in the consolidated statement of comprehensive income.

Debts which are known to be uncollectible are written off when identified. Write-offs are charged against accounts previously established for impairment allowance or directly to the consolidated statement of comprehensive income.

Inventories

Inventories are measured at the lower of cost and net realisable value. The Group's inventory is constantly monitored for obsolescence. Costs including costs incurred in bringing each product to its present location and condition and are accounted for on a first-in, first-out basis.

Agricultural produce is the product of the company's biological assets. Agriculture produce on hand at year end is valued at the lower of cost and net realisable value. Cost is measured as fair value less point of sale costs at the time of harvest plus costs incurred to get the inventory to its current location and condition.

Intangible assets

Intangible assets are stated at the lower of cost and net realisable value. In regard to rights to almond orchard groves arising from the cancellation of growers' rights on non-payment, cost is considered to be the value of the debtor amount unpaid less any subsequent refunded GST.

Amortisation

The group amortises intangible assets with a limited useful life using the straight-line method over the remaining life of the asset.

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest; and
- the acquisition date fair value of any previously held equity interest; over the acquisition date fair value of net identifiable assets acquired.

2 Summary of significant accounting policies (continued)

Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

a. Financial assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the consolidated statement of comprehensive Income in the 'finance income' or 'finance costs' line item respectively.

b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

Discounting is omitted where the effect of discounting is considered immaterial.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date and when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, impairment provisions are recorded in a separate allowance account with the loss being recognised in profit or loss. When confirmation has been received that the amount is not collectable, the gross carrying value of the asset is written off against the associated impairment provision.

Subsequent recoveries of amounts previously written off are credited against other income in profit or loss.

In some circumstances, the Group renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Group does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

c. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets.

2 Summary of significant accounting policies (continued)

Financial instruments (continued)

c. Available-for-sale financial assets (continued)

Purchases and sales of available-for-sale investments are recognised on settlement date.

All other available-for-sale financial assets are measured at fair value, with subsequent changes in value recognised in other comprehensive income.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired.

In the case of impairment or sale, any gain or loss previously recognised in equity is transferred to the profit or loss.

Losses recognised in prior period consolidated income statements resulting from the impairment of debt securities are reversed through the income statement, if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

d. Held-to-maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets;
- they are quoted in an active market;
- they have fixed or determinable payments and fixed maturities; and,
- the group intends to, and is able to, hold them to maturity.

Held-to maturity financial assets are included in non-current assets, except for those with maturities of less than 12 months from the end of the reporting period, which would be classified as current assets.

e. Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "finance costs" or "finance income".

Financial liabilities are classified as either financial liabilities ‘at fair value through profit or loss’ or other financial liabilities depending on the purpose for which the liability was acquired.

The Group‘s financial liabilities include borrowings and trade and other payables, which are measured at amortised cost using the effective interest rate method.

f. Impairment of financial assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

g. Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

2 Summary of significant accounting policies (continued)

Plant and equipment

Classes of plant and equipment are measured using the cost or revaluation model as specified below.

Where the cost model is used, 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 restoring the asset, where applicable.

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed on a periodic basis or when indications of impairment exist for all similar classes of assets.

All other plant and equipment are measured using the cost model.

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

Fixed asset class:	Depreciation rate:
Leasehold improvements	10 years
Plant and equipment	3-16 years
Motor vehicles	6-16 years

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 or loss. When revalued assets are sold, it is Group's policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Biological assets

Biological assets of the Group include crops such as cotton, wheat, almonds, macadamias and fallow fields which are a reserve for future crops, as well as livestock. In accordance with AASB 141 *Agriculture* the Group's biological assets have been recognised at fair value, less costs to sell. Fair value is determined as follows:

- up until the time when commercial yields are achieved, cost approximates fair value, less costs to sell;
- thereafter based on the present value of expected net cash flows from the crops and livestock, discounted using a pre-tax market determined rate.

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

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownerships are transferred to entities in the Group are classified as finance leases.

Lease payments for operating leases, where substantially all of the risks and benefits have not been transferred from the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

2 Summary of significant accounting policies (continued)

Leases (continued)

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the income statement.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Interest bearing liabilities

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.

Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Provision is made for the amount of any dividend declared, determined or recommended by the Directors on or before the end of the financial year but not distributed at balance date.

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.

2 Summary of significant accounting policies (continued)

Parent entity information

The financial information of the parent entity, Rural Funds Management Limited, disclosed in note 34 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries and associates

Investments in subsidiaries are accounted for at historical cost less any accumulated impairment. Distributions received from associates are recognised in the parent entity's profit or loss when its right to receive the distribution is established.

New accounting standards and interpretations

Standard Name	Effective date for the Group	Requirements	Impact
AASB 15 Revenue from contracts with customers	1 Jan 2018	Recognise contracted revenue when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards.	It is not expected that this standard will have a material impact on the Group.
AASB 16 Leases	1 Jan 2019	Introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months.	Management is currently assessing the impact of the new rules. It is expected that this standard will have a significant impact on the property leases of the Group. Total future lease payments under non-cancellable operating leases of land, buildings and improvements amount to $44,488,557.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods.

3 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.

Management has identified the following critical accounting policies for which significant judgements, estimates or assumptions are made.

Valuations of intangible assets

Intangible assets include licences to almond groves of the three Almond schemes that have been cancelled by growers and macadamia groves that sit as part of the 2007 Macgrove Project that RFM acquired on 15 March 2016.

3 Significant accounting judgements, estimates and assumptions (continued)

Valuations of intangible assets (continued)

In respect of almond groves RFM is required to pay for the amounts unpaid by the growers and this represents the cost of the asset. Cost is compared to the discounted cash flows of the future receipts and payments due in respect of those groves. If the discounted cash flows are lower, the asset cost is impaired by this amount. The impaired asset is amortised with a limited useful life using the straight-line method over the remaining life of the asset. The additions at cost and impairment arising during the year are shown at Note 19.

In respect of macadamia groves, cost is the amount paid to acquire the interests in the Project. Cost is compared to the discounted cash flows for the future receipts and payments due in respect of those groves. If the discounted cash flows are lower, the asset cost is impaired by this amount. The impaired asset is amortised with a limited useful life using the straight-line method over the remaining life of the asset. The additions at cost and impairment arising during the year are shown at Note 19.

Valuation of goodwill

Goodwill was attributable to the premium paid for the acquisition of Maccmanagement Pty Limited in March 2016 (subsequently renamed RFM Macadamias Pty Limited). This amount is compared to the discounted cash flows for the future receipts and payments of RFM Macadamias. If the discounted cash flows are lower, the goodwill is impaired by this amount. The impaired goodwill is subject to the impairment testing at the end of each reporting period. The additions at cost and impairment arising during the year are shown at Note 20.

Valuation of livestock

Livestock are measured at cost when purchased and at their fair value less estimated selling costs at each subsequent reporting date. The fair value is determined based on recent comparable sales in active markets.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Historical differences between forecast and actual taxable profits have not resulted in material adjustments to the recognition of deferred tax assets.

4 Revenue

	2017	2016
	$'000	$'000
Management fees	**5,876**	5,399
Rendering of services	**15,406**	16,145
Harvest proceeds	**11,426**	8,921
Interest received	**59**	82
Total	**32,767**	30,547

5 Other income

	2017	2016
	$'000	$'000
Income distributions and dividends	**799**	515
Other income	**106**	277
Total	**905**	792

6 Depreciation and amortisation

	Note	2017	2016
		$'000	$'000
Depreciation	16(a)	**249**	186
Amortisation of intangible assets	19	**135**	94
Total		**384**	280

7 Minimum lease payments

Minimum lease payments under non-cancellable operating leases of property not recognised in the financial statements, are payable as follows:

	2017	2016
	$'000	$'000
Within one year	**5,020**	1,201
Later than one year but not later than 5 years	**19,696**	3,505
Later than 5 years	**19,773**	4,896
Total	**44,489**	9,602

8 Income tax expense

	2017	2016
	$'000	$'000
The components of tax expense comprise:		
Current tax	**897**	844
Deferred tax	**1,121**	(234)
Adjustments in respect of previous years – current tax	**(301)**	-
Adjustments in respect of previous years - deferred tax	**250**	-
Total	**1,967**	610
Amounts charged or credited directly to equity		
Unrealised gain on available-for-sale investments	**657**	655
Total	**657**	655
Numerical reconciliation of income tax expense to prima facie tax payable		
Accounting profit before tax from continuing operations	**6,886**	2,168
At the statutory income tax rate of 30% (2016: 30%)	**2,066**	651
Adjusted for tax effect of:		
Imputation credits received	**(49)**	(42)
Adjustments in respect of previous years	**(50)**	1
Total	**1,967**	610

9 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group:

	2017 $'000	2016 $'000
PricewaterhouseCoopers Australia:		
Audit and review of financial statements	**96**	80
Compliance audit	**3**	2
Total	**99**	82

10 Cash and cash equivalents

	2017 $'000	2016 $'000
Cash on hand	**2**	2
Cash at bank	**3,064**	3,787
Total	**3,066**	3,789

Reconciliation of cash

Cash and cash equivalents reported in the Consolidated Statement of Cash Flows are reconciled to the equivalent items in the Consolidated Statement of Financial Position as follows:

Cash and cash equivalents	**3,066**	3,789

11 Trade and other receivables

	2017 $'000	2016 $'000
Current		
Trade receivables	**2,233**	708
Sundry receivables	**1,485**	3,551
Total	**3,718**	4,259

Trade receivables are non-interest bearing and are generally on 30 day terms. Impaired and past due receivables have been considered and appropriate provisions have been made. There are no receivables that are past due but not impaired.

12 Inventories

	2017 $'000	2016 $'000
Current		
Agricultural produce	**2,953**	2,737
Fuel, chemicals and fertiliser	**563**	263
Total	**3,516**	3,000

Agricultural produce inventory at 30 June 2017 represents almonds.

12 Inventories (continued)

(a) Movements in agricultural produce inventory

2017	Almonds $'000	Macadamias $'000	Cotton $'000	Wheat $'000	Livestock $'000	Total $'000
Opening balance	**2,265**	**34**	**439**	**-**	**-**	**2,738**
Transfers from biological assets	**2,953**	**673**	**1,961**	**971**	**4,732**	**11,290**
Decreases due to sales	**(2,373)**	**(717)**	**(2,400)**	**(971)**	**(4,732)**	**(11,193)**
Costs to sell	**108**	**10**	**-**	**-**	**-**	**118**
Total	**2,953**	**-**	**-**	**-**	**-**	**2,953**

2016	Almonds $'000	Macadamias $'000	Cotton $'000	Wheat $'000	Livestock $'000	Total $'000
Opening balance	5,267	-	1,543	-	-	6,810
Transfers from biological assets	2,265	386	1,039	224	823	4,737
Decreases due to sales	(5,272)	(352)	(2,143)	(224)	(823)	(8,814)
Costs to sell	5	-	-	-	-	5
Total	2,265	34	439	-	-	2,738

13 Biological assets

2017	**Almonds for development**	**Almonds**	**Macadamias**	**Cotton**	**Wheat**	**Chickpeas**	**Livestock**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Opening balance	**-**	**-**	**41**	**138**	**137**	**-**	**6,634**	**6,950**
Additions	**-**	**2,432**	**420**	**1,238**	**232**	**368**	**12,581**	**17,271**
Increases due to biological transformation	**-**	**521**	**252**	**648**	**607**	**-**	**11,992**	**14,020**
Transfers to agricultural produce on hand	**-**	**(2,953)**	**(673)**	**(1,961)**	**(971)**	**-**	**(4,732)**	**(11,290)**
Total	**-**	**-**	**40**	**63**	**5**	**368**	**26,475**	**26,951**

2016	**Almonds for development**	**Almonds**	**Macadamias**	**Cotton**	**Wheat**	**Chickpeas**	**Livestock**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Opening balance	412	-	-	91	-	-	995	1,498
Additions	-	2,417	182	691	204	-	5,474	8,968
Increases/(decreases) due to biological transformation	-	(152)	245	395	157	-	988	1,633
Decreases due to sales	(412)	-	-	-	-	-	-	(412)
Transfers to agricultural produce on hand	-	(2,265)	(386)	(1,039)	(224)	-	(823)	(4,737)
Total	-	-	41	138	137	-	6,634	6,950

Biological assets at 30 June 2017 comprise of macadamias, cotton, wheat, chickpeas and livestock.

14 Other assets

	2017 $'000	2016 $'000
Current		
Prepayments	**394**	771
Deposits	**162**	223
Total	**556**	994

15 Financial assets

	2017 $'000	2016 $'000
Current		
Loan - shareholders	**504**	500
Loan - related parties	**1,634**	-
Total	**2,138**	500
Non-current		
Listed investments		
Units in Rural Funds Group	**15,927**	8,143
Units in RFM Poultry	**271**	275
Unlisted investments		
Shares in Almondco	**2**	2
Total	**16,200**	8,420

16 Plant and equipment

	2017 $'000	2016 $'000
Current		
Plant and equipment		
At cost	**2,201**	1,538
Accumulated depreciation	**(1,077)**	(911)
Total plant and equipment	**1,124**	627
Leasehold improvements		
At cost	**763**	741
Accumulated amortisation	**(658)**	(585)
Total leasehold improvements	**105**	156
Total plant and equipment	**1,229**	783

16 Plant and equipment (continued)

(a) Movements in carrying amounts

Movement in the carrying amount for each class of plant and equipment between the beginning and the end of the current financial year.

2017	Capital works in progress	Plant and equipment	Leasehold improvements	Total
	$'000	$'000	$'000	$'000
Opening net book amount	**-**	**627**	**156**	**783**
Additions	**712**	**9**	**-**	**721**
Disposals	**-**	**(26)**	**-**	**(26)**
Transfers	**(712)**	**690**	**22**	**-**
Depreciation	**-**	**(176)**	**(73)**	**(249)**
Closing net book amount	**-**	**1,124**	**105**	**1,229**

2016	Capital works in progress	Plant and equipment	Leasehold improvements	Total
	$'000	$'000	$'000	$'000
Opening net book amount	5	752	228	985
Additions	1,604	-	-	1,604
Disposals	(1,136)	(484)	-	(1,620)
Transfers	(473)	473	-	-
Depreciation	-	(114)	(72)	(186)
Closing net book amount	-	627	156	783

17 Interest in subsidiaries and jointly controlled entities

Parent entity - Rural Funds Management Limited

Entity	Established	% of interest 2017	% of interest 2016	Principal activity
Subsidiaries				
RFM Farming Pty Limited	2005	100%	100%	General farming activities in cropping and livestock
Rural Funds Renewables Pty Limited	2015	100%	100%	Renewable energy activities
RFM Macadamias Pty Limited	2016	100%	100%	Commercial growing, harvesting and marketing of macadamias nuts
Cattle JV Pty Limited	2016	100%	100%	Cattle breeding and backgrounding activities
Jointly controlled entities				
Cotton JV Pty Limited	2017	50%	-	Cotton growing activities

All subsidiaries and jointly controlled entities are incorporated in Australia.

18 Investments accounted for using the equity method

Name of entity	Place of Business	% of ownership interest		Carrying amount	
		2017	**2016**	**2017**	**2016**
		%	**%**	**$'000**	**$'000**
Murdock Viticulture & Advisory Pty Limited	Australia	**28**	28	**194**	180

There are no commitments or contingencies relating to investments accounted for using the equity method.

Summarised financial information for associates

	2017	2016
	$'000	**$'000**
Summarised financial information for associates		
Summarised balance sheet		
Total current assets	**1,657**	1,233
Total non-current assets	**830**	1,023
Total current liabilities	**(1,455)**	(1,096)
Total non-current liabilities	**(340)**	(519)
Net assets	**692**	641
Reconciliation to carrying amounts		
Opening net assets	**641**	-
Net assets at date of gaining significant influence	**-**	512
Profit for the period	**551**	549
Other comprehensive income	**-**	-
Distributions provided for	**(500)**	(420)
Closing net assets	**692**	641
Group's share in %	**28%**	**28%**
Group's share in $'000	**194**	180
Carrying value of investment	**194**	180
Summarised statement of comprehensive income		
Revenue	**1,149**	1,169
Net profit after income tax	**551**	549
Other comprehensive income	**-**	-
Total comprehensive income for the period	**551**	549
Distribution received or receivable from associate	**140**	118

19 Intangible assets

2017	Almonds $'000	Macadamias $'000	Total $'000
Non-current			
Opening net book amount	**1,036**	**380**	**1,416**
Additions	**-**	**-**	**-**
Amortisation	**(103)**	**(32)**	**(135)**
Closing net book amount	**933**	**348**	**1,281**
Cost	**1,317**	**380**	**1,697**
Accumulated amortisation and impairment	**(384)**	**(32)**	**(416)**
Net book amount	**933**	**348**	**1,281**

2016	Almonds $'000	Macadamias $'000	Total $'000
Non-current			
Opening net book amount	1,130	-	1,130
Additions	-	380	380
Amortisation	(94)	-	(94)
Closing net book amount	1,036	380	1,416
Cost	1,317	380	1,697
Accumulated amortisation and impairment	(281)	-	(281)
Net book amount	1,036	380	1,416

RFM will pay the operating costs and receive the harvest proceeds in respect of 484 almond groves and 79 Macgroves. The net realisable value represents the present value of the net future cash flows and are in excess of costs in 2017.

The group amortises intangible assets with a limited useful life using the straight-line method over the remaining life of the asset.

20 Goodwill

	2017 $'000	2016 $'000
Opening net book amount	**429**	-
Acquisition of business	**-**	464
Impairment	**-**	(35)
Closing net book amount	**429**	429

Goodwill was attributable to the premium paid for the acquisition of Maccmanagement Pty Limited in March 2016 (subsequently renamed RFM Macadamias Pty Limited).

21 Trade and other payables

	2017 $'000	2016 $'000
Current		
Trade payables	**1,022**	528
Accruals	**618**	707
Sundry creditors	**1,196**	1,074
Total	**2,836**	2,309

22 Interest bearing liabilities

	2017 $'000	2016 $'000
Current		
Borrowings (ANZ)	**15,791**	7,700
Borrowings (StockCo)	**946**	-
Total	**16,737**	7,700
Non-current		
Borrowings (RFA)	**10,517**	-
Total	**10,517**	-

23 Provisions

	2017 $'000	2016 $'000
Current		
Employee benefits - current	**1,922**	1,492
Other provisions - current	**80**	-
Total	**2,002**	1,492
Non-current		
Employee benefits - non-current	**194**	210
Total	**194**	210

It is expected that current employee benefits will be utilised within the next 12 months.

24 Deferred tax

	2017 $'000	2016 $'000
Deferred tax liabilities		
Investments	**1,712**	682
Sundry debtors	**7**	1
Biological assets	**1,066**	-
Inventories	**163**	36
Gross deferred tax liabilities	**2,948**	719
Set-off of deferred tax assets	**(928)**	(608)
Net deferred tax liabilities	**2,020**	111

	2017 $'000	2016 $'000
Deferred tax assets		
Accruals	**107**	104
Provisions	**613**	503
Project establishment costs	**3**	78
Plant and equipment	**3**	2
Intangibles	**84**	51
Unused income tax losses	**295**	166
Unused capital tax losses	**13**	13
Gross deferred tax assets	**1,118**	917
Set-off of deferred tax liabilities	**(928)**	(608)
Net deferred tax assets	**190**	309

The Group has deferred tax assets of $190,000 (2016: $309,000) in relation to timing differences and carry forward tax losses. The Group has considered that the deferred tax assets will be recoverable using the estimated future taxable income based on budgets and forecast cash flows. The tax losses can be carried forward indefinitely and have no expiry date.

25 Recognised deferred tax assets and liabilities

	Current income tax		Deferred income tax	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Opening balance	**(476)**	(396)	**198**	396
Charged to income	**(596)**	(844)	**(1,371)**	234
Charged/(credited) to equity	**-**	-	**(657)**	(655)
Other payments	**597**	764	**-**	-
Acquisition & disposals	**-**	-	**-**	223
Total	**(475)**	(476)	**(1,830)**	**198**
Tax expense through profit or loss:			**1,967**	610
Amounts recognised in Consolidated Statement of Financial Position:				
Deferred tax asset			**190**	309
Deferred tax liability			**(2,020)**	(111)
Total			**(1,830)**	198

26 Fair value measurement of assets and liabilities

Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the Australian Accounting Standards.

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy. The level in the fair value hierarchy is determined having regard to the nature of inputs used to determine fair value. The hierarchy is as follows:

Level 1	Fair value based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date (such as publicly traded equities).
Level 2	Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	One or more significant inputs to the determination of fair value is based on unobservable inputs for the asset or liability.

Financial assets and liabilities

Fair value hierarchy

This note explains the judgements and estimates made in determining fair values of the financial assets and liabilities that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial assets and liabilities into the three levels prescribed under Australian Accounting Standards as mentioned above.

26 Fair value measurement of assets and liabilities (continued)

Financial assets and liabilities (continued)

Fair value hierarchy (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2017				
Financial assets				
Equity securities (listed)	**16,198**	**-**	**-**	**16,198**
Equity securities (unlisted)	**-**	**2**	**-**	**2**
Total	**16,198**	**2**	**-**	**16,200**
At 30 June 2016				
Financial assets				
Equity securities (listed)	8,418	-	-	8,418
Equity securities (unlisted)	-	2	-	2
Total	8,418	2	-	8,420

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels for recurring fair value measurements during the year.

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the present value of the estimated future cash flows based on observable yield curves to determine the fair value of interest rate swaps; and
- discounted cash flow analysis to determine the fair value of the remaining financial instruments.

All of the resulting fair value estimates are included in level 1 or 2 except for unlisted equity securities which are level 3, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

Non-financial assets

Fair value hierarchy

This note explains the judgements and estimates made in determining fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under Australian Accounting Standards as mentioned above.

26 Fair value measurement of assets and liabilities (continued)

Non-financial assets (continued)

Fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
At 30 June 2017				
Biological assets				
Livestock	**-**	**-**	**26,475**	**26,475**
Total	**-**	**-**	**26,475**	**26,475**
At 30 June 2016				
Biological assets				
Livestock	-	-	6,634	6,634
Total	-	-	6,634	6,634

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels for recurring fair value measurements during the year.

Valuation techniques used to determine level 2 and level 3 fair values

The Group obtains independent valuations for its livestock where appropriate. Directors have considered independent valuations and market evidence where applicable to determine the fair value to adopt.

At the end of each reporting period, the Directors update their assessment of the fair value of biological assets, taking into account the most recent independent valuations. The Directors determine an asset's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar assets. Where such information is not available the Directors consider current prices in an active market for assets of different nature or recent prices of similar assets in less active markets, adjusted to reflect those differences.

Fair value measurements using significant unobservable inputs (level 3)

	2017	2016
	$'000	$'000
Livestock		
Opening balance	**6,634**	995
Additions	**12,581**	5,474
Fair value adjustment	**11,992**	988
Disposal	**(4,732)**	(823)
Total	**26,475**	6,634

26 Fair value measurement of assets and liabilities (continued)

Non-financial assets (continued)

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See above for the valuation techniques adopted.

Description	Fair value at 30 June 2017 $'000	Unobservable inputs*	Range of inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
Livestock	26,475	Livestock price	10.00% (10.00%)	A change in the price of livestock by +/-10% results a change in fair value of $2,647,500

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

27 Financial risk management

The Group is exposed to a variety of financial risks through its use of financial instruments. This note discloses the Group‘s objectives, policies and processes for managing and measuring these risks. The Group‘s overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The Group does not speculate in financial assets.

The most significant financial risks which the Group is exposed to are described below:

Specific risks

- Market risk - Interest rate risk and price risk
- Credit risk
- Liquidity risk

Financial instruments used

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Bank overdraft
- Trade and other payables
- Floating rate bank loans

27 Financial risk management (continued)

Financial risk management policies

Risks arising from holding financial instruments are inherent in the Group’s activities and are managed through a process of ongoing identification, measurement and monitoring. The Group is exposed to market risk, credit risk and liquidity risk.

Financial instruments of the Group comprise cash and cash equivalents, interest bearing liabilities and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The use of financial derivatives is governed by the Group's policies, which provide written principles on the use of financial derivatives. Reviews are undertaken to ensure compliance with policies and exposure limits.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to its shareholders, benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of contributed equity, reserves and retained earnings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders or issue new shares or sell assets to reduce debt.

Operating cash flows are used to maintain and expand the Group's assets as well as make the routine outflows of tax and dividends.

Interest rate risk

The Group's unhedged exposure to Australian variable interest rates on financial assets and financial liabilities are detailed in the table below:

	2017 $'000	2016 $'000
Cash and deposits with banks	**3,066**	3,789
Borrowings	**(27,254)**	(7,700)
Total	**(24,188)**	(3,911)

27 Financial risk management (continued)

Liquidity risk and capital management

The table below reflects all contractually fixed payments and repayments resulting from recognised financial assets and liabilities as of 30 June 2017.

	Less than 6 months		6 months to 1 year		1 to 5 years		Over 5 years		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets										
Cash and cash equivalents	**3,066**	3,789	**-**	-	**-**	-	**-**	-	**3,066**	3,789
Trade and other receivables	**3,718**	4,259	**-**	-	**-**	-	**-**	-	**3,718**	4,259
Other financial assets	**504**	500	**-**	-	**-**	-	**-**	-	**504**	500
Total	**7,288**	8,548	**-**	-	**-**	-	**-**	-	**7,288**	8,548
Financial liabilities										
Trade and sundry payables	**2,836**	2,309	**-**	-	**-**	-	**-**	-	**2,836**	2,309
Borrowings	**16,203**	7,700	**534**	-	**-**	-	**10,517**	-	**27,254**	7,700
Total	**19,039**	10,009	**534**	-	**-**	-	**10,517**	-	**30,090**	10,009

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. The Group's objectives when managing capital are to safeguard the going concern of the Group and to maintain an optimal capital structure. The Group is able to maintain or adjust its capital by divesting assets to reduce debt.

27 Financial risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, and other financial assets. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and policies that limit the amount of credit exposure to any one financial institution or counterparty.
The investment of surplus funds is made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. Other than with trade receivables, no material exposure is considered to exist by virtue of the possible non-performance of the counterparties to financial instruments.

(i) Credit risk exposures

The Group does not hold any credit derivatives or credit enhancements. Financial assets subject to credit risk are detailed in the table below:

	2017 $'000	2016 $'000
Cash and cash equivalents	**3,066**	3,789
Trade and other receivables	**3,718**	4,259
Other financial assets	**2,138**	500
Total	**8,922**	8,548

(ii) Credit risk concentration

Cash and deposits with banks: cash at bank and deposits are held with Australia and New Zealand Banking Group Limited which is rated AA- by Standard and Poors.

Trade and other receivables: trade and other receivables include amounts receivable from managed entities relating to management fees. These entities are considered low risk as the entities are managed by RFM and have sufficient working capital.

Other financial assets: other financial assets include loans of $1,634,000 (2016:nil) to Almond funds and $504,000 (2016: $500,000) to shareholders.

Price risk

Equity securities: price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

	2017 $'000	2016 $'000
Change in profit before tax		
Increase in average investment values by 10%	**-**	-
Decrease in average investment values by 10%	**-**	-
Change in equity		
Increase in average investment values by 10%	**1,134**	589
Decrease in average investment values by 10%	**(1,134)**	(589)

27 Financial risk management (continued)

Price risk (continued)

Commodity price risk: the Group is exposed to commodity price risk through the sale of agricultural commodities. In order to mitigate this risk the company enters into agreed price contracts for the sale of this produce. The assumption of 10% sensitivity is within the range of possible price movements in current economic conditions.

	2017 $'000	2016 $'000
Change in profit before tax		
Increase in commodity prices values by 10%	**295**	300
Decrease in commodity prices values by 10%	**(295)**	(300)
Change in equity		
Increase in commodity prices values by 10%	**207**	210
Decrease in commodity prices values by 10%	**(207)**	(210)

Sensitivity analysis – interest rate risk

At 30 June 2017, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	2017 $'000	2016 $'000
Change in profit before tax		
Increase in interest rate by 1%	**(242)**	(39)
decrease in interest rate by 1%	**242**	39
Change in equity		
Increase in interest rate by 1%	**(169)**	(27)
decrease in interest rate by 1%	**169**	27

28 Issued capital

	2017 $'000	2016 $'000
490,734 ordinary shares fully paid (2016: 487,074)	**3,346**	3,346
Total	**3,346**	3,346

29 Reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements in the fair value of the Group's financial assets available for sale.

	2017 $'000	2016 $'000
Opening balance	**2,031**	503
Net increment in financial assets	**1,537**	1,528
Total	**3,568**	2,031

29 Reserves (continued)

Capital reserve

The reserve results from a gain on the repurchase of employee shares on termination under the terms of the RFM Deferred Employee Share Plan. The plan is no longer active.

30 Key management personnel

The following persons were Directors and/or key management personnel of RFM during the year and up to the date of this report:

David Bryant	Director - RFM
Guy Paynter	Director - RFM
Michael Carroll	Director – RFM
Julian Widdup	Director – RFM (appointed 15 February 2017)
Stuart Waight	Chief Operating Officer
Andrea Lemmon	Executive Manager Funds Management
Daniel Yap	Financial Controller

	Short-term benefits	Post employment benefit	Total
	$'000	$'000	$'000
2017 total compensation	**1,473**	**140**	**1,613**
2016 total compensation	**1,213**	**125**	**1,338**

31 Related party transactions

Transactions between the Group and related parties are on commercial terms and conditions.

	2017	2016
	$'000	$'000
Management fees	**5,876**	5,399
Distributions received/receivable	**1,002**	515
Total amounts received from managed trusts	**6,878**	5,914
Rendering of services to managed trusts	**15,406**	16,145
Reimbursed to RFM from managed trusts	**1,872**	3,096
Rental and property expenses incurred by RFM	**(5,124)**	(649)
Total costs from managed trusts	**12,154**	18,592

31 Related party transactions (continued)

Debtors and loans

	2017 $'000	2016 $'000
RFM Almond Project 2006	**(71)**	1,071
RFM Almond Project 2007	**142**	(110)
RFM Almond Project 2008	**(408)**	(875)
2007 Macgrove Project	**6**	-
Rural Funds Group	**589**	322
RF Active	**2**	8
RFM StockBank	**59**	84
RFM Poultry	**11**	148
Total	**330**	648
Loan to related parties		
RFM Almond Project 2006	**884**	-
RFM Almond Project 2007	**170**	-
RFM Almond Project 2008	**580**	-
Shareholders' loan	**504**	500
Total	**2,138**	500
Provision relating to RFM StockBank trading loss		
Provision RFM StockBank	**80**	-
Total	**80**	-

Creditors and loans

	2017 $'000	2016 $'000
RFM Almond Project 2006	**-**	346
RFM Almond Project 2007	**-**	196
RFM Almond Project 2008	**-**	(304)
Rural Funds Group	**65**	41
RF Active	**59**	45
Total	**124**	324

Interest in managed funds

	2017		2016	
	% held	Units held	% held	Units held
Rural Funds Group	**3.39%**	**8,632,418**	3.12%	5,153,833
RFM Poultry	**3.28%**	**225,529**	3.28%	225,529

32 Cash flow information

	2017 $'000	2016 $'000
Net profit after income tax	**4,919**	1,558
Non-cash flows in profit		
Change in fair value of biological assets	**(14,020)**	(1,633)
Depreciation and impairments	**384**	280
Goodwill impairment	**-**	35
(Gain)/loss on sale of assets	**(3)**	(211)
Share of net profit - equity accounted investments	**(154)**	(180)
Bad debt expense	**-**	8
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	**541**	(1,244)
(Increase)/decrease in inventories	**(516)**	4,182
(Increase)/decrease in biological assets	**2,200**	-
Decrease/(increase) in other assets	**438**	(772)
Increase in deferred tax liabilities (net)	**1,371**	198
Increase/(decrease) in trade payables and accruals	**527**	(199)
Increase/(decrease) in provisions	**494**	(92)
(Decrease)/increase in income tax provisions	**(1)**	80
Net cash outflow from operating activities	**(3,820)**	2,010

33 Events after the reporting period

On 26 September 2017 a dividend of $504,000 was declared and paid.

Following the year end, based on changes in the market, the latest estimated sales price of almonds as provided by Almondco is $7.00/kg. The price decrease has not been taken to account as the movement represents the fair value movement in the market value of almonds since 30 June 2017. The final sales proceeds are subject to change based on market conditions throughout the next year and will not be known until 30 June 2018.

No other matter or circumstance has arisen since the end of the 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.

34 Parent entity

The following information has been extracted from the books and records of the parent, Rural Funds Management Limited, and has been prepared in accordance with Australian Accounting Standards.

	2017 $'000	2016 $'000
Statement of Financial Position		
ASSETS		
Current assets	**7,747**	7,477
Non-current assets	**24,331**	13,426
Total assets	**32,078**	20,903
LIABILITIES		
Current liabilities	**14,420**	7,483
Non-current liabilities	**1,233**	296
Total liabilities	**15,653**	7,779
EQUITY		
Issued capital	**3,346**	3,346
Reserves	**3,583**	2,047
Retained earnings	**9,496**	7,731
Total equity	**16,425**	13,124

	2017 $'000	2016 $'000
Statement of Comprehensive Income		
Net profit after income tax	**2,265**	1,046
Other comprehensive income, net of tax	**1,536**	1,528
Total comprehensive income for the year	**3,801**	2,574

In the Directors' opinion:

1 The financial statements and notes of Rural Funds Management set out on pages 8 to 43 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 30 June 2017 and of its performance for the 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.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

David Bryant
Director

26 September 2017

Independent auditor's report

To the members of Rural Funds Management Limited

Our opinion

In our opinion:

The accompanying financial report of Rural Funds Management Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2017
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors' Report included in the Financial Statements, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

CMC Heraghty
Partner

Sydney
26 September 2017

Responsible Entity

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