



Financial Statements

for the half-year ended 31 December 2023

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Rural Funds Group 10 YEARS

ASX:
RFF

Managed by:



Managing good assets with good people

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	Certane CT Pty Limited / Australian Executor Trustee Limited ACN 106 424 088 / ACN 007 869 794 Level 6, 80 Clarence Street SYDNEY NSW 2000
Auditors	PricewaterhouseCoopers One International Towers Sydney Watermans Quay BARANGAROO NSW 2000
Share Registry	Boardroom Pty Limited Level 8, 210 George Street SYDNEY NSW 2000 Ph: 1300 737 760
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000 Cooperatieve Rabobank UA Darling Park Tower 3 201 Sussex Street SYDNEY NSW 2000 National Australia Bank (NAB) Level 6, 2 Carrington 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 2023

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 2023.

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

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. 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 farming 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 RFM, 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 December 2023, the Group increased its available core debt to \$750,000,000 (30 June 2023: \$670,000,000). The facility limit on the \$410,000,000 tranche expiring in November 2024 was extended to November 2026. The facility limit on the \$260,000,000 tranche expiring in November 2025 was increased to \$340,000,000.

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 2023 amounted to \$43,754,000 (31 December 2022: \$54,543,000). The consolidated total comprehensive income of the Group for the half year ended 31 December 2023 amounted to \$71,003,000 (31 December 2022: \$59,404,000).

The Group holds investment property, bearer plants, owner-occupied property and derivatives at fair value. After adjusting for the effects of unrealised fair value adjustments, depreciation, impairments and non-cash tax expense, and one-off transaction costs during the half year, the profit would have been \$15,536,000 (31 December 2022: \$19,725,000), representing adjusted funds from operations (AFFO).

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Rural Funds Group

Directors' Report

31 December 2023

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 2023 \$'000	31 December 2022 \$'000
Net profit before income tax	44,618	53,861
Property related		
Change in fair value of investment property	(45,115)	(31,038)
Impairment of bearer plants	2,695	544
Impairment of property - owner occupied	176	-
Reversal of impairment of intangible assets	(1,560)	-
Depreciation - bearer plants	5,629	4,763
Depreciation – property owner occupied	425	197
Depreciation and impairments - other	1,828	1,118
(Gain)/loss on sale of assets	(266)	154
Farming operations		
Change in fair value of biological assets (unharvested crops and unsold cattle)	218	(75)
Change in fair value of biological assets (prior year biological assets realised during the half year)	(581)	1,738
Revenue items		
Rental revenue - prepaid rent (TRG)	244	-
Lease incentive amortisation (TRG)	28	-
Straight-lining of rental revenue	(1,647)	(399)
Interest component of JBS feedlot finance lease	61	53
Other		
Change in fair value of financial assets/liabilities	24	24
Change in fair value of interest rate swaps	9,073	(11,215)
Income tax payable (AWF)	(314)	-
AFFO	15,536	19,725
AFFO cents per unit	4.0	5.1

Financial position

The net assets of the consolidated Group have increased to \$1,045,010,000 at 31 December 2023 from \$993,159,000 at 30 June 2023. At 31 December 2023, the Group had total assets of \$1,792,442,000 (30 June 2023: \$1,671,009,000).

At 31 December 2023, 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 \$181,299,000 (30 June 2023: \$178,972,000). Directors obtain independent valuations on RFF properties ensuring that each property will have been independently valued at least 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 2023 was \$323,993,000 (30 June 2023: \$314,486,000). The value of water entitlements is illustrated in the table below:

	31 December 2023 \$'000	30 June 2023 \$'000
Intangible assets (water entitlements)	169,315	166,988
Investment in CICL	11,464	11,464
Investment in BIL	520	520
Total book value of water entitlements	181,299	178,972
Revaluation of intangible assets per valuation	142,694	135,514
Adjusted total water entitlements	323,993	314,486

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Rural Funds Group

Directors' Report

31 December 2023

Financial position (continued)

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 2023 \$'000	30 June 2023 \$'000
Net assets per Consolidated Statement of Financial Position	1,045,010	993,159
Revaluation of intangible assets per valuation	142,694	135,514
Adjusted net assets	1,187,704	1,128,673
Adjusted NAV per unit (\$)	3.07	2.93

Property leasing

At 31 December 2023 the Group held 67 (30 June 2023: 67) properties as follows:

- 3 almond orchards (4,068 planted hectares);
- 6 vineyards (638 planted hectares);
- 12 macadamia orchards (1,878 planted hectares and 105 planned hectares);
- 7 macadamia orchards currently being developed or with the potential to be developed into macadamia orchards (1,796 planted and planned hectares);
- 23 cattle properties made up of 18 breeding, backgrounding and finishing properties (717,434 hectares)* and 5 cattle feedlots with combined capacity of 150,000 head;
- 16 cropping properties (14,617 hectares).

During the half year ended 31 December 2023, the properties held by the Group recorded an increment in the fair value of investment properties of \$45,115,000 (31 December 2022: \$31,038,000), an increment in the fair value of bearer plants of \$17,691,000 (31 December 2022: \$4,861,000), an impairment of bearer plants of \$2,695,000 (31 December 2022: \$544,000), depreciation of bearer plants of \$5,629,000 (31 December 2022: \$4,763,000), a reversal of impairment of intangibles of \$1,560,000 (31 December 2022: nil impairment) relating to water entitlements, an increment in the fair value of property – owner occupied of \$9,558,000 (31 December 2022: nil), an impairment of property – owner occupied of \$176,000 (31 December 2022: nil impairment) and depreciation of property – owner occupied of \$425,000 (31 December 2022: \$197,000).

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 4,068 hectares (30 June 2023: 4,068 hectares):

- Yilgah 935 planted hectares (30 June 2023: 935 hectares);
- Tocabil 603 planted hectares (30 June 2023: 603 hectares);
- Kerarbury 2,530 planted hectares (30 June 2023: 2,530 hectares).

These properties are under lease to the following tenants:

- Select Harvests Limited (SHV) 935 planted hectares (30 June 2023: 935 hectares);
- Olam Orchards Australia Pty Limited (Olam) 3,133 planted hectares (30 June 2023: 3,133 hectares);

For its almond orchards the Group owns water entitlements of 55,525ML (30 June 2023: 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 2023: 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 six vineyards, with five 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 2023: 936ML). All vineyards are leased to Treasury Wine Estates Limited and produce premium quality grapes. All of the vineyards are leased until June 2026.

* The Group's Area for Wyseby (held as tenant-in-common in the interest of 57.25%) included from number of hectares.

Rural Funds Group

Directors' Report

31 December 2023

Property leasing (continued)

Macadamia orchards

Three established macadamia orchards are located near Bundaberg, Queensland:

- Swan Ridge and Moore Park, 234 hectares (30 June 2023: 234 hectares), currently operated by the Group.
- Bonmac, 27 hectares (30 June 2023: 27 hectares), currently leased to RFM Farming.

Beerwah and Bauple, 475 hectares (30 June 2023: 475 hectares) located in the Glass House mountains and Wide Bay regions of Queensland are unleased and currently operated by the Group.

The following initial properties are leased to a company managed by The Rohatyn Group:

- Cygnet, located in Bundaberg, Queensland consists of 37 hectares (30 June 2023: 37 hectares) of newly established plantings.
- Nursery Farm, located in Bundaberg, Queensland consists of 41 hectares (30 June 2023: 41 hectares) of newly established plantings and a macadamia tree nursery, separately leased to another external party.
- Four properties located in Maryborough, Queensland, Glendorf, Charleville, Dowlings and Marriots totalling 1,335 hectares (30 June 2023: 1,335 hectares) are developed, consisting of 743 hectares of newly established macadamia plantings.
- Riverton property 1,015 hectares (30 June 2023: 1,015 hectares), located in the Fitzroy region in Queensland is under development, consisting of 321 hectares of newly established plantings and 105 hectares of planned macadamia plantings.

The following properties are currently under development:

- Six properties located in Maryborough, Queensland, Little Tinana, Tulesco, Indah, Owanyilla, Bidwill and Magnolia, totalling 1,267 hectares (30 June 2023: 1,188 hectares) with 760 hectares of planned and planted macadamia plantings.
- The Rookwood Farms aggregation, totalling 4,409 hectares (30 June 2023: 4,136 hectares), located in the Fitzroy region in Queensland with 1,036 hectares of planned macadamia plantings.

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 2023: 17,479 hectares);
- Mutton Hole and Oakland Park located in far north Queensland 225,800 hectares (30 June 2023: 225,800 hectares);
- Natal aggregation located near Charters Towers in north Queensland 390,600 hectares (30 June 2023: 390,600 hectares);
- Comanche located in central Queensland 7,600 hectares (30 June 2023: 7,600 hectares);
- Cerberus located north west of Rockhampton in central Queensland 8,280 hectares (30 June 2023: 8,280 hectares);
- Dyamberin located in the New England region of New South Wales 1,728 hectares (30 June 2023: 1,728 hectares);
- Woodburn located in the New England region of New South Wales 1,063 hectares (30 June 2023: 1,063 hectares);
- Cobungra located in the East Gippsland region of Victoria 6,497 hectares (30 June 2023: 6,497 hectares);
- Petro, High Hill and Willara located in Western Australia 6,196 hectares (30 June 2023: 6,196);
- Yarra located south west of Rockhampton in central Queensland 4,090 hectares (30 June 2023: 4,090);
- Homehill located north west of Rockhampton in central Queensland 4,925 hectares (30 June 2023: 4,925);
- Coolibah and River Block located south west of Rockhampton in central Queensland 724 hectares (30 June 2023: 724 hectares);
- Thirsty Creek located south west of Rockhampton in central Queensland 503 hectares* (30 June 2023: 762 hectares);
- Prime City, Mungindi, Caroona, Beef City and Riverina, 5 cattle feedlots with a combined capacity of 150,000 head (30 June 2023: 150,000 head).
- Kaiuroo, located north west of Rockhampton in central Queensland, 27,879 hectares (30 June 2023: 27,879 hectares).
- Wyseby, held as tenant-in-common arrangement (57.25% interest), located south-west of Rockhampton in Central Queensland adjoining Rewan 14,071 hectares (30 June 2023: 14,071 hectares).

* A portion of Thirsty Creek was allocated to Macadamias - Rookwood Farms during the half year.

Rural Funds Group

Directors' Report

31 December 2023

Property leasing (continued)

Cattle property (continued)

The following cattle properties are leased to the following tenants:

- Australian Agricultural Company Limited, leasing Rewan, Comanche and Home Hill;
- 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;
- Stone Axe Pastoral Company Pty Limited, leasing Dyamberin, Woodburn, Cobungra, Petro, High Hill and Willara;
- Mort & Co Lot Feeder Pty Limited, leasing Coolibah, River Block and Thirsty Creek; and
- Clarke Creek Energy Pty Limited, leasing a portion of Cerberus.
- Caldwell Family (Milong) Pty Limited, leasing a portion of Wyseby.

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 2023.

Cerberus, Yarra and Kaiuroo are currently being operated by the Group, allowing for capital development and improvement designed to improve the productivity of the properties while long-term lessees are being sought.

The lease arrangement for Natal aggregation includes a \$5 million cattle leasing arrangement to fund the purchase of cattle. The balance drawn as at 31 December 2023 net of security deposits held is \$2,682,000.

Cropping property

Cropping properties held by the Group comprise of:

- Lynora Downs, a 4,963 hectare (30 June 2023: 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 2027.
- Mayneland, a 2,942 hectare (30 June 2023: 2,942 hectare) cropping property located 25 km north of Lynora Downs in central Queensland, currently under negotiation to be leased to RFM Farming Pty Limited (a wholly owned subsidiary of RFM) until 30 June 2024. A long-term lessee is being sought.
- Baamba Plains, a 4,130 hectare (30 June 2023: 4,130 hectare) 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 22 Maryborough properties located in Queensland, have potential to be developed into approximately 2,200 hectares (30 June 2023: 2,200 hectare) of macadamia orchards. 12 of these properties are currently being leased out or owner occupied for various cropping operations.
- Swan Ridge South, located in Bundaberg, Queensland totalling 123 hectares (30 June 2023: 123 hectares)

Other activities

The Group provides a \$132,000,000 (30 June 2023: \$132,000,000) limited guarantee to J&F Australia Pty Ltd (J&F). The guarantee is currently used to support \$132,000,000 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. During the half year, the guarantee was extended to support the funding of grain in JBS' Rivalea business as part of the existing arrangement. 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 herd assets under finance lease of \$16,838,000 (30 June 2023: \$16,621,000) are leased to Cattle JV.

Agricultural plant and equipment with a net book value of \$3,072,000 (30 June 2023: \$2,244,000) is owned by the Group and leased to RFM Farming. Agricultural plant and equipment with a net book value of \$29,962,000 (30 June 2023: \$24,801,000) is used for the Group's farming operations and macadamia developments.

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Rural Funds Group

Directors' Report

31 December 2023

Banking facilities

At 31 December 2023 the core debt facility available to the Group was \$750,000,000 (30 June 2023: \$670,000,000), with a drawn balance of \$638,407,000 (30 June 2023: \$574,606,000). The facility is split into two tranches with a \$410,000,000 tranche expiring in November 2026 and a \$340,000,000 tranche expiring in November 2025. At 31 December 2023, RFF had active interest swaps totalling 72.1% (30 June 2023: 42.2%) of the drawn balance on the floating debt facility to manage interest rate risk.

Distributions

	Cents per unit	Total \$
Distribution declared 01 June 2023, paid 31 July 2023	2.9325	11,285,919
Distribution declared 01 September 2023, paid 31 October 2023	2.9325	11,323,511
Distribution declared 01 December 2023, paid 31 January 2024	2.9325	11,342,210

Earnings per unit

Net profit after income tax for the half year (\$)	43,754,000
Weighted average number of units on issue during the period	386,145,215
Basic and diluted earnings per unit (total) (cents)	11.33

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 2023 is 1.68% (31 December 2022: 1.70%).

Matters subsequent to the end of the half year

As at 31 December 2023 a borrowing facility provided to the Group relating to the Wyseby property was \$24,455,000. At balance date, the facility was due to mature on 26 September 2024. Subsequent to the half year end, this facility was in the process of being extended to 31 March 2025.

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 breaches of any environmental requirements applicable to the Group.

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Rural Funds Group

Directors' Report

31 December 2023

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.

Units on issue

386,810,238 units in Rural Funds Trust were on issue at 31 December 2023 (30 June 2023: 384,856,558). During the half year 1,953,680 units (30 June 2023: 2,341,799) were issued by the Trust and nil (30 June 2023: 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 2023 has been received and is included on page 9 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

23 February 2024

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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 2023, 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 blue ink, appearing to read 'M Upcroft', is written over a faint, light blue circular stamp.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
23 February 2024

Rural Funds Group

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2023

		31 December 2023	31 December 2022
	Note	\$'000	\$'000
Revenue	B3	53,164	43,975
Other income	B3	2,151	3,290
Management fee		(4,713)	(4,256)
Asset management fee		(3,534)	(3,192)
Property expenses		(1,861)	(2,426)
Other expenses		(3,614)	(3,783)
Finance costs		(10,338)	(7,646)
Cost of goods sold - farming operations		(11,177)	(7,478)
Property and other expenses - farming operations		(4,387)	(2,441)
Gain/(loss) on sale of assets		266	(154)
Depreciation and impairments - other		(1,828)	(1,118)
Change in fair value of investment property	C2	45,115	31,038
Impairment of bearer plants	C3	(2,695)	(544)
Depreciation - bearer plants	C3	(5,629)	(4,763)
Reversal of impairment of intangible assets	C5	1,560	-
Impairment of property - owner occupied	C6	(176)	-
Depreciation - property - owner occupied	C6	(425)	(197)
Change in fair value of biological assets - farming operations	E2	1,836	2,365
Change in fair value of interest rate swaps		(9,073)	11,215
Change in fair value of financial assets/liabilities		(24)	(24)
Net profit before income tax		44,618	53,861
Income tax (expense)/credit		(864)	682
Net profit after income tax		43,754	54,543
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation increment - Bearer plants	C3	17,691	4,861
Revaluation increment - Property - owner occupied	C6	9,558	-
Other comprehensive income for the half year, net of tax		27,249	4,861
Total comprehensive income attributable to unitholders		71,003	59,404

The accompanying notes form part of these financial statements.

Rural Funds Group

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2023

	Note	31 December 2023 \$'000	31 December 2022 \$'000
Total net profit after income tax for the half year attributable to unitholders arising from:			
Rural Funds Trust		46,721	56,846
RF Active (non-controlling interest)		(2,967)	(2,303)
Total		43,754	54,543
Total comprehensive income for the half year attributable to unitholders arising from:			
Rural Funds Trust		73,970	61,707
RF Active (non-controlling interest)		(2,967)	(2,303)
Total		71,003	59,404
Earnings per unit			
Basic and diluted earnings per unit attributable to the unitholders:			
Per stapled unit (cents)		11.33	14.23
Per unit of Rural Funds Trust (cents)		12.10	14.84
Per unit of RF Active (cents)		(0.77)	(0.61)

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The accompanying notes form part of these financial statements.

Rural Funds Group

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	31 December 2023 \$'000	30 June 2023 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		14,501	5,753
Trade and other receivables		11,848	10,553
Other current assets		4,470	1,860
Biological assets	E2	10,911	14,295
Inventories		2,420	1,853
Income tax receivable		-	259
Total current assets		44,150	34,573
Non-current assets			
Investment property	C2	998,669	923,405
Plant and equipment - bearer plants	C3	231,573	217,700
Financial assets	C4, E1	107,627	102,488
Intangible assets	C5	169,315	166,988
Property - owner occupied	C6	162,999	144,200
Plant and equipment - other	C7	33,034	27,045
Derivative financial assets		32,967	42,040
Deferred tax assets		647	918
Other assets		11,461	11,652
Total non-current assets		1,748,292	1,636,436
Total assets		1,792,442	1,671,009
LIABILITIES			
Current liabilities			
Trade and other payables		6,849	6,878
Unearned income		8,795	975
Current tax payable		117	-
Interest bearing liabilities	D1	32,775	33,150
Distributions payable		11,924	11,942
Total current liabilities		60,460	52,945
Non-current liabilities			
Interest bearing liabilities	D1	668,406	607,463
Deferred tax liabilities		8,552	8,334
Unearned income		6,138	5,902
Other non-current liabilities		3,876	3,206
Total non-current liabilities		686,972	624,905
Total liabilities (excluding net assets attributable to unitholders)		747,432	677,850
Net assets attributable to unitholders		1,045,010	993,159
Total liabilities		1,792,442	1,671,009

*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 2023

		31 December 2023	30 June 2023
	Note	\$'000	\$'000
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
Unitholders of Rural Funds Trust			
Issued units	D2	440,174	459,078
Asset revaluation reserve		97,514	70,265
Retained earnings		514,437	468,034
Parent entity interest		1,052,125	997,377
Unitholders of RF Active			
Issued units	D2	6,904	6,834
Retained earnings		(14,019)	(11,052)
Non-controlling interest		(7,115)	(4,218)
Total net assets attributable to unitholders		1,045,010	993,159

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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 2023

31 December 2023	Note	Issued units \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interest \$'000	Total \$'000
Balance at 1 July 2023		459,078	70,265	468,034	997,377	(4,218)	993,159
Other comprehensive income		-	27,249	-	27,249	-	27,249
Total other comprehensive income		-	27,249	-	27,249	-	27,249
Profit before income tax		-	-	47,314	47,314	(2,696)	44,618
Income tax credit / (expense)		-	-	(593)	(593)	(271)	(864)
Total comprehensive income for the half year		-	27,249	46,721	73,970	(2,967)	71,003
Issued units							
Units issued during the half year		3,445	-	-	3,445	70	3,515
Total issued units	D1	3,445	-	-	3,445	70	3,515
Distributions to unitholders		(22,349)	-	(318)	(22,667)	-	(22,667)
Balance at 31 December 2023		440,174	97,514	514,437	1,052,125	(7,115)	1,045,010
31 December 2022							
	Note	Issued units \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interest \$'000	Total \$'000
Balance at 1 July 2022		465,076	49,417	385,183	899,676	17,335	917,011
Other comprehensive income		-	4,861	-	4,861	-	4,861
Total other comprehensive income		-	4,861	-	4,861	-	4,861
Profit before income tax		-	-	57,151	57,151	(3,290)	53,861
Income tax credit / (expense)		-	-	(305)	(305)	987	682
Total comprehensive income for the half year		-	4,861	56,846	61,707	(2,303)	59,404
Transfer from property - owner occupied to investment property		-	(148)	148			
Transfer on disposal of bearer plants to retained earnings		-	(27)	27	-	-	-
Issued units							
Units issued during the half year		2,907	-	-	2,907	59	2,966
Total issued units	D1	2,907	-	-	2,907	59	2,966
Distributions to unitholders		(5,413)	-	(15,886)	(21,299)	(2,102)	(23,401)
Balance at 31 December 2022		462,570	54,103	426,318	942,991	12,989	955,980

The accompanying notes form part of these financial statements.

Rural Funds Group

Consolidated Statement of Cash Flows

For the half year ended 31 December 2023

		31 December 2023 \$'000	31 December 2022 \$'000
	Note		
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		59,106	48,589
Payments to suppliers (inclusive of GST)		(31,403)	(26,857)
Interest received		350	83
Finance income		5,735	7,495
Finance costs		(10,338)	(9,604)
Income tax paid		-	(342)
Net cash inflow from operating activities		23,450	19,364
Cash flows from investing activities			
Payments for investment property	C2	(30,236)	(23,393)
Payments for plant and equipment - bearer plants		(4,044)	(9,602)
Payments for financial assets - property related		(3,594)	(106)
Payments for intangible assets	C5	(767)	-
Payments for property - owner occupied	C6	(9,842)	(3,317)
Payments for plant and equipment		(7,665)	(4,719)
Payments for deposits		-	(127)
Payments for other assets		(395)	(747)
Proceeds from sale of financial assets - property related		206	-
Repayment of financial assets - property related		17	158
Proceeds from sale of plant and equipment		158	82
Proceeds from assets held for sale		-	530
Distributions received		62	40
Net cash outflow from investing activities		(56,100)	(41,201)
Cash flows from financing activities			
Proceeds from issue of units	D2	3,515	2,966
Proceeds from borrowings		173,327	93,850
Repayment of borrowings		(112,759)	(44,705)
Distributions paid		(22,685)	(22,390)
Net cash inflow from financing activities		41,398	29,721
Net increase in cash and cash equivalents held		8,748	7,884
Cash and cash equivalents at the beginning of the half year		5,753	4,961
Cash and cash equivalents at the end of the half year		14,501	12,845

The accompanying notes form part of these financial statements.

Rural Funds Group

Notes to the Financial Statements

31 December 2023

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 23 February 2024 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*.

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 2023 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 2023 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.

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.

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Rural Funds Group

Notes to the Financial Statements

31 December 2023

Principles of consolidation (continued)

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 (vacant possession) 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.

Working capital

The deficiency in working capital at 31 December 2023 is due to the timing of distributions and the classification of Wyseby debt as current as at balance date. Subsequent to the half year end, the Wyseby debt facility was in the process of being extended to 31 March 2025. 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 syndicated bank facility of \$111.6m as at 31 December 2023 subject to compliance with the Group's bank covenants.

Comparative amounts

Comparative amounts have not been restated unless otherwise noted.

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Rural Funds Group

Notes to the Financial Statements

31 December 2023

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 2023, the Group held property in agricultural sectors presented in five segments (30 June 2023: 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 2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Rental revenue	15,026	10,029	2,464	2,005	3,729	1,328	34,581
Rental revenue - prepaid rent (TRG)	-	-	-	-	(244)	-	(244)
Lease incentive amortisation	-	-	-	-	(28)	-	(28)
Rental revenue - straight-lining	129	3	32	-	1,471	12	1,647
Revenue from farming operations	-	-	-	-	-	11,183	11,183
Interest received	-	131	-	-	-	219	350
Finance income	-	5,675	-	-	-	-	5,675
Total revenue	15,155	15,838	2,496	2,005	4,928	12,742	53,164
Other income	-	-	-	-	-	2,151	2,151
Gain/(loss) on disposal	-	9	206	26	(2)	27	266
Depreciation - bearer plants	(3,240)	-	(555)	-	(1,834)	-	(5,629)
Depreciation - property (owner occupied)	-	(73)	-	(210)	(142)	-	(425)
Change in fair value through profit or loss	-	48,535	-	2,209	(8,512)	1,548	43,780
Revaluation increment through other comprehensive income	-	-	-	2,530	24,719	-	27,249
Total revaluation	-	48,535	-	4,739	16,207	1,548	71,029
Revaluation of water entitlements per director's valuation	-	-	-	391	6,789	-	7,180
Total revaluation	-	48,535	-	5,130	22,996	1,548	78,209

*Other rental revenue relates to lease of water entitlements.

Rural Funds Group

Notes to the Financial Statements

31 December 2023

B1 Segment information (continued)

Segment revenue and revaluation movements (continued)

Revaluation for the cattle segment largely relates to the external valuations for the Natal Aggregation, Woodburn and Dyamberin properties. The revaluation increments from the external valuations are mainly due to market movements which are supported by comparable sales transactions.

Revaluation for the macadamia segment largely relates to the external valuations for the Swan Ridge and Moore Park properties. The revaluation increment is due to market movements supported by comparable sales transactions and the properties now being valued on an unencumbered (vacant possession) basis, following the wind up of the 2007 Macgrove Project.

Revaluation for the cropping segment largely relates to Maryborough cropping properties with market movements supported by comparable sales transactions.

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

31 December 2022	Almonds \$'000	Cattle \$'000	Vineyards \$'000	Cropping \$'000	Macadamias \$'000	Other \$'000	Total \$'000
Rental revenue	14,656	8,884	2,083	1,952	601	1,260	29,436
Rental revenue - straight-lining	228	168	-	-	3	-	399
Revenue from farming operations	-	-	-	-	-	6,615	6,615
Interest received	3	44	-	-	-	36	83
Finance income	-	7,393	-	-	49	-	7,442
Total revenue	14,887	16,489	2,083	1,952	653	7,911	43,975
Other income	-	-	-	-	-	3,290	3,290
(Loss) / gain on disposal	-	-	(185)	(4)	35	-	(154)
Depreciation - bearer plants	(2,882)	-	(481)	-	(1,400)	-	(4,763)
Depreciation - property (owner occupied)	-	-	-	(111)	(86)	-	(197)
Change in fair value through profit or loss	(544)	21,289	-	-	9,725	-	30,470
Revaluation increment through other comprehensive income	(2,005)	-	-	-	6,866	-	4,861
Total revaluation	(2,549)	21,289	-	-	16,591	-	35,331
Revaluation of water entitlements per director's valuation	(681)	-	-	-	2,110	-	1,429
Total revaluation	(3,230)	21,289	-	-	18,701	-	36,760

Rural Funds Group

Notes to the Financial Statements

31 December 2023

B1 Segment information (continued)

Segment assets

	Almonds	Cattle	Vineyards	Cropping	Macadamias	Unallocated	Total
31 December 2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment property	165,774	556,145	35,442	87,321	153,987	-	998,669
Plant and equipment - bearer plants	125,895	-	18,617	-	87,061	-	231,573
Financial assets - property related	11,588	84,207	735	-	2,421	13	98,964
Intangible assets (water)	66,707	13,252	500	9,864	12,134	66,858	169,315
Property - owner occupied	-	64,615	-	59,927	38,457	-	162,999
Plant and equipment	208	4,409	-	9,460	18,957	-	33,034
Total property assets per statutory accounts	370,172	722,628	55,294	166,572	313,017	66,871	1,694,554
Revaluation of intangible assets per director's valuation	77,543	-	5,265	3,029	11,825	45,032	142,694
Total adjusted property assets at director's valuation	447,715	722,628	60,559	169,601	324,842	111,903	1,837,248
Other assets per statutory accounts	-	-	-	-	-	97,888	97,888
Total adjusted assets	447,715	722,628	60,559	169,601	324,842	209,791	1,935,136

Rural Funds Group

Notes to the Financial Statements

31 December 2023

B1 Segment information (continued)

Segment assets (continued)

	Almonds	Cattle	Vineyards	Cropping	Macadamias	Unallocated	Total
30 June 2023	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment property	163,663	503,945	35,442	83,440	136,915	-	923,405
Plant and equipment - bearer plants	129,121	-	19,172	-	69,407	-	217,700
Financial assets - property related	11,460	80,713	703	-	949	-	93,825
Intangible assets (water)	66,707	14,831	500	11,966	6,954	66,030	166,988
Property - owner occupied	-	62,220	-	50,830	31,150	-	144,200
Plant and equipment	214	4,389	-	6,205	16,237	-	27,045
Total property assets per statutory accounts	371,165	666,098	55,817	152,441	261,612	66,030	1,573,163
Revaluation of intangible assets per director's valuation	77,542	-	5,266	3,547	4,126	45,033	135,514
Total adjusted property assets at director's valuation	448,707	666,098	61,083	155,988	265,738	111,063	1,708,677
Other assets per statutory accounts	-	-	-	-	-	97,846	97,846
Total adjusted assets	448,707	666,098	61,083	155,988	265,738	208,909	1,806,523

Rural Funds Group

Notes to the Financial Statements

31 December 2023

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 2023 is \$181,299,000 (30 June 2023: \$178,972,000).

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 contain 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 2023 was \$323,993,000 (30 June 2023: \$314,486,000) representing the value of the water rights of \$142,694,000 (30 June 2023: \$135,514,000) above cost.

The following is a reconciliation of the book value at 31 December 2023 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	44,150	-	44,150
Total non-current assets	1,748,292	142,694	1,890,986
Total assets	1,792,442	142,694	1,935,136
Liabilities			
Total current liabilities	60,460	-	60,460
Total non-current liabilities	686,972	-	686,972
Total liabilities (excluding net assets attributable to unitholders)	747,432	-	747,432
Net assets attributable to unitholders	1,045,010	142,694	1,187,704
Net asset value per unit (\$)	2.69	0.38	3.07

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Rural Funds Group

Notes to the Financial Statements

31 December 2023

B1 Segment information (continued)

31 December 2023	Area ¹	31 December	30 June	Most Recent Independent	
		2023	2023	Date	Valuation
		Adjusted	Adjusted	\$'000	\$'000
		property	property		
		value	value		
		\$'000	\$'000		
Almonds					
Yilgah (NSW)	935 ha	114,267	114,500	Jun 2023	114,500
Tocabil (NSW)	603 ha	61,686	61,500	Jun 2023	61,500
Kerarbury (NSW)	2,530 ha	271,431	272,500	Jun 2023	272,500
Cattle					
Rewan (QLD)	17,479 ha	72,489	72,500	Nov 2022	72,500
Mutton Hole (QLD)	140,300 ha	19,031	19,000	Jun 2023	19,000
Oakland Park (QLD)	85,500 ha	9,964	9,900	Jun 2023	9,900
Natal Aggregation (QLD)	390,600 ha	184,031	138,490	Oct 2023	183,600
Comanche (QLD)	7,600 ha	35,105	35,105	Apr 2022	35,000
Cerberus (QLD)	8,280 ha	24,890	24,784	Apr 2022	24,300
Dyamberin (NSW)	1,728 ha	23,235	21,015	Sep 2023	23,235
JBS Feedlots Finance Lease Receivable (NSW/QLD)	150,000 hd	62,928	62,989	N/A	N/A
Woodburn (NSW)	1,063 ha	12,540	11,461	Sep 2023	12,539
Cobungra (VIC)	6,497 ha	52,200	52,200	Dec 2022	52,200
Petro (WA)	2,942 ha	16,826	16,825	Jun 2023	16,825
High Hill (WA)	1,601 ha	8,995	8,780	Jun 2023	8,780
Willara (WA)	1,653 ha	8,261	8,260	Jun 2023	8,260
Yarra (QLD) ²	4,090 ha	27,455	24,788	Dec 2021	23,600
Homehill (QLD)	4,925 ha	20,157	20,156	Apr 2022	19,325
Coolibah aggregation (QLD) ³	724 ha	5,688	5,688	Apr 2022	5,625
Thirsty Creek (QLD) ⁴	503 ha	3,917	5,225	Oct 2023	3,867
Kaiuroo (QLD)	27,879 ha	73,509	71,000	Jun 2023	71,000
Wyseby (QLD)	14,071 ha	34,952	34,951	Jun 2023	34,951
Cropping					
Lynora Downs (QLD)	4,963 ha	45,493	45,400	Jun 2023	45,400
Mayneland (QLD)	2,942 ha	29,837	28,550	Jun 2023	28,550
Maryborough – Cropping (QLD)	2,460 ha	39,031	38,383	Oct 2023	38,780
Baamba Plains (QLD)	4,130 ha	43,780	37,450	Jun 2023	37,450
Swan Ridge South (QLD)	123 ha	2,000	1,980	Oct 2023	2,000
Macadamias					
Swan Ridge (QLD)	130 ha	23,555	7,164	Oct 2023	23,650
Moore Park (QLD)	104 ha	17,929	4,402	Oct 2023	18,000
Bonmac (QLD)	27 ha	4,629	3,061	Oct 2023	4,650
Cygnets (QLD) ⁵	37 ha	3,942	4,014	Oct 2023	4,150
Nursery Farm (QLD) ⁵	41 ha	5,302	5,458	Oct 2023	4,750
Riverton (QLD) ⁵	426 ha	40,076	36,081	Oct 2023	39,550
Maryborough – Macadamias (QLD) ⁵	743 ha	72,136	70,727	Oct 2023	72,050
Maryborough – Macadamias (QLD) ⁶	760 ha	34,384	23,778	Oct 2023	32,250
Rookwood Farms (QLD) ^{4, 6, 7}	1,036 ha	44,411	33,886	Oct 2023	39,133
Beerwah (QLD)	340 ha	37,673	38,300	Jun 2023	38,300
Bauple (QLD)	135 ha	19,427	19,700	Jun 2023	19,700

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

¹ Unless otherwise denoted, the almond, vineyard and macadamia areas refer to planted and planned development areas. Wyseby held as tenant-in-common arrangement with a 57.25% interest.

² Yarra property expected to be valued in the second half of FY24.

³ Coolibah aggregation comprises of the Coolibah and River Block properties.

⁴ A portion of Thirsty Creek is included in Macadamias - Rookwood Farms, allocated during the half year.

⁵ Initial properties subject to the lease with a company managed by The Rohatyn Group (TRG) from January 2023

⁶ Properties valued on vacant possession basis prior to commencement of leases.

⁷ Rookwood Farms comprises of the Stoneleigh, Corrowah, Tongola, Greenfields, Brooklands and Thirsty Creek (portion) properties.

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Notes to the Financial Statements

31 December 2023

31 December 2023		31 December	30 June	Most Recent Independent Valuation		
		2023	2023	Date	Valuation	
		Adjusted property value	Adjusted property value	\$'000	\$'000	
		\$'000	\$'000			
Vineyards						
	Kleinig (SA)	206 ha	21,601	21,800	Jun 2023	21,800
	Geier (SA)	244 ha	25,622	25,900	Jun 2023	25,900
	Hahn (SA)	50 ha	4,751	4,800	Jun 2023	4,800
	Mundy and Murphy (SA)	55 ha	4,388	4,400	Jun 2023	4,400
	Rosebank (VIC)	83 ha	3,982	4,000	Jun 2023	4,000
Water rights						
	River water (NSW)	8,754 ML	76,597	76,597	Jun 2022	77,910
	River water (QLD)	600 ML	393	1,113	Jun 2020	1,099
	Ground water (NSW)	8,338 ML	34,900	33,353	Dec 2023	34,900
Total property and water assets			1,779,396	1,661,914		
Cattle finance leases and other assets			20,957	17,487		
Plant and equipment			33,034	27,045		
Other receivables and equipment leases			3,861	2,231		
Total adjusted property assets			1,837,248	1,708,677		

Revaluations from external valuations

The total uplift for the half year ended 31 December 2023 has been largely due to the external valuer's assessment of the continued strength in demand and market sentiment for cattle properties. The uplift has also included market movements and a change in valuation basis to an unencumbered (vacant possession) basis for the Swan Ridge and Moore Park macadamia properties now operated by the Group. All of the Group's properties have been valued by an independent valuer within the last 24 months with the exception of the Yarra cattle property which is expected to be valued in the second half of the financial year. 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.

Macadamia valuations have been obtained for the properties leased out to The Rohatyn Group. The adopted valuation is on an encumbered (subject to lease) basis.

The Group's remaining macadamia properties under development have been valued on an unencumbered (vacant possession) basis prior to the commencement of leases.

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 for properties holding bearer plants is primarily a result of depreciation on the bearer plants.

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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 2023 \$'000	31 December 2022 \$'000
Revenue	41,981	37,360
Other income	2,151	3,290
Management fee	(4,713)	(4,256)
Asset management fee	(3,534)	(3,192)
Property expenses	(1,861)	(2,426)
Other expenses	(3,614)	(3,783)
Finance costs	(10,338)	(7,646)
Income tax payable (AWF)	(314)	-
Revenue adjustments		
Straight-lining of rental revenue	(1,647)	(399)
Rental revenue – prepaid rent (TRG)	244	-
Lease incentive amortisation (TRG)	28	-
Interest component of JBS feedlot finance lease	61	53
Farming operations		
Revenue from farming operations	11,183	6,615
Cost of goods sold - farming operations	(11,177)	(7,478)
Change in fair value of biological assets (realised from harvested crops and cattle)	2,054	2,290
Change in fair value of biological assets (prior year biological assets realised during the half year)	(581)	1,738
Property and other expenses - farming operations	(4,387)	(2,441)
Adjusted Funds From Operations (AFFO)	15,536	19,725
Property related		
Change in fair value of investment property	45,115	31,038
Impairment of bearer plants	(2,695)	(544)
Impairment of property - owner occupied	(176)	-
Reversal of impairment of intangible assets	1,560	-
Depreciation - bearer plants	(5,629)	(4,763)
Depreciation - property owner occupied	(425)	(197)
Depreciation and impairments - other	(1,828)	(1,118)
Gain/(loss) on sale of assets	266	(154)
Farming operations		
Change in fair value of biological assets (unharvested crops and unsold cattle)	(218)	75
Change in fair value of biological assets (prior year biological assets realised during the half year)	581	(1,738)
Revenue items		
Rental revenue – prepaid rent (TRG)	(244)	-
Lease incentive amortisation (TRG)	(28)	-
Straight-lining of rental revenue	1,647	399
Interest component of JBS feedlot finance lease	(61)	(53)
Other		
Change in fair value of financial assets/liabilities	(24)	(24)
Change in fair value of interest rate swaps	(9,073)	11,215
Income tax (expense)/credit	(550)	682
Net profit after income tax	43,754	54,543
AFFO cents per unit	4.0	5.1

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B3 Revenue

	31 December 2023 \$'000	31 December 2022 \$'000
Rental income	35,956	29,835
Sale of agricultural produce - farming operations	8,801	5,291
Sale of livestock and agistment income	2,382	1,324
Finance income	5,675	7,442
Interest received	350	83
Total	53,164	43,975

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 primarily arises from the leasing of property assets at commencement 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.

Sale of agricultural produce and livestock is recognised when the performance obligation of passing control of agricultural produce and livestock at an agreed upon delivery point to the customer has been satisfied.

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 2023 \$'000	31 December 2022 \$'000
Sale of temporary water allocations	1,779	3,039
Other income	372	251
Total	2,151	3,290

Sale of temporary water allocations is recognised when the water allocations are received by the customer.

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 01 June 2023, paid 31 July 2023	2.9325	11,285,919
Distribution declared 01 September 2023, paid 31 October 2023	2.9325	11,323,511
Distribution declared 01 December 2023, paid 31 January 2024	2.9325	11,343,210

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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 2023 \$'000	30 June 2023 \$'000
Investment property	C2	998,669	923,405
Plant and equipment - bearer plants	C3	231,573	217,700
Financial assets - property related	C4	98,964	93,825
Intangible assets	C5	169,315	166,988
Property - owner occupied	C6	162,999	144,200
Plant and equipment - other	C7	33,034	27,045
Total		1,694,554	1,573,163

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.

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C1 RFF property assets (continued)

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 2023:

Cattle properties	Natal Aggregation, Woodburn, Dyamberin, Thirsty Creek
Macadamia properties	Swan Ridge, Moore Park, Bonmac, Cygnet, Nursery Farm, Riverton, Maryborough – Macadamias, Rookwood Farms,
Cropping properties	Maryborough- Cropping, Swan Ridge South
Water allocation	8,338ML Murrumbidgee Groundwater

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.

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 underlying 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 (vacant possession) 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.

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C1 RFF property assets (continued)

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.

Investment property, Bearer plants and Property – owner occupied

The main level 3 inputs used by the Group include discount rates, terminal 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.

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C1 RFF property assets (continued)

Valuations (continued)

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 2023 \$'000	30 June 2023 \$'000				31 December 2023 %	30 June 2023 %
Almond orchard property	291,669	292,784	Discounted Cash Flow	Rental base	Discount rate (%)	7.25 - 8.00	7.25 - 8.00
				Component based	Terminal Capitalisation Rate (%)	7.75 - 10.20	7.75 - 10.20
Cattle property and infrastructure	620,760	566,165	Summation assessment	Component based	\$ per adult equivalent (AE) carrying capacity (Backgrounding properties)	\$5,792 - \$11,761	\$5,792 - \$11,742
			Productive unit		\$ per adult equivalent (AE) carrying capacity (Breeder properties)	\$1,625 - \$3,502	\$1,590 - \$3,051
Vineyard property and infrastructure	54,059	54,614	Discounted Cash Flow	Component based	Discount rate (%)	7.50 - 8.50	7.50 - 8.50
					Terminal Capitalisation rate (%)	8.50 - 9.00	8.50 - 9.00
Cropping property and infrastructure	147,248	134,270	Summation assessment	Component based	\$ per irrigated hectare per property	\$15,770 - \$19,395	\$12,500 - \$16,314
					Average \$ per plantable hectare (Maryborough)	\$20,443	\$21,248
Macadamia orchard property	279,505	237,472	Discounted Cash Flow	Rental base/ Proportionate	Discount rate (%)	8.25	7.25 - 8.00
				Terminal Capitalisation rate	6.50 - 7.00	6.50 - 8.00	
			Summation assessment	Component based	Average \$ per planted hectare (Orchard > 5 years)	\$134,250	\$118,888
				Average \$ per planted/plantable hectare (Orchard < 5 years)	\$64,160	\$51,087	
Total	1,393,241	1,285,305					

*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.

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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.
Rent capitalisation	Valuation based on passing rent applied against a capitalisation rate.

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	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. 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.
Component based – Almonds and Macadamias	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. Firstly, the approach allocates value to water assets based on comparable encumbered rental data. The value of land is determined based on comparable sales data. Orchard infrastructure including irrigation is determined based on a replacement cost assumption adjusted for an estimate of the age of the assets. Bearer plants are identified as being the residual value of the total encumbered value of the property.
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.

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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

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C2 Investment property

31 December 2023	Almond property \$'000	Cattle property \$'000	Vineyard property \$'000	Cropping property \$'000	Macadamia property \$'000	Total \$'000
Opening net book amount	163,663	503,945	35,442	83,440	136,915	923,405
Acquisitions	-	78	-	-	-	78
Additions	2,111	4,933	-	1,511	19,437	27,992
Capitalisation of borrowing costs	-	507	-	21	1,638	2,166
Transfer	-	(1,778)	-	58	1,720	-
Transfer from bearer plants	-	-	-	-	13	13
Amortisation of lease incentives	-	(100)	-	-	-	(100)
Fair value adjustment	-	48,560	-	2,291	(5,736)	45,115
Closing net book amount	165,774	556,145	35,442	87,321	153,987	998,669

30 June 2023	Almond property \$'000	Cattle property \$'000	Vineyard property \$'000	Cropping property \$'000	Macadamia property \$'000	Total \$'000
Opening net book amount	141,080	433,090	35,727	88,931	88,153	786,981
Acquisitions	-	36,993	-	-	9,563	46,556
Additions	1,202	5,112	-	76	23,511	29,901
Capitalisation of borrowing costs	-	436	-	84	3,289	3,809
Disposals	(71)	-	-	-	-	(71)
Transfer	-	-	-	(7,220)	7,220	-
Transfer to property - owner occupied	-	-	-	-	(5,445)	(5,445)
Transfer to bearer plants	-	-	(290)	-	-	(290)
Transfer from property - owner occupied	-	-	-	-	1,058	1,058
Amortisation of lease incentives	-	(200)	-	-	-	(200)
Fair value adjustment	21,452	28,514	5	1,569	9,566	61,106
Closing net book amount	163,663	503,945	35,442	83,440	136,915	923,405

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

Macadamia properties under development include Maryborough – Macadamias, Riverton, Rookwood Farms and Swan Ridge South. Development costs for these properties have been capitalised.

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 capitalised to the investment property and amortised on a straight-line basis over the term of the lease as a reduction of rental revenue.

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C3 Plant and equipment – bearer plants

31 December 2023	Bearer Plants – Almonds \$'000	Bearer Plants – Vineyards \$'000	Bearer Plants – Macadamias \$'000	Total \$'000
Opening net book amount	129,121	19,172	69,407	217,700
Additions	14	-	4,196	4,210
Capitalisation of borrowing costs	-	-	59	59
Transfer to investment property	-	-	(13)	(13)
Lease incentive	-	-	278	278
Amortisation of lease incentive	-	-	(28)	(28)
Depreciation and impairment	(3,240)	(555)	(1,834)	(5,629)
Fair value adjustment - profit and loss	-	-	(2,695)	(2,695)
Fair value adjustment - other comprehensive income	-	-	17,691	17,691
Closing net book amount	125,895	18,617	87,061	231,573

30 June 2023	Bearer Plants - Almonds \$'000	Bearer Plants - Vineyards \$'000	Bearer Plants - Macadamias \$'000	Total \$'000
Opening net book amount	124,948	17,260	48,280	190,488
Additions	232	24	12,166	12,422
Capitalisation of borrowing costs	-	-	262	262
Transfer from investment property	-	290	-	290
Lease incentive	-	-	1,702	1,702
Amortisation of lease incentive	-	-	(9)	(9)
Depreciation and impairment	(5,761)	(941)	(2,881)	(9,583)
Fair value adjustment - profit and loss	(544)	961	2,058	2,475
Fair value adjustment - other comprehensive income	10,246	1,578	7,829	19,653
Closing net book amount	129,121	19,172	69,407	217,700

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

RFF initially measures and recognises bearer plants at cost, including planting costs and direct costs associated with establishing these plants to maturity. 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.

Lease incentives relate to orchard establishment costs incurred by the Group subsequent to lease commencement. Lease incentives are capitalised to bearer plants and amortised on a straight-line basis over the term of the lease as a reduction of rental revenue.

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C3 Plant and equipment – bearer plants (continued)

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 considered when the trees reach maturity or on the commencement of lease. The useful lives and maturity assumptions used for each class of depreciable asset are shown below:

Fixed asset class:	Useful life:
Almond bearer plants	30 years
Vineyard bearer plants	40 years
Macadamia bearer plants	45 - 55 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 2023 \$'000	30 June 2023 \$'000
Cost	189,452	185,241
Accumulated depreciation	(29,322)	(24,557)
Accumulated impairment	(5,632)	(3,277)
Bearer plants at historical cost less accumulated impairment	154,498	157,407

C4 Financial assets – property related

	31 December 2023 \$'000	30 June 2023 \$'000
Financial Assets - property related		
Investment - BIL	520	520
Investment - CICL	11,464	11,464
Finance Lease - Breeders	16,838	16,621
Finance Lease - Feedlots	62,928	62,989
Finance Lease – Equipment	147	164
Finance Lease – DA & JF Camm Pty Limited	3,353	-
Other receivables	3,714	2,067
Total	98,964	93,825

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, 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 the lessee, Cattle JV and an annual valuation process. There has been no expected credit loss recognised at 31 December 2023 (30 June 2023: nil).

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.

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C4 Financial assets – property related (continued)

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 gross balance drawn as at 31 December 2023 was \$3,353,000 (30 June 2023: nil). The balance drawn net of security deposits held is \$2,682,000 (30 June 2023: nil). The expected credit loss on the finance lease are based on an assessment of the value of the security held. There has been no expected credit loss recognised at 31 December 2023 (30 June 2023: nil).

Other receivables relate 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.

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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 2023	Almonds \$'000	Cattle \$'000	Vineyards \$'000	Cropping \$'000	Macadamias \$'000	Unallocated \$'000	Total \$'000
Non-current							
Opening net book amount	66,707	14,831	500	11,966	6,954	66,030	166,988
Additions	-	-	-	-	363	-	363
Capitalisation of borrowing costs	-	224	-	140	40	-	404
Transfers	-	(1,803)	-	(2,242)	4,765	(720)	-
Reversal of impairment	-	-	-	-	12	1,548	1,560
Closing net book amount	66,707	13,252	500	9,864	12,134	66,858	169,315
Cost	67,462	14,089	500	10,168	12,237	70,346	174,802
Accumulated impairment	(755)	(837)	-	(304)	(103)	(3,488)	(5,487)
Net book amount	66,707	13,252	500	9,864	12,134	66,858	169,315
30 June 2023							
Non-current							
Opening net book amount	66,707	6,038	500	7,961	5,441	71,032	157,679
Additions	-	8,862	-	-	454	-	9,316
Capitalisation of borrowing costs	-	56	-	65	119	-	240
Transfers	-	-	-	(940)	940	-	-
(Impairment)/reversal of impairment	-	(125)	-	4,880	-	(5,002)	(247)
Closing net book amount	66,707	14,831	500	11,966	6,954	66,030	166,988
Cost	67,462	15,668	500	12,270	7,069	71,066	174,035
Accumulated impairment	(755)	(837)	-	(304)	(115)	(5,036)	(7,047)
Net book amount	66,707	14,831	500	11,966	6,954	66,030	166,988

Rural Funds Group

Notes to the Financial Statements

31 December 2023

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 2023	Land \$'000	Building \$'000	Irrigation \$'000	Total \$'000
Opening net book amount	129,730	11,154	3,316	144,200
Additions	521	1,523	4,686	6,730
Capitalisation of borrowing costs	2,753	117	242	3,112
Depreciation	-	(306)	(119)	(425)
Impairment	-	(74)	(102)	(176)
Fair value adjustment - other comprehensive income	6,275	2	3,281	9,558
Closing net book amount	139,279	12,416	11,304	162,999
30 June 2023	Land \$'000	Building \$'000	Irrigation \$'000	Total \$'000
Opening net book amount	61,796	6,035	596	68,427
Acquisitions	41,812	2,549	-	44,361
Additions	1,003	1,945	6,420	9,368
Capitalisation of borrowing costs	1,003	8	3	1,014
Transfer from deposit	18,504	-	-	18,504
Transfer from investment property	3,687	1,522	236	5,445
Transfer to investment property	(1,030)	(28)	-	(1,058)
Depreciation	-	(370)	(132)	(502)
Impairment	1,184	(579)	(3,807)	(3,202)
Fair value adjustment - other comprehensive income	1,771	72	-	1,843
Closing net book amount	129,730	11,154	3,316	144,200

Property – owner occupied relates to owner occupied property that is being used to conduct farming 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 2023, this included properties that were operated by the Group including the Maryborough properties (cropping), Baamba Plains (cropping), Beerwah, Bauple (macadamias) and Kaiuroo (cattle).

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.

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Rural Funds Group

Notes to the Financial Statements

31 December 2023

C6 Property – owner occupied (continued)

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:

Fixed asset class:	Useful life:
Land	Not applicable
Buildings	20 years
Irrigation	40 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.

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

31 December 2023	Land \$'000	Building \$'000	Irrigation \$'000	Total \$'000
Cost	130,841	14,273	11,945	157,059
Accumulated depreciation and impairment	(2,126)	(1,818)	(2,698)	(6,642)
Net book amount	128,715	12,455	9,247	150,417

30 June 2023	Land \$'000	Building \$'000	Irrigation \$'000	Total \$'000
Cost	127,813	12,446	7,259	147,518
Accumulated depreciation and impairment	(1,126)	(1,378)	(3,943)	(6,447)
Net book amount	126,687	11,068	3,316	141,071

C7 Plant and equipment – other

	31 December 2023 \$'000	30 June 2023 \$'000
Opening net book amount	27,045	16,530
Additions	8,251	12,892
Transfers from finance lease - equipment	-	1,151
Disposals	(98)	(221)
Depreciation	(1,661)	(2,336)
Decrement (depreciation capitalised to developments)	(503)	(971)
Closing net book amount	33,034	27,045
Cost	48,786	40,633
Accumulated depreciation	(14,430)	(12,266)
Accumulated impairment	(1,322)	(1,322)
Net book amount	33,034	27,045

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 attends to properties where assets are located on a regular basis.

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Rural Funds Group

Notes to the Financial Statements

31 December 2023

C7 Plant and equipment – other (continued)

The useful lives and 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

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 Capital commitments

Capital expenditure across all properties largely relates to macadamia developments, cattle property developments cropping property developments and almond property improvements. These commitments are contracted for but not recognised as liabilities.

	31 December 2023 \$'000	30 June 2023 \$'000
Investment property	94,937	95,862
Bearer plants	38,376	28,301
Intangible assets	32,370	24,766
Plant and equipment	-	1,508
Total	165,683	150,437

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Rural Funds Group

Notes to the Financial Statements

31 December 2023

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 as a proportion of 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 2023 \$'000	30 June 2023 \$'000
Current		
Equipment loans (ANZ)	2,408	2,783
Borrowings (Rabobank)	24,455	24,455
TRG loan	5,714	5,714
J&F Guarantee - Borrowing loss provision	198	198
Total	32,775	33,150
Non-current		
Borrowings (ANZ)	288,755	281,393
Borrowings (Rabobank)	279,373	242,565
Borrowings (NAB)	70,279	50,648
TRG loan	29,999	32,857
Total	668,406	607,463

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

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 the 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 \$132.0 million (30 June 2023: \$132.0 million) 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 \$132.0 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 and grain to JBS Australia Pty Limited (JBS) for its grain fed business. During the half year, the guarantee was extended to support the funding of grain in JBS' Rivalea business as part of the existing arrangement. 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 \$132.0 million.

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Rural Funds Group

Notes to the Financial Statements

31 December 2023

D1 Interest bearing liabilities (continued)

J&F Guarantee (continued)

The guarantee fee received from J&F during the half year was \$2,713,000 (31 December 2022: \$4,160,000). The return to the Group relating to the guarantee fee arrangement for the half year was approximately 5.9% (31 December 2022: 8.09%) 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.

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 not to 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 nil (30 June 2023: nil).

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 2023 the core debt facility available to the Group was \$750,000,000 (30 June 2023: \$670,000,000), with a drawn balance of \$638,406,000 (30 June 2023: \$574,606,000). The facility is split into two tranches, with a \$410,000,000 tranche expiring in November 2026 and a \$340,000,000 tranche expiring in November 2025.

As at 31 December 2023 RFF had active interest rate swaps totalling 74.9% (30 June 2023: 44%) of the syndicated debt balance to manage interest rate risk. Hedging requirements under the terms of the borrowing facility may vary with bank consent.

As at 31 December 2023 the TRG loan balance was \$35,714,000. A \$40,000,000 loan was provided to the Group on commencement of the initial lease with an additional \$60,000,000 to be provided during the balance of the development. Debt is repaid with interest over 7 years.

As at 31 December 2023 a borrowing facility provided by Rabobank to the Group relating to the acquisition of Wyseby property was \$24,455,000. At balance date, the facility was due to terminate on 26 September 2024. Subsequent to the half year end, this facility was in the process of being extended to 31 March 2025.

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 2023:

- maintain a maximum loan to value ratio of 55% (30 June 2023: 55%);
- maintain net tangible assets (including water entitlements) in excess of \$400,000,000; and
- an interest cover ratio for the Group not less than 1.50:1.00 (30 June 2023: 2.00:1.00) with distributions permitted if the interest cover ratio is not less than 1.65:1.00 (30 June 2023: 2.15:1.00).

The loan to value ratio calculation includes the J&F guarantee of \$132.0 million (30 June 2023: \$132.0 million).

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

In August 2023, the Group received approval from the banking syndicate to reduce the interest cover ratio financial covenant to 1.50:1.00 with distributions permitted if the interest cover ratio is not less than 1.65:1.00 from 1 July 2023 to 30 June 2025.

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 the latest external valuation report. Refer to section B1 for Directors' valuation of water rights and entitlements.

Rural Funds Group

Notes to the Financial Statements

31 December 2023

D1 Interest bearing liabilities (continued)

Borrowings with Australian and New Zealand Banking Group (ANZ), Cooperatieve Rabobank UA (Rabobank) and National Australia Bank (NAB) are secured by:

- a fixed and floating charge over the assets held by Australian Executor Trustee Limited (AETL) and Certane CT Pty Limited (Certane) as custodians 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 and Certane as custodians for Rural Funds Trust and its subsidiaries.

D2 Issued units

	31 December 2023		31 December 2022	
	No.	\$'000	No.	\$'000
Units on issue at the beginning of the period	384,856,558	465,912	382,514,759	471,797
Units issued during the half year	1,953,680	3,515	1,141,434	2,966
Distributions to unitholders	-	(22,349)	-	(5,413)
Units on issue	386,810,238	447,078	383,656,193	469,350

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 totalling \$22,667,000 were declared during the half year. Distributions are allocated to the components of equity which is comprised of issued units and retained earnings.

Rural Funds Group

Notes to the Financial Statements

31 December 2023

E. OTHER INFORMATION

E1 Financial assets – other (non-property related)

	31 December 2023 \$'000	30 June 2022 \$'000
Investment – Marquis Macadamias Limited	5,231	5,231
Investment – Almondco Australia Limited	3,432	3,432
Total	8,663	8,663

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 the latest financial information and management's assessment of net realisable value.

E2 Biological assets

	Sugar \$'000	Macadamias \$'000	Cropping \$'000	Cattle \$'000	Total \$'000
31 December 2023					
Opening net book amount	2,366	403	2,324	9,202	14,295
Additions	2,013	2,340	1,481	449	6,283
Increases/(decrease) due to biological transformation	240	630	1,451	(485)	1,836
Decreases due to sales	(3,314)	(1,035)	(5,004)	(2,150)	(11,503)
Closing net book amount	1,305	2,338	252	7,016	10,911
30 June 2023					
Opening net book amount	2,437	1,925	534	2,930	7,826
Additions	2,693	3,328	3,437	10,523	19,981
Increases/(decrease) due to biological transformation	991	(2,258)	2,076	(296)	513
Decreases due to sales	(3,755)	(2,592)	(3,723)	(3,955)	(14,025)
Closing net book amount	2,366	403	2,324	9,202	14,295

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

Cattle biological assets relates to livestock recognised at fair value as determined based on sales for similar cattle in active markets.

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 includes estimates based on production costs (including input and harvest costs) and the estimated time of harvest adjusted for the risks of the cash flows.

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
Yield	The higher the yield, the higher the fair value
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 statement of comprehensive income in the year they arise.

Judgements and estimates are made in determining the fair values of the biological 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 biological assets into three levels prescribed under the accounting standards.

Rural Funds Group

Notes to the Financial Statements

31 December 2023

E2 Biological assets (continued)

	Level 1	Level 2	Level 3	Total
31 December 2023	\$'000	\$'000	\$'000	\$'000
Sugar	-	-	1,305	1,305
Macadamias	-	-	2,338	2,338
Cropping	-	-	252	252
Cattle	-	7,016	-	7,016
Total biological assets	-	7,016	3,895	10,911

	Level 1	Level 2	Level 3	Total
30 June 2023	\$'000	\$'000	\$'000	\$'000
Sugar	-	-	2,366	2,366
Macadamias	-	-	403	403
Cropping	-	-	2,324	2,324
Cattle	-	9,202	-	9,202
Total biological assets	-	9,202	5,093	14,295

Farming operations	Fair value at		Unobservable inputs	Range of inputs	
	31 December 2023 \$'000	30 June 2023 \$'000		31 December 2023	30 June 2023
Sugar	53	2,366	Sugar from cane planted (tonnes per ha)	3.4 – 5.6 tonnes per ha	2.5 - 7.2 tonnes per ha
			Net price (\$ per tonne) (+/- 10%)	\$563 - \$688 per tonne	\$547 - \$668 per tonne
Macadamias	-	403	Macadamia yield (tonnes) (+/- 10%)	-	718.9 - 878.6 tonnes
			Farmgate NIS price (\$ per tonne) (+/-10%)	-	\$1,530 - \$1,870 per tonne
Cropping (mungbean)	-	95	Mungbean yield (tonnes per ha) (+/-10%)	-	0.28 - 0.23 tonnes per ha
			Mungbean price (\$ per tonne) (+/-10%)	-	\$900 - \$1,000 per tonne
Cropping (cotton)	-	971	Cotton yield (bale per ha) (+/-10%)	-	6.8 - 8.2 bales per ha
			Cotton lint price (\$ per bale) (+/-10%)	-	\$573 - \$700 per bale
Sugar	1,252	-	Cost approximates fair value less costs to sell	-	-
Macadamias	2,338	-	Cost approximates fair value less costs to sell	-	-
Cropping (other crops)	252	1,258	Cost approximates fair value less costs to sell	-	-
Total	3,895	5,093			

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Rural Funds Group

Notes to the Financial Statements

31 December 2023

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 2023 \$'000	31 December 2022 \$'000
Management fee	4,713	4,256
Asset management fee	3,534	3,192
Total management fees	8,247	7,448
Expenses reimbursed to RFM	5,715	4,213
Expenses and capital expenditure reimbursed to RFM Macadamias	9,065	6,516
Expenses reimbursed to Cattle JV	13	238
Expenses reimbursed to RFM Farming	3,112	1,774
Dividends declared to the Responsible Entity	772	758
Total amount paid to RFM and related entities	26,924	20,947
Rental income received from RFM	3	-
Rental income received from RFM Farming	1,349	1,037
Rental income received from Cattle JV	705	678
Rental income received from Cotton JV	840	948
Rental income received from 2007 Macgrove Project	-	701
Finance income from Cattle JV	828	809
Finance income from J&F Australia	2,713	4,160
Expenses charged to RFM Macadamias	445	613
Expenses charged to RFM Farming	423	126
Expenses charged to Cattle JV	81	30
Total amounts received from RFM and related entities	7,387	9,102

The terms and nature of the historical transactions between the Group and related parties have not changed during the half year ended 31 December 2023. Transactions entered 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 legal, audit and tax matter costs, and regulatory fees and charges. During the half year ended 31 December 2023, additional costs were incurred by RFM on behalf of the Group as a result of an increase in the Group's operations.

RFM Macadamias and RFM Farming perform management activities, including capital development and farm management on behalf of the Group. Expenses include service recharge cost recoveries, costs relating to farm management and capital development costs. These costs incurred by RFM Macadamias and RFM Farming are subsequently reimbursed by the Group. Additional costs were incurred by RFM Macadamias and RFM Farming on behalf of the Group as a result of the ongoing macadamia developments and the Group's farming operations.

Rental income from RFM Farming largely relates to rental income from the Mayneland property.

Rental income from Cattle JV largely relates to rental income from Mutton Hole and Oakland Park.

Rental income from Cotton JV relates to rental income from Lynora Downs.

Rental income from 2007 Macgrove Project (M07) largely relates to rental income from Swan Ridge and Moore Park. M07 was wound up in July 2023. The Group is currently operating the macadamia orchards on these properties.

Finance income from Cattle JV relates to breeder herds under finance.

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Rural Funds Group

Notes to the Financial Statements

31 December 2023

E3 Related party transactions (continued)

Finance income from J&F Australia Pty Limited (J&F) relates to the \$132.0 million (31 December 2022: \$132.0 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.

Expenses charged to RFM Macadamias, RFM Farming and Cattle JV relate to farm management operating costs and property rates that are incurred by the Group and subsequently reimbursed to the Group.

Debtors and finance lease receivables

	31 December 2023 \$'000	30 June 2023 \$'000
Rural Funds Management Limited	1	-
RFM Farming Pty Limited	117	340
RFM Macadamias Pty Limited	77	171
Cattle JV Pty Limited	17,323	16,657
Total	17,518	17,168

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

Finance lease receivable from Cattle JV relates to the breeders and agricultural plant and equipment leased to Cattle JV. \$241,000 of additional breeders was funded during the half year.

Creditors

	31 December 2023 \$'000	30 June 2023 \$'000
Rural Funds Management Limited	52	814
RFM Farming Pty Limited	-	91
RFM Macadamias Pty Limited	-	130
Cattle JV Pty Limited	-	39
Total	52	1,074

Custodian fees

	31 December 2023 \$'000	30 June 2023 \$'000
Certane CT Pty Limited /Australian Executor Trustees Limited	251	437
Total	251	437

Financial Guarantee

The Group provides a \$132.0 million (30 June 2023: \$132.0 million) guarantee to J&F Australia Pty Limited (J&F), a subsidiary of RFM. The guarantee is currently used to support \$132.0 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. During the half year, the guarantee was extended to support the funding of grain in JBS' Rivalea business as part of the existing arrangement. 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 half year.

Rural Funds Group

Notes to the Financial Statements

31 December 2023

E3 Related party transactions (continued)

Entities with influence over the Group

	31 December 2023		30 June 2023	
	Units	%	Units	%
Rural Funds Management	13,157,659	3.40	13,157,659	3.42

Other

David Bryant is a director of Marquis Macadamias Limited. Marquis Macadamias Limited provides processing and selling services for the Group's macadamia operations on the Beerwah, Bauple, Swan Ridge and Moore Park properties. The Group also holds shares in Marquis Macadamias Limited. Marquis Macadamias Limited is not a related party as defined by AASB 124 *Related Party Disclosure*. Procedures are in place to manage any potential conflicts of interest.

E4 Events after the reporting date

As at 31 December 2023 a borrowing facility provided to the Group relating to the Wyseby property was \$24,455,000. At balance date, the facility was due to mature on 26 September 2024. Subsequent to the half year end, this facility was in the process of being extended to 31 March 2025.

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.

E5 Contingent liabilities

In June 2023, a civil claim was filed in the Supreme Court of Queensland against Australian Executor Trustees Limited as custodian of the Rural Funds Group, RFM Farming Pty Ltd (RFMF) and an employee of RFMF relating to alleged spray drift from the Baamba Plains property in Queensland. RFM is defending this claim and based on the relevant facts and an indemnity provided by RFM Farming to the Rural Funds Group, there is no material exposure expected to the Group.

Other than what has been disclosed, there are no contingent liabilities as at 31 December 2023.

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Rural Funds Group

Directors' Declaration

31 December 2023

In the Directors of the Responsible Entity's opinion:

- 1 The financial statements and notes of Rural Funds Group set out on pages 10 to 48 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 2023 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

23 February 2024

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Independent auditor's review report to the stapled security holders 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 2023, the consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders and consolidated statement of cash flows for the half-year ended on that date, material accounting policy information 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 2023 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 2023 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 blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Marc Upcroft'.

Marc Upcroft
Partner

Sydney
23 February 2024

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