



Financial Statements

for the half-year ended 31 December 2022

Rural Funds Group

ASX:
RFF

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

Managed by:

 Rural
Funds
Management
Managing good assets with good people

Rural Funds Group

Contents

Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	9
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	12
Consolidated Statement of Changes in Net Assets Attributable to Unitholders	14
Consolidated Statement of Cash Flows	15
Notes to the Financial Statements	16
Directors' Declaration	48
Independent Auditor's Review Report	49

Rural Funds Group

Corporate Directory

Registered Office	Level 2, 2 King Street DEAKIN ACT 2600
Responsible Entity	Rural Funds Management Limited ABN 65 077 492 838 AFSL 226701 Level 2, 2 King Street DEAKIN ACT 2600 Ph: 1800 026 665
Directors	Guy Paynter David Bryant Michael Carroll Julian Widdup Andrea Lemmon
Company Secretary	Emma Spear
Custodian	Australian Executor Trustees Limited ABN 84 007 869 794 Level 4, 7 Macquarie Place 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 Rabobank Australia Group 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

Rural Funds Group

Directors' Report

31 December 2022

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 2022.

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 July 2022, the Group acquired Brooklands, a 972ha property west of Rockhampton in Central Queensland for \$6.2m including transaction costs. The property will be incorporated as part of Rookwood Farms.

In August 2022, the Group acquired Greenfields, a 229ha property west of Rockhampton in Central Queensland for \$3.1m including transaction costs. The property will be incorporated as part of Rookwood Farms.

In September 2022, the Group entered into an agreement to lease up to 3,000ha of macadamia orchards to a company managed by The Rohatyn Group (TRG) on behalf of a joint venture between TRG and a global institutional investor. The lease commenced in January 2023.

In November 2022, the Group completed the disposal of Dohnt, a 37ha vineyard located in Coonawarra, South Australia for \$0.6m.

In December 2022, the Group increased its available core debt to \$670,000,000 (30 June 2022: \$520,000,000). The facility limit on the \$110,000,000 tranche expiring in November 2023 was increased to \$260,000,000 and extended to November 2025.

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 2022 amounted to \$54,543,000 (31 December 2021: \$38,207,000). The consolidated total comprehensive income of the Group for the half year ended 31 December 2022 amounted to \$59,404,000 (31 December 2021: \$38,807,000).

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, non-cash tax expense and one-off transaction costs during the half year, the profit would have been \$19,725,000 (31 December 2021: \$21,791,000), representing adjusted funds from operations (AFFO).

Rural Funds Group

Directors' Report

31 December 2022

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 2022 \$'000	31 December 2021 \$'000
Net profit before income tax	53,861	39,675
Change in fair value of investment property	(31,038)	(17,962)
Impairment of bearer plants	544	2,258
Impairment of property - owner occupied	-	1,668
Impairment of intangible assets	-	1,454
Depreciation - bearer plants	4,763	2,147
Depreciation and impairments - other	1,315	497
Change in fair value of biological assets (unharvested crops)	(75)	(331)
Change in fair value of biological assets (prior year unrealised biological assets now realised)	1,738	-
Change in fair value of financial assets/liabilities	24	(325)
Change in fair value of interest rate swaps	(11,215)	(5,581)
Straight-lining of rental revenue	(399)	100
Interest component of JBS feedlot finance lease	53	(474)
Income tax payable (RF Active)	-	(1,281)
Loss / (gain) on sale of assets	154	(54)
AFFO	19,725	21,791
AFFO cents per unit	5.1	5.8

Financial position

The net assets of the consolidated Group have increased to \$955,980,000 at 31 December 2022 from \$917,011,000 at 30 June 2022. At 31 December 2022, the Group had total assets of \$1,498,657,000 (30 June 2022: \$1,403,829,000).

At 31 December 2022, the Group held total water entitlements (including investments in Barossa Infrastructure Limited (BIL) and Coleambally Irrigation Co-operative Limited (CICL)) at a book value of \$169,737,000 (30 June 2022: \$169,663,000). Directors obtain independent valuations on RFF properties ensuring that each property will have been independently valued every two years or more often where appropriate. These valuations attribute a value to the water entitlements held by the Group. The Directors have taken into account the most recent valuations on each property and consider that they remain a reasonable estimate of fair value. On this basis the fair value of water entitlements at 31 December 2022 was \$281,482,000 (30 June 2022: \$279,979,000). The value of water entitlements is illustrated in the table below:

	31 December 2022 \$'000	30 June 2022 \$'000
Intangible assets (water entitlements)	157,753	157,679
Investment in CICL	11,464	11,464
Investment in BIL	520	520
Total book value of water entitlements	169,737	169,663
Revaluation of intangible assets per valuation	111,745	110,316
Adjusted total water entitlements	281,482	279,979

Rural Funds Group

Directors' Report

31 December 2022

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 2022 \$'000	30 June 2022 \$'000
Net assets per Consolidated Statement of Financial Position	955,980	917,011
Revaluation of intangible assets per valuation	111,745	110,316
Adjusted net assets	1,067,725	1,027,327
Adjusted NAV per unit (\$)	2.78	2.69

Property leasing

At 31 December 2022 the Group held 66 (30 June 2022: 67) properties as follows:

- 3 almond orchards (4,068 planted hectares);
- 6 vineyards (636 planted hectares);
- 10 macadamia orchards (1,319 planted hectares);
- 10 macadamia orchards currently being developed or with the potential to be developed into macadamia orchards (2,115 planted and planned hectares);
- 21 cattle properties made up of 16 breeding, backgrounding and finishing properties (675,744 hectares) and 5 cattle feedlots with combined capacity of 150,000 head;
- 16 cropping properties (14,592 hectares).

During the half year ended 31 December 2022, the properties held by the Group recorded an increment in the fair value of investment properties of \$31,038,000 (31 December 2021: \$17,962,000), an increment in bearer plants revaluation of \$4,861,000 (31 December 2021: \$600,000), an impairment of bearer plants of \$544,000 (31 December 2021: \$2,258,000), an impairment of intangibles of nil (31 December 2021: \$1,454,000) relating to water entitlements and an impairment in property – owner occupied of nil (31 December 2021: \$1,668,000) relating to properties carrying out various cropping operations.

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 2022: 4,139 hectares):

- Yilgah 935 planted hectares (30 June 2022: 1,006 hectares);
- Tocabil 603 planted hectares (30 June 2022: 603 hectares);
- Kerarbury 2,530 planted hectares (30 June 2022: 2,530 hectares).

These properties are under lease to the following tenants:

- Select Harvests Limited (SHV) 935 planted hectares (30 June 2022: 1,006 hectares);
- Olam Orchards Australia Pty Limited (Olam) 3,133 planted hectares (30 June 2022: 3,133 hectares);

The planted area of the Yilgah property decreased due to an expected loss of trees from the recent floods to the area.

For its almond orchards the Group owns water entitlements of 55,525ML (30 June 2022: 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 2022: 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 884ML of water entitlements (30 June 2022: 936ML). All vineyards are leased to Treasury Wine Estates Limited and produce premium quality grapes. All of the vineyards are leased until June 2026.

Rural Funds Group

Directors' Report

31 December 2022

Property leasing (continued)

Macadamia orchards

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

- Swan Ridge and Moore Park, 234 hectares (30 June 2022: 234 hectares), located in Bundaberg currently leased to the 2007 Macgrove Project (M07)
- Bonmac, 27 hectares (30 June 2022: 27 hectares), located in Bundaberg currently leased to RFM Farming.

Beerwah and Bauple, 475 hectares (30 June 2022: 475 hectares) located in the Glass House mountains and Wide Bay regions of Queensland are unleased and currently operated by the Group.

Swan Ridge South, located in Bundaberg, Queensland totaling 123 hectares (30 June 2022: 123 hectares) is under development to 40 hectares of planned macadamia plantings.

The following initial properties are subject to the lease with a company managed by The Rohatyn Group from January 2023:

- Cygnet, located in Bundaberg, Queensland consists of 37 hectares (30 June 2022: 37 hectares) of newly established plantings.
- Nursery Farm, located in Bundaberg, Queensland consists of 41 hectares (30 June 2022: 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 totaling 1,335 hectares (30 June 2022: 1,335 hectares) are under development, consisting 505 hectares of newly established plantings and 238 hectares of planned macadamia plantings.
- Riverton property 1,015 hectares (30 June 2022: 1,015 hectares), located in the Fitzroy region in Queensland is under development, consisting 161 hectares of newly established plantings and 259 hectares of planned macadamia plantings.

The following properties are currently under development:

- Six properties located in Maryborough, Queensland totaling 1,188 hectares (30 June 2022: 1,188 hectares) with 640 hectares of planned macadamia plantings.
- The Rookwood Farms aggregation, totaling 3,653 hectares (30 June 2022: 2,452 hectares), located in the Fitzroy region in Queensland with 777 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 2022: 17,479 hectares);
- Mutton Hole and Oakland Park located in far north Queensland 225,800 hectares (30 June 2022: 225,800 hectares);
- Natal aggregation located near Charters Towers in north Queensland 390,600 hectares (30 June 2022: 390,600 hectares);
- Comanche located in central Queensland 7,600 hectares (30 June 2022: 7,600 hectares);
- Cerberus located north west of Rockhampton in central Queensland 8,280 hectares (30 June 2022: 8,280 hectares);
- Dyamberin located in the New England region of New South Wales 1,728 hectares (30 June 2022: 1,728 hectares);
- Woodburn located in the New England region of New South Wales 1,063 hectares (30 June 2022: 1,063 hectares);
- Cobungra located in the East Gippsland region of Victoria 6,497 hectares (30 June 2022: 6,497 hectares);
- Petro, High Hill and Willara located in Western Australia 6,196 hectares (30 June 2022: 6,196);
- Yarra located south west of Rockhampton in central Queensland 4,090 hectares (30 June 2022: 4,090);
- Homehill located north west of Rockhampton in central Queensland 4,925 hectares (30 June 2022: 4,925);
- Coolibah and River Block located south west of Rockhampton in central Queensland 724 hectares (30 June 2022: 724 hectares);

Rural Funds Group

Directors' Report

31 December 2022

Property leasing (continued)

Cattle property (continued)

- Thirsty Creek located south west of Rockhampton in central Queensland 762 hectares (30 June 2022: 762 hectares);
- Prime City, Mungindi, Caroon, Beef City and Riverina, 5 cattle feedlots with a combined capacity of 150,000 head (30 June 2022: 150,000 head).
- A deposit has been paid on Kaiuroo, located north west of Rockhampton in central Queensland, 27,879 hectares (30 June 2022: 27,879 hectares) with an extended settlement period of up to 24 months from November 2021.

The properties comprise a combined 663,374 hectares and 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.

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 2022.

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

Cropping property

Cropping properties held by the Group comprise of:

- Lynora Downs, a 4,963 hectare (30 June 2022: 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 2022: 2,942 hectare) cropping property located 25 km north of Lynora Downs in central Queensland, to be leased to RFM Farming Pty Limited (a wholly owned subsidiary of RFM) until 30 June 2023. A long-term lessee is being sought.
- Baamba Plains, a 4,130 hectare (30 June 2022: 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 23 Maryborough properties located in Queensland, have potential to be developed into approximately 2,200 hectares of macadamia orchards. 13 of these properties are currently being leased out or owner occupied for various cropping operations.

Other activities

The Group provides a \$132,000,000 (30 June 2022: \$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. 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 \$16,341,000 (30 June 2022: \$16,365,000) are leased to Cattle JV.

Agricultural plant and equipment with a net book value of \$2,657,000 (30 June 2022: \$2,248,000) is owned by the Group and leased to M07, Cattle JV and RFM Farming. Agricultural plant and equipment with a net book value of \$16,948,000 (30 June 2022: \$14,282,000) is used for the Group's farming operations and macadamia developments.

Rural Funds Group

Directors' Report

31 December 2022

Banking facilities

At 31 December 2022 the core debt facility available to the Group was \$670,000,000 (30 June 2022: \$520,000,000), with a drawn balance of \$504,430,000 (30 June 2022: \$455,100,000). The facility is split into two tranches with a \$410,000,000 tranche expiring in November 2024 and a \$260,000,000 tranche expiring in November 2025. At 31 December 2022, RFF had active interest swaps totaling 36.3% (30 June 2022: 40.2%) of the drawn balance to manage interest rate risk.

Distributions

	Cents per unit	Total \$
Distribution declared 1 June 2022, paid 29 July 2022	2.9331	11,219,540
Distribution declared 1 September 2022, paid 31 October 2022	2.9325	11,233,192
Distribution declared 1 December 2022, paid 31 January 2023	2.9325	11,250,718

Earnings per unit

Net profit after income tax for the half year (\$'000)	54,543
Weighted average number of units on issue during the year	383,174,864
Basic and diluted earnings per unit (total) (cents)	14.23

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 2022 is 1.70% (31 December 2021: 2.65%).

Matters subsequent to the end of the half year

The lease of macadamia orchards to a company managed by The Rohatyn Group (TRG) commenced in January 2023.

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

Likely developments and expected results of operations

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

Environmental regulation

The operations of the Group are subject to significant environmental regulations under the laws of the Commonwealth and States or Territories of Australia. Water usage for irrigation, domestic and levee purposes, including containing irrigation water from entering the river, water course or water aquifer are regulated by the *Water Management Act 2000*. Responsibility of water licences that are leased to external parties then requires the tenant to meet the legislative requirements for these licences. There have been no known significant breaches of any environmental requirements applicable to the Group.

Rural Funds Group

Directors' Report

31 December 2022

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

383,656,193 units in Rural Funds Trust were on issue at 31 December 2022 (30 June 2022: 382,514,759). During the half year 1,141,434 units (30 June 2022: 42,614,203) were issued by the Trust and nil (30 June 2022: 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 2022 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

22 February 2023



Auditor's Independence Declaration

As lead auditor for the review of Rural Funds Group for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

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

Rod Dring
Partner
PricewaterhouseCoopers

Sydney
22 February 2023

Rural Funds Group

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2022

		31 December 2022	31 December 2021
	Note	\$'000	\$'000
Revenue	B3	43,975	38,620
Other income	B3	3,290	3,176
Management fee		(4,256)	(3,188)
Asset management fee		(3,192)	(2,390)
Property expenses		(2,426)	(2,044)
Other expenses		(3,783)	(3,042)
Finance costs		(7,646)	(5,132)
Cost of goods sold - farming operations		(7,478)	(3,765)
Property and other expenses - farming operations		(2,441)	(224)
(Loss) / gain on sale of assets		(154)	54
Depreciation and impairments - other		(1,315)	(497)
Change in fair value of investment property	C2	31,038	17,962
Impairment of bearer plants	C3	(544)	(2,258)
Depreciation - bearer plants	C3	(4,763)	(2,147)
Impairment of intangible assets	C5	-	(1,454)
Impairment of property - owner occupied	C6	-	(1,668)
Change in fair value of biological assets - farming operations	E2	2,365	1,766
Change in fair value of interest rate swaps		11,215	5,581
Change in fair value of financial assets/liabilities		(24)	325
Net profit before income tax		53,861	39,675
Income tax credit / (expense)		682	(1,468)
Net profit after income tax		54,543	38,207
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation increment - Bearer plants	C3	4,861	600
Other comprehensive income for the half year, net of tax		4,861	600
Total comprehensive income attributable to unitholders		59,404	38,807

The accompanying notes form part of these financial statements.

Rural Funds Group

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2022

	Note	31 December 2022 \$'000	31 December 2021 \$'000
Total net profit after income tax for the half year attributable to unitholders arising from:			
Rural Funds Trust		56,846	35,301
RF Active (non-controlling interest)		(2,303)	2,906
Total		54,543	38,207
Total comprehensive income for the half year attributable to unitholders arising from:			
Rural Funds Trust		61,707	35,901
RF Active (non-controlling interest)		(2,303)	2,906
Total		59,404	38,807
Earnings per unit			
Basic and diluted earnings per unit attributable to the unitholders:			
Per stapled unit (cents)		14.23	10.20
Per unit of Rural Funds Trust (cents)		14.84	9.42
Per unit of RF Active (cents)		(0.61)	0.78

The accompanying notes form part of these financial statements.

Rural Funds Group

Consolidated Statement of Financial Position

As at 31 December 2022

		31 December 2022	30 June 2022
	Note	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents		12,845	4,961
Trade and other receivables		6,993	6,742
Other current assets		2,704	1,922
Assets held for sale	C8	-	715
Biological assets	E2	7,898	7,826
Inventories		2,782	455
Income tax receivable		1,380	1,038
Total current assets		34,602	23,659
Non-current assets			
Investment property	C2	845,221	786,981
Plant and equipment - bearer plants	C3	200,598	190,488
Financial assets	C4, E1	97,999	97,729
Intangible assets	C5	157,753	157,679
Property - owner occupied	C6	70,489	68,427
Plant and equipment - other	C7	19,605	16,530
Deposits	C9	18,631	18,504
Derivative financial assets		44,324	33,698
Other assets		9,435	10,134
Total non-current assets		1,464,055	1,380,170
Total assets		1,498,657	1,403,829
LIABILITIES			
Current liabilities			
Trade and other payables		6,378	5,153
Unearned income		6,441	657
Interest bearing liabilities	D1	2,538	2,723
Derivative financial liabilities		-	589
Distributions payable		12,767	11,756
Total current liabilities		28,124	20,878
Non-current liabilities			
Interest bearing liabilities	D1	504,430	455,100
Deferred tax liabilities		6,917	7,634
Other non-current liabilities		3,206	3,206
Total non-current liabilities		514,553	465,940
Total liabilities (excluding net assets attributable to unitholders)		542,677	486,818
Net assets attributable to unitholders		955,980	917,011
Total liabilities		1,498,657	1,403,829

*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 2022

		31 December 2022 \$'000	30 June 2022 \$'000
	Note		
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
Unitholders of Rural Funds Trust			
Issued units	D2	462,570	465,076
Asset revaluation reserve		54,103	49,417
Retained earnings		426,318	385,183
Parent entity interest		942,991	899,676
Unitholders of RF Active			
Issued units	D2	6,780	6,721
Retained earnings		6,209	10,614
Non-controlling interest		12,989	17,335
Total net assets attributable to unitholders		955,980	917,011

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 2022

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	D2	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

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

The accompanying notes form part of these financial statements.

Rural Funds Group

Consolidated Statement of Cash Flows

For the half year ended 31 December 2022

	Note	31 December 2022 \$'000	31 December 2021 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		48,589	41,678
Payments to suppliers (inclusive of GST)		(26,857)	(14,931)
Interest received		83	39
Finance income		7,495	7,630
Finance costs		(9,604)	(5,198)
Income tax paid		(342)	(1,468)
Net cash inflow from operating activities		19,364	27,750
Cash flows from investing activities			
Payments for investment property		(23,393)	(32,863)
Payments for plant and equipment - bearer plants		(9,602)	(37,871)
Payments for financial assets - property related		(106)	(932)
Payments for intangible assets	C5	-	(45,700)
Payments for property - owner occupied	C6	(3,317)	(51,383)
Payments for plant and equipment	C7	(4,719)	(8,383)
Payments for deposits		(127)	(17,188)
Payments for financial assets - other		-	(4,385)
Payments for other assets		(747)	(2,694)
Repayment of financial assets - property related		158	532
Proceeds from sale of plant and equipment		82	435
Proceeds from assets held for sale		530	1,621
Distributions received		40	-
Net cash outflow from investing activities		(41,201)	(198,811)
Cash flows from financing activities			
Proceeds from issue of units	D2	2,966	99,691
Proceeds from borrowings		93,850	226,500
Repayment of borrowings		(44,705)	(134,357)
Distributions paid		(22,390)	(20,711)
Net cash inflow from financing activities		29,721	171,123
Net increase in cash and cash equivalents held		7,884	62
Cash and cash equivalents at the beginning of the half year		4,961	11,647
Cash and cash equivalents at the end of the half year		12,845	11,709

The accompanying notes form part of these financial statements.

Rural Funds Group

Notes to the Financial Statements

31 December 2022

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 22 February 2023 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 2022 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 2022 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.

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.

Rural Funds Group

Notes to the Financial Statements

31 December 2022

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements, estimates and assumptions in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

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

Valuation of property related assets

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

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

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

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

Estimation of useful lives of bearer plants

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

Comparative amounts

Comparative amounts have not been restated unless otherwise noted.

Rural Funds Group

Notes to the Financial Statements

31 December 2022

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 2022, the Group held property in agricultural sectors presented in five segments (30 June 2022: 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 2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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 2022

B1 Segment information (continued)

Segment revenue and revaluation movements (continued)

Revaluation for the cattle segment largely relates to the external valuations for the Cobungra and Rewan properties. The revaluation increment 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 macadamia properties to be leased to The Rohatyn Group. The effective lease commencement date is in January 2023. The revaluation increment reflects the recognition of the lease and the ongoing development of the properties to a higher and better use.

Revaluation for the almond segment relates to the directors' valuation for the Yilgah property. The decrease relates to a reduction in planted area following the impact of recent floods to the area.

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

	Almonds	Cattle	Vineyards	Cropping	Macadamias	Other	Total
31 December 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Rental revenue	14,076	6,931	2,074	1,937	667	1,128	26,813
Rental revenue - straight-lining	(140)	157	(109)	-	(4)	(4)	(100)
Revenue from farming operations	-	-	-	-	-	3,765	3,765
Interest received	-	39	-	-	-	-	39
Finance income	-	8,079	-	-	24	-	8,103
Total revenue	13,936	15,206	1,965	1,937	687	4,889	38,620
Other income	-	-	-	-	-	-	-
Gain on disposal	-	-	-	(5)	59	-	54
Depreciation - bearer plants	(1,410)	-	(620)	-	(117)	-	(2,147)
Depreciation - property (owner occupied)	-	-	-	(13)	-	-	(13)
Change in fair value through profit or loss	-	17,146	-	(1,112)	(3,093)	(34)	12,907
Revaluation increment through other comprehensive income	-	-	-	-	600	-	600
Total revaluation	-	17,146	-	(1,112)	(2,493)	(34)	13,507
Revaluation of water entitlements per director's valuation	-	-	-	-	122	-	122
Total revaluation	-	17,146	-	(1,112)	(2,371)	(34)	13,629

Rural Funds Group

Notes to the Financial Statements

31 December 2022

B1 Segment information (continued)

Segment assets

	Almonds	Cattle	Vineyards	Cropping	Macadamias	Unallocated	Total
31 December 2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment property	141,554	456,337	35,437	82,033	129,860	-	845,221
Plant and equipment - bearer plants	119,673	-	17,093	-	63,832	-	200,598
Financial assets - property related	11,694	76,035	520	-	1,292	-	89,541
Intangible assets (water)	66,707	6,038	500	7,029	6,447	71,032	157,753
Property - owner occupied	-	-	-	48,349	22,140	-	70,489
Plant and equipment	224	1,565	-	4,618	13,198	-	19,605
Deposits	-	18,631	-	-	-	-	18,631
Total property assets per statutory accounts	339,852	558,606	53,550	142,029	236,769	71,032	1,401,838
Revaluation of intangible assets per director's valuation	55,098	-	5,266	909	4,126	46,346	111,745
Total adjusted property assets at director's valuation	394,950	558,606	58,816	142,938	240,895	117,378	1,513,583
Other assets per statutory accounts	-	-	-	-	-	96,819	96,819
Total adjusted assets	394,950	558,606	58,816	142,938	240,895	214,197	1,610,402

Rural Funds Group

Notes to the Financial Statements

31 December 2022

B1 Segment information (continued)

Segment assets (continued)

	Almonds \$'000	Cattle \$'000	Vineyards \$'000	Cropping \$'000	Macadamias \$'000	Unallocated \$'000	Total \$'000
30 June 2022							
Investment property	141,080	433,090	35,727	88,931	88,153	-	786,981
Plant and equipment - bearer plants	124,948	-	17,260	-	48,280	-	190,488
Financial assets - property related	11,466	75,960	520	-	1,325	-	89,271
Intangible assets (water)	66,707	6,038	500	7,961	5,441	71,032	157,679
Property - owner occupied	-	-	-	46,567	21,860	-	68,427
Plant and equipment	-	1,133	-	3,949	11,448	-	16,530
Assets held for sale	-	-	715	-	-	-	715
Deposits	-	18,504	-	-	-	-	18,504
Total property assets per statutory accounts	344,201	534,725	54,722	147,408	176,507	71,032	1,328,595
Revaluation of intangible assets per director's valuation	55,780	-	5,266	1,116	1,808	46,346	110,316
Total adjusted property assets at director's valuation	399,981	534,725	59,988	148,524	178,315	117,378	1,438,911
Other assets per statutory accounts	-	-	-	-	-	75,234	75,234
Total adjusted assets	399,981	534,725	59,988	148,524	178,315	192,612	1,514,145

Rural Funds Group

Notes to the Financial Statements

31 December 2022

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 2022 is \$169,737,000 (30 June 2022: \$169,663,000).

Independent valuations on the Group's properties are obtained, ensuring that each property will have been independently valued every two years or more often where appropriate. Independent valuation reports assess and provide value for properties in their entirety. The independent valuation reports contains information with which judgement is applied in order to allocate values to investment property, bearer plants and water entitlements. The Directors have taken into account the most recent valuations on each property and consider that they remain a reasonable estimate and on this basis the fair value of water entitlements before deferred tax adjustments at 31 December 2022 was \$281,482,000 (30 June 2022: \$279,979,000) representing the value of the water rights of \$111,745,000 (30 June 2022: \$110,316,000) above cost.

The following is a reconciliation of the book value at 31 December 2022 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	34,602	-	34,602
Total non-current assets	1,464,055	111,745	1,575,800
Total assets	1,498,657	111,745	1,610,402
Liabilities			
Total current liabilities	28,124	-	28,124
Total non-current liabilities	514,553	-	514,553
Total liabilities (excluding net assets attributable to unitholders)	542,677	-	542,677
Net assets attributable to unitholders	955,980	111,745	1,067,725
Net asset value per unit (\$)	2.48	0.30	2.78

Rural Funds Group

Notes to the Financial Statements

31 December 2022

B1 Segment information (continued)

		31 December 2022	30 June 2022	Most Recent Independent Valuation	
	Area ¹	Property value \$'000	Property value \$'000	Date	Encumbered Valuation \$'000
31 December 2022					
Almonds					
Yilgah (NSW) ²	935 ha	100,780	105,000	Mar 2021	107,000
Tocabil (NSW)	603 ha	52,624	52,851	Mar 2022	53,000
Kerarbury (NSW)	2,530 ha	241,093	242,130	Mar 2022	242,000
Cattle					
Rewan (QLD)	17,479 ha	72,500	62,400	Nov 2022	72,500
Mutton Hole (QLD)	140,300 ha	17,014	16,838	Jun 2021	16,680
Oakland Park (QLD)	85,500 ha	8,991	8,654	Jun 2021	8,500
Natal Aggregation (QLD)	390,600 ha	138,001	137,756	Apr 2022	137,250
Comanche (QLD)	7,600 ha	35,101	35,064	Apr 2022	35,000
Cerberus (QLD)	8,280 ha	24,530	24,318	Apr 2022	24,300
Dyamberin (NSW)	1,728 ha	21,015	21,000	Mar 2022	21,000
JBS Feedlots Finance Lease Receivable (NSW/QLD)	150,000 hd	58,749	58,802	N/A	N/A
Woodburn (NSW)	1,063 ha	11,461	11,250	Mar 2022	11,250
Cobungra (VIC)	6,497 ha	52,200	40,800	Dec 2022	52,200
Petro (WA)	2,942 ha	14,261	13,514	Nov 2021	13,200
High Hill (WA)	1,601 ha	6,513	6,404	Nov 2021	5,840
Willara (WA)	1,653 ha	5,901	5,861	Nov 2021	5,375
Yarra (QLD)	4,090 ha	22,873	23,822	Dec 2021	23,600
Homehill (QLD)	4,925 ha	20,144	19,476	Apr 2022	19,325
Coolibah aggregation (QLD) ³	724 ha	5,683	5,683	Apr 2022	5,625
Thirsty Creek (QLD)	762 ha	5,220	5,220	Apr 2022	5,220
Cropping					
Lynora Downs (QLD)	4,963 ha	41,718	41,709	Jun 2021	41,500
Mayneland (QLD)	2,942 ha	24,865	24,554	Nov 2021	23,300
Maryborough - Cropping (QLD)	2,557 ha	38,214	38,208	Apr 2022	38,202
Baamba Plains	4,130 ha	33,523	30,673	Nov 2021	30,000
Macadamias					
Swan Ridge (QLD)	130 ha	7,203	7,188	Sep 2021	7,000
Moore Park (QLD)	104 ha	4,444	4,487	Sep 2021	4,550
Bonmac (QLD)	27 ha	3,100	3,141	Sep 2021	3,200
Swan Ridge South (QLD)	40 ha	1,629	1,619	Sep 2021	1,600
Cygnets (QLD) ⁴	37 ha	3,933	3,294	Oct 2022	3,850
Nursery Farm (QLD) ^{4,5}	41 ha	5,219	6,193	Oct 2022	4,200
Riverton (QLD) ⁴	420 ha	31,927	18,447	Oct 2022	26,700
Maryborough - Macadamias (QLD) ⁴	743 ha	65,719	38,852	Oct 2022	57,850
Maryborough - Macadamias (QLD)	640 ha	21,184	20,789	Apr 2022	20,788
Rookwood Farms (QLD) ⁶	777 ha	29,436	17,356	Apr 2022	12,775
Beerwah (QLD)	340 ha	35,173	35,638	Dec 2021	36,307
Bauple (QLD)	135 ha	17,438	17,969	Dec 2021	18,443

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.

² Director valuations adopted at 31 December 2022.

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

⁴ Initial properties are subject to the lease with a company managed by The Rohatyn Group (TRG) from January 2023.

⁵ Nursery Farm at 30 June 2022 included the value of trees in the tree nursery. Since 30 June 2022 trees have been allocated to the respective macadamia orchards as plantings occur.

⁶ Rookwood Farms aggregation comprises of the Stoneleigh, Corrowah, Tongola, Greenfields and Brooklands properties.

⁷ Dohnt vineyard was disposed in November 2022.

Rural Funds Group

Notes to the Financial Statements

31 December 2022

		31 December 2022	30 June 2022	Most Recent Independent Valuation	
	Area ¹	Property value \$'000	Property value \$'000	Date	Encumbered Valuation \$'000
31 December 2022					
Vineyards					
Kleinig (SA)	206 ha	20,929	21,100	Mar 2021	23,100
Geier (SA)	243 ha	25,168	25,373	Mar 2021	27,700
Dohnt (SA) ⁷	30 ha	-	715	Mar 2021	1,200
Hahn (SA)	50 ha	4,750	4,800	Mar 2021	5,100
Mundy and Murphy (SA)	55 ha	4,087	4,100	Mar 2021	4,100
Rosebank (VIC)	82 ha	3,882	3,900	Mar 2021	3,800
Water rights					
River water (NSW)	8,754 ML	77,910	77,910	Jun 2022	77,910
River water (QLD)	2,155 ML	1,113	1,113	Jun 2020	1,099
Ground water (NSW)	8,338 ML	38,355	38,355	Jul 2021	38,355
Total property and water assets		1,455,573	1,384,326		
Cattle finance leases and other assets		17,307	17,431		
Plant and equipment		19,605	16,530		
Other receivables and equipment leases		2,467	2,120		
Kaiuroo deposit		18,631	18,504		
Total adjusted property assets		1,513,583	1,438,911		

Revaluations from external valuations

The total uplift for the half year ended 31 December 2022 has been largely due to the external valuer's assessment of the value of land. The uplift has largely been driven by improved demand and market sentiment for cattle properties in the respective regions. All of the Group's properties have been valued by an independent valuer within the last 24 months. Further information on the significant unobservable inputs adopted by the external valuer in the fair value measurement of the properties is described in note C1.

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

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.

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

A directors' valuation has been adopted for the Yilgah almond property as a result of an expected decrease in planted area following the impact of recent floods to the area.

Rural Funds Group

Notes to the Financial Statements

31 December 2022

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 2022 \$'000	31 December 2021 \$'000
Revenue	37,360	34,855
Revenue from farming operations	6,615	3,765
Other income	3,290	3,176
Cost of goods sold - farming operations	(7,478)	(3,765)
Change in fair value of biological assets (realised from harvested crops)	2,290	1,435
Change in fair value of biological assets (prior year unrealised biological assets now realised)	1,738	-
Management fee	(4,256)	(3,187)
Asset management fee	(3,192)	(2,391)
Property expenses	(2,426)	(2,044)
Finance costs	(7,646)	(5,132)
Other expenses	(3,783)	(3,042)
Property and other expenses - farming operations	(2,441)	(224)
Straight-lining of rental revenue	(399)	100
Interest component of JBS feedlot finance lease	53	(474)
Income tax payable (RF Active)	-	(1,281)
Adjusted Funds From Operations (AFFO)	19,725	21,791
Change in fair value of investment property	31,038	17,962
Impairment of bearer plants	(544)	(2,258)
Impairment of property - owner occupied	-	(1,668)
Impairment of intangible assets	-	(1,454)
Depreciation - bearer plants	(4,763)	(2,147)
Depreciation and impairments - other	(1,315)	(497)
Change in fair value of biological assets (unharvested crops not realised)	75	331
Change in fair value of biological assets (prior year unrealised biological assets now realised)	(1,738)	-
Change in fair value of financial assets/liabilities	(24)	325
Change in fair value of interest rate swaps	11,215	5,581
Straight-lining of rental revenue	399	(100)
Interest component of JBS feedlot finance lease	(53)	474
Income tax credit / (expense)	682	(187)
(Loss) / gain on sale of assets	(154)	54
Net profit after income tax	54,543	38,207
AFFO cents per unit	5.1	5.8

Rural Funds Group

Notes to the Financial Statements

31 December 2022

B3 Revenue

	31 December 2022	31 December 2021
	\$'000	\$'000
Rental income	29,835	26,713
Sale of agricultural produce - farming operations	5,291	3,765
Sale of livestock	1,324	-
Finance income	7,442	8,103
Interest received	83	39
Total	43,975	38,620

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 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, finance leases on cattle feedlots and cattle breeders and is recognised on an accrual basis using the effective interest rate method.

Other Income

	31 December 2022	31 December 2021
	\$'000	\$'000
Sale of temporary water allocations	3,039	3,028
Other income	251	148
Total	3,290	3,176

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 1 June 2022, paid 29 July 2022	2.9331	11,219,540
Distribution declared 1 September 2022, paid 31 October 2022	2.9325	11,233,192
Distribution declared 1 December 2022, paid 31 January 2023	2.9325	11,250,718

Rural Funds Group

Notes to the Financial Statements

31 December 2022

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 2022 \$'000	30 June 2022 \$'000
Investment property	C2	845,221	786,981
Plant and equipment - bearer plants	C3	200,598	190,488
Financial assets - property related	C4	89,541	89,271
Intangible assets	C5	157,753	157,679
Property - owner occupied	C6	70,489	68,427
Plant and equipment - other	C7	19,605	16,530
Asset held for sale	C8	-	715
Deposits	C9	18,631	18,504
Total		1,401,838	1,328,595

Rental income and fair value movements from RFF property assets

	31 December 2022 \$'000	31 December 2021 \$'000
Rental income from property assets	37,277	34,816
Revenue from farming operations	6,615	3,765
Change in fair value of investment property	31,038	17,962
Revaluation increment/(decrement) - bearer plants	4,317	(1,658)
Depreciation - bearer plants	(4,763)	(2,147)

Key changes to the property portfolio during the half year:

- In July 2022, the Group acquired Brooklands, a 972ha property west of Rockhampton in Central Queensland for \$6.2m including transaction costs. The property will be incorporated as part of Rookwood Farms.
- In August 2022, the Group acquired Greenfields, a 229ha property west of Rockhampton in Central Queensland for \$3.1m including transaction costs. The property will be incorporated as part of Rookwood Farms.
- In November 2022, the Group completed the disposal of Dohnt, a 37ha vineyard located in Coonawarra, South Australia for \$0.6m.

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.

Rural Funds Group

Notes to the Financial Statements

31 December 2022

C1 RFF property assets (continued)

Macadamia development (continued)

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 or when the property is operating in a manner as intended by management, for example, a macadamia orchard may be deemed operational when the orchard is fully planted and the plantings have been established.

Valuations

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

The following existing properties had relevant independent valuations during the half year ended 31 December 2022:

Almond properties	Nil
Cattle properties	Rewan, Cobungra
Macadamia properties	Cygnet, Nursery Farm, Glendorf, Charleville, Dowlings, Marriots, Riverton
Vineyard properties	Nil
Cropping properties	Nil
Other	Nil

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

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

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

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.

Rural Funds Group

Notes to the Financial Statements

31 December 2022

C1 RFF property assets (continued)

Valuations (continued)

If this information is not available, the valuation report may provide additional information, such as the summation basis of the unencumbered (not subject to lease) value, which along with other sources, including the nature of capital expenditure on the property, is used to determine the encumbered allocation to components.

Judgement is applied as part of these allocations which vary from property to property given the individual circumstances of the leasing arrangements. The allocation technique may change to reflect the best estimate of fair value attributable to each component at reporting date.

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, 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.

Rural Funds Group

Notes to the Financial Statements

31 December 2022

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 2022 \$'000	30 June 2022 \$'000				31 December 2022 %	30 June 2022 %
Almond orchard property	261,227	266,028	Discounted Cash Flow	Rental base	Discount rate (%)	6.75 - 7.50	6.75 - 7.50
				Component based	Terminal Capitalisation Rate (%)	8.25 - 13.32	8.25 - 13.32
Cattle property and infrastructure	456,337	433,090	Summation assessment	Component based	\$ per adult equivalent (AE) carrying capacity (Backgrounding properties)	\$4,504 - \$11,664	\$4,034 - \$12,148
			Productive unit		\$ per adult equivalent (AE) carrying capacity (Breeder properties)	\$1,496 - \$3,060	\$1,496 - \$3,048
Vineyard property and infrastructure	52,530	52,987	Discounted Cash Flow	Component based	Discount rate (%)	7.50 - 8.50	7.50 - 8.50
					Terminal Capitalisation rate (%)	8.25 - 9.00	8.25 - 9.00
Cropping property and infrastructure	130,382	135,498	Summation assessment	Component based	\$ per irrigated hectare per property	\$13,021 - \$16,681	\$13,021 - \$16,681
					Average \$ per plantable hectare (Maryborough)	\$21,090	\$21,090
Macadamia orchard property	215,832	158,293	Discounted Cash Flow	Rental base/ Proportionate	Discount rate (%)	7.25 - 8.00	7.25
					Terminal Capitalisation rate (%)	6.50 - 8.00	8.00
			Summation assessment	Component based	Average \$ per planted hectare (planted orchard)	\$100,830	\$97,236
					Average \$ per plantable hectare (development orchard)	\$50,372	\$33,563
Total	1,116,308	1,045,896					

*Fair values disclosed exclude water assets.

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

Rural Funds Group

Notes to the Financial Statements

31 December 2022

C1 RFF property assets (continued)

Valuations (continued)

Primary valuation technique

External valuations typically assess property values using different valuation techniques.

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

Allocation technique

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

The following allocation techniques have been applied:

Rental base	Applied for properties with long term indexed leases by allocating value to component assets using the rental base. The rental base is identifiable and generally determined by the cost of the assets. The allocation by rental base reflects the encumbered nature of the assets where rental incomes are not affected by short term market fluctuations in the value of the assets due to lack of rental review mechanism.
Component based	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 allocated value to water assets based on comparable encumbered rental data. The value of land was determined based on comparable sales data. Orchard infrastructure including irrigation was determined based on a replacement cost assumption adjusted for an estimate of the age of the assets. Bearer plants was identified as being the residual value of the total encumbered value of the property.
Proportionate	Applied for properties where leases include rental reviews and where component-based information is not able to be used. For properties with water assets, the allocation considers the unencumbered value of water assets and allocates this on a proportionate basis to the encumbered value of the property. Judgement is then applied to allocate encumbered values to investment property and bearer plants using available information, including information from the valuation report and the nature of capital expenditure on the relevant property.

Rural Funds Group

Notes to the Financial Statements

31 December 2022

C1 RFF property assets (continued)

Valuations (continued)

Unobservable inputs

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

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

C2 Investment property

31 December 2022	Almond property	Cattle property	Vineyard property	Cropping property	Macadamia property	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening net book amount	141,080	433,090	35,727	88,931	88,153	786,981
Acquisitions	-	-	-	-	9,315	9,315
Additions	474	2,034	-	374	12,642	15,524
Capitalisation of borrowing costs	-	-	-	-	1,695	1,695
Transfer	-	-	-	(7,272)	7,272	-
Transfer to bearer plants	-	-	(290)	-	-	(290)
Transfer from property - owner occupied	-	-	-	-	1,058	1,058
Amortisation of lease incentives	-	(100)	-	-	-	(100)
Fair value adjustment	-	21,313	-	-	9,725	31,038
Closing net book amount	141,554	456,337	35,437	82,033	129,860	845,221
30 June 2022	Almond property	Cattle property	Vineyard property	Cropping property	Macadamia property	Total
Opening net book amount – 1 July 2021	126,189	305,151	34,540	83,300	47,744	596,924
Acquisitions	-	21,958	-	-	-	21,958
Additions	1,356	4,417	924	4,012	27,710	38,419
Capitalisation of borrowing costs	-	-	-	-	246	246
Classified as held for sale or disposals	-	-	(542)	-	-	(542)
Transfer to intangible assets	-	-	-	(2,556)	-	(2,556)
Transfer from property - owner occupied	-	-	-	-	9,541	9,541
Amortisation of lease incentives	-	(200)	-	-	-	(200)
Fair value adjustment	13,535	101,764	805	4,175	2,912	123,191
Closing net book amount	141,080	433,090	35,727	88,931	88,153	786,981

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

Rural Funds Group

Notes to the Financial Statements

31 December 2022

C2 Investment property (continued)

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

C3 Plant and equipment – bearer plants

31 December 2022	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
Acquisitions	-	-	-	-
Additions	157	24	9,896	10,077
Capitalisation of borrowing costs	-	-	189	189
Depreciation and impairment	(2,883)	(481)	(1,399)	(4,763)
Transfer from investment property	-	290	-	290
Fair value adjustment - profit and loss	(544)	-	-	(544)
Fair value adjustment - other comprehensive income	(2,005)	-	6,866	4,861
Closing net book amount	119,673	17,093	63,832	200,598

30 June 2022	Bearer Plants - Almonds \$'000	Bearer Plants - Vineyards \$'000	Bearer Plants - Macadamias \$'000	Total \$'000
Opening net book amount – 1 July 2021	125,580	23,815	11,387	160,782
Acquisitions	-	-	35,480	35,480
Additions	363	-	5,001	5,364
Capitalisation of borrowing costs	-	-	14	14
Classified as held for sale or disposals	-	(173)	-	(173)
Depreciation and impairment	(2,808)	(1,213)	(1,512)	(5,533)
Fair value adjustment - profit and loss	-	(1,413)	(2,690)	(4,103)
Fair value adjustment - other comprehensive income	1,813	(3,756)	600	(1,343)
Closing net book amount	124,948	17,260	48,280	190,488

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.

Rural Funds Group

Notes to the Financial Statements

31 December 2022

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

Fixed asset class:	Useful life:	Depreciation commences from years:
Almond bearer plants	30 years	6 years
Vineyard bearer plants	40 years	4 years
Macadamia bearer plants	45 - 55 years	13 years

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

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

	31 December 2022 \$'000	30 June 2022 \$'000
Cost	180,594	172,268
Accumulated depreciation	(20,489)	(15,330)
Accumulated impairment	(6,296)	(5,752)
Bearer plants at historical cost less accumulated impairment	153,809	151,186

C4 Financial assets – property related

	31 December 2022 \$'000	30 June 2022 \$'000
Financial Assets - property related		
Investment - BIL	520	520
Investment - CICL	11,464	11,464
Finance Lease - Breeders	16,341	16,365
Finance Lease - Feedlots	58,749	58,802
Finance Lease - Equipment	1,470	1,522
Other receivables	997	598
Total	89,541	89,271

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

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

Finance Lease – Breeders is comprised of breeders owned by the Group which have been leased to Cattle JV Pty Limited, a wholly-owned subsidiary of Rural Funds Management Limited, for a term of ten years ending in 2026. As part of the arrangement, the lessee is required to maintain the breeder herd and maintain an active breeding program. The expected credit loss on the finance lease is assessed on the value of the breeder herd secured against the finance lease. This assessment involves the monitoring of the value of the breeder herd through a bi-annual mustering process conducted by Cattle JV Pty Limited and an annual valuation process. There has been no expected credit loss recognised at 31 December 2022 (30 June 2022: nil).

Rural Funds Group

Notes to the Financial Statements

31 December 2022

C4 Financial assets – property related (continued)

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

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

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

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

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

Rural Funds Group

Notes to the Financial Statements

31 December 2022

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 2022	Almonds \$'000	Cattle \$'000	Vineyards \$'000	Cropping \$'000	Macadamias \$'000	Unallocated \$'000	Total \$'000
Non-current							
Opening net book amount	66,707	6,038	500	7,961	5,441	71,032	157,679
Capitalisation of borrowing costs	-	-	-	8	66	-	74
Transfers	-	-	-	(940)	940	-	-
Closing net book amount	66,707	6,038	500	7,029	6,447	71,032	157,753
Cost	67,462	6,750	500	12,213	6,562	71,066	164,553
Accumulated impairment	(755)	(712)	-	(5,184)	(115)	(34)	(6,800)
Net book amount	66,707	6,038	500	7,029	6,447	71,032	157,753
30 June 2022	Almonds \$'000	Cattle \$'000	Vineyards \$'000	Cropping \$'000	Macadamias \$'000	Unallocated \$'000	Total \$'000
Non-current							
Opening net book amount – 1 July 2021	66,707	1,848	500	4,236	4,464	32,663	110,418
Additions	-	4,190	-	3,500	-	38,403	46,093
Transfer from investment property	-	-	-	2556	-	-	2556
Transfers	-	-	-	(791)	791	-	-
Disposals	-	-	-	(329)	-	-	(329)
(Impairment)/reversal of impairment	-	-	-	(1,211)	186	(34)	(1,059)
Closing net book amount	66,707	6,038	500	7,961	5,441	71,032	157,679
Cost	67,462	6,750	500	13,145	5,556	71,066	164,479
Accumulated impairment	(755)	(712)	-	(5,184)	(115)	(34)	(6,800)
Net book amount	66,707	6,038	500	7,961	5,441	71,032	157,679

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.

Rural Funds Group

Notes to the Financial Statements

31 December 2022

C6 Property – owner occupied

31 December 2022	Land	Building	Irrigation	Total
	\$'000	\$'000	\$'000	\$'000
Opening net book amount	61,796	6,035	596	68,427
Additions	102	401	2,814	3,317
Transfer to investment property	(1,030)	(28)	-	(1,058)
Depreciation	-	(154)	(43)	(197)
Closing net book amount	60,868	6,254	3,367	70,489

30 June 2022	Land	Building	Irrigation	Total
	\$'000	\$'000	\$'000	\$'000
Opening net book amount – 1 July 2021	27,405	816	63	28,284
Acquisitions	45,563	5,753	-	51,316
Additions	482	433	546	1,461
Transfer to investment property	(9,002)	(529)	(9)	(9,540)
Disposals	(3,265)	(25)	-	(3,290)
Depreciation	-	(174)	(4)	(178)
Impairment	(659)	(253)	-	(912)
Fair value adjustment - other comprehensive income	1,272	14	-	1,286
Closing net book amount	61,796	6,035	596	68,427

Property – owner occupied relates to owner occupied property that is being used to conduct cropping operations by the Group and accounted for under AASB 116 *Property, Plant and Equipment*. Property – owner occupied are held under the revaluation model. As at 31 December 2022, this included properties that were operated by the Group including the Maryborough properties (cropping), Baamba Plains (cropping), Beerwah, Bauple (macadamias) and Yarra, Cerberus (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.

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

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

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

Rural Funds Group

Notes to the Financial Statements

31 December 2022

C6 Property – owner occupied (continued)

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

31 December 2022	Land \$'000	Building \$'000	Irrigation \$'000	Total \$'000
Cost	61,906	6,823	3,414	72,143
Accumulated depreciation and impairment	(2,310)	(583)	(47)	(2,940)
Net book amount	59,596	6,240	3,367	69,203

30 June 2022	Land \$'000	Building \$'000	Irrigation \$'000	Total \$'000
Cost	62,834	6,450	600	69,884
Accumulated depreciation and impairment	(2,310)	(429)	(4)	(2,743)
Net book amount	60,524	6,021	596	67,141

C7 Plant and equipment – other

	31 December 2022 \$'000	30 June 2022 \$'000
Opening net book amount – 1 July	16,530	8,716
Additions	4,719	10,438
Transfers from finance lease - equipment	-	44
Disposals	(51)	(382)
Depreciation	(1,118)	(1,456)
Decrement (depreciation capitalised to developments)	(475)	(830)
Closing net book amount	19,605	16,530
Cost	31,479	26,811
Accumulated depreciation	(10,552)	(8,959)
Accumulated impairment	(1,322)	(1,322)
Net book amount	19,605	16,530

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

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

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

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

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

Rural Funds Group

Notes to the Financial Statements

31 December 2022

C7 Plant and equipment – other (continued)

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

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

C8 Assets held for sale

	31 December 2022 \$'000	30 June 2022 \$'000
Investment property	-	542
Bearer plants	-	173
Total	-	715

At 30 June 2022, investment property and bearer plants held for sale relates to the Dohnt vineyard sold during the half year.

C9 Deposits

	31 December 2022 \$'000	30 June 2022 \$'000
Deposit for acquisition of Kaiuroo property	18,631	18,504
Total	18,631	18,504

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

C10 Capital commitments

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

	31 December 2022 \$'000	30 June 2022 \$'000
Investment property	199,299	142,709
Bearer plants	14,566	17,254
Intangible assets	16,838	34,263
Plant and equipment	970	570
Total	231,673	194,796

Rural Funds Group

Notes to the Financial Statements

31 December 2022

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 total adjusted 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 2022 \$'000	30 June 2022 \$'000
Current		
Equipment loans (ANZ)	2,340	2,525
J&F Guarantee - Borrowing loss provision	198	198
Total	2,538	2,723
Non-current		
Borrowings (ANZ)	273,296	220,864
Borrowings (Rabobank)	202,079	184,236
Borrowings (NAB)	29,055	50,000
Total	504,430	455,100

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 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 2022: \$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 (30 June 2022: \$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. 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.

The guarantee fee received from J&F during the half year was \$4,160,000 (31 December 2021: \$4,366,000). The return to the Group relating to the guarantee fee arrangement for the half year was approximately 8.09% (31 December 2021: 11.2%) inclusive of interest offset savings. There was no event of default during the half year, and as a result, the guarantee has not been called.

Rural Funds Group

Notes to the Financial Statements

31 December 2022

D1 Interest bearing liabilities (continued)

J&F Guarantee (continued)

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

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 2022 the core debt facility available to the Group was \$670,000,000 (30 June 2022: \$520,000,000), with a drawn balance of \$504,430,000 (30 June 2022: \$455,100,000). The facility is split into two tranches with a \$410,000,000 tranche expiring in November 2024 and a \$260,000,000 tranche expiring in November 2025.

As at 31 December 2022 RFF had active interest rate swaps totaling 36.3% (30 June 2022: 40.2%) of the drawn down balance to manage interest rate risk. Hedging requirements under the terms of the borrowing facility may vary with bank consent.

Loan covenants

Under the terms of the updated borrowing facility, the Group was required to comply with the following financial covenants for the half year ended 31 December 2022:

- maintain a maximum loan to value ratio of 55% (30 June 2022: 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 2.00:1.00 with distributions permitted if the interest cover ratio is not less than 2.15:1.00.

The loan to value ratio calculation includes the J&F guarantee of \$132.0 million (30 June 2022: \$132.0 million).

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

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

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

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

Rural Funds Group

Notes to the Financial Statements

31 December 2022

D2 Issued units

	31 December 2022		31 December 2021	
	No.	\$'000	No.	\$'000
Units on issue at the beginning of the period	382,514,759	471,797	339,900,556	385,140
Units issued during the half year	1,141,434	2,966	41,466,626	99,691
Distributions to unitholders	-	(5,413)	-	(10,529)
Units on issue	383,656,193	469,350	381,367,182	474,302

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

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

Distributions totaling \$23,401,000 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 2022

E. OTHER INFORMATION

E1 Financial assets – other (non-property related)

	31 December 2022 \$'000	30 June 2022 \$'000
Investment - Marquis Macadamias Limited	5,270	5,270
Investment - Almondco Australia Limited	3,188	3,188
Total	8,458	8,458

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

E2 Biological assets

	Soy beans \$'000	Sugar \$'000	Macadamias \$'000	Cropping \$'000	Cattle \$'000	Total \$'000
31 December 2022						
Opening net book amount	-	2,437	1,925	534	2,930	7,826
Additions	-	1,764	1,575	979	3,090	7,408
Increases/(decrease) due to biological transformation	-	713	(655)	2,243	64	2,365
Decreases due to sales	-	(3,359)	(1,271)	(3,746)	(1,325)	(9,701)
Closing net book amount	-	1,555	1,574	10	4,759	7,898

	Soy beans \$'000	Sugar \$'000	Macadamias \$'000	Cropping \$'000	Cattle \$'000	Total \$'000
30 June 2022						
Opening net book amount – 1 July 2021	-	2,988	-	-	-	2,988
Additions	2	2,696	1,440	422	2,930	7,490
Increases due to biological transformation	(2)	2,102	2,834	120	-	5,054
Decreases due to sales	-	(5,349)	(2,349)	(8)	-	(7,706)
Closing net book amount	-	2,437	1,925	534	2,930	7,826

Biological assets relate to the Group's cropping operations have been measured 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
Net price (\$ per tonne)	The higher the net price, the higher the fair value

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

Rural Funds Group

Notes to the Financial Statements

31 December 2022

E2 Biological assets (continued)

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.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2022				
Sugar	-	-	1,555	1,555
Macadamias	-	-	1,574	1,574
Cropping	-	-	10	10
Cattle	-	4,759	-	4,759
Total biological assets	-	4,759	3,139	7,898

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2022				
Sugar	-	-	2,437	2,437
Macadamias	-	-	1,925	1,925
Cropping	-	-	534	534
Cattle	-	2,930	-	2,930
Total biological assets	-	2,930	4,896	7,826

Farming operations	Fair value at		Unobservable inputs**	Range of inputs	
	31 December 2022 \$'000	30 June 2022 \$'000		31 December 2022	30 June 2022
Sugar	1,555	2,437	Sugar from cane planted (tonnes per ha)	5.1 - 6.9 tonnes per ha	4.2 - 6.8 tonnes per ha
			Net price (\$ per tonne) (+/- 10%)	\$483 - \$590 per tonne	\$479 - \$586 per tonne
Macadamias	1,574*	1,925	Macadamia yield (tonnes) (+/- 10%)	-*	690.4 - 843.9 tonnes
			Farmgate NIS price (\$ per tonne) (+/-10%)	-*	\$3,400 - \$4,200 per tonne
Cropping (mungbean)	-	184	Mungbean yield (tonnes per ha) (+/-10%)	-	0.90 - 1.10 tonnes per ha
			Mungbean price (\$ per tonne) (+/-10%)	-	\$861 - \$1,052 per tonne
Cropping (other crops)	10	350	Cost approximates fair value less costs to sell	-	-
Total	3,139	4,896			

* Macadamias biological assets relates to the 2023 macadamia crop. The cost approximates fair value less costs to sell as there has been little or no biological transformation during the half year.

Rural Funds Group

Notes to the Financial Statements

31 December 2022

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 2022 \$'000	31 December 2021 \$'000
Management fee	4,256	3,187
Asset management fee	3,192	2,390
Total management fees	7,448	5,577
Expenses reimbursed to RFM	4,213	3,951
Expenses and capital expenditure reimbursed to RFM Macadamias	6,516	2,403
Expenses reimbursed to Cattle JV	238	165
Expenses reimbursed to RFM Farming	1,774	268
Dividends declared to the Responsible Entity	758	696
Total amount paid to RFM and related entities	20,947	13,060
Rental income received from RFM Farming	1,037	776
Rental income received from Cattle JV	678	1,067
Rental income received from Cotton JV	948	1,203
Rental income received from 2007 Macgrove Project	701	729
Finance income from Cattle JV	809	911
Finance income from J&F Australia	4,160	4,366
Expenses charged to RFM Macadamias	613	49
Expenses charged to RFM Farming	126	23
Expenses charged to Cattle JV	30	55
Total amounts received from RFM and related entities	9,102	9,179

The terms and nature of the historical transactions between the Group and related parties have not changed during the half year ended 31 December 2022. Transactions entered into between related parties during the half year have been reviewed.

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

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.

Expense reimbursed to Cattle JV in the half year ended 31 December 2022 includes capital development costs and livestock costs paid by Cattle JV on behalf of the group which are subsequently reimbursed by the Group.

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 largely relates to rental income from Swan Ridge and Moore Park.

Rural Funds Group

Notes to the Financial Statements

31 December 2022

E3 Related party transactions (continued)

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

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

Finance income from J&F Australia Pty Limited (J&F) relates to the \$132.0 million (31 December 2021: \$99.9 million) limited guarantee provided to J&F, a wholly owned subsidiary of Rural Funds Management Limited. From the provision of this guarantee, the Group earns a guarantee fee classified as finance income.

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 2022 \$'000	30 June 2022 \$'000
Rural Funds Management Limited	2	-
RFM Farming Pty Limited	49	-
RFM Macadamias Pty Limited	1,394	1,639
Cattle JV Pty Limited	16,393	16,769
2007 Macgrove Project	590	-
Total	18,428	18,408

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. \$16,000 agricultural plant and equipment principal repayments were received during the half year.

Finance lease receivable from RFM Macadamias largely relates to the agricultural plant and equipment leases. \$142,000 principal repayments were received during the half year.

Creditors

	31 December 2022 \$'000	30 June 2022 \$'000
Rural Funds Management Limited	710	884
RFM Farming Pty Limited	-	17
RFM Macadamias Pty Limited	-	30
Total	710	931

Custodian fees

	31 December 2022 \$'000	30 December 2021 \$'000
Australian Executor Trustees Limited	215	174
Total	215	174

Rural Funds Group

Notes to the Financial Statements

31 December 2022

E3 Related party transactions (continued)

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

Financial Guarantee

The Group provides a \$132.0 million (30 June 2022: \$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. The guarantee earns a return for RFF equivalent to an equity rate of return which is calculated on the amount of the guarantee during the period.

Entities with influence over the Group

	31 December 2022		30 June 2022	
	Units	%	Units	%
Rural Funds Management Limited	12,927,659	3.37	12,538,659	3.28

E4 Events after the reporting date

The lease of macadamia orchards to a company managed by The Rohatyn Group (TRG) commenced in January 2023.

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

E5 Contingent liabilities

Other than what has been disclosed in the accounts there are no contingent liabilities as at 31 December 2022.

Rural Funds Group

Directors' Declaration

31 December 2022

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 47 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2022 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.

A handwritten signature in black ink, appearing to read 'David Bryant', is written over a faint, light blue circular stamp.

David Bryant
Director

22 February 2023

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 2022, the consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to unitholders and the consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2022 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.



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 2022 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 stylized, handwritten signature in black ink, likely representing the PricewaterhouseCoopers firm.

PricewaterhouseCoopers

A stylized, handwritten signature in black ink, likely representing Rod Dring.

Rod Dring
Partner

Sydney
22 February 2023

Rural Funds Management Limited

ABN 65 077 492 838
AFSL 226701

Rural Funds Group comprises:

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