

# **Lachlan Farming Limited**

ABN 75 082 230 028

## **Financial Statements**

For the Half Year Ended 31 December 2009

# Lachlan Farming Limited

ABN 75 082 230 028

For the Half Year Ended 31 December 2009

## CORPORATE DIRECTORY

Directors

T R Barlow  
M E Bourke  
A O McAlary

Company Secretary

M E Bourke

Auditors

Boyce Assurance Services Pty Limited  
36 Bombala Street  
COOMA NSW 2630

Registered Office

Level Two, 2 King Street  
DEAKIN ACT 2600

Manager

Rural Funds Management Limited  
ABN 65 077 492 838  
Level Two, 2 King Street  
DEAKIN ACT 2600  
Phone: (02) 6203 9700  
Fax: (02) 6281 5077

# Lachlan Farming Limited

ABN 75 082 230 028

For the Half Year Ended 31 December 2009

## CONTENTS

	<u>Page</u>
<b>Financial Statements</b>	
Directors' Report	1
Independent Review Report	3
Directors' Declaration	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Auditors Independence Declaration	12

# Lachlan Farming Limited

ABN 75 082 230 028

## Directors' Report

31 December 2009

Your directors present their report on Lachlan Farming Limited ("LFL") for the financial half year ended 31 December 2009.

### Directors

The names of the directors in office at any time during, or since the end of, the half year are:

#### Names

A O McAlary

T R Barlow

M E Bourke

### Review of Results and Operations

#### Operating Results

LFL's profit attributable to members for the half year ended 31 December 2009 was \$875,885 profit (2008: \$561,897). The current result does not include depreciation because assets are now classified as being held for sale and therefore not requiring depreciation in accordance with accounting standards. Further, expenditure was higher in the previous period when costs were incurred in pursuing the final sale of assets through the acquisition of LFL's shares by RFM RiverBank (RBK).

The remaining significant property asset at balance date is the Moorah property and this asset continues to be leased to RFM RiverBank. RBK had previously leased Moorah and its other property to a subsidiary of the collapsed Great Southern Limited (Receivers & Managers Appointed) (In Liquidation). RBK is now at an advanced stage of capital restructure and is expected to acquire the Moorah property in May 2010 for a total consideration of \$13,783,000 comprising cash of \$7,783,000 and LFL provided vendor finance of \$6,000,000. RBK previously acquired LFL's Yilgah property in May 2008, also with an element of vendor finance.

There is a receding risk that RBK will fail to recapitalise and in this unlikely event the Moorah sale will not proceed and there will be some risk to the recoverability of the vendor finance relating to the Yilgah property. Further there will be uncertainty as to the asset values ultimately achieved for the Moorah property.

The net assets at balance date are 88.11 cents per share and these are expected to increase gradually based on the income earned from the remaining assets through to total windup.

Following the sale of Moorah the major asset of LFL will be the vendor finance relating to this property and also the remaining vendor finance for the Yilgah property. Capital distributions to LFL shareholders will be in line with the sale of Moorah and the run off of the vendor finance.

#### Dividends paid or declared

No dividends were paid or declared since the start of the financial half year. No recommendation for payment of dividends has been made.

#### Significant Changes in State of Affairs

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

# Lachlan Farming Limited

ABN 75 082 230 028

Directors' Report

31 December 2009

## After balance day events

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

## Likely Developments and Expected Results

The sale of the Moorral property is expected in May 2010 and this will be followed by the commencement of capital distributions to shareholders. Income is expected on the remaining assets until their ultimate realisation and the windup of LFL. It is intended that the balance of LFL farm property will be sold before the end of the 2010 financial year.

A proposed capital distribution equivalent to 59.23 cents for each current share held will be payable in May 2010 amounting to \$18,700,000. This is likely to be achieved through a share buy back scheme.

## Environmental regulation and performance

The operations of the company are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no significant breaches of any other environmental requirements applicable to the company.

## Auditor's Independence Declaration

An independence declaration has been provided to the Directors by the auditor of the company, Boyce Assurance Services Pty Limited, and can be found on page 12 of the Financial Report.

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



A O McAlary

Dated this 12th day of March 2010

# Lachlan Farming Limited

ABN 75 082 230 028

## Independent Audit Report to the members of Lachlan Farming Limited

### *Report on the Half-Year Financial Report*

We have reviewed the accompanying half-year financial report of Lachlan Farming Limited, which comprises the condensed statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2140 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Lachlan Farming Limited, ASRE 2410 requires that we comply with all ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Lachlan Farming Limited on the date of this auditor's review report.

36 Bombala Street  
PO Box 56  
Cooma NSW 2630

P 02 6452 3344  
F 02 6452 4060  
E [infocooma@boyceca.com](mailto:infocooma@boyceca.com)

[www.boyceca.com](http://www.boyceca.com)

Cooma Moree Dubbo Goulburn Orange Wagga Wagga



# Lachlan Farming Limited

ABN 75 082 230 028

## Independent Audit Report to the members of Lachlan Farming Limited

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lachlan Farming Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

### **Inherent Uncertainty Regarding Carrying Value of Assets**

Without qualification to the conclusion expressed above, attention is drawn to the following matter. The company is economically dependent on RFM RiverBank as the lessee of the company's remaining property and it owing the company vendor finance loans (secured by second mortgages) of \$3,170,166. The independent auditor's review report on RFM RiverBank's 31 December 2009 half year financial report includes an emphasis of matter due to going concern implications that have flowed from Great Southern Limited's (GSL) appointment of administrators and receivers. While RFM RiverBank's sublease to the GSL Group has been terminated, it is expected, but not certain, that RFM RiverBank will continue leasing the property with a view to its subsequent purchase.

The directors have reasonable cause to believe the property does not need to be impaired below the carrying value in this financial report. Additionally there is little indication of any need to impair the value of the vendor finance loan to RFM RiverBank. However it is appropriate to highlight to shareholders the potential impact on the carrying values of company assets if RFM RiverBank does not continue as a going concern due to its exposure to the GSL Group.



Katherine M Kelly  
Director  
Boyce Assurance Services Pty Limited

Cooma

12 March 2010

36 Bombala Street  
PO Box 56  
Cooma NSW 2630

P 02 6452 3344  
F 02 6452 4060  
E [infocooma@boyceca.com](mailto:infocooma@boyceca.com)

[www.boyceca.com](http://www.boyceca.com)

Cooma Moree Dubbo Goulburn Orange Wagga Wagga



# Lachlan Farming Limited

ABN 75 082 230 028

## Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 11, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 31 December 2009 and of the performance for the half year ended on that date of the company;
2. In the directors opinion, there are reasonable grounds to believe that the company 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 Directors.

On behalf of the board



A O McAlary

Dated 12 March 2010

# Lachlan Farming Limited ABN 75 082 230 028

## Statement of Comprehensive Income

For the Half Year Ended 31 December 2009

		31 December 2009	31 December 2008
	Note	\$	\$
Revenue		972,565	921,129
Other income		88,321	25,264
Direct cropping expenses		-	21,141
Employee benefits expense		(247)	(36,504)
Depreciation, amortisation and impairments		(27,425)	(138,553)
Repairs and maintenance expenses/(recoveries)		-	18,732
Management fees		-	(50,000)
Professional fees		(133,404)	(112,429)
Licences, fees and insurance		(16,880)	-
Other expenses		(7,045)	(73,898)
Finance costs		-	(12,985)
<b>Net profit before income tax</b>		<b>875,885</b>	<b>561,897</b>
Income tax expense		-	-
<b>Net profit after income tax</b>		<b>875,885</b>	<b>561,897</b>
<b>Other comprehensive income</b>			
Income tax attributable to other comprehensive income	3	(243,625)	-
Other comprehensive income for the period, net of tax		(243,625)	-
<b>Total comprehensive income for the period</b>		<b>632,260</b>	<b>561,897</b>

The accompanying notes form part of these financial statements

# Lachlan Farming Limited

ABN 75 082 230 028

## Statement of Financial Position

31 December 2009

	31 December 2009	30 June 2009
Note	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	9,250,750	7,969,657
Trade and other receivables	352,121	382,882
Financial assets	6 3,170,166	1,870,053
Other current assets	29,166	23,280
Non-current assets classified as held for sale	2 15,194,870	15,276,695
<b>Total current assets</b>	<b>27,997,073</b>	<b>25,522,567</b>
<b>Non-current assets</b>		
Financial assets	-	1,585,083
<b>Total non-current assets</b>	<b>-</b>	<b>1,585,083</b>
<b>TOTAL ASSETS</b>	<b>27,997,073</b>	<b>27,107,650</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	179,634	165,811
<b>Total current liabilities</b>	<b>179,634</b>	<b>165,811</b>
Deferred tax liabilities	3 243,625	-
<b>Total non-current liabilities</b>	<b>243,625</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>423,259</b>	<b>165,811</b>
<b>NET ASSETS</b>	<b>27,573,814</b>	<b>26,941,839</b>
<b>EQUITY</b>		
Issued capital	24,914,498	24,914,498
Reserves	6,758,965	7,086,818
Accumulated losses	(4,099,649)	(5,059,477)
<b>TOTAL EQUITY</b>	<b>27,573,814</b>	<b>26,941,839</b>

The accompanying notes form part of these financial statements

# Lachlan Farming Limited

ABN 75 082 230 028

## Statement of Changes in Equity

For the Half Year Ended 31 December 2009

31 December  
2009

	Note	Ordinary Shares \$	Asset Revaluation Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2009		24,914,498	7,086,818	(5,059,762)	26,941,554
Income tax applicable to other comprehensive income	3	-	(243,625)	-	(243,625)
Transfer prior year revaluation increments to asset realisation on sale of freehold property		-	(120,327)	120,327	-
Income tax applicable		-	36,099	(36,099)	-
<b>Total income and expense for the period recognised directly in equity</b>		-	(327,853)	84,228	(243,625)
Net profit attributable to shareholders		-	-	875,885	875,885
<b>Total income and expense for the period</b>		-	(327,853)	960,113	632,260
<b>Balance at 31 December 2009</b>		<b>24,914,498</b>	<b>6,758,965</b>	<b>(4,099,649)</b>	<b>27,573,814</b>

31 December  
2008

	Ordinary Shares \$	Asset Revaluation Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2008	24,914,498	7,771,107	(7,874,780)	24,810,825
Net profit attributable to shareholders	-	-	561,897	561,897
<b>Total income and expense for the period</b>	-	-	561,897	561,897
<b>Balance at 30 December 2008</b>	<b>24,914,498</b>	<b>7,771,107</b>	<b>(7,312,883)</b>	<b>25,372,722</b>

The accompanying notes form part of these financial statements

# Lachlan Farming Limited

ABN 75 082 230 028

## Statement of Cash Flows

For the Half Year Ended 31 December 2009

	31 December 2009 \$	31 December 2008 \$
<b>Cash from operating activities:</b>		
Receipts from customers	758,408	1,108,333
Payments to suppliers and employees	(126,742)	(284,405)
Interest received	303,627	176,068
Finance costs	-	(55,135)
<b>Net cash provided by (used in) operating activities</b>	<b>935,293</b>	<b>944,861</b>
Proceeds from sale of property, plant and equipment	60,800	62,741
Proceeds from the sale of intangibles	52,919	-
Vendor finance repayments	284,970	-
Acquisition of intangibles	(52,889)	(6,800)
<b>Net cash provided by (used in) investing activities</b>	<b>345,800</b>	<b>55,941</b>
<b>Cash flows from financing activities:</b>		
Repayment of borrowings	-	(1,650,000)
<b>Net cash provided by (used in) financing activities</b>	<b>-</b>	<b>(1,650,000)</b>
<b>Net increase/(decreases) in cash held</b>	<b>1,281,093</b>	<b>(649,198)</b>
Cash at beginning of financial period	7,969,657	2,193,839
<b>Cash at end of financial period</b>	<b>9,250,750</b>	<b>1,544,641</b>

The accompanying notes form part of these financial statements

# Lachlan Farming Limited

ABN 75 082 230 028

Notes to the Financial Statements

For the Half Year Ended 31 December 2009

## 1 Summary of Significant Accounting Policies

### (a) Basis of Preparation

The half year condensed financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that the half yearly financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by LFL during the half year in accordance with continuous disclosure requirements arising under 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 Company as the full financial report.

### (b) 'Going Concern' Basis

The accounts are prepared on a 'going concern' basis. Although the company is in the process of asset realisation, the company is expected to operate for a number of years until all vendor finance is received.

### (c) Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### (d) New Accounting Standards and Interpretations

Australian Accounting Standards and Urgent Issues Group Interpretations that have been issued or amended and are effective from 1 July 2009 have resulted in no material changes in accounting policies, and therefore have no material impact on financial performance or position for the period ended 31 December 2009.

# Lachlan Farming Limited

ABN 75 082 230 028

## Notes to the Financial Statements

For the Half Year Ended 31 December 2009

### 2 Non Current Assets Classified as Held For Sale

	31 December 2009	30 June 2009
	\$	\$
Mooral, Hillston property land and water licences held for sale	13,782,695	13,782,695
Water licences - Steak Plains	1,284,000	1,284,000
Plant and equipment held for sale	87,290	150,000
Temporary water	40,885	60,000
	<b>15,194,870</b>	<b>15,276,695</b>

The Moorall property has been revalued to reflect the price offered by RFM RiverBank but not yet under contract. This sale is expected to complete in May 2010. Plant and equipment, and temporary water available for sale have been revalued to reflect the estimated net selling price of these assets. Both plant and equipment and temporary water sales are being actively marketed.

### 3 Deferred Tax Liability

A deferred tax liability has now been recognised in the financial report as the realisation of assets at their current book values would result in a tax liability that would exceed the revenue losses available for tax purposes. As the company has a reported asset revaluation reserve it is appropriate to charge this income tax expense to the asset revaluation reserve. Accordingly this income tax expense is also reflected as tax attributable to comprehensive income.

### 4 Contingent Liabilities

There are no known contingent liabilities of a material nature as at 31 December 2009.

### 5 Capital Commitments

There are no significant capital items that have been contracted or committed for as at 31 December 2009 or subsequent to this date.

### 6 Subsequent events and economic dependence

100% of Lachlan Farming Limited's lease revenue is from contracts associated with the Great Southern Group, predominantly RFM RiverBank (ARSN 112 951 578). These contracts have a term of 18 years. Additionally, the financial assets of the company include a vendor financed loan of \$3,170,166 to RFM RiverBank.

The company is therefore economically dependent upon the Great Southern Group and RFM RiverBank.

# Lachlan Farming Limited

ABN 75 082 230 028

## Auditors Independence Declaration

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Katherine M Kelly  
Director  
Boyce Assurance Services Pty Limited

Cooma

12 March 2010

36 Bombala Street  
PO Box 56  
Cooma NSW 2630

P 02 6452 3344  
F 02 6452 4060  
E [infocooma@boyceca.com](mailto:infocooma@boyceca.com)

[www.boyceca.com](http://www.boyceca.com)

Cooma Moree Dubbo Goulburn Orange Wagga Wagga

