

# **RFM RiverBank**

**ARSN 112 951 578**  
**Financial Statements**

**For the Half Year Ended 31 December 2009**

# RFM RiverBank

For the Half Year Ended 31 December 2009

## DIRECTORY

|                     |   |
|---------------------|---|
| Registered Office   | Level 2, 2 King Street<br>DEAKIN ACT 2600   |
| Responsible Entity: | Rural Funds Management Limited<br>ABN 65 077 492 838<br>Level 2, 2 King Street<br>DEAKIN ACT 2600<br>Telephone: 02 6203 9700<br>Facsimile: 02 6281 5077 |
| Directors:          | David A Bryant<br>Andrea J Lemmon<br>Stuart D Waight  |
| Company Secretary:  | Stuart D Waight   |
| Custodian:          | Australian Executor Trustees Limited<br>ABN 84 007 869 794<br>Level 22<br>207 Kent Street<br>SYDNEY NSW 2000  |
| Auditors:           | Boyce Assurance Services Pty Limited<br>36 Bombala Street<br>COOMA NSW 2630   |

# RFM RiverBank

For the Half Year Ended 31 December 2009

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# RFM RiverBank

## Directors of the Responsible Entity's Report

31 December 2009

The Directors of Rural Funds Management Limited ("RFM"), Responsible Entity of RFM RiverBank ("RBK" or the "Trust") present their report on the trust 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

David Bryant

Andrea Lemmon

Stuart Waight

### Review of Results and Operations

#### Operating Results

The loss attributable to unitholders of RBK after providing for income tax amounted to \$1,176,386 (2008: profit \$2,438,099). This loss includes a decrease in biological assets of almond trees of \$1,222,441 before tax.

During the period RBK terminated interest rate SWAPS with an aggregate face value of \$18,000,000, providing \$1,332,470 cash inflow. RBK currently holds interest rate SWAPS to the face value of \$5,000,000, representing 29% of borrowings at balance date. RBK is currently updating its banking facilities and the level of interest rate cover will be reviewed when the revised banking facilities are in place.

RBK's main revenue source is the leasing of almond orchards. RBK has a freehold interest in its Yilgah property which has 1,005 hectares of developed almond orchard and a leasehold interest in the Moorool property that has 811 hectares of developed almond orchard. The Yilgah property was purchased from Lachlan Farming Limited ABN 75 052 230 028 ("LFL") in May 2008 and the Moorool property is held by way of a leasehold arrangement with LFL. RBK leases the Moorool land and water, and has an \$11,928,800 investment in leasehold improvements including the almond trees. Both properties have juvenile orchards that are at least three years from commercial production. The table below summarises the areas planted to almond orchards and identifies the lessee:

| Lessee  | Total Ha's | Moorool Ha's | Yilgah Ha's | Managed Investment Scheme  |
|---|------------|--------------|-------------|----------------------------|
| Rural Funds Management Limited  | 266        | 266          | N/A         | RFM Almond Project 2006    |
| Great Southern Almond Holdings Pty Ltd (sub lease to Great Southern Managers Australia Ltd) | 287        | 287          | N/A         | 2007 Almond Income Project |
| Great Southern Almond Holdings Pty Ltd (sub lease to Great Southern Managers Australia Ltd) | 789        | 252          | 537         | 2008 Almond Income Project |
| Great Southern Almond Holdings Pty Ltd (sub lease to Great Southern Managers Australia Ltd) | 474        | 6            | 468         | No Project                 |
| Totals  | 1816       | 811          | 1005        |                            |

# RFM RiverBank

## Directors of the Responsible Entity's Report

31 December 2009

### Review of Results and Operations continued

#### Operating Results continued

As disclosed in the June 2009 annual report, Great Southern Limited (GSL) and most of its subsidiaries collapsed in May 2009. Administrators were appointed to Great Southern Almond Holdings (GSAH) and receivers appointed to Great Southern Managers Australia Ltd. Both entities are now in liquidation. RFM remains solvent and is close to being sold to its management team.

RBK's revenue was 42% lower than the previous period due to the default of GSAH. The receivers occupied the leased area to 30 September 2009 and these accounts include an accrual for rent receivable amounting to \$1,672,326 in this period.

In relation to the rent receivable, the amount is recoverable directly from the receivers or from the benefits accruing under a contract letter dated 22 January 2010 between the Diversified Agricultural Fund (DAF), RBK and RFM. This contract offsets the rent payable by the receivers for their support of the RBK and the DAF redemption transactions, and the change of responsible entity of the GSL almond projects from Great Southern Managers Australia Ltd (GSMAL) to RFM. These transactions unlock significant benefits to RBK including debt and equity funding, and tenants for its almond orchards including the almond projects. Further under the terms of the contract RFM makes a direct payment to RBK of \$700,000. There remains residual uncertainty as to whether the redemption transactions occur and whether the almond schemes are wound up. In the event that the transactions are not successfully completed then the rental is fully due and payable by the receivers.

In relation to the decrease in biological assets, this decrease is a direct consequence of the GSAH default. Since the collapse of GSL, RBK has been maintaining the orchards at its own expense to protect this significant investment. The maintenance costs in the first instance were capitalised but this expenditure was ultimately not recognised in the valuation of the orchards and has contributed to a decrease in the value of biological assets as reported.

The almond orchards and water assets have been valued at the independent values dated 30 June 2009.

RBK is effectively controlled by GSL through GSL's 68.5% controlling interest in the Diversified Agribusiness Fund (DAF) and in turn the DAF's 78.5% holding in RBK.

#### Distributions

There have been no distributions paid or declared during the half year ended 31 December 2009 (2008: \$1,389,146).

#### Fees paid to and interests held by the responsible entity and associates

The following fees were paid to the Responsible Entity and its associates out of Trust property during the financial half year:

- Management fee for the financial half year paid and payable to the Responsible Entity \$312,617 (2008: \$279,284)

# RFM RiverBank

## Directors of the Responsible Entity's Report

31 December 2009

### Interests in the Trust held by the Responsible Entity and its associates

At the date of this report the following interests were held by the Responsible Entity and its associates:

| Responsible Entity/Associate            | Units Held |
|---|------------|
| RFM Diversified Agricultural Trust Fund | 27,782,781 |
| Rural Funds Management Ltd              | 100        |

No other interests are held by the Responsible Entity or any directors or associates other than those detailed above.

### Units on issue

35,412,936 units of RBK were on issue at 31 December 2009 (2008: 35,386,844). During the half year 6,140 (2008: 14,019,646) units were issued by the Trust and nil (2008: nil) were redeemed.

### Trust assets

At 31 December 2009, RBK held assets to a total value of \$65,598,617 (2008: \$73,544,531).

### Significant Changes in State of Affairs

Notwithstanding the collapse of the GSL, RBK expects to continue its business activity of leasing almond orchards and associated assets to tax effective managed investment schemes and other counterparts.

### After balance date events

Subsequent to balance date the following events have occurred:

- GSL has exchanged contracts in January with the RFM management team for the sale of RFM.
- GSL, RFM, RBK and the DAF have entered into an agreement setting out the terms of DAF redemption of the GSL units held by GSL, along with the RBK redemption of the units held by DAF.
- Notice of meetings have been sent to investors to approve the redemption process for the redemption of the RBK units held by the DAF. Subject to this approval, a redemption process will be undertaken.
- RFM has become the responsible entity of the Great Southern 2007 and 2008 Almond Income Projects.
- RBK has entered into a heads of agreement with Select Harvests Limited for the lease of the properties.

All of the above agreements are subject to satisfying certain conditions precedent.

Additionally, updated property valuations have been received in March 2010 showing an uplift on the carrying values as disclosed in this financial report.

# RFM RiverBank

## Directors of the Responsible Entity's Report

31 December 2009

### Likely developments and expected results

The collapse of GSL had created considerable uncertainty for RBK with the default of its major counterpart GSAH. RFM has explored a number of options to protect investor's value, secure future revenue streams and remove GSL's controlling interest both from the DAF and RBK. These options included raising new equity, asset sales, new tenants to replace GSAH or a combination of all.

RFM believes it is close to successfully achieving these objectives as outlined below. Under a PDS dated October 2009 and a Supplementary PDS dated February 2010, RFM is expected to raise \$10m in equity and meet the minimum subscription and conditions precedent set out in the offer documents. The proceeds of this equity raising, combined with bank debt will be applied to remove GSL's control of the DAF group through a sequence of unit redemptions, and to purchase the Moorah property from LFL.

The total almond area of 1,816 hectares is now expected to be fully tenanted by tax effective almond schemes and a publicly listed company. As of 3 March 2010, RFM has successfully become the responsible entity of the GSL 2007 Almond Income Project and the 2008 Almond Income Project. It is expected that around 30% of the growers in these schemes will participate going forward, giving approximately 300 hectares leased to these two projects. The RFM Almond Project 2006 continues to operate and leases 266 hectares of almond area. All scheme area will be located on the Moorah property. The balance of the area on Moorah and all of the Yilgah property is expected to be occupied by Select Harvests Limited; a heads of agreement has been executed for each property and leases will be executed during March 2010. All orchard maintenance costs will be met by the tenants under the terms of the agreements.

An application has been submitted to the National Australia Bank requesting an increase in the total facility from \$13,500,000 up to \$29,000,000 for this financial year, within a 37% loan to security ratio. Given the progress made in securing tenants for the properties and the removal of GSL, RFM is confident that the application will be approved; which is expected in March 2010. RBK currently has a \$13,500,000 borrowing facility with its banker which was drawn to \$9,800,000 at the time of the GSL receivership. Due to the receivership, the bank has prevented further drawings on the facility, limiting the facility to \$9,800,000.

Although RFM is confident that financial stability will be restored to RBK and the influence of GSL removed, there remain residual execution risks. In the unlikely event that RFM's plans are not completed, RBK is likely to be wound up because it will have insufficient funds to continue operating and the GSL receivers will use their majority to realise their investment. In this event RBK will be exposed to significant asset valuation risk, with assets likely to be realised below the going concern values carried in this financial report.

# RFM RiverBank

## Directors of the Responsible Entity's Report

31 December 2009

### Environmental regulation and performance

The operations of the Trust are subject to significant environmental regulation under a law of the Commonwealth or of a State or Territory. 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. Water licences are leased to external parties who are then responsible to meet the legislative requirements of these licences. There have been no known significant breaches of any environmental requirements applicable to the Trust.

### Indemnification of Responsible Entity and Custodian

In accordance with the constitution, RBK indemnifies the directors, company secretary and all other officers of the Responsible Entity and Custodian, when acting in those capacities, against costs and expenses in defending certain proceedings.

RBK has not otherwise, during or since the financial half year, indemnified or agreed to indemnify an officer of RBK or of any related body corporate against a liability incurred as such by an officer.

### Auditor's Independence Declaration

An independence declaration has been provided to the Directors by the auditor of RBK, Boyce Assurance Services Pty Limited, and can be found on page 18 of the Financial Report.

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



David Bryant

Dated this 15th day of March 2010

# RFM RiverBank

## Independent Audit Report to the members of RFM RiverBank

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

We have reviewed the accompanying half-year financial report of RFM RiverBank, which comprises the condensed balance sheet as at 31 December 2009, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement 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 trust 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 trust'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 RFM RiverBank, 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 RFM RiverBank on the date of this auditor's review report.

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# RFM RiverBank

## Independent Audit Report to the members of RFM RiverBank

### 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 RFM RiverBank is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the trust'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 Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 3 Going Concern, there is material uncertainty whether the trust will be able to continue as a going concern and therefore whether it will pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report of the trust does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the trust not continue as a going concern.



Katherine M Kelly

Director

Boyce Assurance Services Pty Limited

Cooma

15 March 2010

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# RFM RiverBank

## Directors of the Responsible Entity's Declaration

In accordance with a resolution of the directors of the manager of RFM RiverBank

In the opinion of the Directors:

- (a) The financial statements and notes of the Trust are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Trust's financial position as at 31 December 2009 and of the performance for the half year ended on that date; and
  - (ii) complying with Accounting Standards, Corporations Regulations 2001 and the Trust's constitution; and
- (b) subject to the matters disclosed at Note 3, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

On behalf of the board

Director:



David Bryant

Dated 15 March 2010

# RFM RiverBank

## Statement of Comprehensive Income

For the Half Year Ended 31 December 2009

|  | 31<br>December<br>2009 | 31<br>December<br>2008 |
|--|------------------------|------------------------|
| Revenue  | 2,440,358              | 4,211,802              |
| Other income   | 56,700                 | 205,348                |
| Increase/(decrease) in value of biological assets  | (1,222,441)            | 4,120,452              |
| Unrealised gain/(loss) on interest rate swap   | (128,924)              | (1,944,463)            |
| Depreciation, amortisation and impairments   | (513,758)              | (896,924)              |
| Management fees  | (312,617)              | (279,284)              |
| Property operating lease payments  | (671,068)              | (648,276)              |
| Other expenses   | (586,737)              | (593,151)              |
| Finance costs  | (736,932)              | (658,353)              |
| <b>Net profit/(loss) before income tax</b>   | <b>(1,675,419)</b>     | <b>3,517,151</b>       |
| Income tax (expense)/benefit   | 499,033                | (1,079,052)            |
| <b>Net profit/(loss) after income tax</b>  | <b>(1,176,386)</b>     | <b>2,438,099</b>       |
| <b>Finance costs</b>   |                        |                        |
| Distribution to unitholders  | -                      | (610,636)              |
| <b>Net profit/(loss) for the period</b>  | <b>(1,176,386)</b>     | <b>1,827,463</b>       |
| <b>Other comprehensive income</b>  |                        |                        |
| Net change in the value of intangible assets   | (285,660)              | 1,870,362              |
| Income tax relating to components of other comprehensive income  | 42,850                 | (280,555)              |
| Other comprehensive income for the period, net of tax  | (242,810)              | 1,589,807              |
| <b>Total comprehensive income/(loss) for the period, representing net change attributable to unitholders</b> | <b>(1,419,196)</b>     | <b>3,417,270</b>       |

The accompanying notes form part of these financial statements

# RFM RiverBank

## Statement of Financial Position

31 December 2009

|   | 31 December<br>Note | 2009              | 30 June<br>2009 |
|---|---------------------|-------------------|-----------------|
| <b>ASSETS</b>   |                     |                   |                 |
| <b>Current assets</b>   |                     |                   |                 |
| Cash and cash equivalents   |                     | 8,024,120         | 4,720,048       |
| Trade and other receivables   | 4                   | 1,967,949         | 63,042          |
| Other current assets  |                     | 122,317           | 134,083         |
| <b>Total current assets</b>   |                     | <b>10,114,386</b> | 4,917,173       |
| <b>Non-current assets</b>   |                     |                   |                 |
| Derivative financial assets   | 5                   | -                 | 1,454,862       |
| Property, plant and equipment   |                     | 22,035,901        | 22,328,827      |
| Deferred tax assets   |                     | 28,302            | -               |
| Intangible assets   |                     | 23,749,990        | 24,035,500      |
| Biological assets   |                     | 9,670,038         | 9,670,038       |
| <b>Total non-current assets</b>   |                     | <b>55,484,231</b> | 57,489,227      |
| <b>TOTAL ASSETS</b>   |                     | <b>65,598,617</b> | 62,406,400      |
| <b>LIABILITIES</b>  |                     |                   |                 |
| <b>Current liabilities</b>  |                     |                   |                 |
| Trade and other payables  | 6                   | 6,946,278         | 889,994         |
| Interest bearing liabilities  |                     | 3,723,767         | 4,213,170       |
| Current tax liabilities   |                     | 783,237           | 625,092         |
| Derivative financial liabilities  | 5                   | 6,548             | -               |
| <b>Total current liabilities</b>  |                     | <b>11,459,830</b> | 5,728,256       |
| <b>Non-current liabilities</b>  |                     |                   |                 |
| Interest bearing liabilities  |                     | 13,440,324        | 13,507,940      |
| Deferred tax liabilities  |                     | -                 | 788,193         |
| <b>Total non-current liabilities</b>  |                     | <b>13,440,324</b> | 14,296,133      |
| <b>TOTAL LIABILITIES (excluding net assets attributable to unitholders)</b> |                     | <b>24,900,154</b> | 20,024,389      |
| Net assets attributable to unitholders                                      |                     | 40,698,463        | 42,382,011      |
| <b>TOTAL LIABILITIES</b>  |                     | <b>65,598,617</b> | 62,406,400      |

The accompanying notes form part of these financial statements

# RFM RiverBank

## Statement of Changes in Net Assets Attributable to Unitholders

For the Half Year Ended 31 December 2009

31 December  
2009

|  | Issued units      | Asset<br>Revaluation<br>Reserve | Retained<br>Earnings | Net Assets<br>Attributable<br>to<br>Unitholders |
|--|-------------------|---------------------------------|----------------------|---|
| Balance at 1 July 2009   | 36,822,032        | 5,834,937                       | (274,957)            | 42,382,012                                      |
| Other comprehensive income   | -                 | (285,660)                       | -                    | (285,660)                                       |
| Income tax relating to other comprehensive income                                | -                 | 42,850                          | -                    | 42,850  |
| <b>Total income and expense for the period<br/>recognised directly in equity</b> | -                 | (242,810)                       | -                    | (242,810)                                       |
| Net profit/(loss) before tax attributable to unitholders                         | -                 | -                               | (1,675,419)          | (1,675,419)                                     |
| Income tax applicable  | -                 | -                               | 499,033              | 499,033   |
| <b>Total income and expense for the period</b>                                   | -                 | (242,810)                       | (1,176,386)          | (1,419,196)                                     |
| <b>Equity transactions</b>   |                   |                                 |                      |   |
| Units issued during the year   | 7,408             | -                               | -                    | 7,408   |
| Issue costs  | (388,230)         | -                               | -                    | (388,230)                                       |
| Income tax applicable  | 116,469           | -                               | -                    | 116,469   |
| <b>Total equity transactions</b>   | (264,353)         | -                               | -                    | (264,353)                                       |
|  | (264,353)         | (242,810)                       | (1,176,386)          | (1,683,549)                                     |
| <b>Balance at 31 December 2009</b>   | <b>36,557,679</b> | <b>5,592,127</b>                | <b>(1,451,343)</b>   | <b>40,698,463</b>                               |

31 December  
2008

|  | Issued units      | Asset<br>Revaluation<br>Reserve | Retained<br>Earnings | Net Assets<br>Attributable<br>to<br>Unitholders |
|--|-------------------|---------------------------------|----------------------|---|
| Balance as 1 July 2008   | 21,100,986        | 3,919,830                       | 280,457              | 25,301,273                                      |
| Other comprehensive income   | -                 | 1,870,362                       | -                    | 1,870,362                                       |
| Income tax relating to other comprehensive income                                | -                 | (280,555)                       | -                    | (280,555)                                       |
| <b>Total income and expense for the period<br/>recognised directly in equity</b> | -                 | 1,589,807                       | -                    | 1,589,807                                       |
| Net profit/(loss) before tax attributable to unitholders                         | -                 | -                               | 3,517,151            | 3,517,151                                       |
| Income tax applicable  | -                 | -                               | (1,079,052)          | (1,079,052)                                     |
| <b>Total income and expense for the period</b>                                   | -                 | 1,589,807                       | 2,438,099            | 4,027,906                                       |
| <b>Equity transactions</b>   |                   |                                 |                      |   |
| Units issued during the period   | 16,555,809        | -                               | -                    | 16,555,809                                      |
| <b>Total equity transactions</b>   | 16,555,809        | -                               | -                    | 16,555,809                                      |
| Distributions to unitholders   | 37,656,795        | 5,509,637                       | 2,718,556            | 45,884,988                                      |
|  | (778,510)         | -                               | (610,636)            | (1,389,146)                                     |
| <b>Balance at 31 December 2008</b>   | <b>36,878,285</b> | <b>5,509,637</b>                | <b>2,107,920</b>     | <b>44,495,842</b>                               |

The accompanying notes form part of these financial statements

# RFM RiverBank

## Statement of Changes in Net Assets Attributable to Unitholders

For the Half Year Ended 31 December 2009

|  | 31<br>December<br>2009 | 31<br>December<br>2008 |
|--|------------------------|------------------------|
| <b>Cash from operating activities:</b>                     |                        |                        |
| Receipts from customers                                    | 1,318,032              | 9,116,349              |
| Payments to suppliers and employees                        | (1,562,311)            | (1,795,321)            |
| Interest received  | 58,795                 | 265,582                |
| Finance costs  | (729,878)              | (658,353)              |
| Income taxes paid  | -                      | (96,744)               |
| Manager fees paid  | -                      | (279,284)              |
| <b>Net cash provided by (used in) operating activities</b> | <b>(915,362)</b>       | <b>6,552,229</b>       |
| <b>Cash flows from investing activities:</b>               |                        |                        |
| Acquisition of property, plant and equipment               | (220,833)              | (5,207,297)            |
| Acquisition of biological assets                           | (790,457)              | (489,292)              |
| Acquisition of intangibles                                 | -                      | (2,412,940)            |
| <b>Net cash provided by (used in) investing activities</b> | <b>(1,011,290)</b>     | <b>(8,109,529)</b>     |
| <b>Cash flows from financing activities:</b>               |                        |                        |
| Proceeds from issue of units                               | 7,408                  | 16,554,760             |
| Proceeds from subscriptions held in trust                  | 4,836,095              | -                      |
| Costs in relation to unit issue                            | (388,230)              | -                      |
| Proceeds on financial hedge contracts                      | 1,332,470              | -                      |
| Proceeds from borrowings                                   | -                      | 1,542,613              |
| Repayment of borrowings                                    | (557,019)              | (300,000)              |
| Distributions paid   | -                      | (1,059,354)            |
| <b>Net cash provided by (used in) financing activities</b> | <b>5,230,724</b>       | <b>16,738,019</b>      |
| <b>Net increase (decreases) in cash held</b>               | <b>3,304,072</b>       | <b>15,180,719</b>      |
| Cash at beginning of financial period                      | 4,720,048              | 78,046                 |
| <b>Cash at end of financial period</b>                     | <b>8,024,120</b>       | <b>15,258,765</b>      |

The accompanying notes form part of these financial statements

# RFM RiverBank

## Notes to the Financial Statements

For the Half Year Ended 31 December 2009

### 1 Summary of Significant Accounting Policies

The financial report of RBK for the half year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 15 March 2010.

#### (a) Basis of preparation

This general purpose condensed financial report for the half year ended 31 December 2009 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 Trust as the full financial report.

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 RBK during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

#### (b) Statement of Compliance

The financial report of RBK complies with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the International Accounting Standards Board.

#### (c) Changes in Accounting Policy

The accounting policies and methods of computation are consistent with those of the most recent annual financial report.

Accounting standards and interpretations that are applicable to the next annual financial statements of the trust have been applied in this condensed financial report. These standards and interpretations have resulted in a change in the presentation of the financial statements, but have not resulted in changes to accounting policies.

# RFM RiverBank

## Notes to the Financial Statements

For the Half Year Ended 31 December 2009

### 2 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 and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of 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

Revaluations:

An independent property valuation was obtained from Riverina Property Services in June 2009 and increments and decrements recognised in the accounts are based on the revaluation accordingly. For those valuations on an encumbered basis, the valuations made assumptions on current market rentals for the various classes of assets and the discount rates for associated risk on encumbered asset cash flows.

Valuations were sourced on both an encumbered and unencumbered basis given the current uncertainty of the lessor of the majority of RBK's assets. To be conservative, a judgement was made to use the lowest valuation for each class of asset. The directors have determined that this methodology is still appropriate at December 2009.

### 3 Going concern

As disclosed in the June 2009 annual report, Great Southern Limited (GSL) and most of its subsidiaries collapsed in May 2009 and administrators were appointed to Great Southern Almond Holding (GSAH) and receivers appointed to Great Southern Managers Australia.

RBK is effectively controlled by GSL through GSL's 68.5% controlling interest in the Diversified Agribusiness Fund (DAF) and in turn the DAF's 78.5% holding in RBK.

The collapse of GSL has created considerable uncertainty for RBK with the default of its major counterpart GSAH. RFM is implementing a number of transactions to protect investor's value, secure future revenue streams and remove GSL's controlling interest both from the DAF and RBK. These transactions included raising new equity, securing new tenants to replace GSAH and extending RBK's borrowing facility. RFM believes it is close to successfully completing these transactions and therefore the directors believe the going concern basis is appropriate.

# RFM RiverBank

## Notes to the Financial Statements

For the Half Year Ended 31 December 2009

### 3 Going concern continued

Under a Product Disclosure Statement dated October 2009 and a Supplementary Product Disclosure Statement dated February 2010, RBK is expected to raise \$10m in equity, and meet the minimum subscription and conditions precedent set out in the offer documents. The proceeds of this equity raising, combined with bank debt, will be applied to remove GSL's control of the DAF group through a sequence of unit redemptions, and to purchase the currently leased Moorah property from LFL.

The total almond area of 1,816 hectares is now expected to be fully tenanted by tax effective almond schemes and a publicly listed company. RFM has successfully become the responsible entity of the GSL 2007 Almond Income Project and the 2008 Almond Income Project. It is expected that around 30% of the growers in these schemes will participate going forward, giving approximately 300 hectares leased to these two projects. The RFM Almond Project 2006 continues to operate and leases 266 hectares of almond area. All scheme area will be located on the Moorah property. The balance of the area on Moorah and all of the Yilgah property is expected to be occupied by Select Harvest Limited; a heads of agreement has been executed for each property and leases will be executed during March. All orchard maintenance costs will be met by the tenants under the terms of the agreements.

An application has been submitted to the National Australia Bank requesting an increase in the total facility from \$13,500,000 up to \$29,000,000 for this financial year, within a 37% loan to security ratio. Given the progress made in securing tenants for the properties and the removal of GSL, RFM is confident that the application will be approved; which is expected in March 2010. RBK currently has a \$13,500,000 borrowing facility with its banker which was drawn to \$9,800,000 at the time of the GSL receivership. Due to the receivership, the bank has prevented further drawings on the facility, limiting the facility to \$9,800,000.

RFM itself is economically dependent on the DAF and RBK, and therefore is subject to the same uncertainty. The successful completion of the transactions described above will remove this uncertainty.

Although RFM is confident that financial stability will be restored to RBK through completion of the described transactions and the influence of GSL removed; there remains residual execution risks to the transactions. In the unlikely event that RFM's plans are not completed, RBK is likely to be wound up because it will have insufficient funds to continue operating and the GSL receivers will use their majority to realise their investment. In this event RBK will be exposed to significant cash flow, asset valuation and hence going concern risk.

If RBK is unable to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial report of RBK does not include any adjustment relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

# RFM RiverBank

## Notes to the Financial Statements

For the Half Year Ended 31 December 2009

### 4 Trade and other receivables

|  | 31 December<br>2009 | 30 June<br>2009 |
|--|---------------------|-----------------|
| Trade receivables                                | 1,995,221           | 118,309         |
| Provision for impairment of receivables          | (102,579)           | (102,579)       |
| <b>Trade receivables, net of provision</b>       | <b>1,892,642</b>    | <b>15,730</b>   |
| Other receivables                                | 75,307              | 47,312          |
| <b>Total current trade and other receivables</b> | <b>1,967,949</b>    | <b>63,042</b>   |

Within trade receivables is an amount of \$1,672,326 the recoverability of which is considered at Note 8 Commitments.

### 5 Derivative financial instruments

|                                  | 31 December<br>2009 | 30 June<br>2009 |
|----------------------------------|---------------------|-----------------|
| Derivative financial assets      | -                   | 1,454,862       |
| Derivative financial liabilities | 6,548               | -               |

During the period RBK terminated interest rate SWAPS with an aggregate face value of \$18,000,000, providing \$1,332,470 cash inflow. RBK currently holds interest rate SWAPS to the face value of \$5,000,000, representing 29% of borrowings at balance date. RBK is currently updating its banking facilities and the level of interest rate cover will be reviewed when the revised banking facilities are in place.

### 6 Trade and other payables

|   | 31 December<br>2009 | 30 June<br>2009 |
|---|---------------------|-----------------|
| Trade payables                                | 614,001             | 349,580         |
| Subscriptions held in trust                   | 4,836,095           | -               |
| Sundry payables and accrued expenses          | 1,496,182           | 540,414         |
| <b>Total current trade and other payables</b> | <b>6,946,278</b>    | <b>889,994</b>  |

Subscriptions held in trust relate to subscriptions received as part of the equity raising exercise commenced in October 2009. The increase in sundry payables and accrued expenses relate to the orchard maintenance expense incurred by RBK in the wake of the collapse of GSL.

### 7 Contingent Liabilities

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

# RFM RiverBank

## Notes to the Financial Statements

For the Half Year Ended 31 December 2009

### 8 Commitments

In a contract letter dated 22 January 2010 between the DAF, RBK and RFM; RBK has contracted to offset the \$1,672,326 rent payable by the receivers for their support of the RBK and the DAF redemption transactions, and the change of responsible entity of the GSL almond projects from GSMAL to RFM. These transactions unlock significant benefits to RBK including the removal of GSL's indirect controlling interest, debt and equity funding, the securing of tenants for its almond orchards including the almond projects. Further under the terms of the contract RFM makes a direct payment to RBK of \$700,000. There remains residual uncertainty as to whether the redemption transactions occur and whether the almond schemes are wound up. In the event that the transactions are not successfully completed then the rental is fully due and payable by the receivers.

RBK has a commitment to RFM to establish irrigation systems for the Great Southern 2007 and 2008 Almond Income Projects and to provide irrigation infrastructure that supplies specified amounts of water that increases to 15 megalitres per hectare by the third year of almond tree maturity. This is required to be in place by 1 July 2010. RBK also has a commitment to replace capital items in order to fulfil the abovementioned requirements.

### 9 Subsequent events and economic dependency

Subsequent to balance date the following events have occurred:

- GSL has exchanged contracts in January with the RFM management team for the sale of RFM.
- GSL, RFM, RBK and the DAF have entered into an agreement setting out the terms of DAF redemption of the GSL units held by GSL, along with the RBK redemption of the units held by DAF.
- Notice of meetings have been sent to investors to approve the redemption process for the redemption of the RBK units held by the DAF. Subject to this approval, a redemption process will be undertaken.
- RFM has become the responsible entity of the Great Southern 2007 and 2008 Almond Income Projects.
- RBK has entered into a heads of agreement with Select Harvests Limited for the lease of the properties.

All of the above agreements are subject to satisfying certain conditions precedent.

Additionally, updated property valuations have been received in March 2010 showing an uplift on the carrying values as disclosed in this financial report.

Further details regarding subsequent events and economic dependency are included in Note 3 Going Concern.

# RFM RiverBank

## Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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  
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Cooma

15 March 2010

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