

Rural Funds Group

ASX:
RFF

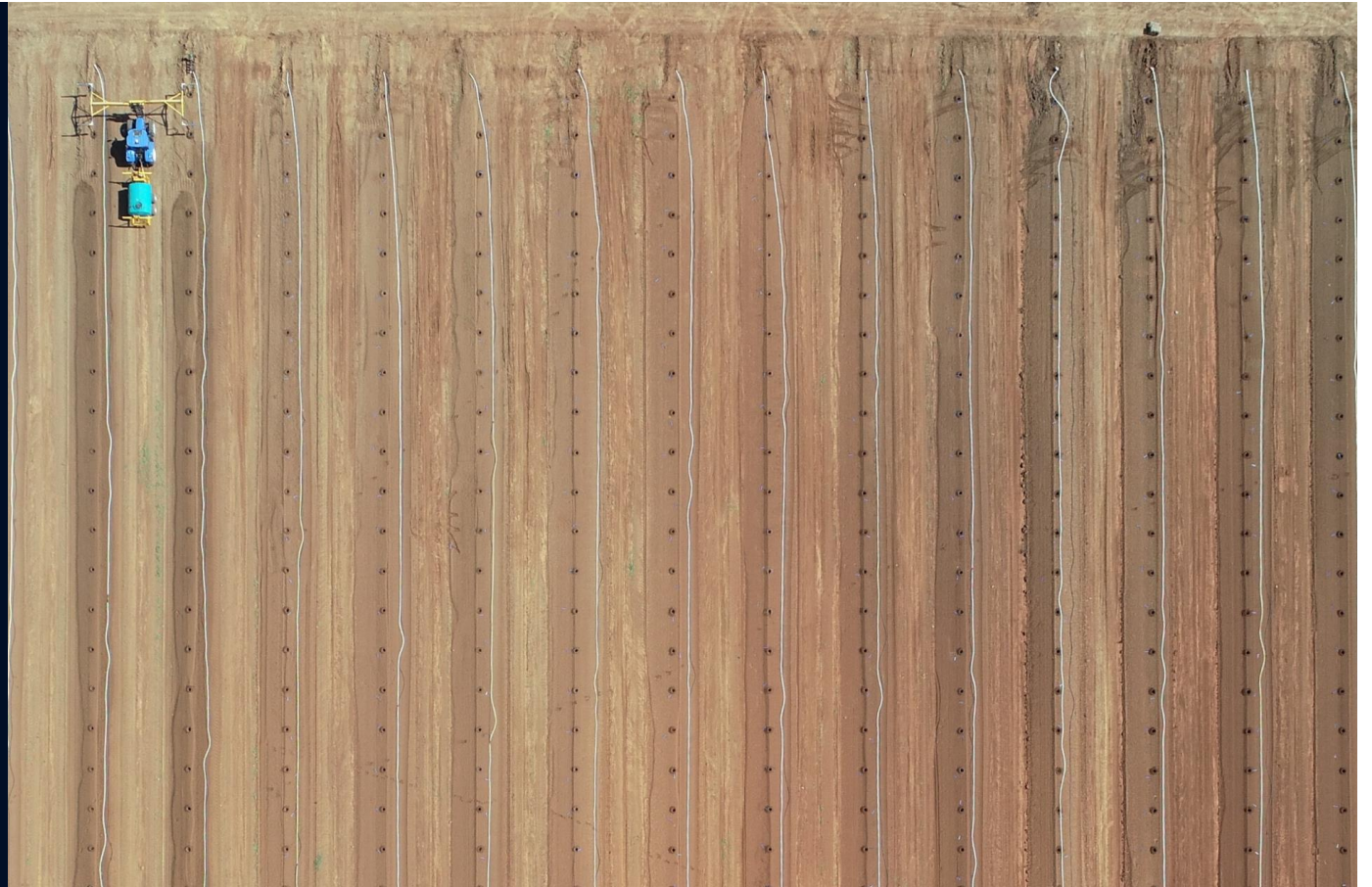
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Financial results presentation

half-year ended 31 December 2021

18 February 2022



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Disclaimer and glossary of terms

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Glossary

Adjusted NAV – Net Asset Value (NAV) adjusted for the independent valuation of water entitlements; **Adjusted total assets** – Total assets adjusted for the independent valuation of water entitlements; **ASX** – Australian Securities Exchange; **AFFO** – Adjusted funds from operations, a financial metric used in the REIT sector to measure available cash flow from operations (adjustment relates to non-cash tax expense); **Counterpart** – A party other than RFF involved in a financial transaction, usually referring to the lessee of a property; **CPI** – Consumer Price Index; **cpu** – cents per unit; **CY** – Calendar year; **DPU** – Distributions per Unit; **DRP** – Dividend reinvestment plan; **EBITDA** – Earnings Before Interest, Taxes, Depreciation and Amortisation; **EPU** – Earnings per unit; **Fair value** – Value of an asset as determined by an independent valuation; **FY22e** – Financial year 2022 end; **Gearing** – Calculated as external borrowings/adjusted total assets; **GL** – Gigalitre; **Group** – Term used for the Rural Funds Group; **ha** – Hectare(s); **HY21** – Half-year ended 31 December 2020; **HY22** – Half-year ended 31 December 2021; **LVR** – Loan to valuation ratio, a bank covenant calculated as debt divided by tangible assets (including water entitlements); **Market capitalisation** – Total market value of a company's shares on the market; **ML** – Megalitre; **m** – Million(s); **NAV** – Net asset value, calculated as assets less the value of liabilities (does not recognise fair value of water entitlements); **P&E** – Plant and equipment; **REIT** – Real Estate Investment Trust; **RFF** – Rural Funds Group (ASX: RFF); **RFM** – Rural Funds Management Limited, manager and responsible entity for RFF; **TCI** – Total comprehensive income; **Total assets** – Total value of assets as presented on the balance sheet (water entitlements recorded at the lower of cost or fair value); **WALE** – Weighted average lease expiry.

Presenters



David Bryant
Managing Director



Tim Sheridan
Chief Operating
Officer



Daniel Yap
Chief Financial
Officer



James Powell
General Manager –
Investor Relations
& Marketing

Contents

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Learn more:



1 HY22 financial results

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Cattle grazing at Cobungra, in Victoria's high country, October 2021.

Key activities and highlights

Ongoing expansion of the portfolio to drive earnings growth.

- **Entitlement Offer completed August 2021:**
 - \$100.0m raised to fund the development of 1,000 ha of macadamia orchards and asset acquisitions (8.3 GL water entitlement and additional properties).
 - Forecast FY22 AFFO of 11.6 cents per unit (cpu).
- **Acquisitions announced November 2021:**
 - Acquisition of three cattle and cropping properties totalling 33,926 ha (including 33.2 GL of water entitlements) and two mature macadamia orchards totalling 475 ha.¹
 - Upgraded forecast FY22 AFFO to 11.8 cpu.
- **Increase of Guarantee associated with JBS operated feedlots February 2022:**
 - Proposal to increase Guarantee to \$132.0m well supported with 99.7% of eligible votes cast 'For' the resolution.²
 - Upgraded forecast FY22 AFFO to 11.9 cpu.
- **Development and leasing activities:**
 - Development of 1,000 ha of macadamia orchards in Maryborough, Bundaberg and Rockhampton is on track to be materially complete in FY22.
 - Australian Agricultural Company (ASX: AAC) to lease Comanche and Homehill.²
 - Productivity developments continuing on cattle and cropping properties.

Notes:

1. Includes cattle and cropping property aggregation Kaiuroo, which has a settlement period of up to November 2023.
2. The lease is subject to approval by the Foreign Investment Review Board.
3. Earnings calculated TCI/weighted average units (see page 22).

HY22 results highlights

AFFO per unit

5.8 cents
on track with FY22f

Distributions per unit

5.87 cents
↑ 4% on HY21

Earnings per unit³

10.36 cents

Gearing

32.6%
within 30–35% target

Adjusted NAV per unit

\$2.24
↑ 3% on FY21

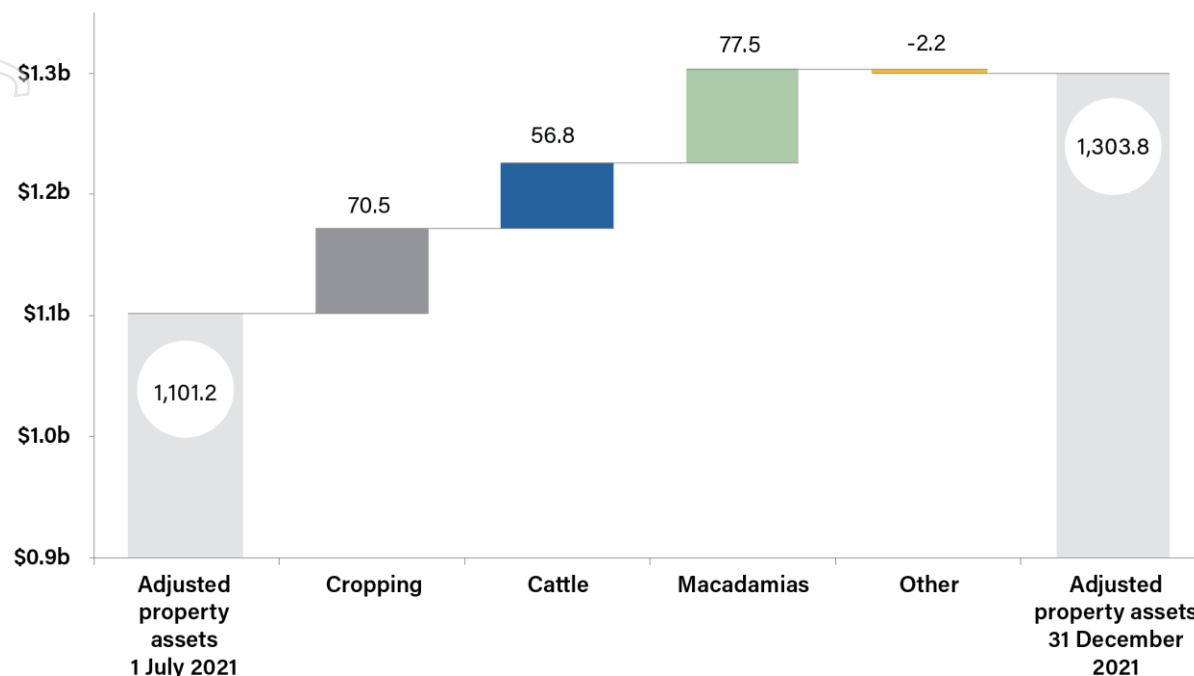
FY22f distributions per unit

11.73 cents
↑ 4% on FY21

Property movements

Acquisitions in cropping, cattle and macadamia sectors.

Adjusted property assets movements (\$m) by sector¹



- Key contributors to the adjusted property assets movements:
 - Cropping:** acquisition of 8.3 GL Murrumbidgee Groundwater entitlement and Baamba Plains for \$70.9m and development capex of \$3.3m (primarily on Lynora Downs and Mayneland).²
 - Cattle:** acquisition of The Pocket and Coolibah for \$19.5m, deposit for Kaiuroo of \$17.2m, revaluations of \$17.6m (including Rewan \$12.0m, WA properties \$2.2m and Yarra \$2.9m) and development capex of \$2.5m.³
 - Macadamias:** acquisition of two mature orchards (Beerwah and Bauple) for \$58.2m and development capex of \$12.7m.⁴
 - Other:** includes development capex and depreciation.⁵
- For details of independent valuations see page 27.

Notes:

- The sector totals presented in the chart are net of written-off transaction costs and inclusive of capex. Acquisition amounts include stamp duty. Revaluations include straight-lining adjustment for rent and finance lease adjustments. Adjusted property assets include plant and equipment (P&E). Directors' valuation applied to bearer plants where applicable, which are treated as property, plant and equipment and depreciated in accordance with AASB116.
- Cropping: acquisitions include Murrumbidgee Groundwater (Aug 2021 \$38.4m) and Baamba Plains (Nov 2021 \$32.5m). Other movements: revaluation of \$0.4m, net of transfer of Maryborough cropping property to macadamia property for \$3.5m, plant and equipment disposal of \$0.3m and depreciation of \$0.3m.
- Cattle: acquisitions include The Pocket, to be referred to as Yarra (Dec 2021 \$14.6m), River Block and Coolibah, referred to as Coolibah (Dec 2021 \$4.9m). Revaluation includes property revaluations of \$17.1m and finance lease adjustment of \$0.5m. Other movements: breeder cattle \$0.2m and P&E of \$0.3m, net of derecognition of finance lease for \$0.5m.
- Macadamia: Beerwah and Bauple acquisition excludes shares in Marquis Macadamias Limited as part of the transaction. Other movements: transfer of Maryborough cropping property to macadamia property for \$3.5m, P&E of \$2.4m, revaluation of \$1.4m, net of depreciation of \$0.7m. Revaluation includes properties' revaluations of \$1.2m and finance lease adjustment of \$0.2m.
- Other: development capex of \$1.8m for almond orchards and vineyards, net of disposal of a portion of surplus land on Kerarbury for \$1.6m, bearer plants depreciation of \$2.0m, P&E disposal of \$0.2m and revaluation of \$0.2m. Revaluation includes straight-lining adjustment for rent of \$0.2m.

Earnings and balance sheet summary

HY22 AFFO and DPU on track for full-year forecasts. FY23 forecast distributions announced.

Income and earnings metrics

	6 months ended 31 December 2021	6 months ended 31 December 2020
Property revenue – \$	34,855,000	33,916,000
Total comprehensive income (TCI) – \$	38,807,000	58,425,000
Earnings per unit (EPU) ¹ – cents	10.36	17.26
Adjusted funds from operations (AFFO) – \$	21,791,000	22,170,000
AFFO per unit – cents	5.8	6.6
AFFO payout ratio	101%	85%
Distributions per unit (DPU) – cents	5.87	5.64

Property revenue increased primarily due to income from the increased J&F Guarantee, acquisitions, development capital expenditure and lease indexation. Prior corresponding period included \$2.9m lease income from Moorall almond orchard (sold for \$98.0m December 2020).

TCI and EPU driven by positive revaluations primarily on cattle properties within the portfolio. Prior corresponding period included the gain on sale of \$32.5m (primarily Moorall almond orchard - refer page 22).

AFFO per unit forecast to increase in 2H22 due to contribution of increased J&F Guarantee and acquisitions.⁴
FY22 forecast AFFO of 11.9 cpu.

FY22 forecast DPU of 11.73 cents confirmed.
FY23 forecast DPU of 12.20 cents (inclusive of franking credits) representing 4% increase on FY22f.⁵

Balance sheet summary

	As at 31 December 2021	As at 30 June 2021
Total assets – \$	1,254,374,000	1,041,904,000
Adjustment for water at fair value – \$	90,300,000	90,178,000
Adjusted total assets ² – \$	1,344,674,000	1,132,082,000
External borrowings – \$	438,693,000	346,550,000
Gearing ³ – %	32.6%	30.6%
Net asset value (NAV) – \$	764,688,000	648,544,000
NAV per unit – \$	2.00	1.91
Adjusted NAV ² – \$	854,988,000	738,722,000
Adjusted NAV per unit ¹ – \$	2.24	2.17

Assets increased primarily due to acquisitions and revaluations.

Borrowing increased due to acquisitions. Gearing of 33% within 30–35% target range.

Net assets increased primarily due to revaluations.

• Refer to pages 22 to 26 for further information.

Notes:

- Earnings calculated TCI/weighted average units (see page 22).
- Assets adjusted for the independent valuation of water entitlements which are recognised at the lower of cost or fair value on balance sheet.
- Gearing calculated as external borrowings/adjusted total assets.
- Acquisitions to contribute 2H22 including 8,338 ML Murrumbidgee Groundwater, mature macadamia orchards – Beerwah and Bauple and cattle and cropping properties – The Pocket, Baamba Plains & Kaiuroo (deposit only).
- FY23 DPU to include franking credits. Cash distribution to be at least 11.73 cpu.

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Capital management

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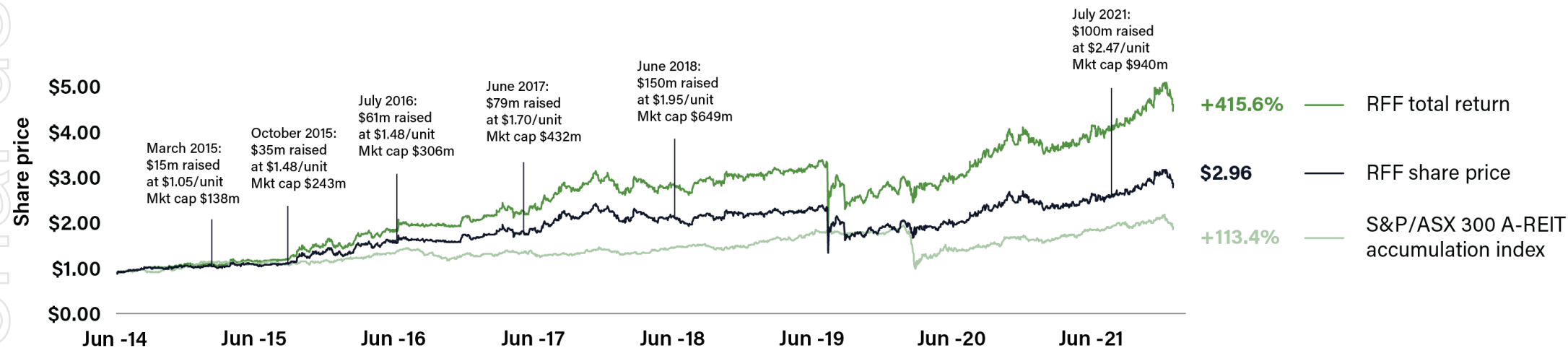
Header harvesting chickpeas at sunset, Lynora Downs, central Queensland, November 2021.

Capital management

Refinance of debt facility and forward dated interest rate hedges acquired.

Equity		Debt	
Item	Details	Item	Details
Equity raised	Entitlement Offer completed August 2021 (\$100.0m at \$2.47 per unit) to provide funding for acquisitions and macadamia orchard developments.	Facility	Increase of debt facility limit, extension of tenor and increase of LVR covenant to 55%. Introduction of third lender to the debt syndicate and margin refinance for \$110.0m expected to be completed February 2022.
Distribution	Forecast FY22 DPU of 11.73 cents. An increase of 4% from FY21. Forecast FY23 DPU of 12.20 cents. An increase of 4% from FY22. ²	Limit	Facility limits increased to \$520.0m.
DRP	Remains open with 1.5% discount. HY22 average DRP participation 15%.	Maturity	Expiry date November 2023 (\$110.0m) and November 2024 (\$410.0m).
Trading price	Increase of 19.6% (\$2.65 to \$3.17) from 30 June 2021 to 31 December 2021. Current price \$2.96 (8 February 2022).	Hedging	Interest rate hedges totalling \$140.0m entered into during the six-month period ended 31 December 2021. Weighted average duration of 13.7 years (including forward start period) at weighted average rate of 2.39%.

Equity raises, RFF share price and total return (compared to S&P/ASX 300 A-REIT accumulation index)¹



Notes:

1. Calculation period 1 July 2014 to 8 February 2022. S&P/ASX 300 A-REIT Accumulation Index rebased to \$1.00. RFF total return rebased to \$1.00 and assumes dividends reinvested. RFF total return does not take into account the benefit of participating in equity raises. Market capitalisation (Mkt cap) amounts are subject to rounding.
2. FY23 DPU to include franking credits. Cash distribution to be at least 11.73 cpa.

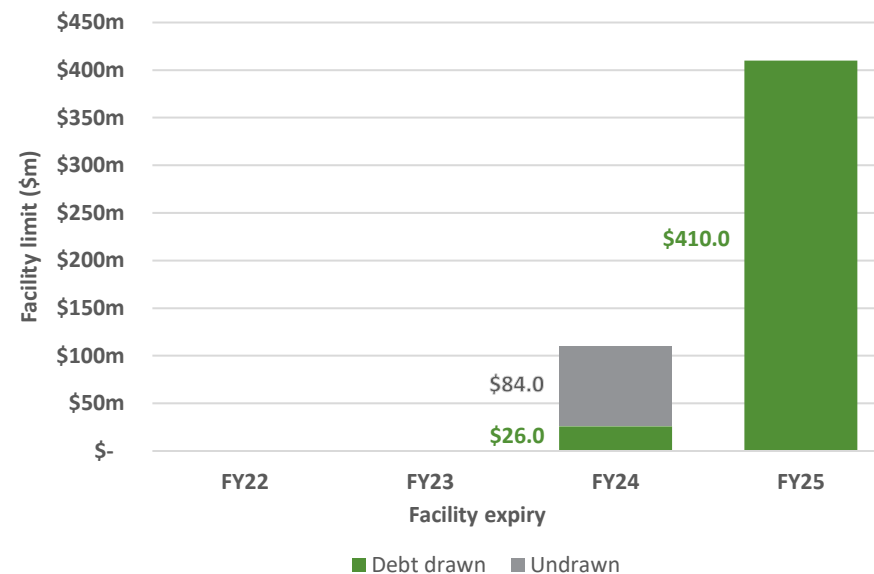
Debt facility and interest rate hedges

Additional forward dated interest rate hedges to decrease future weighted average hedge rate.

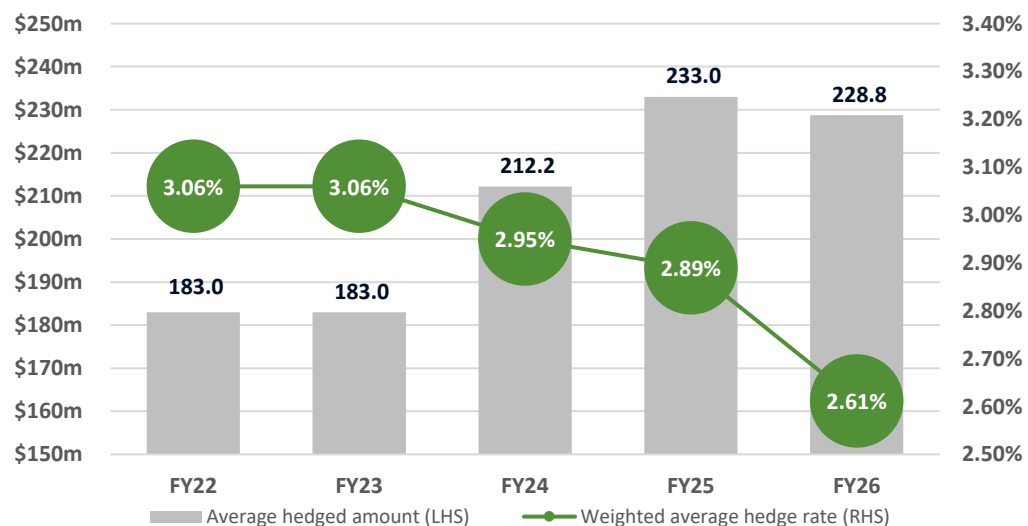
Debt facility metrics

		31 December 2021	30 June 2021
Debt facility	Term debt facility limit ^{1,2}	\$520.0m	\$380.0m
	Term debt drawn	\$436.0m	\$344.1m
	Headroom	\$84.0m	\$35.9m
	Cost of debt ³	3.22%	3.20%
Covenants	Loan to Value Ratio (LVR) ^{1,4}	43.5%	41.9%
	Interest Cover Ratio (ICR) ¹	5.00	8.10
	Adj. Net Tangible Assets (NTA) ¹	\$855.0m	\$738.7m
Hedging	Total amount hedged ⁵	\$183.0m	\$183.0m
	Proportion debt hedged ^{1,6}	42.0%	53.2%
	Weighted average duration ⁷	9.3 years	7.5 years

Debt facility tenor



Interest rate hedges (FY22 to FY26)



Notes:

- Key financial covenants HY22: LVR <55%, ICR >3.00x, with distribution permitted at >3.15x, Adj. NTA including water entitlements >\$400m, undertaking to maintain minimum 40% hedging requirement. Hedging requirement may vary with bank consent.
- Security: real property mortgages, general security agreement, cross guarantees between RFF and subsidiaries.
- Total interest expense plus cost of hedges, divided by average term debt drawn.
- LVR calculated as term debt drawn plus guarantee of \$99.9m (as at 31 Dec 2021) divided by directly secured assets based on independent valuations. Guarantee increased to \$114.0m in February 2022.
- Current hedges only.
- Proportion hedged calculated as current hedges/term debt drawn.
- Duration remaining as at 31 December 2021 and includes forward start hedges.



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Portfolio and strategy update

Macadamia orchard developments at Riverton, Rockhampton – central Queensland, December 2021.

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Portfolio overview

RFM has experience developing and operating agricultural properties in all sectors in which RFF leases assets.

Assets map, sector information and key lessees¹

Cattle 42%

Properties: 21
Description: 674,985 ha of breeding and backgrounding land. 150,000 head feedlot capacity.
HY22 value: \$455.2m
FY22f revenue: \$29.3 m (42%)
Water entitlements: 14,459 ML

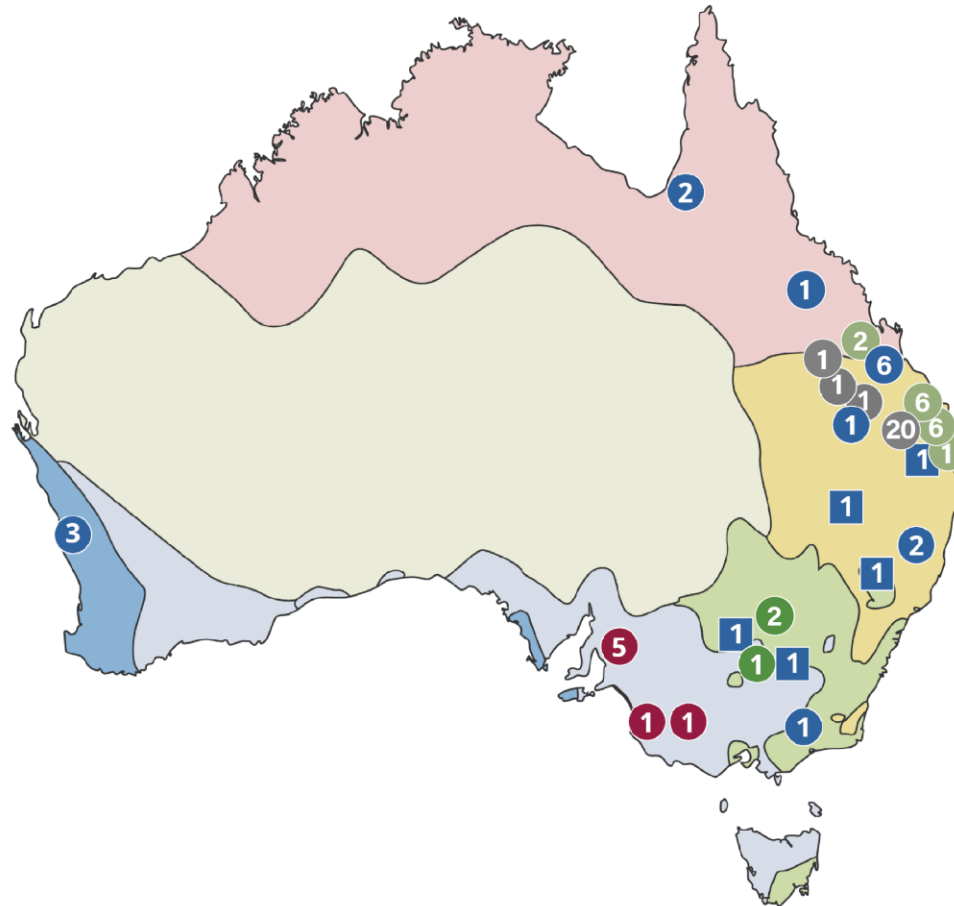
Corporate and listed lessees:



Vineyards 6%

Properties: 7
Description: 666 ha of mature vineyards.
HY22 value: \$64.8m
FY22f revenue: \$4.2m (6%)
Water entitlements: 936 ML

Corporate and listed lessees:



Almonds 40%

Properties: 3
Description: 1,006ha of mature orchards, 3,133ha of maturing orchards.
HY22 value: \$380.3m
FY22f revenue: \$28.2m (40%)
Water entitlements: 55,396 ML

Corporate and listed lessees:



Cropping 9%

Properties: 23
Description: 15,780 ha of irrigated cropping and dryland cropping land.
HY22 value (m) \$188.3m
FY22f revenue: \$6.7m (9%)
Water entitlements: 60,280 ML

Corporate and listed lessees:



Macadamias 2%

Properties: 15
Description: 1059 ha of planted area.
HY22 value: \$148.4m
FY22f revenue: \$1.3m (2%)
Water entitlements: 5,893 ML

Note:

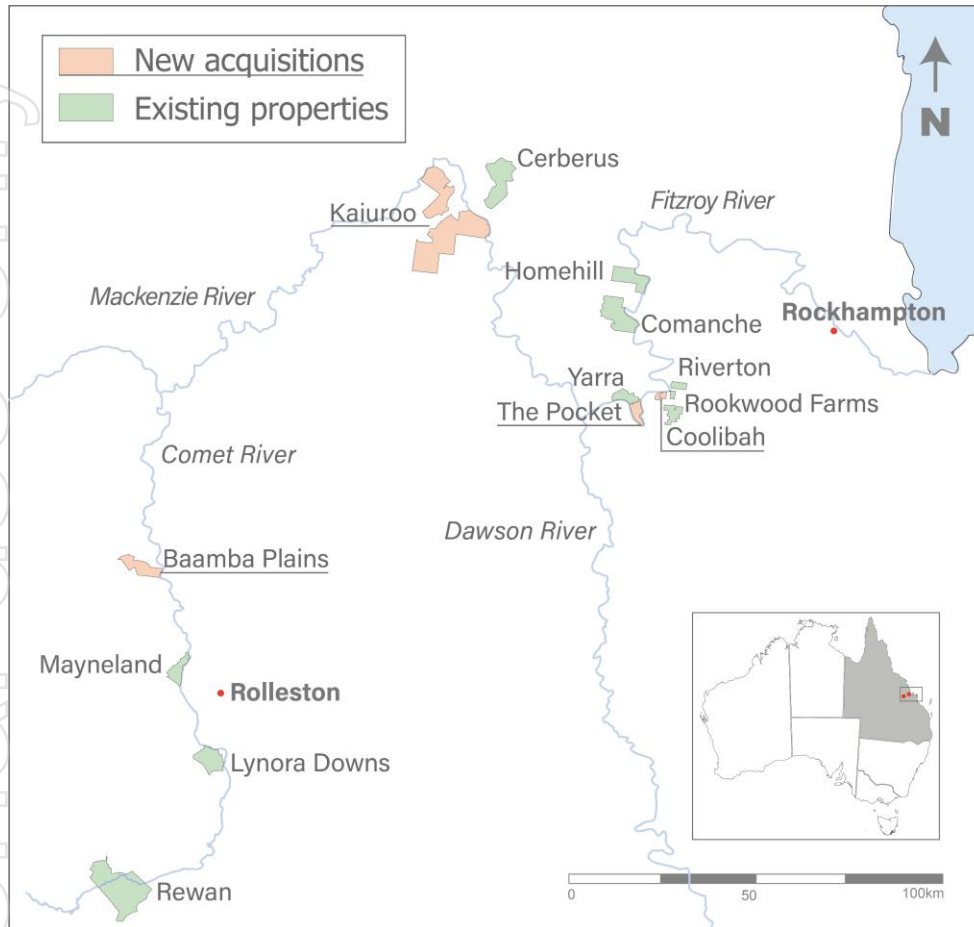
1. Shaded areas denote climatic zones differentiated by rainfall seasonality (source: Bureau of Meteorology); see Climatic Diversification discussion paper dated 20 June 2016. Numbers in the circles/boxes on map show number of assets. Natal cattle property aggregation previously shown as three properties now shown as one. Cattle property Kaiuroo, which has a settlement period of up to November 2023, included in number of properties; value of deposit and interest on deposit included in HY22 value and FY22f revenue. Blue square boxes denote cattle feedlots. Murrumbidgee HS water entitlement (8,754 ML) with a value of \$65.2m not shown. "FY22f revenue" excludes revenue from owner occupied properties that the Group is currently operating (Beerwah & Bauple - Macadamias; unleased Maryborough properties and Baamba Plains - Cropping; Yarra - Cattle). See page 16 note 1 for description of corporate and listed lessees.

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Central Queensland cattle and cropping properties

Comanche and Homehill leased to AAC following productivity developments.¹

Central Queensland properties



Leasing update:

- Australian Agricultural Company (ASX: AAC) have entered a 10-year lease of Comanche and Homehill, commencing May 2022.¹ The lease includes a market rent review in year five and annual indexation.
 - AAC previously backgrounded cattle on Comanche and Homehill while productivity developments were undertaken.²
 - AAC to background cattle on other unleased RFF properties while productivity developments progress.²

Acquisition and development update:³

- All “new acquisitions” forecast to contribute to 2H22 revenue:
 - Baamba Plains (4,130 ha cropping property with 14.0 GL water entitlements); RFM to operate and commence productivity developments prior to leasing.
 - The Pocket (1,917 ha cattle and cropping property with 5.4 GL water entitlements); RFM to operate and commence productivity developments prior to leasing.
 - Kaiuroo (27,879 ha cattle and cropping aggregation with 12.5 GL water entitlements); RFM to commence developments during settlement period. Income to be received on deposit amount paid.
 - Coolibah (724 ha cattle property aggregation) currently licenced on short-term basis.

Notes:

1. The lease is subject to approval by the Foreign Investment Review Board.
2. Under the backgrounding arrangement RFF is paid a fee based on cattle weight gain.
3. Kaiuroo has a settlement period of up to November 2023, Baamba Plains settled November 2021, The Pocket and Coolibah settled December 2021. RFM operating Baamba Plains and The Pocket/Yarra on behalf of RFF.

Macadamia orchards update

Stage one macadamia orchard developments expected to be materially complete in FY22.

Macadamia orchard locations



Development update:

- ‘Stage one’ macadamia orchard development of 1,000 ha is on track to be materially complete in FY22.
 - 375 ha developed to date: minor delays due to above average rainfall over December/January and availability of materials and contractors.

Leasing update:

- Discussion with several institutional investor lessees occurring.
 - As orchards mature, value increases.
- Lease of Nursery Farm completed November 2021 following the expansion of the macadamia tree nursery output. The arrangement provides supply of trees for RFF developments.

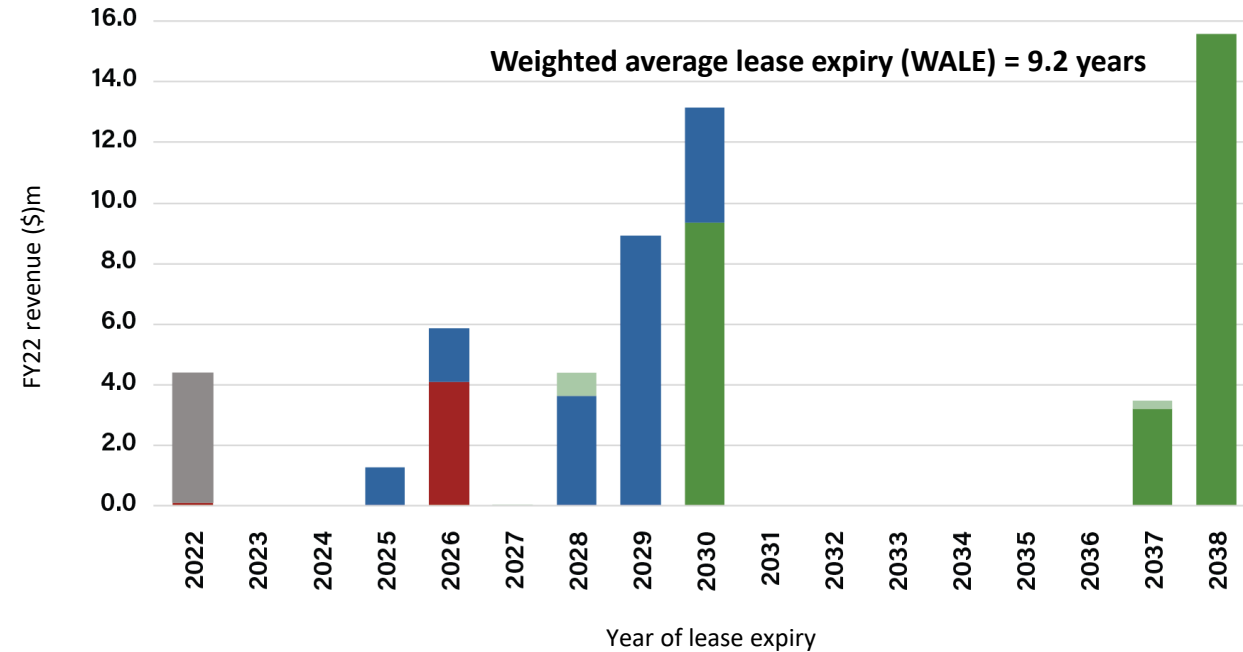
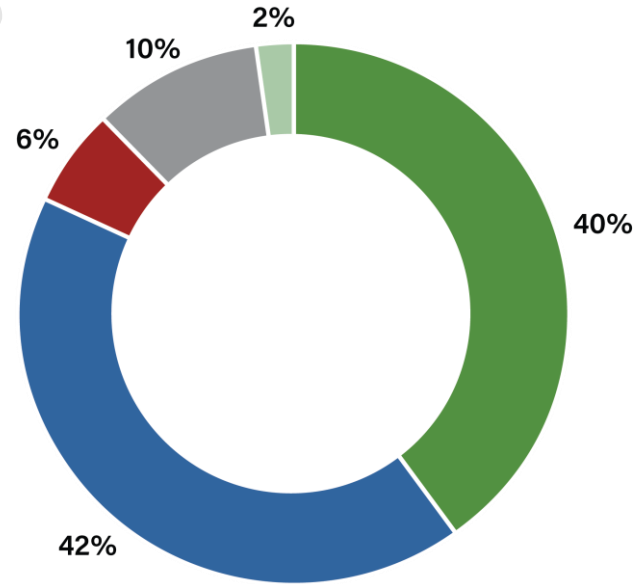
Acquisitions update:

- Beerwah and Bauple (475 ha mature macadamia orchards, settled December 2021); RFM to commence productivity developments prior to leasing.
 - Mature orchards immediate income generation complements the orchard developments for potential lessees.
 - Operating revenue forecast to be received in 2H22.

Revenue and WALE

Organic growth from macadamia, cattle and cropping development pipeline.

FY22f revenue by sector and year of lease expiry¹



Almonds Cattle Vineyards Cropping Macadamias

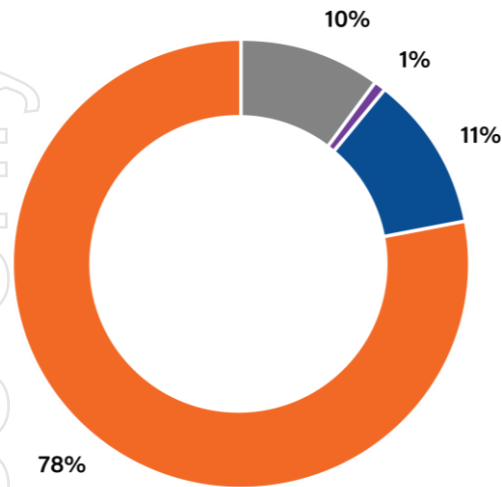
Note:
1. Figures shown are subject to rounding. Shown by FY22f revenue. Weighted average lease expiry (WALE) is calculated as the FY22 forecast rent and the year of lease expiry, Excludes income from annual water allocation sales, revenue from owner occupied properties and agistment. Revenue from owner occupied properties include Beerwah & Bauple - Macadamias; unleased Maryborough properties and Baamba Plains - Cropping; Yarra - Cattle.

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Counterparties and indexation

Growth in lease revenue supported by annual indexation and market rent reviews.

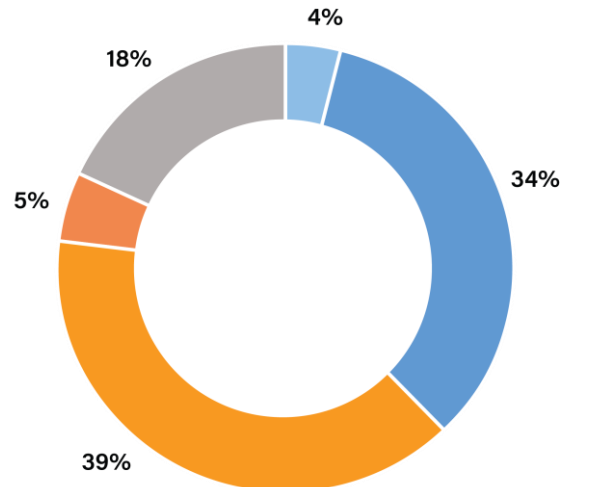
Revenue by lessee type¹



- RFM farming leases
- Investment funds
- Private farming businesses
- Listed and corporates



Revenue by lease indexation mechanisms^{1,2}



- Fixed indexation
- Fixed indexation with market review
- CPI linked indexation
- CPI linked indexation with market review
- Other

- Most lease revenue is sourced from listed and corporate food-producing businesses.
 - Broadly, agricultural operators are currently experiencing good seasons and commodity prices.
 - No rent relief has been required due to COVID-19.
- Lease indexation mechanisms:
 - 44% lease income based on CPI.
 - 39% of lease revenue has an annual escalator (CPI or fixed) and a market rent review mechanism.
 - Market rent reviews primarily seek to monetise productivity gains (see slide 28).
- Leases are largely triple-net, with cost of development capex leased to operators.

Notes:

1. Figures shown are subject to rounding. Lessees shown by FY22f revenue. Olam refers to Olam Orchards Australia Pty Ltd, a wholly-owned subsidiary of SGX-listed Olam International Ltd (SGX: O32). Income from J&F Australia Pty Ltd attributed to JBS Australia. Cotton JV income split 50% RFM and 50% listed and corporate (Queensland Cotton Corporation Pty Ltd). Excludes income from annual water allocation sales, revenue from owner occupied properties and agistment. Revenue from owner occupied properties include Beerwah & Bauple - Macadamias; unleased Maryborough properties and Baamba Plains - Cropping; Yarra - Cattle.
2. 'Other' in revenue by lease indexation mechanisms, includes: J&F guarantee fee, other short term leases, revenue from Kaiuroo deposit and cattle finance leases. Excludes revenue from owner occupied properties (see note 1).

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Sustainability

Evolution of RFM’s approach to environmental, social and governance (ESG) initiatives and developing a sustainability framework.

Pre-FY21	FY21	FY22
<ul style="list-style-type: none"> • Policies and procedures which address ESG issues, including the environment, animal treatment and welfare, WHSE (workhealth, safety and environment), incident management, diversity and equal opportunity, compliance, conflicts of interest management and code of conduct. • Acknowledgement of the potential risks that climate change could present to RFF’s assets. • Commitment to continue to monitor emissions and seek to implement infrastructure and practice changes as part of its ongoing strategy to mitigate and improve climate-related risks. • Leases require operators to use appropriate agricultural production methods, including minimising environmental impact, protecting biodiversity, manage water and sustain soil health. • ESG reporting in Annual Report. 	<ul style="list-style-type: none"> • Expanded ESG reporting in Annual Report to include specific projects and actions RFM is undertaking which seek to improve environmental outcomes, including: <ul style="list-style-type: none"> • Beef herd management projects. • Soil carbon sequestration measurement. • Reforestation assessment. • Emissions assessments. • Solar energy projects. • Environmental impact assessments. • Implementation of an improved online safety system. • RFM continues to provide support to the Taken Project. The aim of the Taken Project is to educate and mentor local farmers to develop more modern, sustainable and diversified agricultural enterprises. RFM has committed to providing \$1.0m over three years, as well as ongoing advice and support to achieve this aim. 	<ul style="list-style-type: none"> • Projects expanded to include the following objectives: <ul style="list-style-type: none"> • Identifying appropriate sustainability reporting framework(s). • Assessing emissions quantification. • Ongoing assessment of environmental projects, also in conjunction with lessees where appropriate. • Additional independent director appointed to the RFM board: Ms Andrea Lemmon.

Taken Project update



Learn more:



The above image shows a rice field at Taken. Since the Taken Project commenced in 2019, total rice production has increased from 1.5 t/ha to the overall 2022 forecast crop of 3.3 t/ha. Taken, Cambodia, February 2022.

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4 Conclusion

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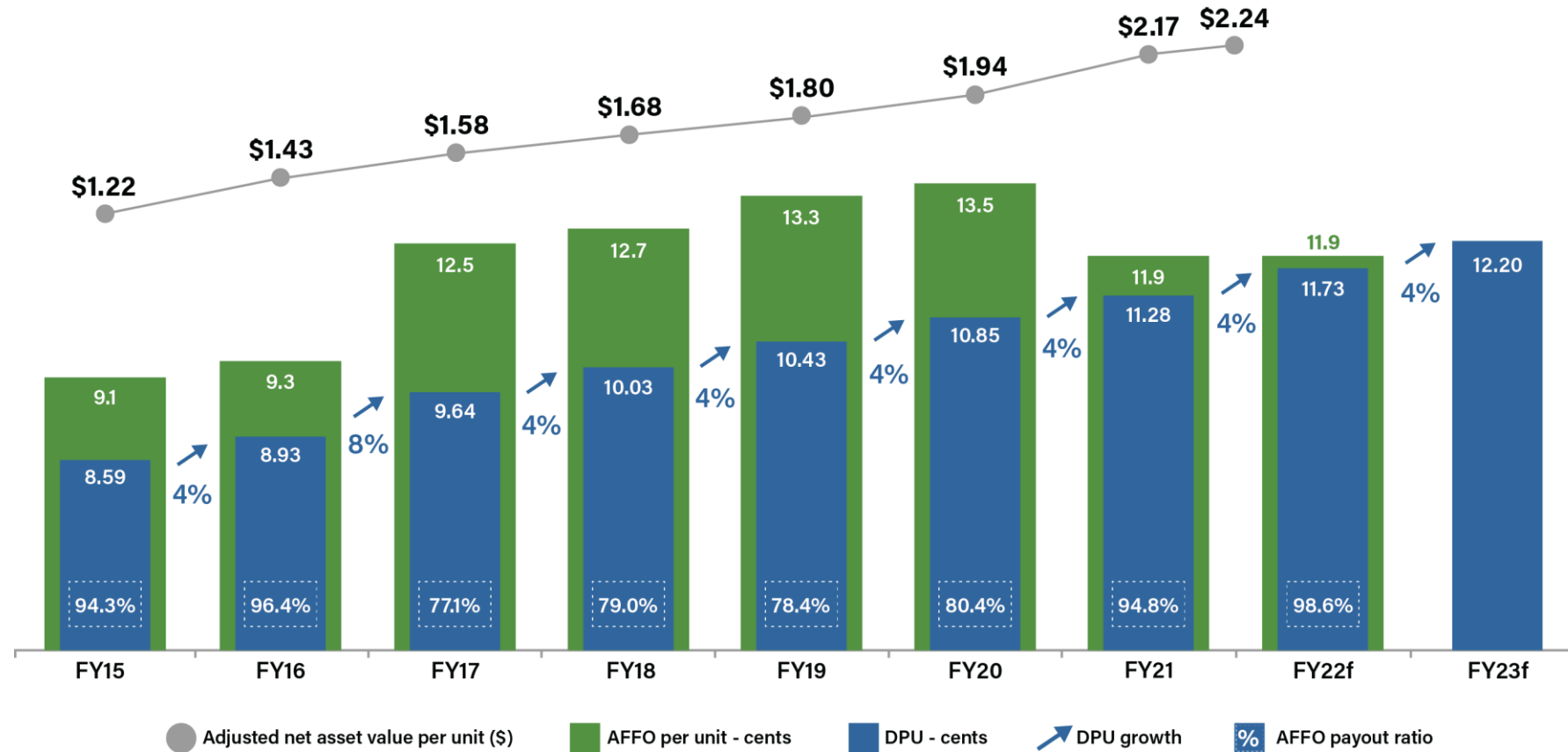


Cotton under pivot irrigation, Lynora Downs – central Queensland, February 2022.

Performance metrics

Established track record of maintaining distribution growth of at least 4% per annum.

Performance metrics (includes FY22 and FY23f)¹



Note:

- FY23 DPU to include franking credits. Cash distribution to be at least 11.73 cpu.

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Conclusion

Development pipeline in macadamia, cropping and cattle sectors.

1. Entitlement Offer completed August 2021 provided funding for acquisitions and developments:

- Stage one of macadamia developments on track to be materially complete in FY22.
- Cropping and cattle property acquisitions completed in HY22.

2. Leasing update:

- AAC entered lease for Comanche and Homehill. Backgrounding arrangements in place for other unleased cattle properties while developments progress.¹
- Discussion with several institutional investor lessees occurring. As orchards mature, value increases.

3. FY23 forecast distributions of 12.20 cpu (inclusive of franking credits)²:

- Representing 4% gross DPU growth.
- Large portion of leases include CPI-linked indexation and market rent reviews.

Note:

1. The lease is subject to approval by the Foreign Investment Review Board. Under the backgrounding arrangement RFF is paid a fee based on cattle weight gain.
2. FY23 DPU to include franking credits. Cash distribution to be at least 11.73 cpu.

RURAL FUNDS GROUP (ASX: RFF)

- **ASX-listed agricultural Real Estate Investment Trust (REIT).** Included in the S&P/ASX 300 index (\$1.1b mkt cap).
- **Owns** a diversified portfolio of agricultural assets leased predominantly to corporate operators.
- **Target distribution growth** of 4% per annum.
- **Acquisition strategy** includes targeting sectors where Australia has a comparative advantage and RFF has operational experience.
- **Income growth** achieved through lease indexation, productivity improvements and conversion of assets to higher and better use.
- **Managed** by a specialist agricultural farm and fund manager with 25 years of experience.

5 Appendices



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Learn more:



Expanded macadamia tree nursery, Bundaberg, central Queensland, February 2022.

HY22 results – summarised comprehensive income

- Property revenue has increased primarily due to the income from new acquisitions, development capital expenditure, lease indexation and increase in J&F guarantee income offset by a decrease due to the sale of Moorall.
- Other income largely relates to income from cropping operations and unleased Murrumbidgee High Security Water annual allocation sales.
- Property and other expenses increased largely due to costs associated with property acquisitions and properties under development, and an increase in insurance costs.
- Finance costs decreased as a result of lower funding costs.
- Depreciation and impairments related mainly to plant and equipment owned within RF Active.
- Change in fair value to financial assets primarily related to shares owned in macadamia processing company Marquis Macadamias Limited.
- Change in fair value of biological assets relates to cropping operations (harvested and unharvested) on Maryborough properties.
- Property revaluations of \$11.0m (including bearer plants, investment property, property-owner occupied, and intangibles).
- Income tax expense relates to RF Active and AWF.¹ RFT treated as a flow-through trust for tax purposes.

Notes:

1. RFM Australian Wine Fund (AWF) is a subsidiary of Rural Funds Trust (RFT) that has formed its own tax consolidated group.
2. Calculated 1.05% adjusted total assets excluding macadamia properties under development and Kaiuroo deposit.
3. Calculated TCI/weighted average units.

Summarised statement of comprehensive income

	6 months ended 31 December 2021	6 months ended 31 December 2020
	\$	\$
Property revenue	34,855,000	33,916,000
Revenue	34,855,000	33,916,000
Other income	6,941,000	2,859,000
Cost of goods sold	(3,765,000)	-
Property expenses	(2,217,000)	(1,156,000)
Other expenses	(3,093,000)	(2,491,000)
Management fees ²	(5,578,000)	(5,424,000)
Finance costs	(5,132,000)	(5,280,000)
Gain on sale of assets	54,000	32,538,000
Depreciation and impairments	(497,000)	(268,000)
Property revaluations – Bearer plants	(4,405,000)	(2,019,000)
Property revaluations – Investment property	17,962,000	5,832,000
Property revaluations – Intangible assets	(1,454,000)	(467,000)
Property revaluations – Property-owner occupied	(1,668,000)	(1,651,000)
Change in fair value of financial assets/liabilities	325,000	(24,000)
Change in fair value of biological assets	1,766,000	-
Change in fair value of derivatives	5,581,000	2,939,000
Profit before tax	39,675,000	59,304,000
Income tax expense	(1,468,000)	(879,000)
Profit after tax	38,207,000	58,425,000
Other comprehensive income	600,000	-
Total comprehensive income	38,807,000	58,425,000
Weighted average units	374.6m	338.4m
Earnings per unit³	10.36 cents	17.26 cents

HY22 results – AFFO composition

- AFFO is pre-tax and excludes fair value adjustments, depreciation and impairment to represent RFF's property rental business.
- Property expenses relate to costs directly attributable to the properties (e.g. insurance, rates and taxes on properties, applicable cost recovery). Other expenses relate to non-property overheads (e.g. ASX, bank, audit, registry fees, cost recovery).
- Other income includes harvest income from cropping operations on Maryborough properties. Cost of goods sold relates to the harvested cropping operations. Change in fair value of biological assets relates to the profit recognised for the harvested crops during the year.
- Property leases are largely triple net.

Composition of AFFO (pre-tax)

	6 months ended 31 December 2021 \$	6 months ended 31 December 2020 \$
Property revenue	34,481,000	33,899,000
Property expenses	(2,217,000)	(1,156,000)
Net property income	32,264,000	32,743,000
Other income	6,941,000	2,859,000
Cost of goods sold	(3,765,000)	-
Change in fair value of biological assets (harvested crops)	1,435,000	-
Other expenses	(3,093,000)	(2,491,000)
Management fees	(5,578,000)	(5,424,000)
EBITDA	28,204,000	27,687,000
Income tax payable (RF Active)	(1,281,000)	(237,000)
Finance costs	(5,132,000)	(5,280,000)
AFFO	21,791,000	22,170,000
AFFO per unit¹	5.8 cents	6.6 cents
DPU	5.87 cents	5.64 cents

Note:

1. Based on the weighted average number of units on issue during the half year.

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HY22 results – reconciliation of net profit to AFFO

- Non-cash items added back to reconcile net profit after tax to AFFO.
- Key adjustments include:
 - Property revaluations (excluding other comprehensive income) includes \$17.1m in cattle properties, (\$1.1m) in cropping properties and (\$3.4m) in macadamia properties.
 - Depreciation and impairments related mainly to plant and equipment owned within RF Active.
 - Straight-lining reflects a smoothing of rent earned over a lifetime of the lease (under AASB16 for leases with fixed indexation).
 - Interest component of JBS feedlot finance lease reflects indexation due to finance lease classification.

Reconciliation of net profit after tax to AFFO

	6 months ended 31 December 2021 \$	6 months ended 31 December 2020 \$
Net profit after income tax	38,207,000	58,425,000
Adjusted for:		
Property revaluations	(12,582,000)	(3,714,000)
Depreciation – Bearer plants	2,147,000	2,019,000
Depreciation and impairment	497,000	268,000
Gain on sale of assets	(54,000)	(32,538,000)
Straight-lining of rental income	100,000	521,000
Interest component of JBS feedlot finance lease	(474,000)	(538,000)
Change in fair value of biological assets (unharvested crops)	(331,000)	-
Change in fair value of financial assets/liabilities	(325,000)	24,000
Change in fair value of interest rate swaps	(5,581,000)	(2,939,000)
FFO	21,604,000	21,528,000
Adjusted for income tax expense	187,000	642,000
AFFO	21,791,000	22,170,000
AFFO per unit¹	5.8 cents	6.6 cents

Note:

1. Based on the weighted average number of units on issue during the half year.

HY22 results – summarised balance sheet

- Water entitlements are recorded as intangible assets, and held at the lower of cost less accumulated impairment or fair value in accordance with accounting standards and ASIC guidance. The adjustment for water entitlements shows the difference between book value and fair value (based on current independent valuations).
- Water entitlements total 149.5 GL and water delivery entitlements total 21.4 GL, representing a fair value of \$259.5m or 19% of total adjusted assets.
- See page 27 for details of independent valuations.

Summarised balance sheet

	As at 31 December 2021 \$	As at 30 June 2021 \$
Cash	11,709,000	11,647,000
Property investments	1,197,649,000	1,002,341,000
Plant and equipment	15,871,000	8,716,000
Current tax receivable	-	477,000
Derivative financial assets	2,606,000	2,930,000
Other assets	26,539,000	15,793,000
Total assets	1,254,374,000	1,041,904,000
Interest-bearing liabilities:		
– Current	2,745,000	2,456,000
– Non-current	436,000,000	344,143,000
Derivative financial liabilities	15,768,000	21,673,000
Current tax liabilities	195,000	-
Deferred tax liabilities	7,637,000	7,450,000
Other liabilities	27,341,000	17,638,000
Total liabilities	489,686,000	393,360,000
Net assets	764,688,000	648,544,000
Units on issue	381,367,182	339,900,556
NAV per unit	2.00	1.91
Adjustment for water entitlements fair value per unit	0.24	0.26
Adjusted NAV per unit	2.24	2.17

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HY22 results – total assets reconciliation

Total assets reconciliation

	Investment property	Bearer plants	Intangible assets ^{1, 3}	Property-owner occupied	Financial assets – property ^{2, 3}	Plant and equipment	Deposits ⁵	Other assets	Total	Adjustment for water entitlements at fair value ^{1, 3}	Adjusted total assets
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at 30 June 2021	598,545,000	160,782,000	110,418,000	28,284,000	104,312,000	8,716,000	-	30,847,000	1,041,904,000	90,178,000	1,132,082,000
Additions – Cattle	18,111,000	-	3,811,000	-	421,000	174,000	17,188,000	-	39,705,000	-	39,705,000
Additions – Cropping	1,968,000	-	6,056,000	26,634,000	-	2,575,000	-	-	37,233,000	-	37,233,000
Additions - Almond orchard	952,000	304,000	-	-	-	-	-	-	1,256,000	-	1,256,000
Additions – Macadamias	13,417,000	37,934,000	-	20,104,000	335,000	5,634,000	-	-	77,424,000	-	77,424,000
Additions – Vineyards	567,000	-	-	-	-	-	-	-	567,000	-	567,000
Additions – Water (cropping)	-	-	38,389,000	-	-	-	-	-	38,389,000	-	38,389,000
Disposals	(1,621,000)	-	-	-	(532,000)	(381,000)	-	-	(2,534,000)	-	(2,534,000)
Depreciation and impairments	-	(2,147,000)	-	(14,000)	-	(483,000)	-	-	(2,644,000)	-	(2,644,000)
Fair value adjustment ⁴	17,962,000	(1,658,000)	(1,454,000)	(1,668,000)	(24,000)	-	-	349,000	13,507,000	122,000	13,629,000
Other movements	(100,000)	-	-	-	373,000	(364,000)	-	9,658,000	9,567,000	-	9,567,000
Balance as at 31 December 2021	649,801,000	195,215,000	157,220,000	73,340,000	104,885,000	15,871,000	17,188,000	40,854,000	1,254,374,000	90,300,000	1,344,674,000

Notes:

- Accounting standards and ASIC guidance require water entitlements to be recorded as intangible assets, and held at the lower of cost less accumulated impairment or fair value. The adjustment for water entitlements shows the adjustment to the fair value of the water entitlements held.
- Relates to water entitlements held as part of the investment in Barossa Infrastructure Limited, Coleambally Irrigation Co-operative Limited, breeder herd finance lease, loan to Camm, straight-lined asset, equipment finance leases and finance lease with JBS Australia for five feedlots, which are accounted for as financial assets.
- Water entitlements of 149,557 ML and 21,430 ML of water delivery entitlements held by the Group representing a fair value of \$259.5m.
- Fair value adjustments as part of valuations for the half-year ended 31 December 2021.
- Relates to \$17.2m deposit paid on Kaiuroo, which has a settlement period of up to November 2023. The Group will receive interest on the deposit amount prior to settlement.

Valuations and valuers

Policy to conduct independent valuations at least every two years and rotation of valuers every five years.

	Property by sector	State	Brief description	Acquisition date	Adjusted property value 31 December 2021	Valuation date (reporting date)	Valuation	Valuer
Almonds	Yilgah	NSW	1,006 ha orchard	Jun-2008	\$ 105.6m	Jun-2021	\$ 107.0m	JLL
	Tocabil	NSW	603 ha orchard	Oct-2014	\$ 49.2m	Jun-2021	\$ 49.0m	JLL
	Kerarbury	NSW	2,530 ha orchard	Oct-2015	\$ 225.3m	Jun-2021	\$ 228.0m	JLL
Cattle	Rewan	QLD	17,479 ha property	Aug-2016	\$ 62.4m	Dec-2021	\$ 62.4m	LAWD
	Mutton Hole	QLD	140,300 ha property	Jul-2016	\$ 16.8m	Jun-2021	\$ 16.7m	Herron Todd White
	Oakland Park	QLD	85,500 ha property	Aug-2016	\$ 8.6m	Jun-2021	\$ 8.5m	Herron Todd White
	Natal Aggregation	QLD	390,600 ha property	Dec-2017	\$ 89.0m	Jun-2021	\$ 88.5m	JLL
	Comanche	QLD	7,600 ha property	Jul-2018	\$ 24.5m	Jun-2020	\$ 22.0m	CBRE
	Cerberus	QLD	8,280 ha property	Sep-2018	\$ 14.1m	Jun-2020	\$ 13.8m	CBRE
	Dyamberin	NSW	1,729 ha property	Oct-2018	\$ 14.0m	Jun-2020	\$ 13.9m	Colliers
	Woodburn	NSW	1,063 ha property	Jan-2019	\$ 7.4m	Jun-2020	\$ 7.3m	Colliers
	Cobungra	VIC	6,497 ha property	Mar-2019	\$ 40.8m	Jun-2021	\$ 40.8m	Colliers
	Petro, High Hill & Willara (WA properties)	WA	6,195 ha property	Feb-2020	\$ 25.3m	Dec-2021	\$ 24.4m	Herron Todd White
	JBS Caroonna, Mungindi, Prime City, Beef City, Riverina	NSW/ QLD	150,000 head feedlots (total)	Oct-2018	\$ 56.1m	N/A	N/A	Purchase price
	Homehill	QLD	4,925 ha property	Jun-2020	\$ 13.4m	Jun-2020	\$ 11.8m	CBRE
	Yarra	QLD	4,090 ha property	May-2020	\$ 23.6m	Dec-2021	\$ 23.6m	CBRE
	Coolibah	QLD	724 ha property	Dec-2021	\$ 4.9m	N/A	N/A	Purchase Price
	Cropping	Lynora Downs	QLD	4,963 ha property	Dec-2016	\$ 41.7m	Jun-2021	\$ 41.5m
Mayneland		QLD	2,942 ha property	Sep-2018	\$ 23.7m	Dec-2021	\$ 23.3m	CBRE
Maryborough		QLD	3,745 ha property	Nov-2020	\$ 50.5m	Dec-2020	\$ 50.3m	CBRE
Baamba Plains		QLD	4,130 ha property	Nov-2021	\$ 30.0m	Dec-2021	\$ 30.0m	CBRE
Macadamias		Swan Ridge	QLD	130 ha orchard	Mar-2016	\$ 7.0m	Dec-2021	\$ 7.0m
	Moore Park	QLD	104 ha orchard	Mar-2016	\$ 4.5m	Dec-2021	\$ 4.6m	CBRE
	Bonmac	QLD	27 ha orchard	Mar-2016	\$ 3.2m	Dec-2021	\$ 3.2m	CBRE
	Cygnat	QLD	37 ha orchard	Oct-2019	\$ 3.1m	Jun-2021	\$ 2.8m	Herron Todd White
	Swan Ridge South	QLD	123 ha property	Mar-2020	\$ 1.6m	Dec-2021	\$ 1.6m	CBRE
	Nursery Farm	QLD	41 ha orchard	Mar-2020	\$ 7.0m	Jun-2021	\$ 3.8m	Herron Todd White
	Riverton	QLD	1,015 ha property	Nov-2020	\$ 9.5m	Jun-2021	\$ 4.5m	CBRE
	Rookwood Farms	QLD	2,452 ha property	Dec-2020	\$ 10.6m	Jun-2021	\$ 7.1m	CBRE
	Maryborough	QLD	1,513 ha property	Nov-2020	\$ 34.8m	Dec-2020	\$ 24.3m	CBRE
	Beerwah	QLD	340 ha property	Dec-2021	\$ 36.3m	Dec-2021	\$ 36.3m	CBRE
	Bauple	QLD	135 ha property	Dec-2021	\$ 18.4m	Dec-2021	\$ 18.4m	CBRE
	Vineyards	Kleinig	SA	206 ha vineyard	May-2002	\$ 22.8m	Jun-2021	\$ 23.1m
Geier		SA	243 ha vineyard	Sep-2000	\$ 27.8m	Jun-2021	\$ 27.7m	JLL
Dohnt		SA	30 ha vineyard	Sep-2004	\$ 1.2m	Jun-2021	\$ 1.2m	JLL
Hahn		SA	50 ha vineyard	Feb-2000	\$ 5.0m	Jun-2021	\$ 5.1m	JLL
Mundy and Murphy		SA	55 ha vineyard	Apr-2000	\$ 4.1m	Jun-2021	\$ 4.1m	JLL
Rosebank		VIC	82 ha vineyard	Aug-2003	\$ 3.8m	Jun-2021	\$ 3.8m	JLL
Water	Ground water	NSW	8,338 ML	Aug-2021	\$ 38.4m	Dec-2021	\$ 38.4m	JLL
	Unencumbered water entitlement - River	QLD	3,710 ML	Jan-2020	\$ 1.1m	Jun-2020	\$ 1.1m	CBRE
	Unencumbered water entitlement - River	NSW	8,754 ML	Dec-2016	\$ 65.7m	Jun-2021	\$ 65.7m	JLL
Adjusted property assets					\$ 1232.8m		\$ 1146.6	
Cattle financial lease and other assets					\$ 35.1m			
Plant & equipment					\$ 15.9m			
Other receivables and equipment leases					\$ 2.8m			
Kaiuroo deposit					\$ 17.2m			
Total adjusted property assets					\$ 1303.8m			

Development assets and capital expenditure

Productivity and higher and better use developments underway across most sectors.

Development and capital expenditure summary¹

	Property	State	Acquisition date	Rent review	Development type	Initial	Five-year developments				Total forecast
								1H22	2H22f	FY23f	
Cattle	Mutton Hole & Oakland Park	Qld	Jul 2016	Yr 5	Water points	102	21				
				Yr 5	Pasture improvement	20,000 ha	33,333 ha				
	Rewan	Qld	Oct 2019	Yr 5	Water points	82	0				
					Cultivation area	3,432 ha	250 ha				
					Pasture improvement	645 ha	200 ha				
	Natal aggregation	Qld	Dec 2017	Yr 5	Water points	96	50				
	Cerberus	Qld	Sep 2018	Yr 5	Cultivation area	0 ha	600 ha				
					Pasture improvement	0 ha	250 ha				
	Comanche	Qld	Jul 2018	Yr 5	Cultivation area	0 ha	342 ha				
					Irrigated area	0 ha	225 ha				
					Pasture improvement	172 ha	595 ha				
	Dyamberin	NSW	Oct 2018	Yr 5	Grazing area	1,175 ha	Existing area				
	Woodburn	NSW	Jan 2019	Yr 5	Grazing area	802 ha	Existing area				
Cobungra	Vic	Mar 2019	Yr 5	Grazing area	4,221 ha	Existing area					
Petro, High Hill, and Willara	WA	Feb 2020	Yr 5	Irrigated area	200 ha	Existing area					
				Grazing area	5,402 ha	Existing area					
	Capex							\$2.5m	\$4.6m	\$0.0m	\$4.6m
Cropping	Lynora Downs	Qld	Dec 2016		Water storage	10,405 ML	4,142 ML				
					Irrigated cropping	779 ha	781 ha				
	Mayneland	Qld	Sep 2018		Water storage	5,700 ML	2,900 ML				
					Irrigated cropping	485 ha	246 ha				
	Capex							\$3.3m	\$2.1m	\$0.0m	\$2.1m
Macadamias	Central Queensland (FY22)	Qld	Various		Orchard development	0 ha	1,000 ha				
	Central Queensland (FY23-26)	Qld	Various		Orchard development	0 ha	4,000 ha				
	Capex							\$12.7m	\$27.3m	\$16.8m	\$44.1m
Almonds	Various	NSW	Various		Orchard capex	-	-				
								\$1.3m	\$1.0m	\$0.0m	\$1.0m
	Capex							\$19.8m	\$35.0m	\$16.8m	\$51.8m

Note:
1. Five-year developments refer to development potential of assets. Pasture improvement includes stylo and leucaena. Cultivation area refers to development of additional areas for forage crops. Grazing area involves improving production of an existing area. FY23f macadamia capex primarily attributable to development of "stage one" 1,000 ha. Forecast capex includes rentable and non-rentable amounts. Properties with developments plans to be finalised include: Homehill, The Pocket (Yarra) and Baamba Plains.

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years



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National Manager –
Operations and Company
Secretary, 13 years



David Thomson
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Sandra Walton
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Manager, 5 years



Daryl Winter
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Peter Wong
Finance Manager,
5 years



Daniel Yap
Chief Financial
Officer, 9 years

RFM corporate and operations management (listed alphabetically by surname). See the RFM website for details on RFM's roles and responsibilities.

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