



## Financial results presentation

Financial year ended 30 June 2019

30 August 2019

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1. FY19 financial results
2. FY20 outlook
3. RFM questions and answers
4. Appendices
  - Trading RFP units

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## RFM presenters



**Stuart Waight**  
*Executive Manager*



**Daniel Yap**  
*Financial Controller*



**James Powell**  
*General Manager –  
Investor Relations  
and Marketing*



# FY19 Financial results

*Broiler chickens, Griffith, New South Wales, December 2016.*

# FY19 results summary

## Metrics as at 30 June 2019

<b>Income</b>		
	Revenue	\$24,595,665
	Net loss before income tax	\$(1,970,562)
	Net loss after income tax	\$(2,004,587)
	Earnings cents per unit (cpu)	(29.12)
<b>Portfolio</b>		
	Net assets value (NAV)	\$5,267,575
	NAV per unit	\$0.77
<b>Balance sheet</b>		
	Gross assets	\$7,023,547
	Cash balance	\$2,505,523
	External borrowings	Nil
<b>Distributions</b>		<b>cpu</b>
	Total cash distribution	9.1078
	Total franking	3.4547
	Total grossed up distribution	12.5625

- Before tax loss of \$1.971m consistent with NSX release 29 July 2019.
- After tax loss of \$2.005m higher than NSX release 29 July 2019 due to write-off of tax benefit.
- NAV per unit lower at \$0.77.
- Cash at bank lower at \$2.506m.
- Nil interest bearing liabilities.
- Distributions of 12.56 cpu inclusive of franking.
- All sheds continue to be endorsed as compliant with RSPCA guidelines.



## Summarised statement of comprehensive income

	Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
Revenue	25,245,971	25,182,159
ERS adjustments	(767,873)	(570,559)
Other income	149,561	280,146
<b>Total income</b>	<b>24,627,659</b>	<b>24,891,746</b>
Property lease expenses	(10,730,273)	(10,688,652)
Employee expenses	(2,038,819)	(577,788)
Contractor fees	(3,491,408)	(4,192,025)
Energy expenses	(4,432,200)	(3,973,311)
Repairs and maintenance	(2,820,237)	(2,088,804)
Materials and cleaning expenses	(638,442)	(509,749)
Other direct growing expenses	(769,165)	(366,641)
Insurance expenses	(582,221)	(370,174)
Other indirect expenses	(681,811)	(612,351)
Management fees	(257,132)	(545,000)
Depreciation and impairment	(156,513)	(83,628)
<b>Net (loss)/profit before income tax</b>	<b>(1,970,562)</b>	<b>883,623</b>
Income tax expense	(34,025)	(265,087)
<b>Net (loss)/profit after income tax</b>	<b>(2,004,587)</b>	<b>618,536</b>
<b>Total comprehensive income</b>	<b>(2,004,587)</b>	<b>618,536</b>

- Revenue:
  - impacted by deferred placement event on three farms, resulting in loss of income of \$0.786m.
  - impacted by discounts incurred under the Efficiency Ratings System (ERS).
- Expenses:
  - employee expenses and contractor fees; increases following change from contract to employee model in Griffith, higher direct and supervision headcount to improve operational outcomes.
  - energy costs as a result of weather conditions.
  - higher repairs and maintenance due to rectification works and aging infrastructure.
  - drought related costs such as water purchases and cost of materials.
- Management fees were reduced to \$0.257m.

## Summarised balance sheet

	As at 30 June 2019	As at 30 June 2018
	\$	\$
Cash and cash equivalents	2,505,523	5,432,110
Trade and other receivables	1,874,931	1,852,519
Other current assets	602,808	560,524
Income tax receivable	146,822	46,334
Plant and equipment	1,893,463	1,357,952
Deferred tax assets	-	34,025
<b>Total assets</b>	<b>7,023,547</b>	<b>9,283,464</b>
Trade and other payables	1,528,403	1,319,513
Short term provisions	194,532	236,825
Long term provisions	33,037	917
<b>Total liabilities</b>	<b>1,755,972</b>	<b>1,557,255</b>
<b>Net assets</b>	<b>5,267,575</b>	<b>7,726,209</b>
Units on issue	6,884,416	6,884,416
NAV per unit	\$0.77	\$1.12

- Net assets of \$5.3m and \$0.77 per unit as at 30 June 2019.
- Cash has reduced by \$2.9m due to operating loss, distribution payments and investment in plant and equipment.
- Nil interest bearing liabilities.
- Increase in plant and equipment largely relates to tractors and farm equipment required to meet biosecurity requirements.



## FY20 outlook

*Sheds and silos, Griffith, New South Wales, February 2019.*

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- The forecast operating loss before and after tax (excluding lease accounting adjustments) for FY20 is \$1.500m, with many FY19 loss factors remaining in place including performance penalties, drought related costs such as water and litter, higher insurance costs and much higher labour costs.
- Further, property rental will increase due to the water sanitation units funded by the Lessor.
- The improvement over FY20 relates to the assumption that no farm placements will be deferred by the processor.
- RFP can continue to trade with the support of the Lessor.
- There is uncertainty as to future prospects. RFM is assessing options for the best interests of RFP unitholders. To this end RFM, on behalf of RFP, is discussing options with Baiada, Turi Foods and the Lessor, RFF, to see what is possible with its obligations under the respective contracts.
- There will be no distributions for FY20.
- Forecast ending adjusted NAV (excluding lease accounting adjustments) for FY20 is \$0.55 (based on forecast loss and no distributions).



## RFM questions and answers

*Newly installed solar panels which are expected to generate 508,000 kilowatt hours of electricity per annum across the four Victorian farms, Lethbridge, Victoria, January 2018*

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# Questions and answers

1. **Why were there successive profit warnings throughout the year, some near each other?** With each announcement we indicated that RFP would be subject to continued volatility and there were numerous assumptions that would impact on financial performance. There was much uncertainty concerning the growing performance, maintenance costs and labour that was difficult to measure. As each month end accounting process concluded and YTD results known, disclosure requirements were assessed.
2. **Why don't you invest in new farms?** RFM has stated in previous presentations that the risks and rewards of current growing contracts do not warrant further investment. Contract growing rates have declined significantly, the term of the contracts is much less and the risks, and the obligations higher. Further there is an asymmetry of influence in the industry dominated by two large participants.
3. **Why aren't all four water sanitation units installed?** The third and fourth units are much larger and the supplier is taking longer than expected. They are expected to be installed within the next six weeks.
4. **Can RFP continue to trade, is RFP a going concern given the successive losses?** RFP can continue to trade with the support of the Lessor.
5. **What are RFP's future prospects?** There is uncertainty as to future prospects. Some costs that are drought-driven will reverse at some point: insurance costs will change with the insurance cycle. However the labour required in a more intense operating environment, continued growing performance issues and the older farms provide an uncertain environment.
6. **Is RFM conflicted as the Responsible Entity for RFP and RFF the Lessor?** We manage this through a separation of staff, separate legal advice and a Board that is highly aware of its obligations to manage conflicts of interest properly. Moreover, a Board and management that are committed to acting in the best interests of each distinct group of unitholders. The arrangement is common with registered investment schemes and is disclosed in various documents, including the original PDS.
7. **What options does RFP have going forward?** RFM is assessing options for the best interests of RFP unitholders. To this end RFM, on behalf of RFP, is discussing options with Baiada, Turi Foods and the Lessor, RFF, to see what is possible with its obligations under the respective contracts.
8. **Can the landlord give us more rent relief?** RFP has rights under the lease to request a rent review and RFP is pursuing this, however the outcomes from such a request are uncertain and it would not be prudent for RFP to assume or rely on an outcome when making decisions.



# Appendices

*Fixed sanitation system which reduces organic matter levels in water, installed in May 2018, Griffith, NSW , June 2018.*

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# Trading RFP units

- Pritchard & Partners Pty Ltd provides a broking service at a cost of 1.1%, with a minimum \$110 (inc. GST).
- A detailed guide to trading RFP units through Pritchard & Partners Pty Ltd can be accessed by contacting RFM (Figure 1), however as an overview:
  - Provide supporting documentation related to your RFP holding (Figure 2).
  - Complete a Pritchard & Partners Account Application Form.
  - Send documents to Pritchard & Partners, along with a buy or sell instruction.
- Pritchard & Partners Pty Ltd**
  - (02) 4920 2877
- A complete list of authorised brokers is available on the NSX website.

**Fig 1: Step-by-step guide**

**RFM Poultry**
NSX:  
RFP

Managed by:  

**Rural  
Funds  
Management**

### Step-by-step guide to trading RFP units

November 2017

Rural Funds Management (RFM), as responsible entity for RFM Poultry (RFP), a National Stock Exchange (NSX) listed entity, has prepared the following guide to assist investors trade RFP units.


A full list of brokers who deal via the NSX is available at: [www.nsx.com.au](http://www.nsx.com.au). The following instructions refer to Pritchard & Partners Pty Ltd brokers (Pritchard & Partners). Pritchard & Partners provides a broking service for a fee of 1.1% of the trade value (minimum \$110 inc GST). Other brokers would have similar procedures.

To instruct Pritchard & Partners to trade RFP units, investors and/or their financial adviser need to follow the 3-step process set out below:

1. Provide supporting documentation related to your RFP holding;
2. Complete a Pritchard & Partners Account Application Form; and
3. Send documents to Pritchard & Partners, along with a buy or sell instruction.

*RFM has compiled a step-by-step guide to trading RFP through a broker, Pritchard & Partners.*

**Fig 2: Obtaining your SRN**



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 Smart Business Solutions  
 ABN 14 903 299 636  
 GPO Box 9903  
 Sydney NSW 2001  
 Tel: 1 300 737 760 (within Australia)  
 Tel: +61 2 9295 9900 (outside Australia)  
 Fax: +61 2 9279 0566  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)  
[info@boardroomlimited.com.au](mailto:info@boardroomlimited.com.au)

JOE BLOGGS PTY LTD  
<JB SUPER FUND>  
123 MAIN STREET  
CITY ACT 2600

Date: 05 November 2015  
**Reference No: XXXXXXXX**  
 Subregister: Investor Sponsored  
 Tax Reference: Quoted  
 Dealer Group: No Dealer  
 Adviser Name: No Adviser

**RFM Poultry Ordinary Fully Paid Units**  
ARSN: 164651218

**Periodic Statement - 01 July 2014 to 30 June 2015**

Investment Return		Amount(\$)
Investment Return		
Closing Balance		\$
Add: disposal proceeds		\$0.00
Less: opening balance		\$

*Example: Periodic Statement (SRN circled in red).*



## Key information

Established	1997
Assets under management	Total \$1.2 billion
Ownership	Directors & staff
Farm & operations staff	111
Funds management staff	52
RFM direct operational experience	<p>Cotton: since 1998  Vineyards: since 2000  Poultry: since 2003  Almonds: since 2006  Macadamias: since 2006  Livestock: since 2010</p>
RFP key responsibilities	<ul style="list-style-type: none"> <li>• Compliance with financial, farming and reporting requirements.</li> <li>• Continuous improvement of operations.</li> <li>• Management of infrastructure e.g. ongoing R&amp;M.</li> <li>• Budgeting and performance monitoring.</li> <li>• Relationship with processors (Baiada Poultry and Turosi).</li> <li>• Improve awareness to increase liquidity and fair valuation.</li> <li>• Investigating growth opportunities.</li> </ul>

## Board and management team contacts and tenure



**Guy Paynter**  
Non-Executive  
Chairman

9 years



**David Bryant**  
Managing  
Director

22 years



**Michael Carroll**  
Non-Executive  
Director

9 years



**Julian Widdup**  
Non-Executive  
Director

2 years



**Stuart Waight**  
Executive Manager

16 years



**Tim Sheridan**  
Chief Operating  
Officer

11 years



**Daniel Yap**  
Financial  
Controller

7 years



**Harvey Gaynor**  
General Manager  
– Farming

Less than 1 year



**David Thomson**  
Business Manager  
RFM Poultry

12 years



**Adriaan Shields**  
National Manager –  
Poultry

18 years



**James Powell**  
General Manager –  
Investor Relations  
and Marketing

11 years



**Emma Spear**  
Company Secretary

11 years



# Rural Funds Management

Managing good assets with good people

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