

Rural Funds Group

ASX:
RFF

Managed by:



Managing good assets with good people

Financial results presentation

for the year ended 30 June 2021

25 August 2021



Disclaimer and glossary of terms

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Glossary of terms

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); **CAGR** - Compound annual growth rate; **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; **DPU** - Distributions per Unit; **EBITDA** - Earnings Before Interest, Taxes, Depreciation and Amortisation; **EPU** - Earnings per unit; **Fair value** - Value of an asset as determined by an independent valuation; **Gearing** - Calculated as external borrowings/adjusted total assets; **Group** - Term used for the Rural Funds Group; **ha** - Hectare(s); **LVR** - Loan to valuation ratio, a bank covenant calculated as debt divided by tangible assets (including water entitlements); **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); **Pro forma** - Financial statements based on certain assumptions and projections; **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); **REIT** - Real Estate Investment Trust; **RFF** - Rural Funds Group (ASX: RFF); **RFM** - Rural Funds Management Limited, manager and responsible entity for the Rural Funds Group.

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1 Financial results

Grain sorghum crop, Lynora Downs, central Queensland, March 2021.

Earnings and balance sheet summary

Earnings of 36.6 cents up 98%. Pro forma adjusted NAV of \$2.20 up 13%.

- Property revenue decreased 7% primarily due to the disposal of poultry assets and the Moorall almond orchard, offset by revenue from the increased J&F Guarantee, acquisitions, development capital expenditure, and lease indexation.
- TCI increased 100% and EPU increased 98% mainly due to independent revaluations of cattle properties and the gain from the sale of the Moorall almond orchard.
- AFFO per unit of 11.9 cents per unit (CPU) achieved, compared to forecast of 11.7 CPU.
- Distributions per unit (DPU) of 11.28 cents achieved, in line with forecast.
- Pro forma gearing of 25%, compared to the 30–35% target range.
- Pro forma adjusted NAV per unit of \$2.20, representing a 13% increase compared to the prior period.
- Refer to pages 17 to 21 for further information.

Income and earnings metrics

	12 months ended 30 June 2021	12 months ended 30 June 2020
Property revenue - \$	67,166,000	71,978,000
Total comprehensive income (TCI) - \$	123,917,000	61,938,000
Earnings per unit (EPU) ¹ - cents	36.56	18.43
Adjusted funds from operations (AFFO) - \$	40,423,000	45,427,000
AFFO per unit - cents	11.9	13.5
Distributions per unit (DPU) - cents	11.28	10.85
AFFO payout ratio	95%	80%

Balance sheet summary

	Pro forma 30 June 2021 ²	As at 30 June 2021	As at 30 June 2020
Total assets - \$	1,080,254,000	1,041,904,000	914,920,000
Adjustment for water at fair value - \$	90,178,000	90,178,000	97,699,000
Adjusted total assets ³ - \$	1,170,432,000	1,132,082,000	1,012,619,000
External borrowings - \$	287,900,000	346,550,000	301,023,000
Gearing - \$	24.6%	30.6%	29.7%
Net asset value (NAV) - \$	745,544,000	648,544,000	557,966,000
NAV per unit - \$	1.96	1.91	1.65
Adjusted NAV ³ - \$	835,722,000	738,722,000	655,665,000
Adjusted NAV per unit ³ - \$	2.20	2.17	1.94

Notes:

- Calculated TCI/weighted average units (see page 17).
- Pro forma for \$100.0m equity raising at \$2.47 per unit disclosed 8 July 2021. Funds raised to acquire water assets (\$38.4m), debt reduction (\$58.6m) transaction costs (\$3.0m).
- Assets adjusted for the independent valuation of water entitlements which are recognised at the lower of cost or fair value on balance sheet.

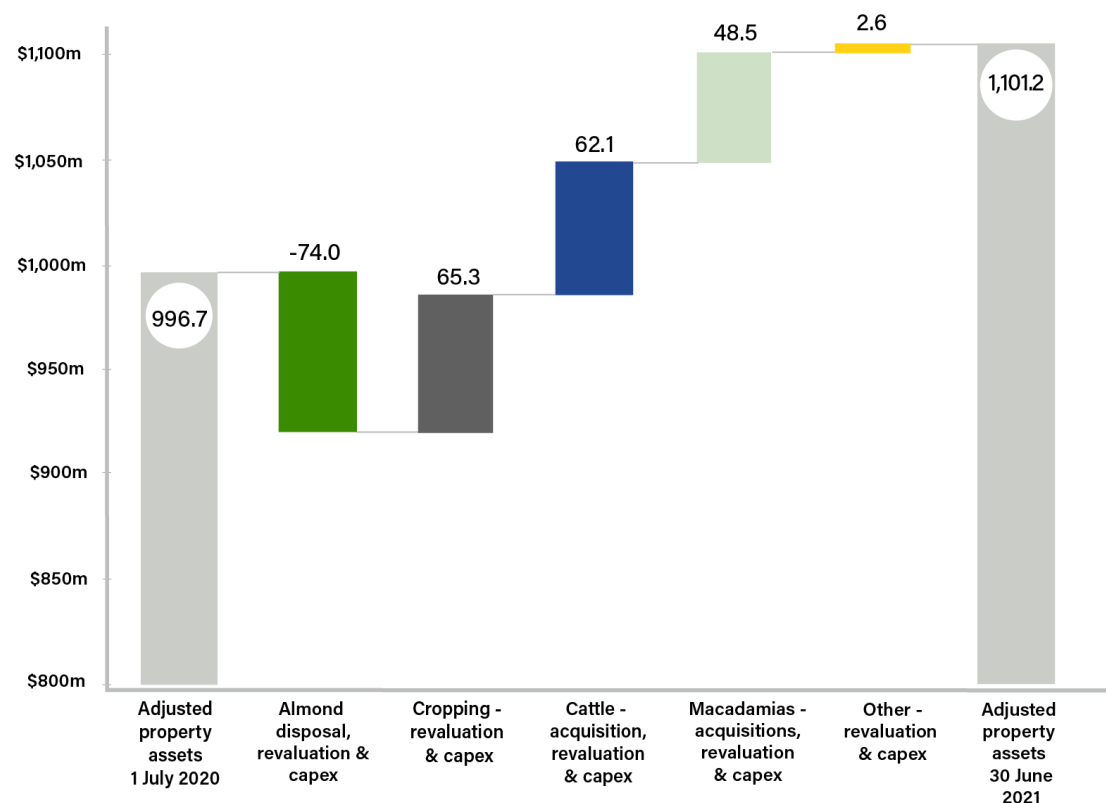
Property movements

Independent net revaluations totalling \$47.7m, primarily from cattle properties.

Key movements (see page 22 for further details):

- **Almonds:** disposal of Moorall almond orchard for \$81.2m, depreciation of \$2.7m, net of development capex of \$4.4m and revaluation of \$5.5m.^{2, 3}
- **Cropping:** acquisition of 21 sugar cane farms (Maryborough) for \$56.7m (leased/operated as cropping properties prior to being converted to macadamia orchards), revaluation of \$5.0m, development capex of \$4.3m, net of depreciation of \$0.4m and P&E disposal of \$0.3m.
- **Cattle:** property acquisitions (Rockhampton) of \$4.4m, livestock acquisitions of \$7.6m, revaluations of \$46.4m and development capex of \$6.4m, net of property disposal of \$1.5m, reclassification of water rights of \$1.1m and depreciation of \$0.1m.⁴
- **Macadamias:** acquisition of four sugar cane farms (Maryborough) for \$22.1m, four cattle properties (Rockhampton) for \$18.2m (for near-term development to macadamia orchards), development capex of \$12.9m net of revaluation of \$3.2m, depreciation of \$1.0m and P&E disposal of \$0.5m.^{3, 5}
- **Other:** includes vineyard revaluation of \$2.1m, reclassification of water rights of \$1.1m and water revaluation of \$0.4m net of depreciation of \$1.0m.

Adjusted property assets movements (\$m) by sector¹



Notes:

1. 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).
2. Moorall disposal includes \$77.1m settled December 2020 and \$4.1m settled February 2021. Revaluation includes properties' revaluations of \$6.3m net of straight-lining adjustment for rent of (\$0.8m).
3. Directors' valuation applied to bearer plants, which are treated as property, plant and equipment and depreciated in accordance with AASB116.
4. Addition to existing property Homehill \$4.4m (Dec 2020). Revaluation includes properties' revaluations of \$45.6m and finance lease adjustment of \$0.8m.
5. Cattle property acquisitions for development to macadamias include Riverton \$6.5m (Nov 2020), Rookwood Farms comprising Stoneleigh \$6.6m (Dec 2020), Corrowah \$1.9m (Feb 2021) and Tongola \$3.2m (Mar 2021).

2 Capital management



Improved pasture, Rewan, central Queensland, August 2021.

Capital management

\$100m Entitlement Offer completed August 2021.

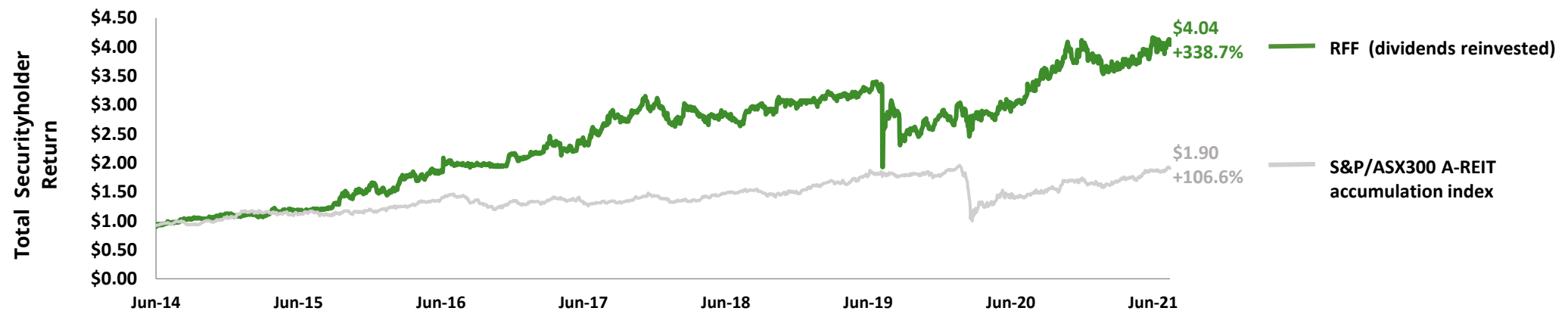
Equity

Item	Details
Trading price	Increase of 30.7% (\$2.02 to \$2.64) from 1 July 2020 to 30 June 2021. Current price \$2.59 (23 August 2021).
Distribution	Forecast FY22 DPU of 11.73 cents. An increase of 4% from FY21.
DRP	Remains open with 1.5% discount. FY21 average DRP participation 12.3%.
Equity raised	Entitlement Offer completed August 2021 (\$100m at \$2.47 per unit) to provide funding for macadamia orchard developments and additional acquisitions.

Debt

Item	Details
Facility	Refinance of the \$270.0m facility due to expire in FY23 underway.
Limit	Facility limit increased to \$380.0m during FY21.
Maturity	Expiry date November 2022 (\$270.0m) and November 2023 (\$110.0m).
Hedging	Additional interest rate hedges totalling \$60.0m entered into during July 2021; all commencing in January 2027 and April 2027 with seven year duration; weighted average fixed rate 2.4%.

Total securityholder return: RFF and S&P/ASX 300 A-REIT accumulation index 1 July 2014 to 12 August 2021¹



Note:

1. S&P/ASX 300 A-REIT accumulation Index rebased to \$1.00. RFF accumulation return rebased to \$1.00 and assumes dividends reinvested.

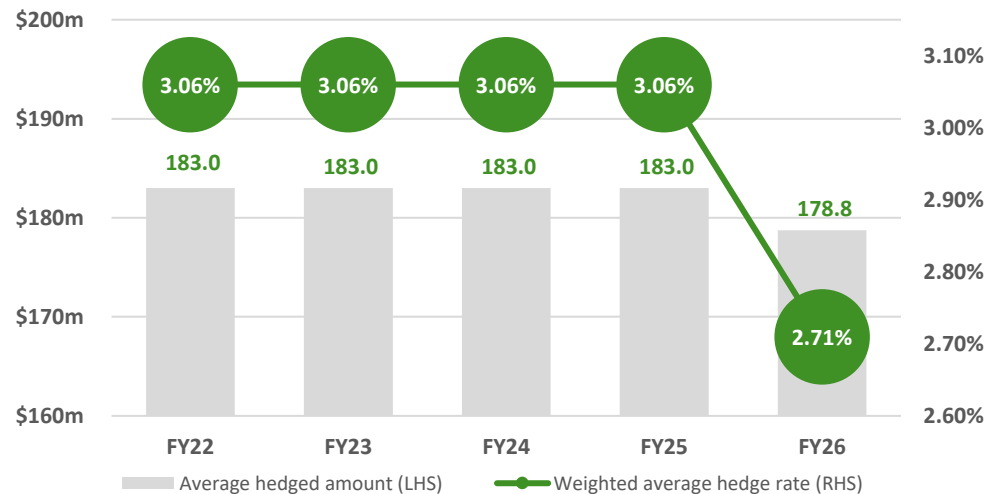
Debt facility and interest rate hedges

Reduced debt costs.

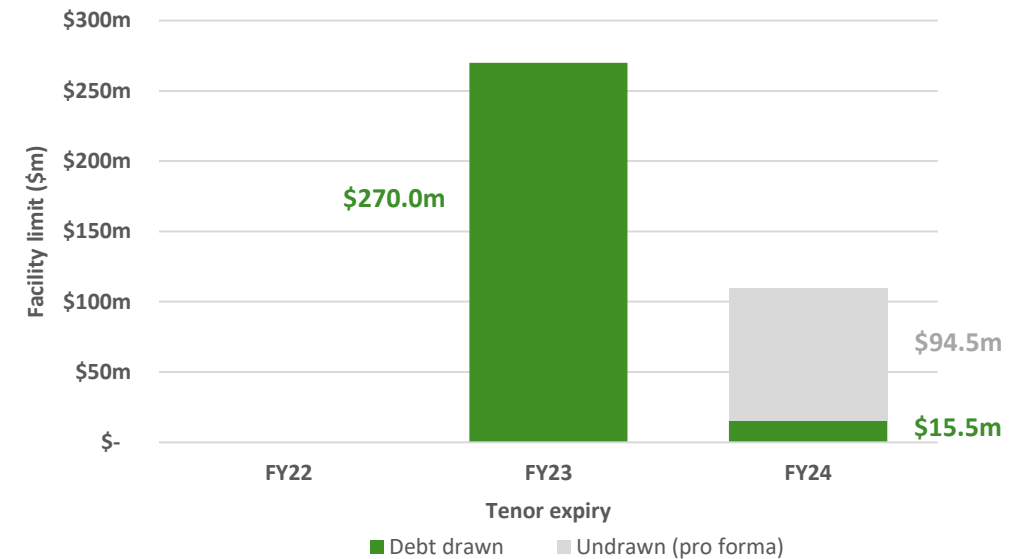
Debt facility metrics

		Pro forma 30 June 2021 ⁸	30 June 2021	30 June 2020
Debt facility	Term debt facility limit ^{1, 2}	\$380.0m	\$380.0m	\$335.0m
	Term debt drawn	\$285.5m	\$344.1m	\$297.2m
	Headroom	\$94.5m	\$35.9m	\$37.8m
	Cost of debt ³	3.20%	3.20%	3.74%
Covenants	Loan to Value Ratio (LVR) ^{1, 4}	35.1%	41.9%	39.1%
	Interest Cover Ratio (ICR) ¹	8.10	8.10	5.85
	Adj. Net Tangible Assets (NTA) ¹	\$835.7m	\$738.7m	\$655.7m
Hedging	Total amount hedged ⁵	\$183.0m	\$183.0m	\$183.0m
	Proportion debt hedged ^{1, 6}	64.1%	53.2%	61.6%
	Weighted average duration ⁷	7.5 yrs	7.5 yrs	8.5 yrs

Five-year hedged (fixed rate) position



Debt facility tenor (at 30 June 2021)⁸



Notes:

1. Key financial covenants: LVR <50%, ICR >3.00x, with distribution permitted at >3.15x, Adj. NTA including water entitlements >\$400m, 40% hedging requirement.
2. Security: real property mortgages, general security agreement, cross guarantees between RFF and subsidiaries.
3. Total interest expense plus cost of hedges, divided by average debt drawn.
4. LVR calculated as term debt drawn plus limited guarantee of \$99.9m divided by directly secured assets based on independent valuations.
5. Current hedges only.
6. Proportion hedged calculated as current hedges/term debt drawn.
7. Duration remaining as at 30 June 2021 and includes forward start hedges.
8. Pro forma to term debt facility includes debt reduction of \$58.6m and water entitlements acquisition of \$38.4m as outlined in Entitlement Offer dated 8 July 2021.



3 Portfolio update and forecasts

Cotton bales, Mayneland, central Queensland, March 2021.

Portfolio update

The Entitlement Offer provided capital to continue investment strategies.

- In August 2021 RFF completed a \$100m Entitlement Offer. The proceeds will be used to fund macadamia orchard developments (higher and better use strategy) and acquire cattle and cropping properties (productivity development strategy).
- Macadamia orchard developments:
 - Planting of 1,000 ha is expected to be completed by June 2022.
 - Planted orchards are more attractive to lessees and may be leased at higher rates.
 - FY22 forecast AFFO assumes no macadamia lessee income from development assets. Income is generated on surplus land from sugar cane cropping and cattle agistment.
- Cattle and cropping acquisitions:
 - RFM, in conjunction with several corporate lessees, is seeking to acquire additional cattle properties.
 - Cropping opportunities with development potential have been identified.

Macadamia orchard development locations¹



Note:

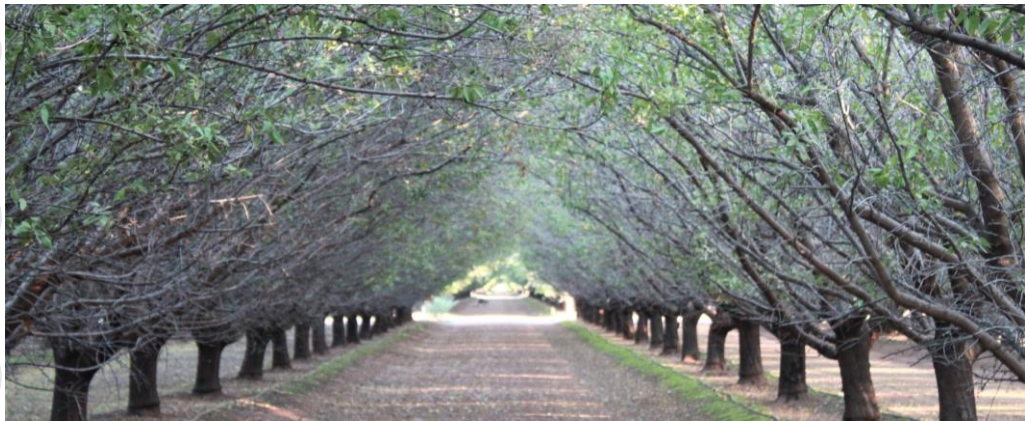
1. Map includes additional central Queensland RFF assets.

Replicating proven strategies

RFM has a track record of executing higher and better use development and productivity improvement strategies.

Case study: Higher and better use development

Name and location	▪ Moorall - Hillston, New South Wales
Description	▪ 3,841 ha cropping and grazing property
Value at RFF listing	▪ February 2014, \$42m
Higher and better use initiatives	▪ Development of 808 ha almond orchard, additional land used for cropping (total capex, including water acquisitions, approx \$14.3m).
Sale value and IRR	▪ Sold for \$98m (December 2020) >15% return since listing.
Other properties where strategy being deployed	▪ 5,000 ha of macadamia orchards to be developed on Maryborough, Bundaberg and Rockhampton properties.



Moorall almond orchard, Riverina, New South Wales, March 2020.

Case study: Productivity improvements

Name and location	▪ Comanche - Glenroy, central Queensland
Description	▪ 7,600 ha cattle property
Purchase date and price	▪ July 2018, \$16.7m
Productivity initiatives	▪ Development of water points, irrigation, cultivation area and pasture improvement (total capex of \$3.3m).
Current value and IRR	▪ \$24.2m (June 2021) >15% return since acquisition.
Other properties where strategy being deployed	▪ Cattle: Rewan, Mutton Hole, Oakland Park, Natal Aggregation, Cerberus, Dyamberin, Woodburn, Cobungra, Petro/High Hill/Willara and Homehill. ▪ Cropping: Lynora Downs and Mayneland.

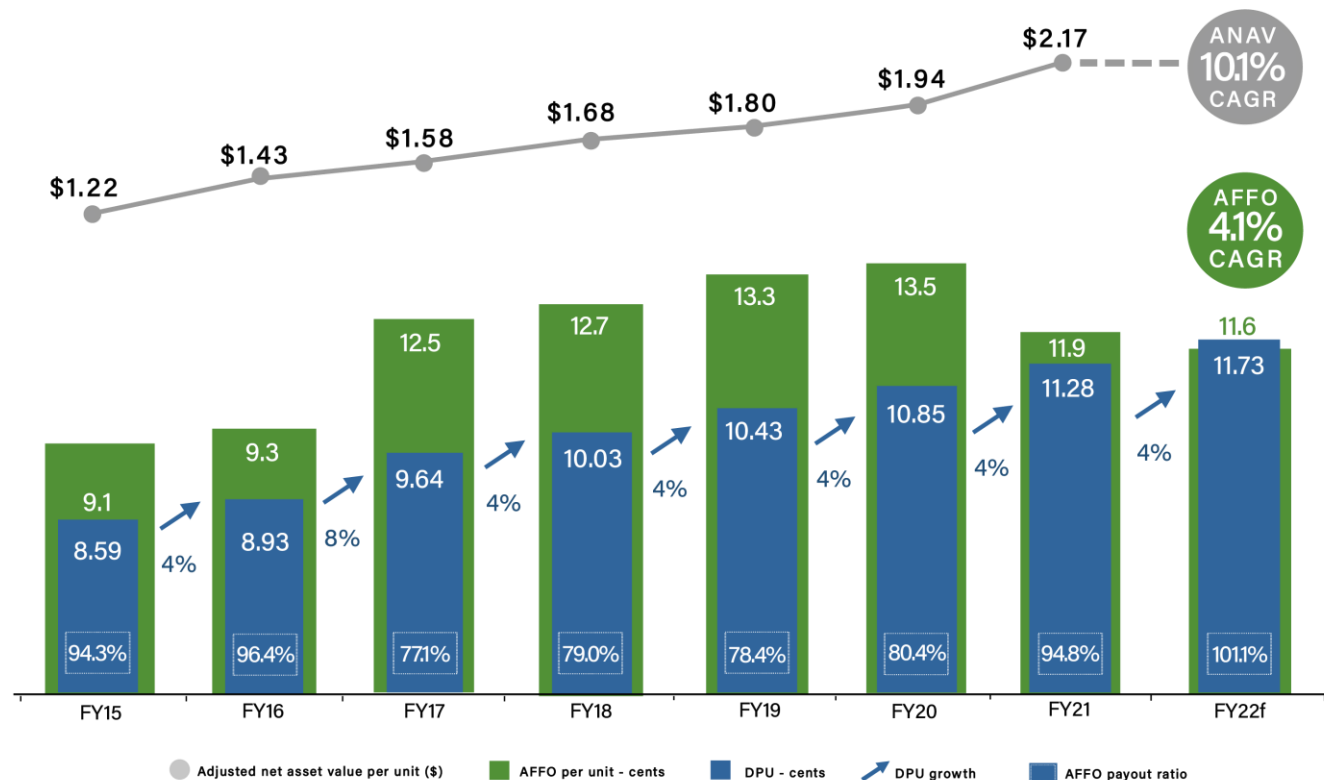


Comanche cattle property, central Queensland, February 2021.

Forecasts

AFFO accretion to be driven by finalisation of macadamia lessee arrangements and additional acquisitions.

DPU, DPU growth, AFFO payout and adjusted NAV



- FY22 forecast AFFO 11.6 CPU.
 - Reduction in FY21 and FY22f AFFO is primarily a result of the sale of poultry assets and the Moorland almond orchard respectively. The proceeds from these disposals provided funding for the acquisition of macadamia development assets.
 - AFFO accretion is expected to be driven by finalisation of macadamia lessee arrangements and additional acquisitions e.g. cattle and cropping.
- Pro forma gearing of 24.6%¹ is below the target range of 30–35%.
 - Provides pro forma balance sheet capacity of up to \$185m.
- FY22 forecast distribution of 11.73 CPU confirmed.
 - 4% growth on FY21.

Note:

1. Pro forma for \$100.0m equity raising at \$2.47 per unit disclosed 8 July 2021. Funds raised to acquire water assets (\$38.4m), debt reduction (\$58.6m) transaction costs (\$3.0m).

4 Conclusion



Shiraz grape vines at Geier vineyard, Barossa Valley, South Australia, January 2021.

Conclusion

Portfolio poised for additional growth.

- FY21 financial results included material increase in earnings and adjusted NAV.
- FY22 forecast distributions of 11.73 CPU, up 4% on FY21.
- Pro forma balance sheet capacity of up to \$185m.²
- RFM will continue the proven strategies of converting assets to higher and better use and seeking acquisitions with productivity development potential. Both strategies seek to increase AFFO.

Investment highlights	FY21 financial results highlights	Portfolio highlights
Agricultural REIT Included in the S&P/ASX 300 index. \$1.0b market cap ¹	11.28 cents FY21 distributions per unit ↑ 4% on FY20	9.3 years Weighted average lease expiry
Diversified portfolio Leased predominantly to corporate operators	36.56 cents FY21 earnings per unit ↑ 98% on FY20	66 properties Across 5 sectors and multiple climatic zones
Distribution growth Historical DPU growth of 4%+	\$2.20 FY21 pro forma adj. NAV ² ↑ 13% on FY20	78% Forecast revenue from corporate or listed tenants
Income growth Lease indexation, productivity improvements and conversion to higher and better use.	11.73 cents FY22f distributions per unit ↑ 4% on FY21	4.5% DPU yield Based on FY22f DPU and 23 August 2021 close price of \$2.59
Specialist manager RFM is a specialist agricultural farm and fund manager.	24.6% Pro forma gearing ² compared to 30–35% target	24 years Experience of manager: Rural Funds Management

Notes:

1. Market cap calculated on 23 August 2021 close price of \$2.59.
2. Pro forma for \$100.0m equity raising at \$2.47 per unit disclosed 8 July 2021. Funds raised to acquire water assets (\$38.4m), debt reduction (\$58.6m) transaction costs (\$3.0m).



5 Appendices

Tinana Creek, water supply for macadamia orchards, Maryborough, central Queensland, May 2021.

FY21 results – summarised comprehensive income

- Property revenue has decreased primarily as a result of the disposal of the poultry assets and the Moorall almond orchard, offset by the income from new acquisitions, development capital expenditure, lease indexation and increase in J&F guarantee income.
- Other income largely relates to unleased Murrumbidgee High Security water annual allocation sales and additional income from cropping operations in FY21.
- 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 bank bill swap rate.
- Gain on sale of assets primarily related to sale of the Moorall property.
- Depreciation and impairments related mainly to plant and equipment owned within RF Active. Decrease due to the sale of Moorall almond orchard.
- 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.
- Income tax expense relates to RF Active and AWF.¹ RFT treated as a flow through trust for tax purposes.

Summarised statement of comprehensive income

	12 months ended 30 June 2021 \$	12 months ended 30 June 2020 \$
Property revenue	67,166,000	71,978,000
Revenue	67,166,000	71,978,000
Other income	3,935,000	4,401,000
Property expenses	(2,829,000)	(2,066,000)
Cost of goods sold	(484,000)	-
Other expenses	(5,609,000)	(5,088,000)
Management fees ²	(11,017,000)	(9,955,000)
Finance costs	(10,498,000)	(10,881,000)
Gain on sale of assets	32,868,000	3,407,000
Depreciation and impairments	(840,000)	(2,893,000)
Property revaluations - Bearer plants	(3,025,000)	(5,337,000)
Property revaluations - Investment property	42,289,000	14,944,000
Property revaluations - Intangible assets	(4,188,000)	(798,000)
Property revaluations – Property – owner occupied	(1,651,000)	-
Change in fair value of financial assets/liabilities	116,000	510,000
Change in fair value of biological assets	1,136,000	-
Change in fair value of derivatives	12,923,000	(7,624,000)
Profit before tax	120,292,000	50,598,000
Income tax expense	(658,000)	(1,610,000)
Profit after tax	119,634,000	48,988,000
Other comprehensive income ³	4,283,000	12,950,000
Total comprehensive income	123,917,000	61,938,000
Weighted average units	339.0m units	336.0m units
Earnings per unit⁴	36.56 cents	18.43 cents

Notes:

- RFM Australian Wine Fund (AWF) is a subsidiary of Rural Funds Trust (RFT) that has formed its own tax consolidated group.
- Calculated 1.05% adjusted total assets.
- Other comprehensive income includes revaluation increment of bearer plants net of income tax.
- Calculated TCI/weighted average units.

FY21 results – AFFO composition

- AFFO has decreased primarily as a result of the disposal of the poultry assets and the Moorall almond orchard, offset by the income from new acquisitions, development capital expenditure, lease indexation and increase in J&F guarantee income.
- 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 on unleased 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)

	12 months ended 30 June 2021 \$	12 months ended 31 June 2020 \$
Property revenue	67,249,000	69,957,000
Property expenses	(2,829,000)	(2,066,000)
Net property income	64,420,000	67,891,000
Other income	3,935,000	4,401,000
Cost of goods sold	(484,000)	-
Change in fair value of biological assets (harvested crops)	108,000	-
Other expenses	(5,609,000)	(5,088,000)
Management fees	(11,017,000)	(9,955,000)
EBITDA	51,353,000	57,249,000
Income tax payable (RF Active)	(432,000)	(941,000)
Finance costs	(10,498,000)	(10,881,000)
AFFO	40,423,000	45,427,000
AFFO per unit¹	11.9 cents	13.5 cents
DPU	11.28 cents	10.85 cents

Note:

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

FY21 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 \$45.7m in cattle properties, \$1.7m in cropping properties, (\$2.6m) in vineyard properties, (\$1.6m) in almond properties and (\$5.7m) in macadamia properties.
 - Depreciation and impairments related mainly to plant and equipment owned within RF Active.
 - Gain on sale of assets primarily related to sale of the Moorall almond orchard.
 - 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

	12 months ended 30 June 2021 \$	12 months ended 30 June 2020 \$
Net profit after income tax	119,634,000	48,988,000
Adjusted for:		
Property revaluations	(37,457,000)	(13,647,000)
Change in fair value of interest rate swaps	(12,923,000)	7,624,000
Depreciation and impairment	840,000	2,893,000
Depreciation - Bearer plants	4,032,000	4,838,000
Change in fair value of financial assets/liabilities	(116,000)	(510,000)
Change in fair value of biological assets (unharvested crops)	(1,028,000)	-
Gain on sale of assets	(32,868,000)	(2,811,000)
Straight-lining of rental income	852,000	(1,232,000)
Interest component of JBS feedlot finance lease	(769,000)	(789,000)
Loss on disposal - one off transaction costs	-	(596,000)
FFO	40,197,000	44,758,000
Adjusted for income tax expense	226,000	669,000
AFFO	40,423,000	45,427,000
AFFO per unit¹	11.9 cents	13.5 cents

Note:

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

FY21 results – summarised balance sheet

- Water entitlements are recorded as intangible assets, and held at the lower of cost 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 120,760 ML and water delivery entitlements total 21,430 ML, representing a fair value of \$212.6m or 19% of total adjusted assets¹.
- See page 22 for details of independent valuations.

Summarised balance sheet

	Pro forma 30 June 2021 \$	As at 30 June 2021 \$	As at 30 June 2020 \$
Cash	11,647,000	11,647,000	5,085,000
Property investments	1,040,691,000	1,002,341,000	892,064,000
Plant and equipment	8,716,000	8,716,000	6,969,000
Current tax receivable	477,000	477,000	-
Derivative financial assets	2,930,000	2,930,000	-
Other assets	15,793,000	15,793,000	10,802,000
Total assets	1,080,254,000	1,041,904,000	914,920,000
Interest-bearing liabilities:			
- Current	2,456,000	2,456,000	3,814,000
- Non-current	285,493,000	344,143,000	297,248,000
Derivative financial liabilities	21,673,000	21,673,000	31,665,000
Current tax liabilities	-	-	1,533,000
Deferred tax liabilities	7,450,000	7,450,000	5,855,000
Other liabilities	17,638,000	17,638,000	16,839,000
Total liabilities	334,710,000	393,360,000	356,954,000
Net assets	745,544,000	648,544,000	557,966,000
Units on issue	380,357,080	339,900,556	337,713,420
NAV per unit	1.96	1.91	1.65
Adjustment for water entitlements fair value per unit	0.24	0.26	0.29
Adjusted NAV per unit	2.20	2.17	1.94

Notes:

- Excludes pro forma water assets (\$38.4m) disclosed in Entitlement Offer dated 8 July 2021.

FY21 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 \$	Other assets \$	Total \$	Adjustment for water entitlements at fair value ^{1, 3} \$	Adjusted total assets \$
Balance as at 30 June 2020	493,719,000	183,526,000	117,262,000	-	97,557,000	6,969,000	15,887,000	914,920,000	97,699,000	1,012,619,000
Additions – Cattle	10,921,000	-	-	-	7,519,000	175,000	-	18,615,000	-	18,615,000
Additions – Cropping	28,032,000	-	4,538,000	29,959,000	-	1,713,000	-	64,242,000	-	64,242,000
Additions – Almond orchard	3,717,000	948,000	-	-	-	-	-	4,665,000	-	4,665,000
Additions – Macadamias	41,482,000	3,846,000	3,517,000	-	135,000	5,299,000	-	54,279,000	-	54,279,000
Additions – Vineyards	11,000	-	-	-	-	-	-	11,000	-	11,000
Disposals	(21,426,000)	(30,016,000)	(10,711,000)	-	(768,000)	(4,287,000)	-	(67,208,000)	(16,289,000)	(83,497,000)
Depreciation and impairments	-	(4,032,000)	-	(24,000)	-	(816,000)	-	(4,872,000)	-	(4,872,000)
Fair value adjustment ⁴	42,289,000	6,510,000	(4,188,000)	(1,651,000)	(48,000)	-	164,000	43,076,000	8,768,000	51,844,000
Other movements	(200,000)	-	-	-	(83,000)	(337,000)	14,796,000	14,176,000	-	14,176,000
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

Notes:

- Accounting standards and ASIC guidance require water entitlements to be recorded as intangible assets, and held at the lower of cost 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, loan to Katena, 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 120,760 ML and 21,430 ML of water delivery entitlements held by the Group representing a fair value of \$212.6m.
- Fair value adjustments as part of valuations for the year ended 30 June 2021.

Valuations, valuers and lease expiry

Policy to conduct independent valuations at least every two years and rotation of valuers¹.

	Property by sector	State	Brief description	Acquisition date	Adjusted property value 30 June 2021	Valuation date (reporting date)	Valuation	Valuer
Almonds	Yilgah	NSW	1,006 ha orchard	Jun-2008	\$ 106.6m	Jun-2021	\$ 107.0m	JLL
	Tocabil	NSW	603 ha orchard	Oct-2014	\$ 48.9m	Jun-2021	\$ 49.0m	JLL
	Kerarbury	NSW	2,530 ha orchard	Oct-2015	\$ 226.5m	Jun-2021	\$ 228.0m	JLL
Cattle	Rewan	QLD	17,479 ha property	Aug-2016	\$ 50.4m	Dec-2020	\$ 50.4m	JLL
	Mutton Hole	QLD	140,300 ha property	Jul-2016	\$ 16.7m	Jun-2021	\$ 16.7m	Herron Todd White
	Oakland Park	QLD	85,500 ha property	Aug-2016	\$ 8.5m	Jun-2021	\$ 8.5m	Herron Todd White
	Natal Aggregation	QLD	390,600 ha property	Dec-2017	\$ 88.5m	Jun-2021	\$ 88.5m	JLL
	Comanche	QLD	7,600 ha property	Jul-2018	\$ 24.2m	Jun-2020	\$ 22.0m	CBRE
	Cerberus	QLD	8,280 ha property	Sep-2018	\$ 14.0m	Jun-2020	\$ 13.8m	CBRE
	Dyam berin	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 Farm, High Hill & Willara	WA	6,195 ha property	Feb-2020	\$ 22.2m	Jun-2020	\$ 21.5m	JLL
	JBS Caroona, Mungindi, Prime City, Beef City, Riverina	NSW/ QLD	150,000 head feedlots (total)	Oct-2018	\$ 55.6m	N/A	\$ 53.7m	Purchase price
	Homehill	QLD	4,925 ha property	Jun-2020	\$ 12.9m	Jun-2020	\$ 11.8m	CBRE
	Yarra	QLD	2,173 ha property	May-2020	\$ 6.2m	Jun-2020	\$ 6.2m	CBRE
Cropping	Lynora Downs	QLD	4,963 ha property	Dec-2016	\$ 41.5m	Jun-2021	\$ 41.5m	JLL
	Mayneland	QLD	2,942 ha property	Sep-2018	\$ 20.4m	Jun-2020	\$ 17.5m	JLL
	Maryborough (21 properties)	QLD	3,962 ha property	Nov-2020	\$ 53.9m	Dec-2020	\$ 53.8m	CBRE
Macadamias	Swan Ridge	QLD	130 ha orchard	Mar-2016	\$ 6.7m	Dec-2019	\$ 6.4m	Colliers
	Moore Park	QLD	104 ha orchard	Mar-2016	\$ 3.9m	Dec-2019	\$ 4.0m	Colliers
	Bonmac	QLD	27 ha orchard	Mar-2016	\$ 2.8m	Dec-2019	\$ 2.9m	Colliers
	Cygnat	QLD	37 ha orchard	Oct-2019	\$ 2.8m	Jun-2021	\$ 2.8m	Herron Todd White
	Swan Ridge South	QLD	123 ha property	Mar-2020	\$ 1.7m	N/A	\$ 1.6m	Purchase Price
	Nursery Farm	QLD	41 ha orchard	May-2020	\$ 5.9m	Jun-2021	\$ 3.8m	Herron Todd White
	Riverton	QLD	1,015 ha property	Nov-2020	\$ 4.9m	Jun-2021	\$ 4.5m	CBRE
	Rookwood Farms	QLD	2,452 ha property	Dec-2020	\$ 10.5m	Jun-2021	\$ 7.1m	CBRE + Purchase Price
	Maryborough (4 properties)	QLD	1296 ha property	Nov-2020	\$ 24.9m	Dec-2020	\$ 20.9m	CBRE
Vineyards	Kleinig	SA	206 ha vineyard	May-2002	\$ 23.0m	Jun-2021	\$ 23.1m	JLL
	Geier	SA	243 ha vineyard	Sep-2000	\$ 27.6m	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	\$ 5.1m	Jun-2021	\$ 5.1m	JLL
	Mundy and Murphy	SA	55 ha vineyard	Apr-2000	\$ 4.1m	Jun-2021	\$ 4.1m	JLL
	Rosebank	VIC	83 ha vineyard	Aug-2003	\$ 3.8m	Jun-2021	\$ 3.8m	JLL
Water	Unencumbered water entitlement - River	NSW	8,754 ML	Dec-2016	\$ 65.7m	Jun-2021	\$ 65.7m	JLL
	Unencumbered water entitlement - River	QLD	3,710 ML	June-2020	\$ 1.1m	N/A	\$ 1.1m	Purchase Price
Adjusted property assets					\$ 1054.5m		\$ 1036.5m	
Cattle financial lease and other assets					\$ 35.6m			
Plant & equipment					\$ 8.7m			
Other receivables and equipment leases					\$ 2.4m			
Total adjusted property assets					\$ 1101.2m			

Note:

- Where no independent valuation has been conducted since acquisition, the purchase price and acquisition date have been listed. JBS Feedlots are not independently valued in financial statements as they are accounted for as a finance lease and are measured at amortised cost. Homehill includes an additional area purchased in December 2020, for \$4.4m.

Portfolio overview

Diversification by climatic zone, sector and lessee.

Assets map, sector information and key lessees¹

Cattle 41%

Properties: 21
Description: 680,805 ha of breeding and backgrounding land. 150,000 head feedlot capacity.
FY21 value: \$398.5m
FY22f revenue: \$28.4 m (41%)
Water entitlements: 7,746 ML

Corporate and listed lessees:

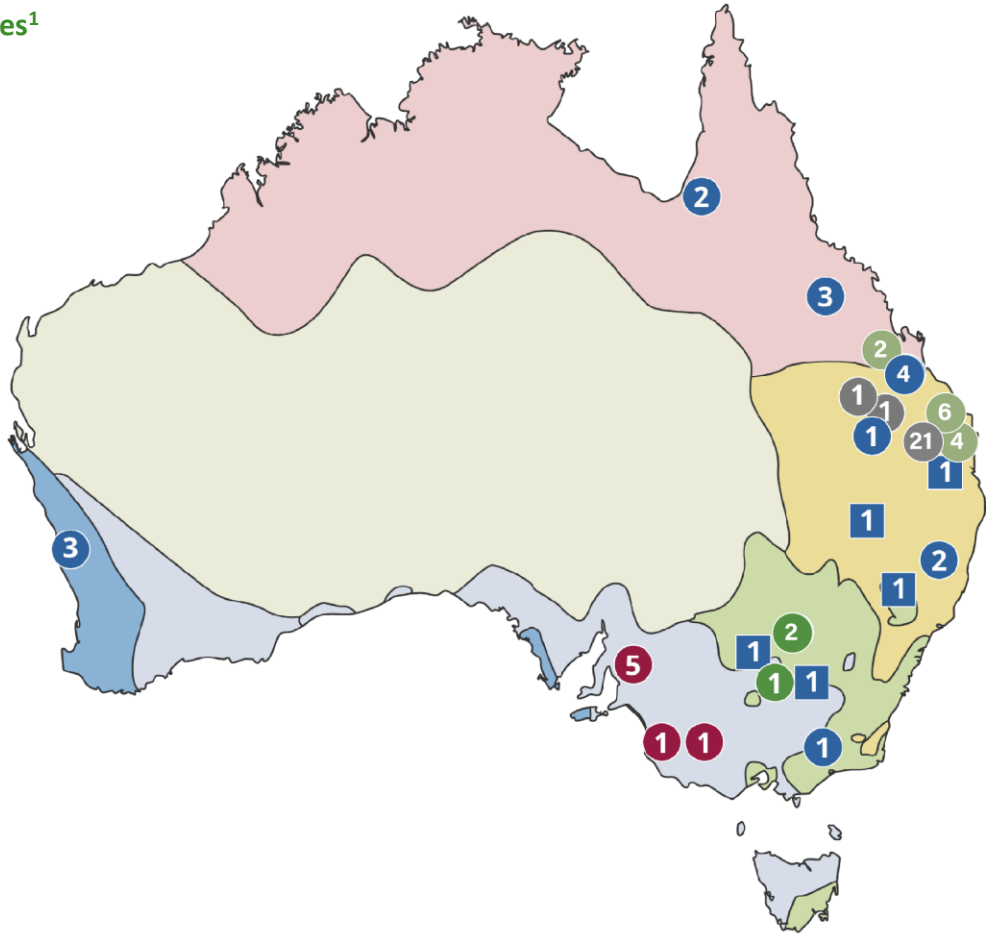


Vineyards 6%

Properties: 7
Description: 666 ha of mature vineyards.
FY21 value: \$64.9m
FY22f revenue: \$4.2m (5%)
Water entitlements: 936 ML

Corporate and listed lessees:





Almonds 41%

Properties: 3
Description: 4,139 ha of established orchards.
FY21 value: \$382.3m
FY22f revenue: \$28.6m (41%)
Water entitlements: 55,525 ML

Corporate and listed lessees:



Cropping 10%

Properties: 23
Description: 11,868 ha of irrigated cropping and dryland cropping land.
Pro forma FY21 value: \$156.3m
FY22f revenue: \$6.4m (10%)
Pro forma water entitlements: 45,687 ML

Corporate and listed lessees:



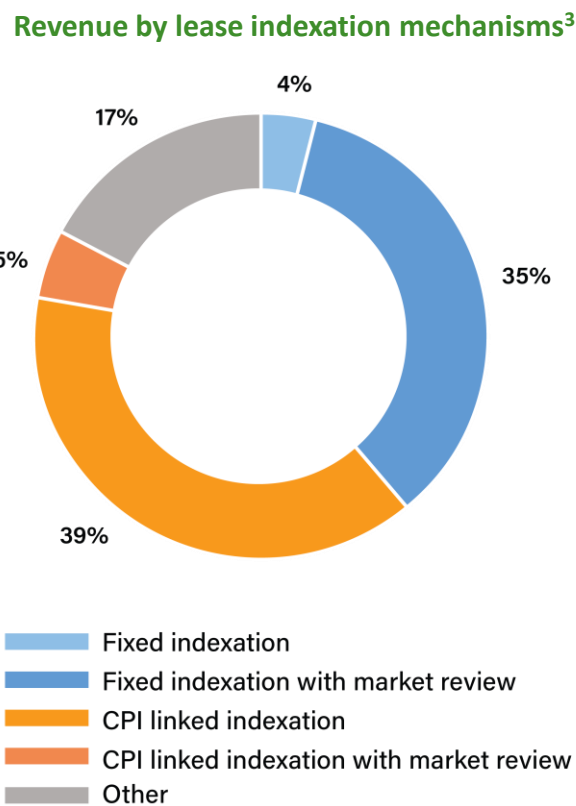
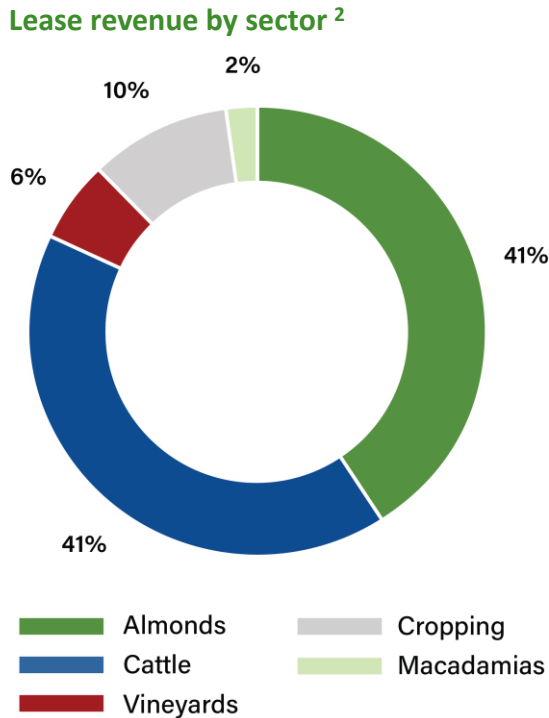
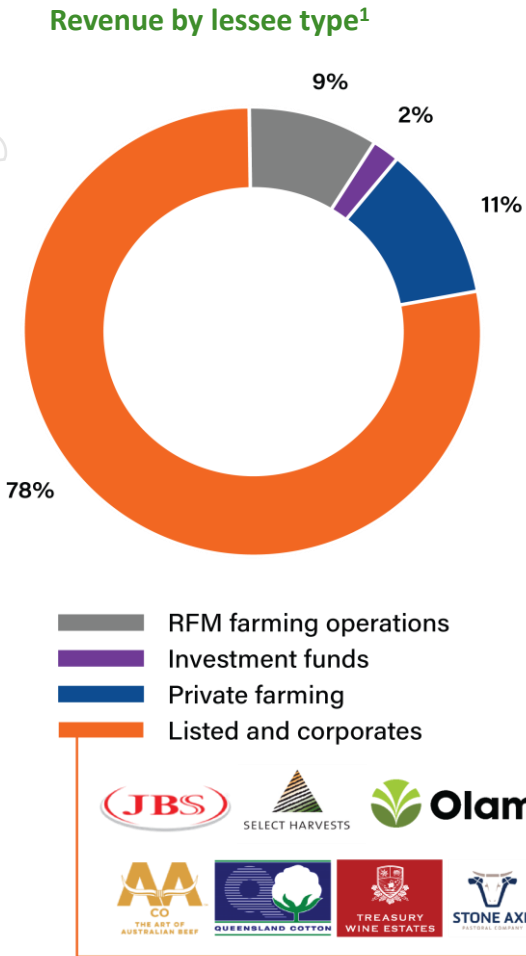
Macadamias 2%

Properties: 12
Description: 391 ha of planted area.
FY21 value: \$70.9m
FY22f revenue: \$1.3m (2%)
Water entitlements: 6,740 ML

Note:
1. Shaded areas denote climatic zones differentiated by rainfall seasonality. Source: Bureau of Meteorology; see Climatic Diversification discussion paper, 20 June 2016. Numbers in the circles/boxes on map show number of assets. Blue square boxes denote cattle feedlots. Cropping pro forma for 8,338 ML water entitlements announced on 8 July 2021 to be acquired for \$38.4m. Unencumbered water entitlements with a value of \$66.8m not shown. Excludes other income (e.g. from annual water allocation sales, cropping operations and agistment).

Revenue by lessees type, sector and indexation

Assets are leased predominantly to corporate agricultural operators.



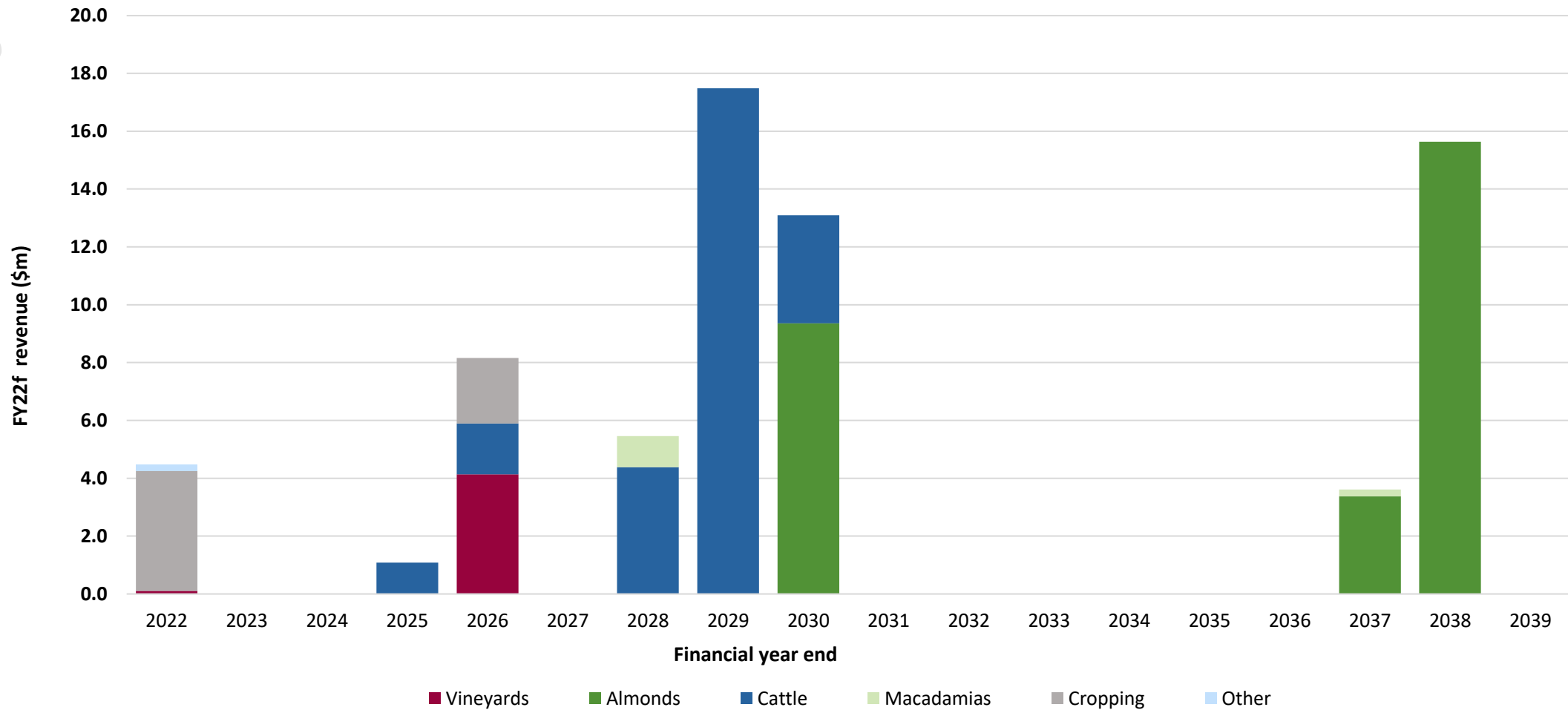
Notes:

- 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 other income (e.g. from annual water allocation sales, cropping operations and agistment).
- Figures shown are subject to rounding. Sectors shown by FY22f revenue. Excludes other income (e.g. from annual water allocation sales, cropping operations and agistment).
- Figures shown are subject to rounding. Lease indexation mechanism shown by FY22f revenue. 'Other' includes e.g. J&F guarantee fee and cattle finance leases. Excludes other income (e.g. from annual water allocation sales, cropping operations and agistment).

Weighted average lease expiry

Weighted average lease expiry (WALE) of 9.3 years.

Lease expiry profile¹



Note:
1. Excludes other income (e.g. from annual water allocation sales, cropping operations and agistment). Weighted average lease expiry (WALE) calculated as the FY22 forecast rent and the year of lease expiry.

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	Capital expenditure Actual FY21	Forecast FY22f
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		
	Dyambersin	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							\$6.5m	\$8.1m
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	370 ha		
	Capex							\$5.5m	\$4.9m
Macadamias	Bundaberg (CY21)	Qld	Various		Orchard development	0 ha	100 ha		
	Rockhampton (CY21)	Qld	Various		Orchard development	0 ha	50 ha		
	Maryborough (CY21)	Qld	Nov 2020		Orchard development	0 ha	350 ha		
	central Queensland (2H22)	Qld	Various		Orchard development	0 ha	500 ha		
	central Queensland (FY23-26)	Qld	Various		Orchard development	0 ha	4,000 ha		
	Capex							\$8.4m	\$45.3m
Almonds	Various	NSW	Various		Orchard capex	-	-		
	Capex							\$4.7m	\$2.9
Total Capex								\$25.1m	\$61.2m

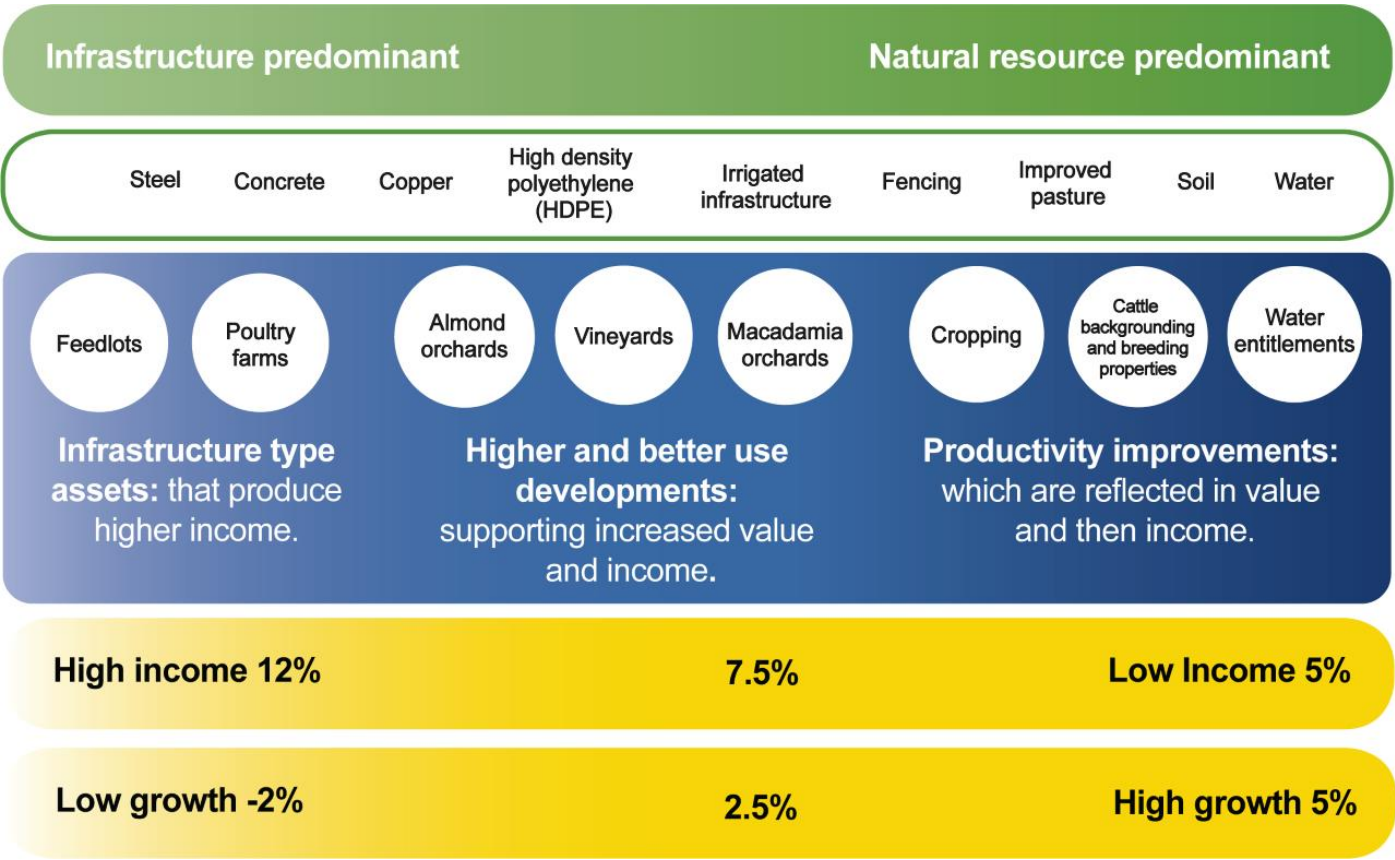
Note:

- 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. Unallocated macadamia development area (4,000 ha) not included in forecast capital expenditure. Forecast capex includes rentable and non-rentable amounts.

Investment strategy

Productivity improvements and higher and better use development strategies aim to increase total returns and AFFO generation.

Spectrum of investment opportunities¹



Note:
1. The income and growth figures presented in the chart above have been provided to differentiate the profile of income and growth that can be derived from different assets. They are based on RFM's experience and historical observations of agricultural lease transactions and historical rates of growth. They are neither forecasts nor projections of future returns. Past performance is not a guide to future performance.

Environment, social and governance (ESG)

Policies and procedures addressing ESG issues.

Environment	Social	Governance
<p>Climate change</p> <ul style="list-style-type: none">Climate diversification strategy.RFM will continue to monitor emissions and seek to implement infrastructure and practice changes. RFM considers climate change may present risks primarily in the form of residual risk of the assets at the end of the lease terms. These risks may be mitigated by how assets are managed. External valuations consider these types of factors as well as other risks when determining the valuations of the assets. <p>Management of natural resources</p> <ul style="list-style-type: none">Leases require operators to use appropriate agricultural production methods, including minimising environmental impact, protecting biodiversity, management of water and soil health.	<p>Employment</p> <ul style="list-style-type: none">RFM, as responsible entity of RFF, has a range of staff-related policies including code of conduct, HSE (health, safety and environment), incident management, diversity and equal opportunity. RFM has also implemented an extensive HSE management system to educate employees and contractors. The RFM Board receives a monthly HSE report. <p>Animal welfare</p> <ul style="list-style-type: none">RFM has policies and procedures in place that are explicit about animal health and welfare. <p>Community engagement</p> <ul style="list-style-type: none">RFM has committed \$1m over three years to assist farmers in Taken, Cambodia with agricultural practices to improve farm productivity.	<p>Compliance committee</p> <ul style="list-style-type: none">RFM has an internal compliance committee consisting of representatives of different business units reporting to the RFM Board of Directors. <p>Conflicts of interest and related party transactions</p> <ul style="list-style-type: none">RFM always acts in the best interest of the unitholders of the funds it manages.RFM has a Conflict of Interest Management Policy. Additional responsibilities are set out in RFF's Constitution, the Corporations Act, ASX Listing Rules and Australian Financial Services Licence.The RFM Board receives a monthly report covering compliance, any conflicts of interest, and related party transactions.

Taken project

In May 2019, Rural Funds Management committed to providing resources and agricultural expertise to improve the economic and social prospects of the village of Taken, located in the Battambang prefecture of western Cambodia.

The aim of the Taken project is to educate and mentor local farmers to develop more modern, sustainable and diversified agricultural enterprises. RFM (not RFF) has committed to providing \$1m over three years, as well as ongoing advice and support to achieve this aim.



To view an update on the Taken project provided in Edition 15 of the Biannual Newsletter, scan the QR code.



Team members measure the rate of water moving off fields to understand how irrigation and drainage design can be improved (image left). Water is pumped into a main delivery channel (image right). Taken, Cambodia, April 2021.

Rural Funds Group

ASX:
RFF

Managed by:



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Managing Director
24 years



Dan Edwards
National Manager - Rural
Funds Group
15 years



Mengyi Liu
Group Accountant
8 years



Matt Mitchell
National Manager -
Cropping
18 years



Scott Norval
National Manager -
Macadamias
6 years



James Powell
General Manager - Investor
Relations and Marketing
12 years



Scott Roxburgh
Business Manager
10 years



David Sheridan
National Manager -
Livestock
2 years



Tim Sheridan
Chief Operating Officer
12 years



Kristina Smith
National Manager -
Human Resources
14 years



Emma Spear
National Manager -
Operations and Company
Secretary
12 years



David Thomson
Senior Business Manager
13 years



Daryl Winter
National Manager -
Horticulture
15 years



Peter Wong
Finance Manager
3 years



Daniel Yap
Chief Financial Officer
8 years

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*With thanks to the RFM corporate and farm management staff
for their contribution of photos for this presentation.*

RFM corporate and operations management (listed alphabetically by surname)