

Almond Fund 2008

Financial Statements

For the Year Ended 30 June 2014

RFM Almond Fund 2008

ARSN 127 947 960

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Corporate Directory

Registered Office	Level 2, 2 King Street DEAKIN ACT 2600
Responsible Entity	Rural Funds Management Limited ABN 65 077 492 838 Level 2, 2 King Street DEAKIN ACT 2600 Telephone: 02 6203 9700 Fax: 02 6281 5077
Directors	Guy Paynter David Bryant Michael Carroll
Company Secretary	Andrea Lemmon
Custodian	Australian Executor Trustees Limited ABN 84 007 869 794 Level 22 207 Kent Street SYDNEY NSW 2000
Auditors	PricewaterhouseCoopers Darling Park Tower 2 201 Sussex Street SYDNEY NSW 2000

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Directors of the Responsible Entity's Report

30 June 2014

The Directors of Rural Funds Management Limited ("RFM"), Responsible Entity of RFM Almond Fund 2008 ("AF08" or "the Scheme") present their report on the Scheme for the financial year ended 30 June 2014.

Directors

The name of the Directors of the Responsible Entity in office at any time during, or since the end of, the year are:

Name	Position
Guy Paynter	Non-Executive Chairman
David Bryant	Managing Director
Michael Carroll	Non-Executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The principal activity of the Scheme is the commercial growing of almonds to be sold for processing and consumption in Australia and internationally.

AF08 was established in 2008 to provide Growers with an opportunity to invest and participate in the business of growing and selling almonds. The Growers are licensed to operate an almond growing business for 19 years from June 2008 after which the revenue from the trees reverts to the lessor. From 2008 to 2027, the Growers have entered into a Licence and Management Agreement ("LMA") with RFM to conduct the growing and harvest of the almonds.

For the duration of the license period, Growers are entitled to receive net cash flows arising under the Scheme, being revenue from almond sales less Scheme costs. During the 2014 year the revenues exceeded costs as a result of the almond trees reaching maturity at the end of 2013 year. The surplus is expected to be distributed to Growers in October 2014.

As the Scheme manages the cash flows associated with the above and does not operate a business in its own right, AF08 does not have net assets except for the balance noted in the Statement of Financial Position which represents the excess of 2014 harvest inventory value over 2014 expenses. The respective rights and obligations under the LMA rest with the Growers.

Rural Funds Group (formerly RFM RiverBank) is the owner of the land which is leased or licensed to the Scheme for utilisation by the Scheme. The Scheme grants a licence of an almondlot to a Grower pursuant to the LMA. If Growers fail to make payment in accordance with the LMA, the Responsible Entity may cancel their almondlots and the Grower's interest in the Scheme is automatically terminated.

In February 2011, Rural Funds Group and the Scheme clarified the obligations of both parties in a Funding Agreement, by which Rural Funds Group agreed to take a licence over the cancelled almondlots, and provide loan funding to the Scheme to assist in meeting the ongoing costs of orchard maintenance, management and other expenses of the Scheme (capped at \$2.657m). The interest on the funding will accrue daily at the interest rate BBSW + 4%.

Under the terms of the Funding Agreement, Rural Funds Group was granted licences over 102 of the total of 1058 almondlots. No almondlots have been cancelled since 1 July 2013.

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Directors of the Responsible Entity's Report

30 June 2014

Principal activities (continued)

Rural Funds Group publicly advertised for expressions of interest to take over its 102 almondlots from 1 July 2013. RFM was the successful applicant offering the most commercially attractive bid and contracts for the 102 almondlots were exchanged on 15 October 2013.

Further information on the Scheme operations is detailed in note 1(a)(i) on page 13.

Each almond grove operated represents an area of 0.2158 hectares. As at 30 June 2014, the Scheme had 174 (2013: 174) Growers with a total of 956 (2013:956) groves representing 206.3 (2013:206.3) hectares.

Review of results and operations

The net profit attributable to Growers for year ended 30 June 2014 was \$ 883,514 (2013 \$1,340,644)

Harvest proceeds are received in the financial year following harvest. Therefore, the 2014 harvest proceeds will be received in the 2015 financial year. The proceeds of the 2013 harvest, the Scheme's fourth harvest, were available for funding the 2014 operating costs. The table below gives the details of the 2014 harvest with a comparison to the 2013 harvest.

	Tonnes per grove	Per hectare
2014 Estimated harvest per original PDS	0.76	3.50
2014 Actual harvest	0.69	3.20
2013 Estimated harvest per original PDS	0.67	3.10
2013 Actual harvest	0.87	4.11

The 2014 harvest was completed in late May and experienced some delay due to frequent rain events during the harvest period. The increased moisture from the wet conditions negatively impacted the yield and quality of the crop. As a result, the 2014 yield is 9% lower than the estimated yield of 3.5 tonnes per hectare. However, the lower yield is expected to be offset by an increase in almond price with current price forecast at \$8.38 per kilogram, providing a forecast net cash surplus position at the end of the 2015 financial year.

Almondco, the company responsible for processing and marketing the Scheme's almonds, sells the crop progressively over twelve months and thus the final pricing will not be known until 30 June 2015, however RFM is confident it will reflect the strong upward price trend for almonds.

On 3 April 2014, RFM had entered a loyalty rebate agreement with Almondco committing to use their hulling and shelling services at the Lyrup facility for all RFM almond crop for a term of up to three years. In consideration for RFM's commitment, RFM secured a loyalty rebate of \$0.07 per kilogram of the net kernel weight of almonds supplied. The rebate applies from 2014 harvest and it is expected to reduce the processing costs by approximately 25%.

On 27 June 2014, the Scheme acquired 19,266 units in RF Active, a fund managed by RFM, that leases almond growing plant and equipment formerly owned by Rural Funds Group (formerly RFM Riverbank). It is currently proposed that the Scheme will divest its units in RF Active and RF Active will be stapled to Rural Funds Group and listed on the Australian Securities Exchange. However, the Scheme will maintain an ongoing licence to use the plant and equipment owned by RF Active in its almond growing operations.

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Directors of the Responsible Entity's Report

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Distributions

The 2013 harvest revenue was sufficient to fund 2014 operating costs and a distribution is expected to be declared and distributed to Growers in October 2014.

Interests in the Scheme

	Licence and Management Agreements	No. of almondlots under LMAs
License and Management Agreements at 1 July 2013 and 30 June 2014	174	956

Interest in the Scheme held by the Responsible Entity and its associates

Rural Funds Group is a fund managed by the Responsible Entity and is therefore associated with AF08.

Rural Funds Group was granted licences over 102 almondlots by the Scheme. Under the terms of these licences, Rural Funds Group was entitled to the harvest proceeds arising from these lots and was obliged to pay the operating expenses. Rural Funds Group did not have rights or obligations of a Grower under the Scheme.

Rural Funds Group publicly advertised for expressions of interest to take over its licences of the 102 almondlots effective from 1 July 2013. RFM was the successful applicant offering the most commercially attractive bid and contracts were finalised on 15 October 2013. Rural Funds Group has retained entitlement to proceeds from the 2013 harvest and RFM has met costs to date associated with the 2014 harvest.

Fees paid to Responsible Entity

In accordance with LMA, the management fees paid to the Responsible Entity for the financial year ended 30 June 2014 were \$228,469 (2013: \$222,901) inclusive of GST.

A performance fee is payable by the Grower to the Responsible Entity for each financial year from and including financial year commencing 1 July 2013, calculated in accordance with the LMA. The 2014 distribution amount has exceeded the 2014 benchmark set in the LMA. As a result, performance fees payable to the Responsible Entity for the financial year ended 30 June 2014 were \$194,599 inclusive of GST.

Scheme assets

At 30 June 2014 the Scheme held assets to a total value of \$6,174,968 (2013: \$5,508,488) on behalf of Growers. This represents amounts held from 2013 harvest proceeds to cover Growers' 2014 operating costs, management fees and licence fees. The cash surplus after paying all costs will be paid to Growers in October 2014.

After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operation of the Scheme, the result of those operations or the state of affairs of the Scheme in future financial years.

Significant changes in state of affairs

There were no significant changes to the state of affairs of the Scheme during the year.

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Directors of the Responsible Entity's Report

30 June 2014

Insurance of Officers

During the financial year RFM has paid premiums in respect of RFM's Directors' or executive officers' liability and legal expenses insurance contracts for the year ended 30 June 2014. The entity has paid in respect of the Scheme, premiums in respect of such insurance contracts for the year ending 30 June 2014. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been the Directors or executive officers of RFM.

Likely developments and expected results of operations

Maximising the Growers' return by developing crop yield potential and improve efficiency in operations continue to be RFM's main focus for the Scheme. A number of capital expenditure projects will be carried out by Rural Funds Group (land owner) in the year ending 30 June 2015 to minimise the impact on crop yield from extreme weather conditions.

Environmental regulation and performance

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

Indemnification of Directors and Officers

In accordance with the Scheme deed, AF08 indemnifies the Directors, Company Secretary and all other Officers of the Responsible Entity and Custodian, when acting in those capacities, against costs and expenses in defending certain proceedings.

AF08 has not otherwise, during or since the financial year, indemnified or agreed to indemnify an Officer of RFM or of any related body corporate against a liability incurred as such by an Officer.

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Directors of the Responsible Entity's Report

30 June 2014

Information on Directors of the Responsible Entity

Guy Paynter

Qualifications

Experience

Non-Executive Chairman

Bachelor of Laws from The University of Melbourne.

Guy Paynter is a former director of broking firm JB Were and brings to RFM more than 30 years of experience in corporate finance. Guy is a former member of the Australian Securities Exchange (ASX) and a former associate of the Securities Institute of Australia (now known as the Financial Services Institute of Australasia). Guy is also chairman of Aircruising Australia Limited. Guy's agricultural interests include cattle breeding in the Upper Hunter region in New South Wales.

Special Responsibilities

Member of Audit Committee

Directorships held in other listed entities during the three years prior to the current year

Nil

David Bryant

Qualifications

Experience

Managing Director

Diploma of Financial Planning from the Royal Melbourne Institute of Technology and a Masters of Agribusiness from The University of Melbourne.

David Bryant established RFM in February 1997. Since then, David has led the RFM team that has acquired over \$300 million in agricultural assets across eight Australian agricultural regions. This has included negotiating the acquisition of more than 25 properties and over 60,000 megalitres of water entitlements.

Special Responsibilities

Managing Director

Directorships held in other listed entities during the three years prior to the current year

Nil

Michael Carroll

Qualifications

Experience

Non-Executive Director

Bachelor of Agricultural Science from La Trobe University and a Master of Business Administration (MBA) from The University of Melbourne's Melbourne Business School. Michael has completed the Advanced Management Program at Harvard Business School, Boston, and is a Fellow of the Australian Institute of Company Directors.

Michael Carroll serves a range of food and agricultural businesses in a board and advisory capacity and is on the Boards of Queensland Sugar Limited, Select Harvests Limited, Sunny Queen Pty Ltd and the Rural Finance Corporation of Victoria. Michael also has senior executive experience in a range of companies, including establishing and leading the National Australia Bank (NAB) Agribusiness division.

Special Responsibilities

Chairman of Audit Committee

Directorships held in other listed entities during the three years prior to the current year

Michael is on the Board of Select Harvests Limited and joined the Board of Tassal Group Limited in June 2014. Michael was also on the Board of Warrnambool Cheese and Butter Limited from August 2009 until May 2014.

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Directors of the Responsible Entity's Report

30 June 2014

Company secretary of the Responsible Entity

Stuart Waight (member of the Institute of Chartered Accountants) held the position of company secretary at the end of the financial year. Stuart has been the company secretary since 2010. He is responsible for optimising the performance of the RFM funds, and analysing future developments, acquisitions and investments.

On 24 July 2014 Stuart Waight resigned from the position of company secretary and Andrea Lemmon was appointed as company secretary. Andrea has worked with RFM since its formation in 1997 and currently holds the position of Executive Manager Funds Management.

Meetings of Directors of the Responsible Entity


During the financial year 15 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Directors' meetings	
	Number eligible to attend	Number attended
Guy Paynter	15	13
David Bryant	15	14
Michael Carroll	15	15

Auditor's independence declaration

An independent declaration has been provided to the Directors by the auditor of AF08, PricewaterhouseCoopers and can be found on page 8 of the financial report.

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



David Bryant
Director

23 September 2014



Auditor's Independence Declaration

As lead auditor for the audit of RFM Almond Fund 2008 for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to be 'CMC Heraghty', written over a horizontal line.

CMC Heraghty
Partner
PricewaterhouseCoopers

Sydney
23 September 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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Statement of Comprehensive Income

For the Year Ended 30 June 2014

		2014	2013
	Note	\$	\$
Revenue	3	6,262,280	1,507,123
Cost of goods sold		(5,805,453)	(1,409,984)
Increment/(decrement) in biological assets	10	2,534,127	2,296,796
Other income	4	-	262,481
Dividends received		-	100
Interest received		1,374	81,910
Performance fees		(194,599)	-
Management fees	15(a)	(228,469)	(222,901)
Land lease	15(a)	(1,115,569)	(1,174,881)
Other expense	6	(570,177)	-
Net profit attributable to Growers		883,514	1,340,644
Net profit for the period		883,514	1,340,644
Other comprehensive income		-	-
Total comprehensive income for the year, representing changes in net assets attributable to Growers		883,514	1,340,644

The accompanying notes form part of these financial statements

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Statement of Financial Position

30 June 2014

	Note	2014 \$	2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	910,204	2,842
Trade and other receivables	8	3,989	48,283
Inventory	9	5,241,509	5,457,363
Assets held for sale	11	19,266	-
Total current assets		6,174,968	5,508,488
Non-current assets			
Financial assets		-	-
Total non-current assets		-	-
TOTAL ASSETS		6,174,968	5,508,488
LIABILITIES			
Current liabilities			
Trade and other payables	12	154,131	371,165
Total current liabilities		154,131	371,165
TOTAL LIABILITIES		154,131	371,165
Net assets attributable to Growers		6,020,837	5,137,323

The accompanying notes form part of these financial statements

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Statement of Changes in Net Assets Attributable to Growers

For the Year Ended 30 June 2014

	Net assets attributable to Growers
	\$
Balance at 1 July 2013	5,137,323
Contributions received from Growers	-
Total comprehensive income for the year	883,514
Balance at 30 June 2014	6,020,837

	Net assets attributable to Growers
	\$
Balance at 1 July 2012	1,652,562
Contributions received from Growers	2,144,117
Total comprehensive income for the year	1,340,644
Balance at 30 June 2013	5,137,323

The accompanying notes form part of these financial statements

RFM Almond Fund 2008

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Statement of Cash Flows

For the Year Ended 30 June 2014

	Note	2014 \$	2013 \$
CASH FLOW FROM OPERATING ACTIVITIES :			
Receipts from customers		6,262,280	1,507,223
(Paid to)/received from Rural Funds Group for cancelled groves		(570,177)	274,795
(Repayment to)/received from Rural Funds Group for shortfall funding		(360,136)	360,136
Payments to Responsible Entity		(4,426,573)	(4,526,466)
Interest received		1,374	2,644
Net cash provided by/(used in) operating activities	16	906,768	(2,381,668)
Cash flow from investing activities			
CASH FLOW FROM INVESTING ACTIVITIES:			
Investment in RF Active		(19,266)	-
Net cash used in financing activities		(19,266)	-
CASH FLOW FROM FINANCING ACTIVITIES:			
Contribution from Growers		19,860	2,144,117
Net cash provided by financing activities		19,860	2,144,117
Net increase/(decrease) in cash and cash equivalents		907,362	(237,551)
Cash and cash equivalents at beginning of year		2,842	240,393
Cash and cash equivalents at end of year	7(a)	910,204	2,842

The accompanying notes form part of these financial statements

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Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The report has been prepared on a going concern basis.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical cost.

The financial statements report on RFM Almond Fund 2008 as an individual entity. AF08 is a Scheme, established and domiciled in Australia. The financial statements are presented in Australian dollars and all values are rounded to the nearest dollar.

(i) Scheme information

AF08 is a registered Australian Managed Investment Scheme, and was constituted in 2008. RFM, the Responsible Entity for the Scheme is incorporated and domiciled in Australia. The registered office of the Responsible Entity is Level 2, 2 King Street, Deakin, ACT 2600.

The nature of the operations and principal activities of the Scheme are described in the Directors of the Responsible Entity's Report.

The Scheme does not operate a business in its own right. The Scheme acts as a conduit for the receipt of income from the sale of almond produce, and the distribution of the same to the Grower investors. It also acts as a conduit for the receipt of monies from Growers and where applicable the distribution of those monies in accordance with the Scheme's constituent documents. Growers are responsible for all operating costs, licence and management fees, including an interest component to fund the operation. Any profits made under the Scheme are profits made by the Growers.

For the duration of the licence period, Growers are entitled to receive the net cash flows arising under the Scheme, being the revenue from almond sales less Scheme costs. The almond trees reached commercial maturity in the 2013 year. The 2013 harvest revenue received throughout 2014 had been applied to fund 2014 operating expenses. The revenues exceeded the costs and the surplus is expected to be distributed to Growers in October 2014.

As the Scheme manages the cash flows associated with the above and does not operate a business in its own right, the Scheme does not have net assets except for the balance noted in the Statement of Financial Position which represents the excess of 2014 harvest proceeds inventory value over expenses related to 2014. The respective rights and obligations under the LMAs rest with the Growers.

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Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Scheme information (continued)

Management of the Responsible Entity of the Scheme have determined that in order to provide more relevant information to Growers about the financial position of the Scheme that balances be shown on a collective basis before balances are netted off against amounts owing to the Responsible Entity.

This results in the balances being shown in the Statement of Comprehensive Income reflecting almond income in the period in which the almonds are grown and sold and then deducting from this amount expenses incurred during the period.

The Statement of Financial Position shows separately, assets related to harvest inventory and balances related to transactions with the Responsible Entity.

The Statement of Changes in Net Assets Attributable to Growers reflects amounts paid into the Scheme by Growers and the application throughout the period.

The information in this financial report is for the benefit of the Growers and includes income and expenditure that has 'flowed through' the Scheme, however it should be noted that the Scheme does not generate income or incur expenditure in its own right.

(ii) Obligations of the Responsible Entity

The Responsible Entity, RFM, has obligations to operate the Scheme and perform functions conferred on it by the relevant Scheme constitution.

In addition, RFM has separately entered into individual contractual arrangements with members of the Scheme under which RFM has other obligations directly with the individual members of the Scheme.

This financial report relates only to the Scheme and therefore only considers the obligations of RFM to the Scheme pursuant to the constitution and the sublease. Other than as noted below at Note 1(a)(iii), the financial report does not consider obligations of RFM in respect of obligations to members of the Scheme pursuant to the separate contractual relationships between RFM and those members.

(iii) Other obligations to members of the Scheme

In addition to its responsibilities as the Responsible Entity, RFM has entered into individual contractual arrangements with members of the Scheme under which RFM is obliged to incur various expenditures and provide various services. The members either have paid or will make payments to RFM to perform these obligations. The costs incurred by RFM in discharging its contractual obligations with members are specific financial obligations of RFM and are reimbursable to RFM from the members. They can be recoverable from the member's proceeds of sale and are not financial obligations of the Scheme. Therefore these costs are not directly relevant to this financial report.

Notwithstanding this, members of the Scheme should understand that in addition to RFM meeting its obligations to the Scheme under the Managed Investment Scheme constitutions, RFM also needs to meet its contractual obligations to members for services pursuant to the individual agreements entered into with individual members of the Scheme. These obligations include incurring maintenance expenditures for the duration of the Scheme.

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Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) Other obligations to members of the Scheme

The cash inflows to RFM from the performance of the ongoing management and maintenance services for the member are predominantly received within thirteen months of the expenditure being incurred.

(b) Comparative amounts

Comparatives are consistent with prior years, unless otherwise stated.

(c) Revenue

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Scheme and specific criteria relating to the type of revenue as noted below, have been satisfied.

Interest revenue is recognised in the Statement of Comprehensive Income as it accrues, on an effective interest rate basis.

Revenue from the sale of agricultural produce is recognised at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity.

All revenue is stated inclusive of the amount of Goods and Services Tax (GST).

(d) Income tax

All Scheme assets and any income of the Scheme is held on behalf of either the Growers or the Responsible Entity. The Scheme does not derive any income on its own account and accordingly is not subject to income tax.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised inclusive of the amount of GST. Growers registered for GST are able to claim input tax credits from the ATO based on the annual invoice. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(g) Trade and other receivables

Receivables are recognised and carried at original amount, less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of an amount is no longer probable. Financial difficulties of the debtor, default payments or debts more than 180 days are considered objective evidence of impairment.

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For the Year Ended 30 June 2014

1 Summary of significant accounting policies (continued)

(h) Impairment of assets

At each reporting date, the Scheme reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

(i) Inventory

Agricultural produce

Agricultural produce is the product of the biological assets held. Agricultural produce on hand at year end is valued at the lower of cost and net realisable value. In accordance with the agriculture accounting standard, subsequent to harvest taking place, cost is measured at fair value less point of sale costs at the time of harvest. The carrying value of inventory is considered against net realisable value at balance date.

Inventories include almonds on hand, both delivered and undelivered at balance date, as the transfer of ownership of the almonds does not occur until they are paid for.

(j) Biological assets

In accordance with AASB141, the almond harvest has been recognised at fair value less costs to sell at the point of harvest.

Any changes in the fair value of biological assets are recognised as income or expenditure in the Statement of Comprehensive Income. The movement is determined as the difference between the net fair value at the beginning and at the end of financial year adjusted for additions and harvesting during the financial year amount is expensed to the Statement of Comprehensive Income.

(k) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Scheme becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

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Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

Available-for-sale financial assets

Certain investments are classified as available-for-sale financial assets. Available-for-sale financial assets are reflected at fair value unless their fair value cannot be reliably measured. Unrealised gains and losses arising from changes in fair value are taken directly to net assets attributable to Growers where the investment is held above cost, and through the Statement of Comprehensive Income where the fair value is less than costs.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, with reference to similar instruments and option pricing models.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(l) Trade and other payables

Liabilities for creditors are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Scheme.

Payables include estimated distributions payable. The carrying period is aligned with the receipt of trade receivables in accordance with note 1(g) and the terms of the Scheme constitution which determine that distributions are payable on or by October each year.

(m) Terms and conditions on interests

Each Grower entered into a LMA under which they contracted with the Responsible Entity to take a lease of one or more almondlots, totalling 0.25 hectares each, within the almond grove, and for the Responsible Entity to carry on the future management and maintenance of those almondlots for the duration of the project. The Responsible Entity will arrange for the harvest of the almond produce on behalf of Growers. The almond produce from all almondlots in the project will be aggregated with Growers receiving their proportionate share of the proceeds of sale of almond produce from the project as arranged by the Responsible Entity.

As a result of the resolutions passed at a meeting of Growers on 24 February 2010 an almondlot is defined as an area of approximately 0.25 hectares or such other size as notified by the Responsible Entity to the Grower. At the date of this report the almondlot size is 0.2158 hectares.

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Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of significant accounting policies (continued)

(n) New accounting standards and interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Scheme has decided against early adoption of these Standards. The new Standards are not expected to have any significant impact on the Scheme.

2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Net realisable value of inventory

The price forecast for the 2014 harvest proceeds is based on Almondco's almond value advice which takes into consideration the trend of demand and supply, performance from other major almond producers as well as foreign currency fluctuation.

3 Revenue

	2014	2013
	\$	\$
Harvest proceeds – sale of almonds	6,262,280	1,507,123
Total	6,262,280	1,507,123

4 Other income

Interest		
Receipts from Rural Funds Group in respect of cancelled groves	-	271,744
Other income	-	(9,263)
Total	-	262,481

5 Auditors' remuneration

Remuneration of the auditor of the Scheme for:

- Auditing or reviewing the financial report	18,000	-
Remuneration of other auditor for:		
- Auditing or reviewing the financial report	-	18,023
Total	18,000	18,023

The auditor of the Scheme for the year ended 30 June 2013 was Boyce Assurance Service Pty Ltd.

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Notes to the Financial Statements

For the Year Ended 30 June 2014

6 Other expense

	2014	2013
	\$	\$
Payments to Rural Funds Group in respect of cancelled groves	(570,177)	-
Total	(570,177)	-

7 Cash and cash equivalents

Cash at bank	910,204	2,842
Total	910,204	2,842

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of cash flows is reconciled to items in the Statement of financial position as follow:

Cash and cash equivalents	910,204	2,842
Total	910,204	2,842

8 Trade and other receivables

Other receivables	-	24,434
Receivable from Growers	3,989	23,849
Total	3,989	48,283

9 Inventory

Agricultural produce		
Almonds on hand and at processor	5,241,509	5,457,363
Total	5,241,509	5,457,363

Agricultural produce inventory represents almonds which have been harvested but not yet sold.

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Notes to the Financial Statements

For the Year Ended 30 June 2014

10 Biological assets

	2014	2013
	\$	\$
Opening balance	-	-
Costs capitalised	2,707,382	3,160,567
Increase/(decrease) due to biological transformation	2,534,127	2,296,796
Transfer to agricultural produce	(5,241,509)	(5,457,363)
Balance at 30 June 2014	-	-

The increment in biological assets represents the expected market price net of selling costs for the almond crop, which is generally harvested in the first four months of the calendar year. The Scheme receives instalment payments of the proceeds as the almonds are sold and therefore the final sale price will not be known until the final instalment is received, which for the current harvest is due in June 2015. The forecast sale price is \$8.38 per kilogram (2013: \$6.67 actual). The Scheme does not own any almond trees. Almonds on trees and work performed in respect of the 2015 crop at the year ended 30 June 2014 was nil.

11 Assets classified as held for sale

Available-for-sale investments		
Investment – RF Active	19,266	-
Total	19,266	-

The Scheme's investment in units in RF Active is held for sale. There are no fixed returns or a fixed maturity date attached to this asset.

12 Trade and other payables

Trade payables	154,131	11,029
Shortfall funding – Rural Funds Group	-	360,136
Total	154,131	371,165

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Notes to the Financial Statements

For the Year Ended 30 June 2014

13 Financial risk management policies

(a) Financial risk management objectives, policies and processes

Financial instruments of the Scheme comprise, cash and cash equivalents, net assets attributable to Growers, and other financial instruments such as trade debtors and creditors, which arise directly from its operations. The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to Growers of the Scheme from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, ultimately to the Board of Directors of the Responsible Entity.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty. In order to avoid excessive concentrations of risk, the Scheme monitors its exposure to ensure concentrations of risk remain within acceptable levels.

(b) Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss.

With respect to credit risk arising from the financial assets of the Scheme, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk is not considered to be significant to the Scheme because any default by a Grower on their contributions results in a corresponding reduction in the payable to RFM for management fees, licence fees and interest.

The Scheme sells its almonds through Almondco Australia, an almond processing and marketing co-operative. The Scheme retains ownership of the almonds until payment is received for their sale. Credit risk from this counterparty is assessed as low.

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled as the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

Under the terms of its Constitution, the Scheme has the ability to manage liquidity risk by delaying distributions to Growers, if necessary, until the funds are available to pay them.

Financial liabilities of the Scheme comprise of trade and other payables, and net assets attributable to Growers. Trade and other payables are on terms that correspond with Grower contributions receivables thus limiting liquidity risk. Net assets attributable to Growers are payable when distributable profit meets the criteria for distribution according to the Scheme's Constitution.

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Notes to the Financial Statements

For the Year Ended 30 June 2014

13 Financial risk management policies (continued)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial assets will fluctuate due to changes in market variables such as interest rates. The effects of a \$0.50/kg change in the price of almonds on Grower contribution are shown in the following table. In general, an increase in the almond price will result in a decrease in the contribution required from the Growers. A decrease in the almond price will have an equal and opposite effect. This is evidenced below:

	2014	2014	2013	2013
	Per grove	Total	Per grove	Total
	\$	\$	\$	\$
Increase of \$0.50/kg	(347)	(331,870)	(451)	(477,500)
Decrease of \$0.50/kg	347	331,870	451	477,500

(e) Fair values

The Scheme's financial assets and liabilities included in the Statement of Financial Position are carried at their fair value or at amounts that approximate their fair values.

14 Key management personnel compensation

(a) Directors

The Directors of RFM are considered to be key management personnel of the Scheme. The Directors of the Responsible Entity in office during the year and up to the date of the report are:

Guy Paynter
David Bryant
Michael Carroll

(b) Other key management personnel

In addition to the Directors noted above, RFM, the Responsible Entity of the Scheme is considered to be key management personnel with the authority for the strategic direction and management of the Scheme.

In accordance with the Constitution and LMA's, the Responsible Entity received management fees of \$238.98 (2013: \$233.16), inclusive of GST, per almondlot.

The revised fee structure has been applied retrospectively from 1 July 2009 to Growers that elected to remain in the scheme. Following the decision of the Responsible Entity to reduce the lot size from 0.25ha to 0.2158ha the revised fees and costs were also further scaled back on a proportional basis.

RFM may retire as the Responsible Entity of the Scheme as permitted by law. However, RFM must retire as the Responsible Entity of the Scheme when required by law. When retired or removed, RFM will be released from all obligations and remuneration in relation to the Scheme arising after the time of retirement or being removed.

The agreement terminates on 30 June 2027.

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Notes to the Financial Statements

For the Year Ended 30 June 2014

14 Key management personnel compensation (continued)

(c) Compensation of key management personnel

No amount is paid by the Scheme directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Scheme to the Directors as key management personnel.

No direct payments were made to key management personnel from AF08.

(d) Interests in the Scheme held by the Responsible Entity and its associates

Rural Funds Group is a fund managed by the Responsible Entity and is thus associated with it.

Rural Funds Group was granted licences over 102 almondlots by the Scheme. Under the terms of these licences, Rural Funds Group was entitled to the harvest proceeds arising from these lots and was obliged to pay the operating expenses. Rural Funds Group did not have rights or obligations of a Grower under the Scheme.

Rural Funds Group publicly advertised for expressions of interest to take over its licences of the 102 almondlots effective from 1 July 2013. RFM was the successful applicant offering the most commercially attractive bid and contracts were finalised on 15 October 2013. Rural Funds Group has retained entitlement to proceeds from the 2013 harvest and RFM has met costs to date associated with the 2014 harvest.

In 2014, Rural Funds Group received \$570,177 proceeds from 2013 harvest.

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Notes to the Financial Statements

For the Year Ended 30 June 2014

15 Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Farm manager (Rural Funds Management Limited)

The farm manager's fees are based on the farm operating costs incurred by the Responsible Entity plus property licence fees, and management fees prescribed by the Scheme PDS during the year ended 30 June 2014.

Transactions between the Scheme and the Responsible Entity and any entities under the control of the Responsible Entity:

	2014	2013
	\$	\$
Responsible Entity's management fees	228,469	222,901
Licence fee	1,115,569	1,174,881
Agribusiness operations	2,446,318	2,960,119
Plant and Equipment rental	299,080	288,405
Performance fees	194,599	-
Harvest proceeds paid for cancelled groves – Rural Funds Group	570,177	(271,744)
Total	4,854,212	4,374,562

Licence fees and plant and equipment rental payments were subsequently remitted to Rural Funds Group (formerly RFM RiverBank) as the owner of the land and plant and equipment.

(b) Debtors

Cancelled groves funding receivable – Rural Funds Group	-	20,603
RFM	3,908	-
Total	3,908	20,603

(c) Creditors

Shortfall funding – Rural Funds Group	-	360,130
RFM	-	20,420
Total	-	380,550

(d) Others

Investment – RF Active	19,266	-
Total	19,266	-

The Scheme acquired 19,266 units in RF Active Trust in June 2014 for \$19,266. However the Scheme maintains an ongoing licence to use the plant and equipment owned by RF Active in its almond growing operations.

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Notes to the Financial Statements

For the Year Ended 30 June 2014

16 Cash flow information

	2014	2013
Reconciliation of cash flow from operations with profit after income tax	\$	\$
Net income/(loss) for the period	883,514	1,340,644
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	24,434	16,735
Decrease/(increase) in inventories	215,854	(4,047,479)
(Decrease)/(increase) in trade payables and accruals	(217,034)	308,432
Cashflows provided by/(used in) operations	906,768	(2,381,668)

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Directors of the Responsible Entity's Declaration

The Directors of the Responsible Entity declare that:

1. the financial statements and notes of RFM Almond Fund 2008 set out on pages 9 to 25 for the year ended 30 June 2014 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards as stated in accounting policy Note 1 to the Financial Statements and the *Corporations Regulations 2001*; and
 - b. give a true and fair view of the entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date.
2. in the Directors of the Responsible Entity's opinion, there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors of RFM.



David Bryant
Director

23 September 2014



Independent auditor's report to the growers of RFM Almond Fund 2008

Report on the financial report

We have audited the accompanying financial report of RFM Almond Fund 2008 (the registered scheme), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in net assets attributable to growers and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of Rural Funds Management Limited (the responsible entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Auditor's opinion

In our opinion:

- (a) the financial report of RFM Almond Fund 2008 is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the registered scheme's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the registered scheme's financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Priscilla Hase Cooper

by

A handwritten signature in black ink, appearing to be 'PH' or similar initials, with a long horizontal line extending to the right.

CMC Heraghty
Partner

Sydney
23 September 2014

Responsible Entity

Rural Funds Management Limited
ABN 65 077 492 838
AFSL 226 701

Level 2, 2 King Street
Deakin Act 2600

www.ruralfunds.com.au

Telephone (Investor Services)
1800 026 665

Telephone (Adviser Services)
1300 880 295

Facsimile
1800 625 518