

RFM Almond Fund 2008

ARSN 127 947 960

Financial Statements

For the Half Year Ended 31 December 2011

RFM Almond Fund 2008

ARSN 127 947 960

Directory

Registered Office

Level 2, 2 King Street
DEAKIN ACT 2600

Responsible Entity

Rural Funds Management Limited
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DEAKIN ACT 2600

Telephone: 02 6203 9700
Facsimile: 02 6281 5077

Directors

David Bryant
Michael Carroll
Guy Paynter

Company Secretary

Stuart Waight

Custodian

Australian Executor Trustees Limited
ABN 84 007 869 794
Level 22
207 Kent Street
SYDNEY NSW 2000

Auditors

Boyce Assurance Services Pty Limited
36 Bombala Street
COOMA NSW 2630

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For the Half Year Ended 31 December 2011

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Directors of the Responsible Entity's Report

31 December 2011

The Directors of Rural Funds Management Limited ("RFM"), the Responsible Entity of RFM Almond Fund 2008 (the "Scheme"/"AF08"), present their report on the Scheme for the half year ended 31 December 2011.

Directors

The names of Directors in office at any time during, or since the end of the half year are:

David Bryant
Guy Paytner
Michael Carroll

The Directors were in office from the beginning of the financial year until 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 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 20 years after which the revenue from their trees reverts to lessor.

For the duration of the license period Growers are entitled to receive the net cash flows arising under the Scheme, being the revenue from almond sales less Scheme costs. Prior to the almond trees reaching commercial maturity, Scheme costs will exceed revenues. Growers are charged an annual indexed fixed fee per Almondlot 2011: \$2,092 (2010: \$2,086) to fund Scheme costs. The fixed fee arrangement is due to end on 30 June 2012 at which time Growers will be invoiced the full Scheme costs. Once the revenue exceeds costs, the surplus will be distributed to the Growers.

RFM RiverBank (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 pursuant to the Licence and Management Agreement ("LMA"). If Growers fail to make payment in accordance with the LMA, the Responsible Entity may cancel their Almondlots and the Growers interest in the Scheme is automatically terminated.

In February 2011, RiverBank and the Scheme clarified the obligations of both parties in a Funding Agreement, by which RiverBank agreed to take a licence over the cancelled Almond lots, and provide short term funding to the Scheme to assist in meeting the ongoing costs of orchard maintenance and management and other expenses of the Scheme (capped at \$2.0m) in excess of the fixed fee charged to Growers.

On 24 November 2011 the Scheme changed its name from Great Southern 2008 Almond Income Project to RFM Almond Fund 2008.

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Directors of the Responsible Entity's Report

31 December 2011

Review of Operations and Results

The net loss attributable to Growers for the half year ended 31 December 2011 was \$1,798,712 (2010: \$ 1,715,261).

FY 2012 - Invoiced in July 2011

	Fee	GST	Total
	\$	\$	\$
Itemised Cost per 0.2158ha Almondlot			
Initial ongoing management fee	1,883.78	188.38	2,072.16
Ongoing management fee	208.62	20.86	229.48
Total	2,092.40	209.24	2,301.64

Harvest proceeds are received in the year following harvest. Therefore the proceeds of the 2011 harvest, the Scheme's second harvest, are available for offset against the 2012 operating costs. The table below gives the details of the 2011 harvest with a comparison to the 2012 harvest estimates. The 2012 harvest estimate is before subsequent events, the impact of which is not yet able to be determined.

	Tonnes per Grove	Per Hectare
2011 Estimated harvested per original PDS	0.33	1.52
2011 Actual harvest	0.20	0.93
2012 Estimate	0.45	2.10

Distributions

No distributions were made during the half year. The almond grove is expected to reach full production seven years after planting (financial year ending 30 June 2014) with harvest proceeds continuing until the end of the project in 2028.

Interests in the scheme and scheme assets

	Lease and Management Agreements		No. of Almond lots under Lease and Management Agreements	
	2011	2010	2011	2010
Interests issued during the half year	-	-	-	-
Withdrawals from the Scheme during the half year	9	-	31	-
Lease and Management Agreements as at 31 December	197	206	988	1,058
Value of Scheme net assets as at 31 December	\$ 1,325,590	\$ 1,340,531	\$ -	\$ -

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Directors of the Responsible Entity's Report

31 December 2011

Interests in the scheme held by the responsible entity and its associates

RiverBank is a fund managed by the Responsible Entity and is thus associated with it.

RiverBank has been granted licenses over 70 (2010: Nil) of the total of 1058 Almond lots, comprising 31 that were cancelled in October 2011, 4 that were cancelled in March 2011 and 35 acquired from the previous Responsible Entity. Under the terms of these licenses, RiverBank is entitled to the harvest proceeds arising from these lots and is obligated to pay the operating expenses. RiverBank does not have the rights or obligations of a Grower under the Scheme.

Fees paid to responsible Entity

The following fees were paid to the Responsible Entity during the financial half year

- Management fees for the financial half year paid to RFM \$113,365 (2010: \$117,486).

Likely developments and expected results of operations

The Scheme will continue to manage the cashflows towards achieving maturity of the almond trees.

Environmental regulation

The Scheme's operations are not regulated by any significant environmental regulations 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.

Events after the end of the Reporting Period

Heavy rainfall has been experienced in Hillston in the last fortnight and has stopped harvest operations, with an average of around 220mm of rain received since 26 February 2012.

The operations team at Hillston were three weeks into the harvest when the rain began. Approximately 50% of the AF08 orchard area has been harvested.

It is estimated that one third of the almonds that had not been harvested fell to the orchard floor as a result of the heavy rain. Most of these will be collected once the orchard floor has dried; though there may be a small reduction in yield performance. There can be some issues with mixing varieties and staining of kernels however this is not expected to be a significant issue.

Quality downgrades are a potential consequence of heavy rainfall, however at this stage it is too early to tell how this rain event may have affected the almonds. The rain has now stopped and as the orchard floor dries, harvest can commence.

RFM management will monitor tree health following the rainfall and take appropriate steps to give trees the best chance of full recovery.

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Directors of the Responsible Entity's Report

31 December 2011

Indemnity of directors and officers

Under the Scheme's constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Scheme's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Scheme.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the half year ended 31 December 2011 has been received and can be found on page 18 of the financial report.

This report is signed in accordance with a resolution of the Board of Directors.



David Bryant
Director

Dated: 14 March 2012

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Independent Auditor's Review Report to the members of RFM Almond Fund 2008

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of RFM Almond Fund 2008, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of changes in net assets attributable to Growers and the statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors of the responsible entity's declaration.

Directors' Responsibility for the Half Year Financial Report

The Directors of the Responsible Entity are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Scheme's financial position as at 31 December 2011 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of RFM Almond Fund 2008, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Matters Relating to the Electronic Presentation of the Audited Financial Report

The review report relates to the financial report of the Scheme for the half year ended 31 December 2011 included on the website of Rural Funds Management Limited. The Directors of the responsible entity of the Scheme are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the responsible entity's website.

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Independent Auditor's Review Report to the members of RFM Almond Fund 2008

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the Directors of the Responsible Entity of RFM Almond Fund 2008 on the date of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of RFM Almond Fund 2008 is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Scheme's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.



Katherine M Kelly
Director
Boyce Assurance Services Pty Limited

Cooma

Dated: 14 March 2012

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Directors of the Responsible Entity's Declaration

In accordance with a resolution of the Directors of the responsible entity of RFM Almond Fund 2008:

In the opinion of the Directors:

- (a) The financial statements and notes of the Scheme are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the Scheme's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and
 - ii) complying with Accounting Standards, Corporations Regulations 2001 and the Scheme's constitution; and
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



David Bryant
Director

Dated: 14 March 2012

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Statement of Comprehensive Income

For the Half Year Ended 31 December 2011

	31 December 2011	Restated 31 December 2010
	\$	\$
Other income	72,526	-
Interest	12,525	43,840
Agribusiness operations	(1,224,959)	(1,138,565)
Management fees	(113,365)	(117,486)
Land lease and rental	(545,439)	(503,050)
Net (loss)/profit attributable to Growers	(1,798,712)	(1,715,261)
Finance costs		
Distribution to Growers	-	-
Net (loss)/profit for the period	(1,798,712)	(1,715,261)
Other comprehensive income for the period	-	-
Change in net assets attributable to Growers	(1,798,712)	(1,715,261)

The accompanying notes form part of these financial statements.

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Statement of Financial Position

31 December 2011

	31 December 2011 \$	Restated 30 June 2011 \$
ASSETS		
Current assets		
Cash and cash equivalents	35,597	503,644
Trade and other receivables	475,617	1,447,398
Prepayments	1,437,990	-
Total current assets	1,949,204	1,951,042
TOTAL ASSETS	1,949,204	1,951,042
LIABILITIES		
Current liabilities		
Trade and other payables	623,614	610,511
Total current liabilities	623,614	610,511
TOTAL LIABILITIES (excluding net assets attributable to Growers)	623,614	610,511
Net assets attributable to Growers	1,325,590	1,340,531

The accompanying notes form part of these financial statements.

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Statement of Changes in Net Assets Attributable to Growers

For the Half Year Ended 31 December 2011

31 December 2011

	Net Assets Attributable to Growers \$
Balance at 1 July 2011	1,340,531
Contributions received from Growers	1,783,771
Changes in net assets attributable to Growers	(1,798,712)
Balance at 31 December 2011	1,325,590

31 December 2010 Restated

	Net Assets Attributable to Growers \$
Balance at 1 July 2010	1,087,941
Contributions received from Growers	1,664,575
Changes in net assets attributable to Growers	(1,715,261)
Balance at 31 December 2010	1,037,255

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the Half Year Ended 31 December 2011

	31 December 2011	Restated 31 December 2010
	\$	\$
CASH FROM OPERATING ACTIVITIES:		
Receipts from customers	434,413	-
Payments to suppliers	(142)	-
Payment from RiverBank for cancelled groves	26,938	-
Payment from RiverBank for shortfall funding	568,012	-
Interest received	12,525	43,840
Paid to Responsible Entity	(3,239,608)	(1,243,396)
Net cash flows used in operating activities	(2,197,862)	(1,199,556)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contribution from Growers	1,729,815	1,669,875
Net cash provided by financing activities	1,729,815	1,669,875
Net (decrease)/increase in cash and cash equivalents held	(468,047)	470,319
Cash and cash equivalents at beginning of the period	503,644	1,087,941
Cash and cash equivalents at end of the period	35,597	1,558,260

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements

For the Half Year Ended 31 December 2011

1 Summary of Significant Accounting Policies

(a) Basis of preparation

This financial report for the half year ended 31 December 2011 has been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Act 2001*.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Scheme as the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial statements of RFM Almond Fund 2008 for the year ended 30 June 2011, together with any public announcements made during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements unless otherwise stated.

(i) Scheme Information

AF08 is a registered Australian Managed Investment Scheme, and was constituted in 2008. RFM, the Responsible Entity of 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 subject to a fixed fee cap until 30 June 2012. 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 cashflows arising under the Scheme, being the revenue from almond sales less Scheme costs. Prior to the almond trees reaching commercial maturity, which is expected to occur in 2013, Scheme costs will exceed revenues. These costs will be met by Growers whose contribution to 30 June 2012 is limited to the fixed fee amount. RFM RiverBank has agreed to fund any shortfall by a loan under the Funding Agreement. Once the revenues exceed the costs, the surplus will be distributed to the Growers.

As the Scheme manages the cashflows 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 Grower contributions over the expenses net of harvest proceeds and interest revenue. The respective rights and obligations under the Licence and Management Agreement ("LMA") rest with the Growers.

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Notes to the Financial Statements

For the Half Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

(i) Scheme Information (continued)

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 or incur income or expenditure in its own right. Harvest proceeds are recognised in the Scheme accounts as an offset to Grower costs. The Scheme accounts do not recognise biological assets as these are considered to be an asset of the Growers.

(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 members 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 various 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.

The majority of the cash inflow to RFM from the performance of the ongoing management and maintenance services for the members is received within thirteen months of the expenditure being incurred.

(b) Change in accounting policy

Management have adopted a voluntary change in accounting policy with a view to providing more reliable and relevant information in accordance with AASB 108. There is no Australian Accounting Standard that specifically applies to the presentation of the accounts for the Scheme. This change in policy has been made to increase transparency and is considered to provide better information to Growers, the primary users of this report.

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Notes to the Financial Statements

For the Half Year Ended 31 December 2011

1 Summary of Significant Accounting Policies (continued)

(b) Change in accounting policy (continued)

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

This change results in the balances being shown in the Statement of Comprehensive Income reflecting harvest proceeds in the period in which they become receivable and then deducting from this amount expenses incurred during the period. During the period to 31 December 2011 no new harvest proceeds were receivable. In prior period's accounts, the harvest proceeds and other amounts receivable were offset against expenses to show nil income and expenses for the period. These amounts have been restated in the comparatives for the period to 31 December 2010 and the year ended 30 June 2011.

In addition, the Statement of Financial Position now shows separately, assets related to harvest receivables and balances related to transactions with the responsible entity. In prior periods, the Statement of Financial Position only stated the cash balances of the Scheme with no other assets and liabilities being reported on a collective Scheme basis. As a result of the change in accounting policy, the Current assets of the Scheme were increased by \$1,913,607 as at 31 December 2011 (2010: \$1,447,398) and current liabilities were increased by \$623,614 as at 31 December 2011 (2010: \$610,511).

The statement of changes in net assets attributable to growers formerly showed nil balances due to the impact of transactions being net off. As a result of the change in accounting policy this statement now reflects amounts paid into the Scheme by growers and their application throughout the period.

(c) Statement of Compliance

The financial report of AF08 complies with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the the International Accounting Standards Board.

(d) 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, 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 arranges for the harvest of the almond produce on behalf of Growers. The almond produce from all almondlots in the project is 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 almond lot 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 almond lot size is 0.2158 hectares.

(e) Agribusiness Operations, Land & Lease Rental and Management Fees

Growers are responsible for their proportional share of operating costs and expenses and licence and management fees subject to the fixed fee cap applicable until 30 June 2012. As these costs are pooled and proportioned between Growers in the scheme, the amounts will be recognised as an expense of the scheme in the statement of comprehensive income.

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Notes to the Financial Statements

For the Half Year Ended 31 December 2011

(f) 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.

2 Trade and Other Receivables

	31 December 2011	30 June 2011
	\$	\$
Trade receivables	115,319	557,248
Harvest proceeds receivable	360,298	890,150
Total	475,617	1,447,398

There are past due receivables of \$37,314 as at 31 December 2011 and payment plans have been agreed for all of this.

No provision is required as any impairment of the receivable results in a corresponding decrease of the payable to RFM for the management fees, licensing fees and interest.

Harvest proceeds receivable represents an estimate of the final amounts due for payment from Almondco from the most recent harvest.

3 Harvest proceeds

	Harvest 2011	Harvest 2010
	\$	\$
Harvest proceeds received to 31 December	434,414	60,127
Estimated balance of harvest proceeds	360,298	33,210
Total	794,712	93,337

Harvest proceeds for the 2011 almond crop have been received into the Scheme bank account from July 2011. These proceeds are disclosed in the Scheme accounts as a reduction of fees payable to the Responsible Entity in regard to the 2012 costs that will be invoiced to Growers in due course. Harvest proceeds are not considered to be Scheme property but are property of the Growers and are disclosed above.

4 Events after the end of the Reporting Period

Heavy rainfall has been experienced in Hillston in the last fortnight and has stopped harvest operations, with an average of around 220mm of rain received since 26 February 2012.

The operations team at Hillston were three weeks into the harvest when the rain began. Approximately 50% of the AF08 orchard area has been harvested.

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Notes to the Financial Statements

For the Half Year Ended 31 December 2011

4 Events after the end of the Reporting Period (continued)

It is estimated that one third of the almonds that had not been harvested fell to the orchard floor as a result of the heavy rain. Most of these will be collected once the orchard floor has dried; though there may be a small reduction in yield performance. There can be some issues with mixing varieties and staining of kernels however this is not expected to be a significant issue.

Quality downgrades are a potential consequence of heavy rainfall, however at this stage it is too early to tell how this rain event may have affected the almonds. The rain has now stopped and as the orchard floor dries, harvest can commence.

RFM management will monitor tree health following the rainfall and take appropriate steps to give trees the best chance of full recovery.

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

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2011, there have been:

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



Katherine M Kelly
Director
Boyce Assurance Services Pty Limited

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Dated: 14 March 2012

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