



RFM Poultry

Product Disclosure Statement

ARSN 164 851 218

Rural Funds Management Limited ABN 65 077 492 838
Australian Financial Services Licence Number 226 701

Issue Date: 21 October 2013

Directory

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About this Product Disclosure Statement

This Product Disclosure Statement (**PDS**) is dated 21 October 2013 and relates to the issue of RFM Poultry ARSN 164 851 218 (**RFMP**) Units. Rural Funds Management Limited ABN 65 077 492 838 (**RFM**) prepared and issued this PDS. RFM holds Australian Financial Services Licence (**AFSL**) Number 226 701.

Restricted Distribution

An investment in RFMP under this PDS is only available to current RFM Chicken Income Fund (**CIF**) investors. This PDS does not constitute an offer or invitation in any jurisdiction where such an offer or invitation would be unlawful. The distribution of this PDS in jurisdictions outside Australia may be restricted by law and persons who come into possession of this PDS should seek advice on and observe any such restrictions.

An electronic form of this PDS is available from the RFM website at www.ruralfunds.com.au. During the life of this PDS, persons obtaining this PDS in electronic form are entitled to obtain this PDS in printed form free of charge by phoning RFM Investor Services on 1800 026 665.

RFM and its respective associates, members or directors:

- do not guarantee the success of RFMP;
- do not guarantee income return or the repayment of capital; and
- do not make any statement, including, without limitation, any representation, about the taxation consequences of any investment in RFMP that is made under this PDS.

An investment in RFMP is subject to certain risks. Past performance is not a reliable indicator of future performance.

RFM has not authorised any person to give any information, or to make any representation, in relation to the issue of Units under this PDS when that information or representation is not contained in this PDS. No such information or representation may be relied upon as having been authorised by RFM in connection with the issue of Units under this PDS.

United Kingdom investors

Neither the information in this PDS nor any other document relating to the Merger has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no approved prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000 of the United Kingdom, as amended (FSMA)) has been published or is intended to be published in respect of the new Units in RFM Poultry. This PDS is issued on a confidential basis to fewer than 150 persons (other than “qualified investors” (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the new Units in RFM Poultry may not be offered or sold in the United Kingdom by means of this PDS, any accompanying letter or any other document, except in circumstances which do not require the publication of an approved prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) in connection with the issue or sale of the new Units in RFM Poultry has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances which do not give rise to a breach of FSMA or any other applicable law or regulation.

In the United Kingdom, this PDS is being distributed only to, and is only directed at, (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the FPO) and Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001, as amended (the PCISO), (ii) high net-worth companies, unincorporated associations and other bodies within the categories described in Article 49(2) of the FPO and Article 22(2) of the PCISO, and (iii) persons to whom it may otherwise be lawfully communicated (together relevant persons). The investments to which this PDS relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this PDS or any of its contents.

Forward looking statements

This PDS contains forward looking statements. Those statements may be based upon RFM's current expectations in regard to future events or results. All forecasts in this PDS are based upon the assumptions described in Section 7. Actual results may be materially affected by changes in circumstances, some of which may be outside the control of RFM. The reliance that Investors place on the forecasts is a matter for their own commercial judgment. No representation or warranty is made that any forecast, assumption or estimate contained in this PDS will be achieved.

Important information

This PDS contains important information and investors should read the PDS carefully. The information in this PDS is general information only. This PDS does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should not base their decision to invest in RFMP solely on the information in this PDS. Investors should consider RFMP's suitability in view of their financial position, investment objectives, and needs. Investors are encouraged to seek independent financial advice before making an investment decision.

RFM has authorised the use of this PDS for the purpose of disclosure to direct investors, as well as to investors and prospective investors of an Investor Directed Portfolio Service (**IDPS**), such as a master trust and a wrap account. Investors who access, or wish to access, RFMP through an IDPS may rely on this PDS.

During the life of this PDS, the information in the PDS and information relevant to RFMP may be updated from time to time. You can obtain the updated information by:

- contacting your financial adviser;
- phoning RFM Investor Services on 1800 026 665; or
- accessing the RFM website at www.ruralfunds.com.au.

You can ask RFM for a printed form of the updated information. This will be provided free of charge.

RFM will issue a supplementary PDS if RFM becomes aware of any of the following between the date of this PDS and the date Units are issued:

- a material statement in the PDS is misleading or deceptive;
- there is a material omission from the PDS;
- there has been a significant change affecting a matter included in the PDS; or
- a significant new circumstance has arisen and it would have been required to be included in the PDS.

Unless otherwise stated, all fees quoted in the PDS are inclusive of Australian goods and services tax (GST) and all amounts are in Australian dollars.

Photographs in this PDS do not necessarily represent assets that are directly held by RFMP.

Defined terms

Certain terms used in this PDS have been defined and the definitions are set out in the glossary of defined terms in Section 11.

Key information about the Offer

Figure 1: RFM Poultry key information

Principal business	Operating chicken broiler farms and deriving income from chicken growing contracts
Forecast distributions per Unit	<ul style="list-style-type: none"> 9 months ending 30 June 2014 – 9.93 cents per Unit franking inclusive (9.93 cents excluding franking) 12 months ending 30 June 2015 – 14.35 cents per Unit franking inclusive (10.04 cents excluding franking)
Annualised distribution yield	<ul style="list-style-type: none"> Year ending 30 June 2014 – 13.71% based on NAV of \$1.00 per Unit franking inclusive Year ending 30 June 2015 – 15.01% based on NAV of \$1.01 per Unit franking inclusive
Revenue Sources	Bartter Enterprises chicken Growing Contracts
Net equity (1 October 2013)	\$6.8 million
Net Asset Value per Unit (1 October 2013)	\$1.00
Loan security ratio	No debt anticipated

All forecasts in this PDS are based upon the assumptions described in Section 7. No representation or warranty is made that any forecast will be achieved.

Benefits of an investment in RFMP

1. Ability to participate in proposed restructure – RFMP will isolate the operational risk of the RFM Chicken Income Fund (**CIF**), allowing both the CIF and RFMP to participate in the restructure being undertaken by RFM.
2. Participation in the poultry industry – RFMP Unitholders will have exposure to a profitable, large scale poultry growing operation with a highly experienced management team.
3. Expansion – RFMP will have the ability to expand in the future by providing contract chicken growing services without the capital requirement to invest in poultry infrastructure.

Risks of RFMP

1. Capitalisation – RFMP will be capitalised to approximately \$6.8m. In RFM's experience of operating poultry farms this level of capitalisation is sufficient, however it is possible that additional capital could be required in the future.
2. Growing operations – RFMP will engage highly experienced poultry growers, however due to the nature and intensity of operations there will be some variability of returns.
3. Counterpart – RFMP will derive income from growing chickens for one counterpart, Baiada. If Baiada defaulted in full or part on its obligations, RFMP's revenue stream would be impacted.

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Introduction

RFM Poultry (**RFMP**) is a new entity, established to undertake chicken growing activities for Baiada Poultry Pty Ltd (**Baiada**). RFMP will be established with capital and assets of \$6.8m from CIF. On receipt of this capital, CIF Unitholders will receive Units in RFMP at the rate of 0.107 Units in RFMP for every 1 unit held in CIF. This represents 13% of the current CIF holdings.

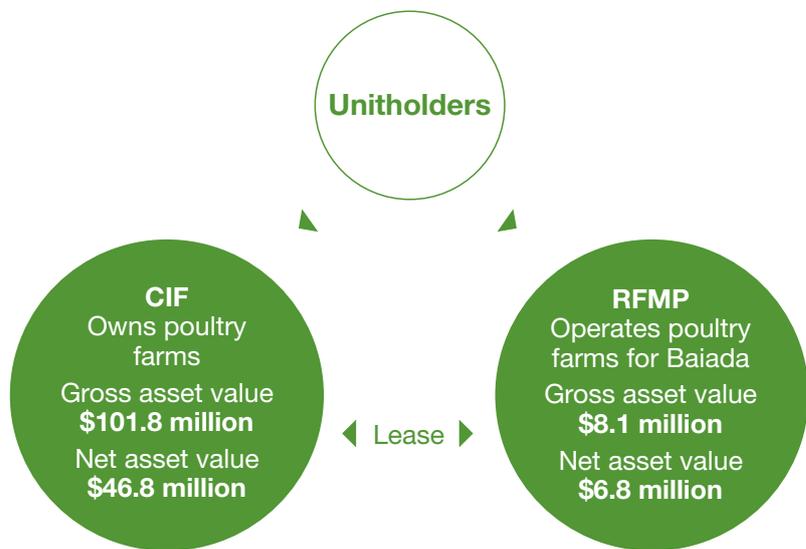
Once capitalised, RFMP will lease the poultry farms and infrastructure necessary to carry out chicken growing activities. CIF previously undertook the chicken growing activities, however in order to reduce the operating risk in CIF, the growing activities will be conducted, and the beneficial entitlement of the broiler chicken growing contracts will be held by RFMP.

Figure 2: Demerger of CIF

STAGE 1 – CURRENT



STAGE 2 – DEMERGER



1.1 WHY IS RFM RECOMMENDING A DEMERGER OF CIF?

RFM is recommending that CIF be split into two entities so that CIF can participate in a restructure of three RFM managed funds.

Accompanying this PDS, investors in CIF, RiverBank (**RiverBank**) and RFM Australian Wine Fund (**AWF**) will receive an Explanatory Memorandum which sets out a proposal to merge these three Funds. Neither RiverBank nor the AWF operate the agricultural assets they own, rather they lease them to third parties.

In order to align CIF's risk profile with that of RiverBank and the AWF, it is necessary to isolate any agricultural operating risk in a separate entity, being RFMP, with CIF simply owning and leasing out its agricultural assets.

1.2 THE PROCESS OF DEMERGING

RFM has established RFMP as an entity in its own right by registering RFMP with the Australian Securities and Investments Commission (**ASIC**). RFM is the responsible entity of RFMP and as such has various management and other responsibilities which are set out in the Constitution and the Corporations Act.

Before commencing operations however, the following steps must occur.

The first step in the demerger is a vote by CIF Unitholders confirming their approval of the demerger and the necessary CIF constitutional changes. Once this has been achieved, approximately \$6.8 million of capital and assets will be moved from CIF to RFMP. These funds will provide the necessary working capital for RFMP to carry out its activity of chicken growing. Section 7 sets out the balance sheet of RFMP upon the commencement of operations.

Upon the transfer, each CIF Unitholder will receive 0.107 Units in RFMP for each CIF unit they hold. The RFMP Units are completely separate from the CIF units and may be dealt with separately.

In addition the growing activities will be conducted, and the beneficial entitlement of the broiler chicken growing contracts will be held, by RFMP. Concurrently CIF will execute a contract with RFMP, leasing all poultry farms to RFMP.

1.3 DISTRIBUTION TO ESTABLISH RFMP

CIF will make a distribution to CIF Unitholders of \$0.1069 per unit in order to fund the establishment of RFMP. This distribution will be applied to acquire Units in RFMP on behalf of each CIF Unitholder.

The tax treatment of the CIF distribution is the subject of a class ruling request which has been lodged with the ATO. RFM expects that the ATO ruling will confirm that the distribution should be treated as a distribution partly made out of income and partly out of capital for tax purposes.

To the extent the distribution is taxed as a capital distribution, it will reduce the investor's CGT cost base in CIF units. To the extent that the distribution is income (which RFM believes should be no more than 58% of the distribution), it should be included in the Unitholder's assessable income.

1.4 THE RELATIONSHIP BETWEEN RFMP AND CIF

To enable RFMP to undertake chicken growing activities, it requires access to the poultry farms owned by CIF. To facilitate this access, the poultry farms will be leased to RFMP. The beneficial entitlement of the growing contracts will be held by RFMP who will conduct the growing activities.

Further details of the growing contracts are set out in Section 2.4 and of the lease are set out in Section 3.1.

2

RFM Poultry Operations

2.1 RFMP OPERATIONS

RFMP will perform the chicken growing operations previously undertaken by the CIF. The size of these operations mean that RFMP will be one of Australia's largest contract chicken growers, growing approximately 30 million birds per annum. RFMP will lease from the CIF and operate 17 poultry farms situated in Griffith, New South Wales and Lethbridge, Victoria.

RFMP's scale and investment in the latest technology will produce an efficient operation that achieves competitive chicken grow-out times and feed conversion rates.

Importantly, RFMP will not own any chickens and therefore will not have a direct exposure to the chicken meat price. Baiada delivers day old chicks, provides the necessary food and other inputs, and then collects the chickens for processing when they reach marketable weight.

The payment that RFMP will receive under the contractual arrangements is based on the size of the chicken growing facilities that RFMP will lease and not on throughput. A performance fee or penalty is contained in the contract for the New South Wales facilities. Baiada will also be required to reimburse the grower for the majority of costs it incurs in growing the chickens. Given this contractual arrangement, the revenue received by RFMP will be relatively stable.

The chicken growing contracts will require the grower to:

- prepare the sheds for the arrival of each new batch of chicks. This preparation process includes cleaning out each shed, laying new bedding of rice hulls (supplied by Baiada), and setting shed temperature.
- manage the chicken flocks by maintaining appropriate temperatures within each shed and ensuring that the chickens receive appropriate levels of feed and water;
- grow the chickens from the time of delivery (generally one day after hatching) to collection (up to 54 days later); and
- monitor the health of the chickens.

The chicken growing contracts require Baiada to:

- prepare the chicken feed at Baiada's feed mills and transport it to the feed hoppers on the farms;
- hatch the chickens at Baiada's hatcheries then deliver the chickens to the farms;
- undertake thinning out as required. 'Thinning out' means to process the chickens at different ages, depending on market conditions;
- collect the chickens at the end of the grow-out cycle; and
- make contractual payments to the grower.

Baiada is also responsible for the breeding, processing, and marketing of the chickens that are grown.

2.2 CHICKEN GROW-OUT CYCLE

The chicken grow-out cycle involves a number of stages as described below.

The first stage is the delivery of the day-old chicks to the farms RFMP will lease. At this stage in the cycle, the chicks weigh approximately 40 grams.

The day-old chicks are placed in a brooding area within the shed that provides extra feed, water, and heating. The heaters provide the chicks with extra warmth for up to seven days by which time the chickens weigh around 190 grams.

As the chickens grow, they leave the brooding area and access all of the shed floor space. The farm manager gradually reduces the shed temperature from around 32 degrees when the chicks arrive to around 20 degrees when the chickens are 28 days old and weigh around two kilograms.

During the chicken grow-out cycle, the processor arranges for a number of 'thinning outs' or harvests of some of the chickens with the remaining chickens harvested at around 54 days.

The final stage in the process is the shed clean out, which includes removing old bedding litter, and washing, sanitising and fumigating the shed. The clean out process takes up to seven business days and once completed, the shed is ready for the delivery of the next batch of chicks.

There are approximately five to six chicken grow-out cycles per year.

2.3 WELFARE STANDARDS

As part of Baiada's business strategy, the company is working with its growers and customers to supply poultry grown under higher alternate welfare standards. The implemented systems ensure poultry grown is compliant with the higher standards.

The standards cover the sourcing and management of the chicks, the placement of the chicks on farm and the brooding and rearing of chicks. These have implications for RFMP's activities of brooding and rearing chickens. The main areas affected are litter management, lighting and stocking density.

Litter material must be of good quality and actively maintained in a dry and friable condition at all times. Whilst this has always been the objective of chicken growing, the litter typically deteriorates with age and size of the birds, and crusted and wet areas emerge. The welfare standards require minimal tolerance of litter deterioration and this has significant ramifications for operating procedures and costs; particularly gas and electricity. Brooding will be longer and more intense, requiring significantly greater heating and therefore gas consumption.

Ventilation practices will also be more intense, requiring higher usage of electricity. Furthermore there will be increased costs of physically turning and replacing litter. The welfare standards are recently adopted and the extent of these additional costs is not known at this stage. RFM is in ongoing negotiations to incorporate these additional costs into the grower fee as soon as identified and measured. The annual fee review under the growing contracts allows for gas and electricity to be adjusted to prior year actual costs so this will capture any increase in energy costs, although there may be a one-off cost in the year the increase is incurred.

The welfare standards require minimum lighting standards including minimum light intensities at the various stages of the growing out cycle and the lights need to be dimmable. The costs of any capital upgrade will be borne by CIF. There will be additional electricity consumption and this will be recoverable from Baiada under the growing contracts.

The welfare standards require stocking densities of approximately 15% lower than the current practice. Although it is difficult to measure the benefits, this will assist RFMP in achieving the litter standards and somewhat defray additional operating costs.

2.4 CHICKEN GROWING CONTRACTS

The details of the chicken growing contracts are set out in Figure 3.

Figure 3: Bartter Enterprises broiler chicken growing contracts

Property	Farm 53 – 66	Farm 67	Farm 68	Lethbridge
Counterpart	Bartter Enterprises	Bartter Enterprises	Bartter Enterprises	Bartter Enterprises
Agreement Type	Chicken Growing Contract	Chicken Growing Contract	Chicken Growing Contract	Chicken Growing Contract
Expiry	31-Mar-24	23-Feb-26	30-Sep-27	03-Jul-36
Area	173,472 sq metres	35,088 sq metres	35,496 sq metres	59,160 sq metres
2014 grower fee¹	\$13.514 million	\$2.994 million	\$3.056 million	\$4.825 million
Other key terms				
Payment dates	Payment at end of each batch by farm	Payment at end of each batch by farm	Payment at end of each batch by farm	Monthly
Fee review – cash cost component	Annually as per contract: wages based on award, gas & electricity actual costs, all other CPI	Annually as per contract: wages based on award, gas & electricity actual costs, all other CPI	Annually as per contract: wages based on award, gas & electricity actual costs, all other CPI	Annually as per contract: wages based on award, gas & electricity actual costs, all other CPI

Property	Farm 53 – 66	Farm 67	Farm 68	Lethbridge
Fee review – return on investment (ROI) component	2.25% p.a.	2.25% p.a.	2.25% p.a.	2.25% p.a.
Repairs & Maintenance	On account of Grower			
Insurance	On account of Grower			
Water licences / easements	Water provided by Grower			
Suspension events	<p>If suspension event, obligations under the contract including bird placement and payment are suspended until rectified.</p> <p>Included, but not limited to:</p> <ul style="list-style-type: none"> • Acts of God • Epidemics • Fires • Industrial disputes by Bartter employees • Livestock husbandry issues • Disease caused by RFM Poultry • Chicken meat importation 	<p>If suspension event, obligations under the contract including bird placement and payment are suspended until rectified.</p> <p>Included, but not limited to:</p> <ul style="list-style-type: none"> • Acts of God • Epidemics • Fires • Industrial disputes by Bartter employees • Livestock husbandry issues • Disease caused by RFM Poultry • Chicken meat importation 	<p>If suspension event, obligations under the contract including bird placement and payment are suspended until rectified.</p> <p>Included, but not limited to:</p> <ul style="list-style-type: none"> • Acts of God • Epidemics • Fires • Industrial disputes by Bartter employees • Livestock husbandry issues • Disease caused by RFM Poultry • Chicken meat importation 	<p>If suspension event, obligations under the contract including bird placement and payment are suspended until rectified.</p> <p>Included, but not limited to:</p> <ul style="list-style-type: none"> • Acts of God • Epidemics • Fires • Industrial disputes by Bartter employees • Livestock husbandry issues • Disease, although contract payments suspended, RFM Poultry compensated when next batch placed. • Chicken meat importation, although contract payments suspended, RFM Poultry compensated when next batch placed.
Change of control / Assignment	Subject to written consent by Baiada			
Termination events	<ul style="list-style-type: none"> • Mutual agreement • After 6 month suspension period • Business ceasing • Material breach • Insolvency 	<ul style="list-style-type: none"> • Mutual agreement • After 6 month suspension period • Business ceasing • Material breach • Insolvency 	<ul style="list-style-type: none"> • Mutual agreement • After 6 month suspension period • Business ceasing • Material breach • Insolvency 	<ul style="list-style-type: none"> • Mutual agreement • After 6 month suspension period • Business ceasing • Material breach • Insolvency

1. Forecast only. Fee to be negotiated with processor

3

RFMP Leasing

RFMP will lease and operate the poultry farms owned by CIF. The leased sheds range in age from five years to 28 years and all sheds provide a reasonable level of comfort, particularly heating and cooling for the chickens as they move about the sheds. All sheds are fully automated with farm managers able to monitor and modify temperature, humidity, food and water supplies quickly and easily. An extensive maintenance program will be undertaken by RFMP to ensure the sheds remain in good condition and are economically efficient to operate. RFMP will adopt a policy of ensuring each shed is inspected three times daily to observe the chickens and these frequent inspections will assist farm managers to monitor the status of each shed, specifically the health and comfort of the birds.

Griffith farms

Griffith, New South Wales is one of the major chicken meat producing regions in Australia. The Griffith farms are located within eight kilometres of the Baiada processing plant and are the primary contributor to that plant.

Baiada's processing plant is supported by 234 sheds, growing approx. 43 million birds per annum. RFMP would lease 134 of these sheds and would be integral to the throughput. The processing plant supplies chicken meat to the New South Wales and Australian Capital Territory markets.

Figure 4 shows summary information for the Griffith farms.

Figure 4: RFMP poultry farms – Griffith

Farm	Number of sheds	Shed area (m2)	Total farm area (m2)
Farm 53a	10	1,863	18,630
Farm 53b	10	1,620	16,200
Farm 54	10	1,620	16,200
Farm 55	10	1,620	16,200
Farm 56	10	1,620	16,200
Farm 57	10	1,236	12,360
Farm 58	10	1,500	15,000
Farm 63	10	1,500	15,000
Farm 64	10	1,500	15,000
Farm 65	10	1,500	15,000
Farm 66	10	1,500	15,000
Farm 67	12	2,924	35,088
Farm 68	12	2,958	35,496
Total	134	22,961	241,374

Lethbridge farms

The Lethbridge farms are located north west of Geelong, Victoria and comprise of 4 farms consisting of 5 sheds

each. The Lethbridge farms supply chickens to Baiada and other third parties for processing in the Victorian markets. Figure 5 shows summary information for the Lethbridge farms.

Figure 5: RFMP poultry farms – Lethbridge

Farm	Number of sheds	Shed area (m2)	Total farm area (m2)
RFML1	5	2,958	14,790
RFML2	5	2,958	14,790
RFML3	5	2,958	14,790
RFML4	5	2,958	14,790
Total	20	11,832	59,160

3.1 LEASE FROM CIF

RFMP will lease the chicken growing assets owned by CIF as outlined in Figure 6:

Figure 6: Lease Terms

Item	Term
Lessor	RFM Chicken Income Fund
Lessee	RFM Poultry
Leased assets	154 sheds: <ul style="list-style-type: none"> • Griffith farms 53-66 – 110 sheds • Griffith farms 67-68 – 24 sheds • Lethbridge farms – 20 sheds
Commencing rent	\$10.150 million
Rent indexing	Same as ROI component of Growing Contract (refer to Figure 3)
Rent review	No standard review. Lessee can request a review where there has been a material adverse event affecting the chicken growing gross margin.
Term	The lease term is to match the term of the growing contracts for each category of assets: <ul style="list-style-type: none"> • Griffith farms 53-66 – 11 years • Griffith farms 67-68 – 16 years • Lethbridge farms – 26 years
Assignment	The lease can only be assigned with the Lessor's approval.
Default events	<ul style="list-style-type: none"> • Insolvency • Breach of growing contract • Change of responsible entity
Consequence of Lessee default	Lessor may: <ul style="list-style-type: none"> • Take possession • Cancel the lease • Assign Growing Contracts to Lessor
Outgoings	All on account of Lessee unless otherwise specified
Insurance	On account of Lessee
Rates	On account of Lessor
Repairs & maintenance	On account of Lessee
Capital expenditure	<ul style="list-style-type: none"> • Ongoing or recurring capital expenditure on account of Lessee. • Structural capital expenditure on account of Lessor

4

RG232 Disclosure

ASIC has issued Regulatory Guide (RG) 232 which applies to agribusiness schemes including RFMP. The disclosures in this section are as required by ASIC.

RFM will provide RFMP investors with updated benchmark reporting, disclosure and any material changes by posting the information on the RFM website at www.ruralfunds.com.au.

Benchmark	Compliance	PDS
<p>Benchmark 1: Fee structures</p> <p>The scheme is structured so that either:</p> <ul style="list-style-type: none"> (a) investors are required to pay annual fees (or contributions) to the responsible entity that are sufficient to fund the operation of the agribusiness scheme for the relevant financial year; or (b) the up-front fees (or contributions) investors pay when they invest is sufficient to cover the operation of the agribusiness scheme until the proceeds of sale of produce are available and this money is held on trust for the investors in that agribusiness scheme. <p>Any fees (or contributions) received by the responsible entity from investors in the agribusiness scheme are:</p> <ul style="list-style-type: none"> (a) held separately from the other assets of the responsible entity for the benefit of the investors and only available for the operation of that agribusiness scheme and are subject to annual audit; and (b) only used by the responsible entity to meet any expenses that are incurred in the operation of that agribusiness scheme during the period to be covered by the payment. 	Yes	Section 5
<p>Benchmark 2: Responsible entity or related party ownership of interests in the scheme</p> <p>The responsible entity and its related parties own less than 5% in aggregate by value of the interests in the agribusiness scheme except for any interests acquired through the default by a member of the agribusiness scheme.</p>	Yes	N/A
<p>Benchmark 3: Annual reporting to members</p> <p>The responsible entity provides members with a report at least annually that contains relevant scheme-specific information.</p>	Yes	Section 10
<p>Benchmark 4: Experts</p> <p>Where the responsible entity engages an expert to provide a professional or expert opinion on the agribusiness scheme the responsible entity only engages an expert that is independent.</p>	Yes	N/A

Benchmark	Compliance	PDS
<p>Benchmark 5: Appointing and monitoring service providers</p> <p>The responsible entity only engages key service providers necessary for the operation of the agribusiness scheme where:</p> <p>(a) the engagement is subject to a written agreement approved by the board of the responsible entity in accordance with a documented policy;</p> <p>(b) the agreement is subject to annual review against set performance criteria or measures; and</p> <p>(c) the agreement is subject to certification by the board, at the time each agreement is entered into, that the agreement is on an arm's length basis.</p>	Yes	N/A

Disclosure Principle	Disclosure	PDS																								
<p>Disclosure Principle 1: Investor financing arrangements</p> <p>If the responsible entity or a related party is providing finance, or expects to receive payment for arranging finance for investors in the agribusiness scheme to fund an investment into the scheme, the responsible entity should clearly disclose certain information in the PDS.</p>	Neither RFM nor its related parties provide finance to RFM Poultry investors.	N/A																								
<p>Disclosure Principle 2: Track record of the responsible entity in operating agribusiness schemes</p> <p>The responsible entity of an agribusiness scheme should disclose the experience and resources it has available to operate the agribusiness scheme and the agribusiness enterprise.</p>	<p>RFM has operated, or operates the following schemes: The financial performance of each of the schemes can be accessed at www.ruralfunds.com.au or alternatively a copy can be provided upon request free of charge.</p> <table border="1"> <tbody> <tr> <td>RFM Australian Wine Fund</td> <td>Premium wine grape production</td> <td>February 2002</td> </tr> <tr> <td>RFM Chicken Income Fund</td> <td>Broiler growing infrastructure and activities</td> <td>August 2003</td> </tr> <tr> <td>RFM RiverBank</td> <td>Horticultural land and water entitlements</td> <td>February 2005</td> </tr> <tr> <td>RFM Almond Fund 2006</td> <td>Almond growing</td> <td>March 2006</td> </tr> <tr> <td>RFM Land Trust</td> <td>Agricultural property</td> <td>2008</td> </tr> <tr> <td>RFM Almond Fund 2007</td> <td>Almond growing</td> <td>2010</td> </tr> <tr> <td>RFM Almond Fund 2008</td> <td>Almond growing</td> <td>2010</td> </tr> <tr> <td>RFM StockBank</td> <td>Cattle and sheep fattening</td> <td>May 2011</td> </tr> </tbody> </table>	RFM Australian Wine Fund	Premium wine grape production	February 2002	RFM Chicken Income Fund	Broiler growing infrastructure and activities	August 2003	RFM RiverBank	Horticultural land and water entitlements	February 2005	RFM Almond Fund 2006	Almond growing	March 2006	RFM Land Trust	Agricultural property	2008	RFM Almond Fund 2007	Almond growing	2010	RFM Almond Fund 2008	Almond growing	2010	RFM StockBank	Cattle and sheep fattening	May 2011	
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RFM Almond Fund 2008	Almond growing	2010																								
RFM StockBank	Cattle and sheep fattening	May 2011																								

Disclosure Principle	Disclosure	PDS
<p>Disclosure Principle 3: Responsible entity's financial position</p> <p>The responsible entity should disclose a summary of its financial position in any PDS, including details of any known unfunded obligations in respect of the schemes it operates.</p> <p>The responsible entity should disclose if it:</p> <ul style="list-style-type: none"> (a) is reliant on funding from external or related parties to perform the functions and obligations to members in relation to the agribusiness scheme; (b) has entered into guarantees or indemnities with external or related parties; or (c) is a member of a tax consolidation group. 	<p>RFM's financial position is set out in its audited accounts.</p> <p>RFM's audited accounts are available on the RFM website http://www.ruralfunds.com.au or alternatively a copy can be provided upon request free of charge. RFM is not reliant on funding from external or related parties to perform its obligations and functions to unitholders. RFM has not entered into any guarantees or indemnities with external or related parties. RFM is not part of a tax consolidation group.</p>	<p>N/A</p>
<p>Disclosure Principle 4: Land, licences and water</p> <p>The responsible entity should disclose the arrangements entered into to secure rights of access or tenure to the resources and infrastructure required to operate the scheme, including any land, licences or leases, and water required, and whether these arrangements:</p> <ul style="list-style-type: none"> (a) provide for access for the life of the agribusiness scheme; and (b) are entered into on an arm's length basis. <p>The responsible entity should disclose:</p> <ul style="list-style-type: none"> (a) the risks associated with these arrangements; (b) the consequences of a failure by the responsible entity to pay amounts due under these arrangements, and any breaches of these arrangements or agreements underlying these arrangements; and (c) any measures the responsible entity has implemented, or will implement, to address these risks. 	<p>The key RFMP arrangements are the property leases and poultry growing contracts. These arrangements and the key terms are summarised in Sections 2.4 & 3.1. The key risks are in Section 6.</p>	<p>Sections 2.4, 3.1 and 6.</p>
<p>Disclosure Principle 5: Replacement of the responsible entity</p> <p>The responsible entity should disclose whether there are any restrictions on the ability of any replacement responsible entity to access the resources required to continue to operate the agribusiness scheme (including but not limited to any leases, licences, land, water and money held for the purposes of operating the scheme).</p> <p>The responsible entity should disclose:</p> <ul style="list-style-type: none"> (a) whether the responsible entity or related parties are eligible for any payment or fee that is payable if the responsible entity is replaced, or is to be replaced, and, if so, the amount or method for calculation of this fee; (b) the effect of a change in responsible entity on any agreements entered into between investors and the responsible entity or other parties in relation to the agribusiness scheme; (c) any obligation to repay fees already paid to the responsible entity to the incoming responsible entity if the responsible entity changes; and (d) the risk to, and impact on, investors if the responsible entity changes. 	<p>There are no restrictions on the replacement of RFM as responsible entity under the RFMP constitution.</p> <p>The CIF lease may terminate the property leases to RFMP in the event that RFM ceases to be the responsible entity of RFMP.</p> <p>Baiada may be able to terminate the Lethbridge growing contracts in the event that RFM ceases to be the responsible entity of RFMP.</p>	<p>Section 3.1</p>

5

Fees and other costs

5.1 FEES AND COSTS

This section provides detailed information about the fees and other costs associated with investing in RFMP.

Explanation of fees and costs

By law, RFM must provide you with the following Consumer Advisory Warning at the beginning of this section. Following the Consumer Advisory Warning, this section provides detailed information about the fees and other costs associated with investing in RFMP.

Consumer Advisory Warning

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask RFM or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.

Figure 7 sets out the fees and costs of an investment in RFMP.

Figure 7: RFMP Fees and Costs

Type of fee or cost	RFMP Amount	How and when paid
<i>Establishment fee</i>		
The fee to open your investment	Nil	Not applicable
<i>Contribution fee</i>		
The fee on each amount contributed to your investment.	Nil	Not applicable
<i>Withdrawal fee</i>		
The fee on each amount you take out of your investment	Nil	Not applicable
<i>Termination fee</i>		
The fee to close your investment	Nil	Not applicable
Management Costs		
The fees and costs for managing your investment		
Fund management fee	Nil	Not applicable
Fund expenses	Estimated at 3.23% of the gross asset value of the RFMP	Costs paid from RFMP as and when RFM incurs the costs
Performance fee	Nil	Not applicable
Acquisition fee	Nil	Not applicable
Development fee	Nil	Not applicable
Service Fees		
<i>Investment switching fee</i>		
The fee for changing investment options	Nil	Not applicable

5.2 ADDITIONAL EXPLANATION OF FEES AND COSTS

Fund operating expenses

Under RFMP's constitution, RFM must pay all expenses properly incurred in relation to the operation of RFMP from RFMP's assets. These expenses may be paid directly from RFMP's assets or alternatively paid by RFM and then recovered from RFMP's assets. For example, expenses relating to managing the RFMP's underlying assets may be paid from RFMP's assets. Operating expenses may include abnormal items such as the cost of a Unitholders' meeting, changing the constitution or pursuing legal proceedings. The operating expenses disclosed in Sections 5.1 and 7.4 of the PDS are an estimate (based on historical trading results) of the operating expenses likely to be incurred in relation to the operation of RFMP for the financial year ending 30 June 2014 and should not be considered as limiting RFM's rights to pay all proper

and reasonable expenses incurred in relation to the operation of RFMP from RFMP's assets. Actual operating expenses may be higher than the amount disclosed above in Section 5.1 of the PDS.

Indirect Cost Ratio

The Indirect Cost Ratio (**ICR**) for RFMP is the ratio of the fund management costs that are not deducted directly from the RFMP's Unitholder's account, divided by the RFMP average net assets. Under this offer there are no direct costs deducted from an individual Unitholder's account. The ICR calculation includes fund management fees and costs such as costs to administer the fund, investor services, fund audit, compliance, sales and marketing, and legal fees. For the 2014 financial year, the RFMP ICR is estimated at 3.23%.

5.3 EXAMPLE OF ANNUAL FEES AND COSTS FOR RFMP

Figure 8 gives an example of how the fees and other costs can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Figure 8: Example of annual fees and costs

Balance of \$50,000 with a contribution of \$5,000 during year ¹		
Contribution fees	Nil	Not applicable ²
Plus management costs	3.23%	And, for every \$50,000 you have in RFF you will be charged \$1,615 each year ³
Equals cost of the fund		If you had an investment of \$50,000 at the beginning of the year and put in an additional \$5,000 at the end of that year, you will be charged a fee of: \$1,615 ⁴ What it costs you will depend on the investment option you choose and the fees you negotiate with your fund or your financial adviser. ⁵

Notes

1. It is a requirement of the *Corporations Regulations* that the above example assumes a balance of \$50,000.
2. This example is required under the *Corporations Regulations*, notwithstanding that RFMP does not charge contribution fees.
3. The management costs disclosed above include an estimate for operating expenses. In practice, your actual investment balance will vary daily and fees charged upon the gross asset value of your investment will also fluctuate daily. The management costs disclosed above incorporate an estimate of an Investor's contribution towards the forecast operating expenses. Additional fees and costs may be charged.
4. It is a requirement of the *Corporations Regulations* that the additional \$5,000 invested is excluded for the purposes of calculating management costs in this example.
5. This disclosure is prescribed under the *Corporations Regulations*. Fees will be only negotiable in the circumstances set out in Section 5.6. RFMP has only one class of Units. No investment options apply.

5.4 COMMERCIAL ARM'S LENGTH FEES

RFM will charge RFMP an asset management fee for work undertaken. The services include farm management, procurement services, contract management and finance and accounting services. Where RFM or a related entity provides RFMP with these services, RFM will charge RFMP an asset management fee that is equivalent to 5% of operating expenses. The fee is separate from the cost recovery RFM is entitled to charge under the Constitution.

5.5 MAXIMUM FEES

The maximum fees allowed under the RFMP constitution are set out in Figure 9.

Figure 9: Maximum fees allowed under RFMP constitution

Fee	Amount
Contribution fee	3% of the amount invested (not applicable to this Offer)
Management fee	2.5% pa of value of the gross asset value of RFMP
Performance bonus	15% of the amount by which the Return on Equity in that Financial Year exceeds an amount equal to 15% per annum of the total Application Price of Units on issue during that Financial Year
Farm management fee	5% of annual operating expenses
Acquisition fee	2% of the total purchase price of an asset purchased by the Fund.

5.6 WHOLESALE INVESTORS

RFM may offer wholesale investors a discount on the fees payable by them to RFM for managing their investment. Any discounts will be individually negotiated with wholesale investors based on the amount invested. RFM would only exercise this discretion where wholesale investors were investing a significant sum into RFMP.

5.7 CHANGES TO FEE STRUCTURE

Subject to the limitation contained in RFMP's constitution, RFM may increase the amount of fees without investors' consent. Investors will be given 30 days prior notice of any changes to RFMP's fee structure as set out in this PDS.

5.8 GOVERNMENT CHARGES AND GST

Government taxes such as stamp duty and GST will apply as appropriate. Fees in this section are disclosed based upon the net effect of GST.

6

Risks

An investment in RFMP, like any investment, involves risk. These risks can be broadly divided between commercial risks and agricultural risks.

Whilst the assumptions used in generating the forecasts within this PDS are considered reasonable, a number of these risk factors could affect the achievement of the forecasts. Some risk factors are outside the control of RFM.

Detailed below are some of the risk factors, however this is not an exhaustive list of all the risks. Unitholders should make their own independent assessment of RFMP.

Existing Unitholders in CIF are currently exposed to all of the risks outlined in this section, with the exception of the first item.

Figure 10: Risks of investing in RFMP

Risk	Summary
Commercial risks	
Reduced capitalisation and greater operational leverage	<p>RFMP will have initial net assets of approximately \$6.8 million – compared to the current net assets in CIF of \$53.8 million and will continue to operate a poultry growing business of the same scale. For this reason, the operating results of RFMP can be expected to be more volatile than those historically experienced by CIF.</p> <p>CIF Unitholders should evaluate this within the context of the totality of the Merger proposal. An Explanatory Memorandum that accompanies this PDS sets out the Merger proposal.</p>
Increased costs	<p>Increases in facilities maintenance and operating costs expenditure may not be recoverable in full or in part under the standard fee review mechanism under the Growing Contracts.</p>
Welfare standards	<p>The adoption by Baiada of higher animal welfare standards may lead to increased costs that are not recoverable by an increase in the growing fee. The increased costs may not be included in the growing fee until the subsequent year, or not at all.</p> <p>The adoption of the standards may also expose the Fund to increased performance penalties or claims.</p>
Inflation	<p>Inflation risk is the uncertainty over the future real value of your investment and specifically whether revenue or profitability will increase at least in line with inflation. The capital component of the RFMP growing contracts are subject to standard indexation of 2.25% per annum. The RFMP lease is subject to standard indexation of 2.25% per annum.</p> <p>There is the risk that inflation will be more than the results achieved by the market reviews and standard indexing.</p>
Counterpart risk	<p>There is a risk that a counterpart may default on its contractual obligations to RFMP. Baiada is RFMP's sole counterpart in relation to chicken growing and has a sound track record of making payments within the contractual terms currently in place.</p> <p>RFMP will be the beneficiary of the chicken growing contracts whilst RFM remains the legal owner. There is a risk Baiada may attempt to take issue with the arrangement despite there being no change to the contracts. Any dispute with Baiada may be time consuming and costly and put the current contracts at risk.</p>

Risk	Summary
Diversification risk	RFMP's income will be derived exclusively from the operation of poultry farms. A disruption within the poultry industry may impact RFMP and due to its single revenue stream, this would impact returns.
Disease	<p>Chicken health can be affected by a range of diseases that can reduce feed conversion or increase mortality which in turn can affect grower payments. In addition, the presence of disease can increase operational costs, reducing profit margins.</p> <p>Disease outbreaks could result in the requirement to slaughter birds. In this event RFMP would not suffer a direct loss as the birds are owned by Baiada, however there could be a secondary claim brought against RFMP if the introduction of the disease was as a result of management practices. In addition, such a disease could cause a suspension event and result in that farm or farms being inoperable until the farm is declared disease free.</p> <p>Virulent disease could also impact Australia's ability to maintain bio-security based import restrictions. See other risk: "Imported chicken meat".</p> <p>A disease outbreak could impact demand for chicken meat and lead to an oversupply. Disease risk is mitigated by strict quarantine measures, control of environmental conditions, and experienced personnel.</p> <p>RFMP and poultry growers and processors undertake a number of precautions to reduce the risk and impact of a disease including:</p> <ul style="list-style-type: none"> • both RFM and Baiada maintain a level of strict biosecurity control which either meets or exceeds national standards; • the water used for drinking and cooling in the sheds is chlorinated to prevent disease transmission; • chicken feed is heat treated; • all poultry sheds are completely closed off, mitigating the possibility of birds from outside the sheds accessing and infecting the chickens inside the sheds; • each RFMP farm is fenced to control access; • the sheds are washed down and sanitised between each batch of chickens; and • employees must observe the strict biosecurity arrangements. <p>The biosecurity measures that RFM and Baiada have in place, along with the strict quarantine guidelines enforced by the Australian Government, further reduce the chance of a disease outbreak occurring at any of RFMP's farms.</p> <p>In the event of compulsory slaughter of a whole flock due to quarantine regulations, there are Government provisions for compensation. This compensation, depending on the circumstances, would be shared between Baiada and RFMP.</p>
Farm performance	<p>There is a risk that the poultry farms will not perform to the standards required under the chicken growing contracts.</p> <p>This risk is mitigated because farm management implements the appropriate management practices and technologies.</p> <p>Griffith farms</p> <p>Under the chicken growing contracts, RFMP will receive a base growing fee from Baiada, with an adjustment to the fee based on the performance of the Griffith farms. This adjustment is limited to 20% of the grower fee under the contract; however during the 2012 financial year the actual performance adjustment was a net bonus of \$0.370 million.</p> <p>Lethbridge farms</p> <p>The chicken growth rates do not affect the base fee that RFMP will receive under the chicken growing contracts.</p>

Risk	Summary
Imported chicken meat	<p>Current bio-security requirements restrict the importation of chicken meat into Australia. Canned chicken meat may be imported and this must be free from nine prescribed meat diseases. Import restrictions are designed to protect Australia's domestic poultry flock from these diseases.</p> <p>There is a risk that Australia's bio-security restrictions could be removed in the event that prescribed diseases entered Australia.</p> <p>Competition in the domestic market over recent years has driven down the cost of chicken meat in real terms, which provides some protection against cheaper imports.</p> <p>Due to the short shelf life of fresh chicken meat, it is unlikely that fresh chicken could be imported by sea freight. Over 90% of Australia's chicken meat consumption is fresh chicken meat. Due to the low cost of chicken meat, it is unlikely that fresh chicken meat can be imported by air freight.</p> <p>Nevertheless, the importation of frozen chicken meat would displace a proportion of Australia's production and lead to an oversupply of broiler chicken growing capacity. With the exception of the Lethbridge farms, the importation of chicken meat does not constitute a suspension event under the growing contracts.</p>
Contract farm managers	<p>RFM (on behalf of RFMP) does not directly employ staff to work on the majority of farms. Instead, RFM contracts the farm management services in each case to a contract farm manager. The contractor model aims to reduce operational risk and corporate overheads.</p> <p>There is a risk that a contract farm manager may default on its contractual obligations to RFMP. RFMP requires contract managers to hold Directors and Officers Liability insurance against negligence by the manager or their employees, Public Liability insurance and workers' compensation insurance.</p> <p>In addition, the contractor agreement would provide RFMP with the following termination rights:</p> <ul style="list-style-type: none"> • at RFMP's discretion if the farm performance is significantly below Performance Index Factor (PIF); and • without notice for negligence, breach of material contract terms or breach of law.
Change of control	<p>Under the Lethbridge growing contracts, if RFM ceases to be the responsible entity of RFMP, Bartter Enterprises has the right to terminate the growing contracts.</p> <p>Under the leases from CIF to RFMP, if RFM ceases to be the responsible entity of RFMP then CIF may terminate the growing contracts.</p>
Agricultural and operational risks	
Suspension events under the chicken growing contracts	<p>There is a risk that a suspension event will prevent a party from fulfilling obligations under the chicken growing contracts.</p> <p>Under the contracts, an event is a suspension event if, because of the event, a party cannot fulfil an obligation under the contract when it has to, and the party could not have prevented the event by taking reasonable care.</p> <p>If a suspension event occurs, and the required written notice is given to the other party, then the obligation under the contract is suspended from the date the notice is given until the party is able to perform the obligation (this period is called the suspension period).</p> <p>The following are defined as 'suspension events' under the chicken growing contracts for the Griffith and Lethbridge farms:</p> <ul style="list-style-type: none"> • acts of God; • acts of public enemies, sabotage, civil disturbances; • wars, blockades, insurrections, riots;

Risk	Summary
	<ul style="list-style-type: none"> • epidemics; • landslides, lightning, earthquakes, storms, cyclones, fires, wash-outs, extreme weather conditions; • explosions; • industrial disputes by Bartter Enterprises employees; and • livestock husbandry issues (as such issues relate to the grower's obligations under the growing contract). <p>The following are additional 'suspension events' under the chicken growing contracts for the Lethbridge farms:</p> <ul style="list-style-type: none"> • importation of chicken product which has a significant effect on the domestic demand for chicken; and • disease. <p>Under the contracts for the Griffith farms and for the Lethbridge farms, if a suspension period lasts for more than six months, then either RFMP or Baiada may terminate the contract.</p>
Climatic conditions	<p>There is a risk that weather conditions will adversely affect returns from agricultural operations.</p> <p>RFMP mitigates this risk by having sheds that are fully enclosed and fully ventilated.</p>
Interruption to business operations	<p>Like all businesses, agricultural operations such as RFMP face risks relating to:</p> <ul style="list-style-type: none"> • equipment failure; • lack of access or damage to infrastructure (such as utilities and transport); and • labour shortages. <p>RFMP has business interruption insurance within RFM's Industrial Special Risks insurance policy. The business interruption section of the policy provides up to \$14.6 million cover with a business interruption sub-limit of \$5 million on any one loss and any one location. The insurance covers the following events when those events result in a loss of income to RFMP:</p> <ul style="list-style-type: none"> • damage to RFMP property caused by events including fire, storm, and flood (limited to \$1 million); and • damage to Bartter Enterprises property caused by events including fire, storm, and flood. <p>The insurance does not cover contractual disputes or insolvency events.</p>

7

Financial information

7.1 BASIS OF PREPARATION

The financial information in this section has been prepared on the basis required by Australian Accounting Standards as issued by the Australian Accounting Standards Board.

7.2 FORECAST FINANCIAL INFORMATION

The financial information in this section includes:

- Forecast Statements of Comprehensive Income and Changes in Net Assets for the 9 months ending 30 June 2014, and 12 months ending 30 June 2015; and
- Forecast Statements of Financial Position as at 30 September 2013, 30 June 2014 and 30 June 2015.

These are collectively known as forecast financial statements.

The financial statements set out in this section should be read in conjunction with the summary of key assumptions. In addition, consideration should also be given to key risks identified in Section 6.

The forecast financial information is based on RFM's assessment of the present economic and operating conditions and a number of assumptions regarding future events and actions, which RFM expects to take place. These events or actions may or may not take place.

Whilst the Directors of RFM consider all key assumptions to be reasonable at the time of preparation of this PDS, Unitholders should be aware that unforeseen events cannot be controlled and may lead to a deviation from the forecast financial information.

The forecast financial information is by its very nature subject to uncertainty and unexpected events, many of which are outside the control of RFM. Events and circumstances often do not occur as anticipated and, therefore, actual results may differ from the forecast financial information and these differences may be material. Accordingly, RFM cannot guarantee that the forecast financial information can or will be achieved.

Unitholders are reminded that past performance is not indicative of future performance and RFMP returns are not guaranteed.

Sensitivity analysis on profit and distributions for key assumptions for the forecast period are also shown under RFMP's financial statements.

7.3 GENERAL ASSUMPTIONS

The following best estimate general assumptions are relevant to the forecast provided in Section 7.4 and should be read in conjunction with the notes and special assumptions at the end of each financial statement.

- All grower and lease agreements are enforceable and are performed in accordance with the terms set out in Sections 2.4 and 3.1;
- All leases are classified as operating leases;
- CPI of 2.5% p.a. unless noted in the notes and specific assumptions;
- No specific change to the legislative regime and regulatory environment in the jurisdictions that RFMP operates;
- No material changes in applicable Australian Accounting Standards, other mandatory professional reporting requirements, and the Corporations Act during the forecast period;
- No material changes to the Australian income tax legislation; and
- No material amendment to any key agreements relating to RFMP.

7.4 RFM POULTRY FORECAST FINANCIAL STATEMENTS

Detailed in Figures 11 and 12 are the forecast Statement of Comprehensive Income and Changes in Net Assets, and Statement of Financial Position for RFMP.

Figure 11: RFM Poultry Statement of Comprehensive Income and Changes in Net Assets

	Notes	Forecast 9 mths to 30 June 2014 \$'000	Forecast 12 mths to 30 June 2015 \$'000
Revenue			
Grower fee income	1	17,927	24,983
Interest		86	121
Total revenue		18,013	25,104
Operating and other costs	2	(7,497)	(10,941)
Rental payments	3	(7,592)	(10,302)
Repairs and maintenance	4	(1,423)	(2,096)
Management fees		(394)	(634)
Depreciation & asset revaluation	5	(36)	(46)
Net profit before income tax		1,071	1,084
Income tax expense		(321)	(325)
Net profit after income tax		750	759
Distributions paid to Unitholders	6	(675)	(683)
Change in net assets		75	76

Notes to Figure 11:

1. Grower fees relate to services provided pursuant to growing contracts with Bartter Enterprises. Grower fees have been forecast based upon current growing contracts which are in place and the standard fee review mechanism specified in the contracts.
2. Operating costs include direct operating costs, administration and compliance costs assumed to index in the range of 1.75% to 2.5% p.a.
3. Rental payments to RFMP are set under the lease agreements and assumed to index at 1.5% p.a. Refer to lease agreement set out in Section 3.1.
4. All expenditure incurred on the facilities is assumed to be repairs and maintenance. Some items of actual expenditure may be classified as capital expenditure under accounting standards, capitalised in the balance sheet and depreciated. Expenditure is assumed to be indexed at 2.5% p.a.
5. Includes depreciation on plant and equipment, calculated on a straight-line basis over the useful life.
6. FY 2014 distributions franking inclusive of 9.93 cents per Unit declared; FY 2015 distributions franking inclusive of 14.35 cents per Unit declared. Distributions have been calculated based upon forecast revenue from RFMP's trading activities less forecast expenses and amounts set aside for cash reserves.

Figure 12: RFM Poultry Statement of Financial Position

	Notes	Pro forma 1 October 2013 \$'000	Forecast 30 June 2014 \$'000	Forecast 30 June 2015 \$'000
ASSETS				
Cash		3,402	5,068	4,563
Other current assets	1	4,411	4,157	4,496
Other non-current assets		287	271	206
TOTAL ASSETS		8,100	9,496	9,265
LIABILITIES				
Payables and accruals	2	1,070	2,235	1,971
Bank facilities		46	46	46
Other non-current liabilities	3	184	340	296
TOTAL LIABILITIES		1,300	2,621	2,313
NET ASSETS		6,800	6,875	6,952

Notes to Figure 12:

1. Other current assets include accrued revenue relating to incomplete chicken batches and trade receivables due from processor.
2. Trade payables are generally on 30-90 day terms and are not interest bearing.
3. Other non-current liabilities include deferred tax liabilities, and provisions for distributions.

Figure 13: RFM Poultry key financial metrics

Financial metrics	FY 2014	FY 2015
Forecast declared Distributions (excluding franking) per Unit	\$ 0.0993	\$ 0.1004
Forecast declared Distributions (including franking) per Unit	\$ 0.0993	\$ 0.1435
Forecast NAV	\$ 1.0110	\$ 1.0222

Figure 14: Forecast returns assuming distributions are reinvested

	9 months ending 30 June 2014	12 months ending 30 June 2015
Income	10.28%	10.34%
Growth	1.10%	1.10%
Total	11.38%	11.45%
Franking	0.00%	4.66%
Total Return	11.38%	16.11%

The financial forecast is based on a number of best estimate assumptions and these best estimate assumptions are subject to change.

Set out in Figures 15 and 16 is a summary of the key sensitivities of the forecast net profit and distributions that may be subject to change for the 9 months ending 30 June 2014, and 12 months ending 30 June 2015, being change in variable expenses (gas and electricity, direct agribusiness expenses, and repairs and maintenance).

RFMP holds cash reserves that may be used to absorb the reduction in distributions presented in Figure 15 and 16.

Whilst the sensitivity analysis below demonstrates potential volatility of RFMP, this investment only represents 13% of the current CIF holdings. Figures 15 and 16 should be read in conjunction with the RFF sensitivity analysis presented in Section 10 of the RiverBank Product Disclosure Statement dated the same date as this PDS.

Figure 15: RFM Poultry sensitivity analysis for the 9 months ending 30 June 2014

	Assumption \$'000	Amount \$'000	Change in net profit \$'000	Change in total distributions \$'000	Change in distributions \$ per Unit	Percentage change in distributions per Unit
5% reduction in variable expenses	4,876	244	171	244	0.0359	36.1%
5% increase in variable expenses	4,876	(244)	(171)	(244)	(0.0359)	-36.1%
7.5% increase in variable expenses	4,876	(366)	(256)	(366)	(0.0538)	-54.2%

Notes to Figure 15

1. Parenthesis indicate a negative value.

Figure 16: RFM Poultry sensitivity analysis for the 12 months ending 30 June 2015

	Assumption \$'000	Amount \$'000	Change in net profit \$'000	Change in total distributions \$'000	Change in distributions \$ per Unit	Percentage change in distributions per Unit
5% reduction in variable expenses	7,497	375	262	375	0.0551	36.9%
5% increase in variable expenses	7,497	(375)	(262)	(375)	(0.0551)	-36.9%
7.5% increase in variable expenses	7,497	(562)	(394)	(562)	(0.0827)	-55.3%

Notes to Figure 16

1. Parenthesis indicate a negative value.



Taxation



2 October 2013

The Directors
Rural Funds Management Limited
Level 2, 2 King Street
DEAKIN ACT 2600

Dear Directors

Tax opinion - RFM Poultry

The following tax summary has been prepared for inclusion in the product disclosure statement for RFM Poultry (RFMP), to be issued by Rural Funds Management Limited (RFM).

Scope of opinion

- 1 The following is a general summary of the Australian Tax implications for existing unit holders in RFMP in relation to the issue of units in RFMP (**Unit Issue**).
- 2 We understand that all of the initial unitholders in RFMP will acquire units in the fund as a result of the demerger of CIF so that CIF may participate in a restructure of three funds managed by RFM (**Restructure**), which is intended to provide liquidity to investors. In particular, CIF will pay a distribution to the CIF Unitholders which will be applied to subscribe for units in RFMP.
- 3 This tax opinion is only intended to provide a general summary in relation to the implications at the unit holder level from participating in the Unit Issue.
- 4 For further information regarding the tax implications of the Restructure, unitholders should refer to the Explanatory Memorandum included in the meeting materials provided to CIF Unitholders in relation to the meeting to consider the Restructure.
- 5 This opinion is based on the law and administrative practice in force as at the date of this letter, all of which are subject to change, including with retrospective effect. It is intended to be a general guide only and is not intended to be authoritative or a complete statement of all the potential tax implications for a unitholder.

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- 6 The summary does not take account of the specific individual circumstances of each unitholder and is not intended to be definitive advice nor relied upon as such. Accordingly, a potential investor should satisfy themselves as to the potential tax consequences of them taking up the units in RFMP by obtaining their own professional advice.

Tax characterisation of RFM Poultry

- 7 As a basic rule, trusts are treated as flow through vehicles for income tax purposes. However, an exception to this general position is if the trust is characterised as a public trading trust as defined in Division 6C, *Income Tax Assessment Act 1936*.
- 8 A trust will be classified as a public trading trust where it meets the following requirements under the tax legislation at any time during the relevant income year:
- (a) it is a 'public unit trust' – this will be satisfied by the listing of the units in RFMP or alternatively because they are held by 50 or more persons (either directly or indirectly via another trust); and there will not be 20 or less persons who between them hold a beneficial interest in at least 75% of the units on issue in RFMP; and
 - (b) it is a 'trading trust' – this will be satisfied where RFMP carries on a trading business (being a business that does not consist wholly of an eligible investment business, such as deriving passive income from the rental of the land).
- 9 RFM has determined that RFMP will be a public trading trust as defined for the 2014 year as the fund:
- (a) will satisfy the eligibility requirements for consideration as a public unit trust; and
 - (b) will be a trading trust, given that RFMP's business will derive income from chicken growing activities.

Impact on unit holders

- 10 As a public trading trust, RFMP will be taxed as a corporate entity and not as a flow through entity. This means that any distributions made by RFMP to unit holders will be treated for income tax purposes in the same manner as dividends paid by a company. The distributions are able to be franked.

Future status as public trading trust

- 11 In August 2009, the Board of Taxation reviewed and reported on the managed investment trust (**MIT**) tax regime, with its report released. As part of the 2010-11 Budget, the Government announced its intention to introduce a new taxation regime for managed investment trusts, in response to the Board of Taxation Report. On 30 July 2012, the Government announced the start date of the new laws would be 1 July 2014. Legislation has not yet been enacted to give effect to these changes and the Government has deferred consideration of some other Board recommendations that may narrow the scope of the public trading trust rules.
- 12 The Board has also more recently considered whether a broader range of tax flow-through vehicles should be permitted, having regard to the new MIT tax framework. The outcome of this review will likely be released when the Government releases its response to this Board of Taxation Report.
- 13 Irrespective of any future changes to the law, if the RFMP's business activities change over time, RFMP may cease to be taxed as a trading trust in future years and instead be taxed as a flow through trust. This means that unitholders will receive distributions of income from the trust each year, which will need

The Directors
Rural Funds Management Limited



to be included in the taxpayers assessable income and tax paid upon those distributions at the unit holder's applicable tax rate.

Yours sincerely

A handwritten signature in black ink, appearing to read "Hayden Bentley". The signature is written in a cursive, slightly slanted style.

Hayden Bentley
Partner

9

Material documents and corporate governance

9.1 RFMP CONSTITUTION

RFM is the Responsible Entity for RFMP. RFM's responsibilities, powers, and obligations as the Responsible Entity for RFMP are governed by:

- the Corporations Act; and
- the RFMP Constitution.

The RFMP Constitution covers:

- RFM's indemnity from the RFMP assets;
- the distribution of income and capital of RFMP;
- entitlements of RFMP investors if RFMP is wound up;
- the rights of RFMP investors to withdraw from RFMP;
- the nature of the Units (identical rights attach to all Units issued under this PDS); and
- the rights of RFMP investors to attend and vote at investor meetings.

You can obtain a copy of the RFMP Constitution by phoning RFM Investor Services on 1800 026 665 and RFM will provide a copy of the RFMP Constitution free of charge.

The following matters are subject to the Corporations Act and (to the extent applicable) the RFMP Constitution:

- the conduct of RFMP investor meetings; and
- RFMP investors' rights to requisition, attend, and vote at RFMP investor meetings.

RFMP investors are entitled to receive notice of and attend (either in person or by proxy) all RFMP investor meetings. On a show of hands, each RFMP investor has one vote. On a poll, each RFMP investor has one vote for each dollar of the total value of RFMP Units that they hold.

9.2 RFM UNIT PRICING POLICY AND COMMITTEE

Under the RFMP Constitution, RFM or its nominee has certain discretion in calculating the RFMP Unit Price. The RFM Unit Pricing Policy applies to the exercise of this discretion and outlines:

- the pricing frequency;
- the valuation methodology;
- fees;

- rebates and expenses;
- distributions;
- unit pricing suspension; and
- reporting requirements.

You can obtain a copy of the RFM Unit Pricing Policy and related documents by phoning RFM Investor Services on 1800 026 665. RFM will provide a copy of the RFM Unit Pricing Policy and related documents free of charge.

The RFM Unit Pricing Committee meets monthly and is responsible for ensuring that the RFMP Unit Price is calculated in accordance with the RFM Unit Pricing Policy.

9.3 RELATED PARTY TRANSACTIONS

RFMP may enter into transactions with parties that are related to RFM. RFMP may also enter into transactions with managed investment schemes for which RFM is the Responsible Entity or manager.

RFM's External Compliance Committee monitors compliance with RFMP's constituent documents and key policies including the Conflict of Interest Management Policy. In accordance with its compliance plan RFM maintains Related Party Transactions and Conflicts of Interest registers. Related party transactions are subject to review by RFM's External Compliance Committee and the RFM Board and only proceed if the Board and the RFM External Compliance Committee consider them to be at arm's length.

The lease arrangement RFMP will enter into with CIF will amount to a related party transaction, even though RFMP and CIF will initially have the same Unitholders. The Board of RFM has satisfied itself that the lease is on commercial arm's length terms. The material terms of the lease are summarised in Section 3.1 of this PDS.

There are no other related party transactions.

10

Additional information

10.1 RFM INVESTOR SERVICES

RFM is committed to providing excellent service to RFMP investors in relation to the management of RFMP.

Do you have a compliment or a complaint? Or do you have a suggestion on how RFM can serve you better? RFM is committed to continuous improvement so we welcome your feedback.

You can register a compliment, complaint or a suggestion by:

- phoning RFM Investor Services on 1800 026 665; or
- writing to RFM at Locked Bag 150, KINGSTON ACT 2604.

In the case of a complaint, RFM will seek to resolve your complaint efficiently and promptly. We will:

- acknowledge in writing that we have received your complaint. We will provide this written acknowledgement as soon as reasonably practicable or in any event within 14 days of receiving your complaint; and
- address your complaint within 45 days.

If you are dissatisfied with our response to your complaint, you can refer your complaint to the Financial Ombudsman Service by:

- phoning the Financial Ombudsman Service on 1300 780 808; or
- writing to the Financial Ombudsman Service at GPO Box 3, MELBOURNE VIC 3001.

Indirect Investors who invest in RFMP through an IDPS should register a compliment or a complaint with the IDPS operator.

10.2 REPORTING TO RFMP UNITHOLDERS

RFM is committed to keeping RFMP investors fully informed about RFMP. The RFM website displays:

- the RFMP distribution details; and
- the RFM Newsletter, which includes the RFMP financial performance as well as commentary on RFMP.

You can access the RFM website at www.ruralfunds.com.au.

10.3 STATEMENTS

RFM will send to each RFMP investor a transaction statement whenever there is a change in your Unitholding.

Following the payment of a distribution, RFM will send to each RFMP investor a distribution statement. The distribution statement will show the RFMP investor's distribution and Unitholding.

RFM will send to each RFMP investor an annual taxation statement.

10.4 RFMP DISTRIBUTIONS

The reinvestment instructions that apply to CIF will apply to RFMP unless you advise RFM otherwise.

RFMP distributions may take the form of:

- income (franked or unfranked); and/or
- tax deferred (capital).

The form of distribution will depend on the performance of the RFMP assets and the taxation status of RFMP. See Section 8 for information about taxation.

RFM calculates RFMP distributions quarterly and generally pays the distributions within two calendar months of the record date. The record date for distributions is the final day of each quarter. Distributions are paid on a per-Unit basis according to the individual Unitholdings at the end of the distribution period.

10.5 RFMP ANNUAL FINANCIAL REPORT

RFMP investors can elect to receive the RFMP annual financial report. Where an investor makes such an election, RFM will send the report by 30 September each year. The annual financial report will detail the RFMP financial position. The RFMP annual financial report will also be available on the RFM website at www.ruralfunds.com.au.

10.6 INVESTING THROUGH AN IDPS

Indirect Investors who invest in RFMP through an IDPS will receive their investment reports from the IDPS operator, not from RFM.

10.7 COOLING OFF PERIOD

As at the date of this PDS, RFMP is a non-liquid scheme (as defined by the Corporations Act) so there are no cooling off rights.

10.8 ENVIRONMENTAL, SOCIAL, ETHICAL, AND LABOUR STANDARDS CONSIDERATIONS

When it makes decisions about RFMP, RFM will take the following considerations into account only to the extent that RFM considers that they have the potential to materially impact the investment returns of RFMP:

- environmental;
- social;
- ethical; and
- labour standards.

Therefore, where the sustainability or value of RFMP is adversely affected by unacceptable labour standards or environmental, social or ethical factors, RFM may choose not to invest further or may choose to dispose of the relevant investment.

10.9 ONGOING DISCLOSURE

RFMP will be a disclosing entity and investors will have a right to obtain a copy of the following documents:

- the annual financial report for RFMP most recently lodged with ASIC;
- any half-yearly report lodged with ASIC; and
- any continuous disclosure notices given by RFMP. Continuous disclosure notices are also posted on the RFM website.

The financial statements for RFMP will be available on request.

10.10 CONSENTS

McCullough Robertson lawyers have given written consent to be named or referred to in this PDS, including their taxation report in Section 8, and have not withdrawn their consent as at the date of this PDS. McCullough Robertson lawyers have not caused or authorised the issue of this PDS and to the maximum extent permitted by law, expressly disclaim, and take no responsibility for, any part of this PDS, other than references to McCullough Robertson lawyers and the taxation report.

The RFM Directors have consented to and authorised the issue of this PDS.



11

Glossary

Term	Definition
ABN	Australian Business Number
AFSL	Australian Financial Services Licence
ARSN	Australian Registered Scheme Number
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
AWF	RFM Australian Wine Fund ARSN 099 573 485
Baiada or Bartter Enterprises	Includes both Bartter Enterprises Pty Limited ABN 22 000 451 374 and Baiada Poultry Pty Limited ABN 96 002 925 948
Business Day	A day that is not a Saturday, Sunday or a public holiday in Canberra, Australian Capital Territory
CIF	RFM Chicken Income Fund ARSN 105 754 461
Compliance Plan	The Compliance Plan of RFMP
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Directors	The directors of RFM
ECC	External Compliance Committee
Funds	RFM RiverBank ARSN 112 951 578 RFM Chicken Income Fund ARSN 105 754 461 RFM Australian Wine Fund ARSN 099 573 485
Growing Contracts	The Chicken Growing Contracts with Bartter Enterprises, the details of which are set out in Figure 3
ICR	Indirect Cost Ratio
Merger	The merger of RFM Chicken Income Fund (CIF) and RFM Australian Wine Fund (AWF) with RFM RiverBank (RiverBank)
Net Asset Value or NAV	A measure of the value of a Unit in the Funds or RFMP as the case may be. The NAV is the net value of the assets divided by the number of Units on issue. The NAV for the Funds is currently determined according to the RFM Unit Pricing Policy.
Responsible Entity or RFM or we	Rural Funds Management Limited ABN 65 077 492 838
RFM	Rural Funds Management Ltd ACN 077 492 838
RFMP	RFM Poultry ARSN 164 851 218
RiverBank	RFM RiverBank ARSN 112 951 578
TFN	Tax File Number
Unit	A Unit in RFMP
Unitholder or Investor	The holder of the legal title of Units

