

Almond Fund 2008

Financial Statements
For the Half Year Ended 31 December 2014

RFM Almond Fund 2008

ARSN 127 947 960

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For the Half Year Ended 31 December 2014

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RFM Almond Fund 2008

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Corporate Directory

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

RFM Almond Fund 2008

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Directors of the Responsible Entity's report For the half year ended 31 December 2014

The Directors of Rural Funds Management Limited ("RFM"), Responsible Entity of RFM Almond Fund 2008 ("AF08" or "the Scheme") present their report on the Scheme for the half year ended 31 December 2014.

Directors

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

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

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

Principal activities

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

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

For the duration of the licence period, Growers are entitled to receive net cash flows arising under the Scheme, being revenue from almond sales less Scheme costs. When the Scheme costs exceed revenues and the Growers were required to fund the shortfall. When the revenues exceed costs, the surplus will be distributed to Growers.

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

The Scheme grants a licence of an Almondlot to a Grower pursuant to the LMA. If Growers fail to make payment in accordance with the LMA, the Responsible Entity may cancel their Almondlots and the Grower's interest in the Scheme is automatically terminated.

Further information on the Scheme operations is detailed in note 1(a)(i) on page 11.

Each almond grove operated represents an area of 0.2158 hectares. As at 31 December 2014, the Scheme had 174 (2013: 174) Growers with a total of 956 (2013: 956) groves representing 206.3 (2013: 206.3) hectares.

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Directors of the Responsible Entity's report
For the half year ended 31 December 2014

Review of results and operations

The net loss attributable to Growers for the half year ended 31 December 2014 was \$297,840 (2013 restated: \$94,118 loss).

A large proportion of farm direct costs occur from December until harvest completion and delivery of nuts to the processor. The Scheme's harvest usually commences in February and completes at the end of April.

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

	Tonnes per grove	Per hectare
2015 Estimated harvest per original PDS	0.76	3.50
2015 Estimated harvest	0.87	4.03
2014 Estimated harvest per original PDS	0.76	3.50
2014 Actual harvest	0.66	3.06

The 2014 actual harvest yield was 13% lower than the estimated yield due to the increased mould percentage and internal damage caused by frequent rain events during the harvest period. The lower yield is partially offset by an increase in almond price with current price forecast at \$8.55 per kilogram. A net cash surplus position is expected at the end of this financial year.

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

The 2015 harvest estimate is based on nut counts from selected average cropped trees for all almond varieties which are conducted in the middle of the season. The 2015 crop is expected to yield higher than the 2014 crop. Furthermore, Australian almond growers are expected to benefit from continued growth in global demand, strengthening almond prices and a lower Australian dollar.

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

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Directors of the Responsible Entity's report
For the half year ended 31 December 2014

Distributions

The 2014 financial year was the first year in which the revenues exceeded costs and the cash surplus was distributed to Growers on 15 October 2014. The details of the 2014 distributions are shown below.

2014 Financial Year Distribution

	Item \$	GST \$	Total \$
Itemised financials per Grove			
Income			
Harvest proceeds from 2013 crop	5,918.98	GST Free	5,918.98
Other income received	0.09	GST Free	0.09
Expense			
Management fee	(217.26)	(21.73)	(238.99)
Licence fee	(1,060.83)	(106.08)	(1,166.91)
Operating & processing costs	(2,939.69)	(261.07)	(3,200.76)
Performance fees	(261.74)	(26.17)	(287.91)
2014 Distribution per Grove	1,439.55	(415.05)	1,024.50
2012/13 adjustment	(340.83)	(36.23)	(377.06)
Total Distribution per Grove	1,098.72	(451.28)	647.44

Interests in the Scheme

	Licence and Management Agreements	No. of almondlots under LMAs
Licence and Management Agreements at 1 July 2014 and 31 December 2014	174	956

Fees paid to Responsible Entity

In accordance with LMA, the management fees paid to the Responsible Entity for the half year ended 31 December 2014 were \$117,547 (2013: \$114,235) inclusive of GST.

Scheme assets

At 31 December 2014 the Scheme held net assets to a total value of \$5,023,397 (30 June 2014 restated: \$5,940,190) on behalf of Growers. The cash surplus/deficit received from 2014 harvest proceeds after paying all 2015 operating costs, management fees and licence fees will be paid/invoiced to Growers in October 2015.

After balance date events

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

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**Directors of the Responsible Entity's report
For the half year ended 31 December 2014**

Significant changes in state of affairs

On 15 October 2014, the Scheme redeemed its investment of 19,266 units in RF Active, a fund managed by RFM, that leases almond growing plant and equipment.

Likely developments and expected results of operations

Maximising the Growers' return by developing crop yield potential and improve efficiency in operations continue to be RFM's main focus for the Scheme. A number of capital expenditure projects are being undertaken by Rural Funds Trust (land owner) minimise the impact on crop yield from extreme weather conditions.

Environmental regulation and performance

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

Indemnification of Directors and Officers

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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



David Bryant

Director

23 February 2015



Auditor's Independence Declaration

As lead auditor for the review of RFM Almond Fund 2008 for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to be 'J. Heraghty', with a long horizontal line extending to the right.

CMC Heraghty
Partner
PricewaterhouseCoopers

Sydney
23 February 2015

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Statement of Comprehensive Income

For the half year ended 31 December 2014

		31 December 2014	31 December 2013 (Restated)
	Note	\$	\$
Revenue	3	3,309,753	3,613,655
Cost of goods sold		(3,309,753)	(3,480,015)
Increment in biological assets	5	587,945	617,564
Other income		-	201,311
Interest received		6,975	-
Management fees	6	(117,547)	(114,235)
Land lease and rental	6	(587,945)	(617,564)
Other expense		(31,544)	(314,834)
Inventory impairment		(155,724)	-
Net loss attributable to Growers		(297,840)	(94,118)
Net loss for the period		(297,840)	(94,118)
Other comprehensive income		-	-
Total comprehensive income for the period, representing changes in net assets attributable to Growers		(297,840)	(94,118)

The accompanying notes form part of these financial statements

RFM Almond Fund 2008

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Statement of Financial Position

As at 31 December 2014

	Note	31 December 2014 \$	30 June 2014 (Restated) \$
ASSETS			
Current assets			
Cash and cash equivalents		652,563	910,204
Trade and other receivables		-	3,989
Inventory	4	2,080,416	5,241,509
Biological assets	5	2,319,276	-
Assets held for sale		-	19,266
Total current assets		5,052,255	6,174,968
TOTAL ASSETS		5,052,255	6,174,968
LIABILITIES			
Current liabilities			
Trade and other payables		28,858	234,778
Total current liabilities		28,858	234,778
TOTAL LIABILITIES		28,858	234,778
Net assets attributable to Growers		5,023,397	5,940,190

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 2014

31 December 2014	Net assets attributable to Growers
	\$
Balance at 1 July 2014 (Restated)	5,940,190
Distribution paid to Growers	(618,953)
Changes in net assets attributable to Growers	(297,840)
Balance at 31 December 2014	5,023,397

31 December 2013	Net assets attributable to Growers (Restated)
	\$
Balance at 1 July 2013	5,137,323
Distribution paid to Growers	-
Changes in net assets attributable to Growers	(94,118)
Balance at 31 December 2013	5,043,205

The accompanying notes form part of these financial statements

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Statement of Cash Flows

For the half year ended 31 December 2014

	31 December 2014 \$	31 December 2013 \$
Cash flow from operating activities		
Receipts from customers – Almondco	3,051,129	3,265,633
Repayment of shortfall funding to Rural Funds Trust	-	(360,136)
Payments to Responsible Entity	(2,716,058)	(2,927,722)
Interest received	6,975	453
Net cash provided by/(used in) operating activities	341,946	(21,772)
Cash flow from investing activities		
Redemption of RF Active units	19,266	-
Net cash provided by investing activities	19,266	-
Cash flow from financing activities:		
Contributions from Growers	-	19,860
Distribution paid to Growers	(618,953)	-
Net cash provided by/ (used in) financing activities	(618,953)	19,860
Net decrease in cash and cash equivalents	(257,641)	(1,912)
Cash and cash equivalents at beginning of period	910,204	2,842
Cash and cash equivalents at end of period	652,563	930

The accompanying notes form part of these financial statements

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Notes to the Financial Statements

For the half year ended 30 June 2014

1 Summary of significant accounting policies

(a) Basis of preparation

This general purpose financial report for the half year ended 31 December 2014 has been prepared in accordance with AASB 134: Interim Financial Reporting and the *Corporations Act 2001*.

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

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 the half year financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by AF08 during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

(i) Scheme information

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

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

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

For the duration of the licence period, Growers are entitled to receive the net cash flows arising under the Scheme, being the revenue from almond sales less Scheme costs. The almond trees reached commercial maturity in the 2013 year. The 2014 harvest revenue received throughout 2015 had been applied to fund 2015 operating expenses. When the revenues exceed the costs, the surplus will be distributed to Growers.

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

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Notes to the Financial Statements

For the half year ended 30 June 2014

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Obligations of the Responsible Entity

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

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

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

(iii) Other obligations to members of the Scheme

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

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

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

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Notes to the Financial Statements

For the half year ended 30 June 2014

1 Summary of significant accounting policies (continued)

(b) Change in application of accounting policy

A change in the application of accounting policy has been noted during the period. Agribusiness operational costs have previously been taken through the Statement of comprehensive income. As the trees have now reached a mature stage, and given the strong forecast almond price and estimated yield, sufficient biological transformation has been deemed to have taken place. As a result, agribusiness operational costs have been capitalised under biological assets. Refer to the table below for the impact of this restatement.

	31 December 2014 \$	31 December 2013 (Restated) \$
Statement of comprehensive income		
Agribusiness operations	-	1,564,955
Increment in biological assets	-	617,564
Change in net profit/ (loss)	-	2,182,519

A difference was identified in the performance fee calculation included in the 30 June 2014 financial statements. As such, an adjustment has been made to restate the accrued performance fee. Refer to table below for the impact of this adjustment. There is no impact on the prior period Statement of comprehensive income. The distribution made to Growers on 15 October 2014 was based on the amended performance fee calculation.

	31 December 2014 \$	30 June 2014 (Restated) \$	1 July 2013 (Restated) \$
Statement of financial position			
Trade and other payables	-	80,647	-
Decrease in net assets attributable to Growers	-	80,647	-

(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 International Accounting Standards Board.

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Notes to the Financial Statements

For the half year ended 30 June 2014

2 Significant accounting judgements, estimates and assumptions

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

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

Biological assets

Biological assets are measured at cost as insufficient biological transformation is deemed to have occurred.

Net cost of inventory

At the date of harvest, the cost of inventory is assessed as the fair value of the agricultural produce being the harvested almonds. The fair value assessment requires estimates to be made of harvested tonnes, quality and mix. As almonds are processed these estimates are revised and finalised. Inventory is impaired if net realisable value is below cost.

3 Revenue

	31 December 2014	31 December 2013
	\$	\$
Harvest proceeds – sale of almonds	3,309,753	3,613,655
Total	3,309,753	3,613,655

Harvest proceeds for the 2014 almond crop have been received into the Scheme's bank account from July 2014. These proceeds are not considered Scheme property but are property of the Growers and are disclosed in the financial statements. The total actual harvest proceeds received at the end of December 2014 was \$3,044,759, which is the net proceeds after deducting the processing costs for the entire 2014 crop.

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Notes to the Financial Statements

For the half year ended 30 June 2014

4 Inventory

	31 December 2014	30 June 2014
	\$	\$
Agricultural produce		
Almonds on hand and at processor	2,080,416	5,241,509
Total	2,080,416	5,241,509

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

The Scheme receives instalment payments of the proceeds as the almonds are sold and therefore the final sale price will not be known until the final instalment is received, which for the current forecast is due in June 2015. The forecast sale price for the 2014 harvest is \$8.55 per kilogram (2013 harvest: \$6.63 actual).

An impairment loss of \$155,724 has been taken during the half year due to a revision in estimate of yield on the 2014 harvest. The 2014 actual harvest yield was lower than the estimated yield as at 30 June 2014 due to the increased mould percentage and internal damage caused by frequent rain events during the harvest period. The actual yield was finalised after all almonds had been processed in October 2014.

	Tonnes per Grove	Per Hectare
2014 Estimated yield per 30 June 2014	0.69	3.20
2014 Actual harvest per 31 December 2014	0.66	3.06

5 Biological assets

	31 December 2014	31 December 2013 (Restated)
	\$	\$
Opening balance as at 30 June	-	-
Costs capitalised		
- Agribusiness operations	1,731,331	1,564,955
Increase due to biological transformation	587,945	617,564
Transfer to inventory	-	-
Total	2,319,276	2,182,519

The Scheme's 2015 harvest has commenced in February 2015 and is expected to be completed at the end of April 2015. Harvest proceeds are received in the financial year following harvest. Therefore, the proceeds of the 2015 harvest will be received in financial year 2016.

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Notes to the Financial Statements

For the half year ended 30 June 2014

6 Related party transactions

Transactions between related parties are on commercial terms and conditions.

(a) Farm manager (Rural Funds Management Limited)

The farm manager's fees are based on the farm operating costs incurred by the Responsible Entity plus property licence fees, and management fees prescribed by the Scheme PDS during the half year ended 31 December 2014.

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

	31 December 2014	31 December 2013
	\$	\$
Responsible Entity's management fees	117,547	114,235
Agribusiness costs capitalised	1,731,331	1,564,955
Land lease and rental	587,945	617,564
Cost recovery for cancelled groves – received from RFM	-	(201,311)
Harvest proceeds paid for cancelled groves – Rural Funds Group	-	314,834
Total	2,436,823	2,410,277

(b) Share redemption by related parties

RF Active	19,266	-
Total	19,266	-

7 After balance day events

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

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Directors of the Responsible Entity's Declaration

In the Directors of the Responsible Entity's opinion:

- a) The financial statements and notes set out on pages 7 to 16 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - ii. giving a true and fair view of the Scheme's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.
- b) in the Directors of the Responsible Entity's opinion, there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of Rural Funds Management Limited as the Responsible Entity of RFM Almond Fund 2008.



David Bryant

Director

23 February 2015



Independent auditor's review report to the growers 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 (the registered scheme), which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in net assets attributable to Growers and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of Rural Funds Management (the responsible entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 Australian 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 entity's financial position as at 31 December 2014 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.

Independence

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

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 entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;

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b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'J. Heraghty', with a long horizontal stroke extending to the right.

CMC Heraghty
Partner

Sydney
23 February 2015

Responsible Entity

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