

Almond Fund 2007

Financial Statements

For the Half Year Ended 31 December 2015

RFM Almond Fund 2007

ARSN 124 998 527

Contents

Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Net Assets Attributable to Growers	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Directors' Declaration	14
Independent Auditor's Review Report	15

RFM Almond Fund 2007

ARSN 124 998 527

Corporate Directory

Registered Office	Level 2, 2 King Street DEAKIN ACT 2600
Responsible Entity	Rural Funds Management Limited ABN 65 077 492 838 AFSL 226 701 Level 2, 2 King Street DEAKIN ACT 2600
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 201 Sussex Street SYDNEY NSW 2000
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000

RFM Almond Fund 2007

ARSN 124 998 527

Directors' Report

31 December 2015

The Directors of Rural Funds Management Limited (RFM), the responsible entity of RFM Almond Fund 2007 (AF07 or the Scheme) present their report on the Scheme for the half year ended 31 December 2015.

Directors

The following persons held office as Directors of the responsible entity during the half year and up to the date of this report:

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

Principal activities and significant changes in nature of activities

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

AF07 was established in 2007 to provide Growers with an opportunity to invest and participate in the business of growing and selling almonds. The Growers are licensed to operate an almond growing business for 20 years from June 2007, after which the agricultural produce from the trees reverts to the lessor. From 2007 to 2027 the Growers have entered into a Licence and Management Agreement (LMA) with RFM to conduct the growing and harvest of the almonds.

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

As the Scheme manages the cash flows associated with the above and does not operate a business in its own right, AF07 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 on page 10.

Each almond grove operated represents an area of 0.2158 hectares. As at 31 December 2015, the Scheme had 53 Growers (31 December 2014: 53) with a total of 338 groves (31 December 2014: 338) representing 72.9 hectares (31 December 2014: 72.9).

Operating results

The operating profit attributable to Growers for the half year ended 31 December 2015 amounted to \$37,239 (31 December 2014: \$111,830 loss).

Harvest proceeds are received in the financial year following harvest. Therefore, the 2016 harvest proceeds will be received in the 2017 financial year. The proceeds of the 2015 harvest, the Scheme's sixth harvest, were available for funding the 2016 operating costs. The table below gives the details of the 2016 harvest with a comparison to the 2015 harvest.

	Tonnes per grove	Tonnes per hectare
2016 estimated harvest (per original PDS)	0.76	3.50
2016 estimated harvest (per forecast)	0.73	3.40
2015 estimated harvest (per original PDS)	0.76	3.50
2015 actual harvest	0.94	4.34

RFM Almond Fund 2007

ARSN 124 998 527

Directors' Report

31 December 2015

Operating results (continued)

The 2015 actual harvest yield significantly exceeded original yield estimates. The almond price has also increased with a current price forecast of \$11.45 per kilogram. As a result, a net cash surplus position is expected at the end of this financial year.

The 2016 harvest estimate is based on nut counts from selected average cropped trees for all almonds varieties which are conducted in the middle of the season. The 2016 crop is expected to yield slightly lower than the original estimate due to the tendency for trees to follow a large crop with a smaller one in the following year.

Financial position

The net assets of the Trust have decreased from \$3,684,006 at 30 June 2015 to \$3,330,821 at 31 December 2015. \$390,424 has been distributed to the growers during the half year (31 December 2014: \$220,292).

Distributions and performance

A distribution was declared and paid to Growers in October 2015, being proceeds from the 2014 harvest less the 2015 operating costs. The details of this distribution are shown below.

	Sub-total	GST	Total
	\$	\$	\$
Income			
Harvest proceeds (2014 crop)	6,616.11	GST Free	6,616.11
Other income	0.38	GST Free	0.38
Interest received	14.19	GST Free	14.19
Expenses			
Management fee	(223.99)	(22.40)	(246.39)
Licence fee	(1,137.08)	(113.71)	(1,250.79)
Operating and processing costs	(3,640.91)	(337.49)	(3,978.40)
Performance fees	-	-	-
Total distribution per grove	1,628.70	(473.60)	1,155.10

Interests in the Scheme

	31 December	30 June
	2015	2015
	No.	No.
Licence and Management Agreements	53	53
Almondlots under Licence and Management Agreements	338	338

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Scheme during the half year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since the end of the half year that has significantly affected or could significantly affect the operations of the Scheme, the results of those operations or the state of affairs of the Scheme in future financial years.

RFM Almond Fund 2007

ARSN 124 998 527

Directors' Report

31 December 2015

Likely developments and expected results of operations

Maximising grower returns by developing crop yield potential and improving efficiency in operations continue to be the main focus for the Scheme.

Environmental regulation

The operations of the Scheme are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Indemnity of Responsible Entity and Custodian

In accordance with the constitution, RFM Almond Fund 2007 indemnifies the Directors, Company Secretaries and all other officers of the Responsible Entity and Custodian when acting in those capacities, against costs and expenses incurred in defending certain proceedings.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2015 has been received and is included on page 5 of the financial report.

The Directors' report is signed in accordance with a resolution of the Board of Directors of Rural Funds Management Limited.



David Bryant
Director

1 March 2016



Auditor's Independence Declaration

As lead auditor for the review of Almond Fund 2007 for the half-year ended 31 December 2015, 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, consisting of several loops and a long horizontal stroke extending to the right.

CMC Heraghty
Partner
PricewaterhouseCoopers

Sydney
1 March 2016

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

Liability limited by a scheme approved under Professional Standards Legislation.

RFM Almond Fund 2007

ARSN 124 998 527

Statement of Comprehensive Income

For the half year ended 31 December 2015

	Note	31 December 2015 \$	31 December 2014 \$
Revenue	4	2,128,211	1,302,282
Cost of almonds sold		(2,053,726)	(1,302,282)
Change in fair value of biological assets		224,614	207,875
Interest received		4,952	2,519
Other income		28	-
Management fees		(42,223)	(41,560)
Land lease and rental		(224,614)	(207,875)
Inventory impairment		-	(72,785)
Other expenses		(3)	(4)
Net profit attributable to growers		37,239	(111,830)
Net profit for the half year		37,239	(111,830)
Other comprehensive income:			
Other comprehensive income		-	-
Total comprehensive income attributable to growers		37,239	(111,830)

The accompanying notes form part of these financial statements.

RFM Almond Fund 2007

ARSN 124 998 527

Statement of Financial Position

As at 31 December 2015

	Note	31 December 2015 \$	30 June 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,151,270	267,102
Trade and other receivables		-	209,064
Biological assets	5	943,277	-
Inventories	6	1,441,193	3,373,469
Total current assets		3,535,740	3,849,635
Non-current assets			
Financial assets		2,100	2,100
Total non-current assets		2,100	2,100
Total assets		3,537,840	3,851,735
LIABILITIES			
Current liabilities			
Trade and other payables		207,019	167,729
Total current liabilities		207,019	167,729
Total liabilities (excluding net assets attributable to growers)		207,019	167,729
Net assets attributable to growers		3,330,821	3,684,006
Total liabilities		3,537,840	3,851,735

The accompanying notes form part of these financial statements.

RFM Almond Fund 2007

ARSN 124 998 527

Statement of Changes in Net Assets Attributable to Growers

For the half year ended 31 December 2015

	31 December 2015 \$
Balance at 1 July 2015	3,684,006
Net profit for the half year	37,239
Other comprehensive income	-
Total comprehensive income attributable to growers	37,239
Distributions to growers	(390,424)
Balance at 31 December 2015	3,330,821

	31 December 2014 \$
Balance at 1 July 2014	2,231,282
Net profit for the half year	(111,830)
Other comprehensive income	-
Total comprehensive income attributable to growers	(111,830)
Distributions to growers	(220,292)
Balance at 31 December 2014	1,899,160

The accompanying notes form part of these financial statements.

RFM Almond Fund 2007

ARSN 124 998 527

Statement of Cash Flows

For the half year ended 31 December 2015

	31 December 2015	31 December 2014
Note	\$	\$
Cash flows from operating activities		
Receipts from customers	2,019,642	1,212,369
Payments to suppliers and employees	(750,002)	(957,955)
Interest received	4,952	2,519
Net cash inflow from operating activities	1,274,592	256,933
Cash flows from investing activities		
Proceeds from sale of investments	-	7,800
Dividend received	-	100
Net cash inflow from investing activities	-	7,900
Cash flows from financing activities		
Distributions paid to growers	(390,424)	(220,292)
Net cash (outflow) from financing activities	(390,424)	(220,292)
Net increase in cash and cash equivalents held	884,168	44,541
Cash and cash equivalents at the beginning of the period	267,102	276,324
Cash and cash equivalents at the end of the period	1,151,270	320,865

The accompanying notes form part of these financial statements.

RFM Almond Fund 2007

ARSN 124 998 527

Notes to the Financial Statements

31 December 2015

1 General information

These financial statements cover RFM Almond Fund 2007 as an individual entity. The Scheme is a registered managed investment scheme constituted in 2007. The responsible entity of the Scheme, Rural Funds Management Limited, is incorporated and domiciled in Australia. The registered office of the responsible entity is Level 2, 2 King Street, Deakin, ACT 2600.

The financial statements were authorised for issue by the directors of the responsible entity on 1 March 2016. The directors of the responsible entity have the power to amend and reissue the financial statements.

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 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 the Scheme costs. The 2015 harvest revenue received throughout 2016 has been applied to fund 2016 operating expenses. When the revenues exceed the costs, the surplus is distributed to growers.

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

(i) *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(ii), 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.

(ii) *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 expenditure 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.

RFM Almond Fund 2007

ARSN 124 998 527

Notes to the Financial Statements

31 December 2015

2 Summary of significant accounting policies

Basis of preparation

The accounting policies that have been adopted in respect of the financial report are those of Rural Funds Management as responsible entity of the Scheme. The accounting policies adopted for the half year ended 31 December 2015 are consistent with those of the financial year ended 30 June 2015.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and the Scheme's Constitution.

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

This general purpose financial report for the half year ended 31 December 2015 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

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

It is recommended that the half year financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by the Scheme during the period in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

3 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements, estimates and assumptions in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions 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 and may materially affect financial results or the financial position reported in future periods.

Management has identified the following critical accounting policies for which significant judgements, estimates or assumptions are made.

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.

RFM Almond Fund 2007

ARSN 124 998 527

Notes to the Financial Statements

31 December 2015

4 Revenue

	For the half year ended 31 December 2015 \$	For the half year ended 31 December 2014 \$
Harvest proceeds - sale of almonds	2,128,211	1,302,282
Total	2,128,211	1,302,282

5 Biological assets

	31 December 2015 \$	31 December 2014 \$
Opening balance - 1 July	-	-
Costs capitalised	718,663	651,227
Change in fair value of biological assets	224,614	207,875
Transfer to agricultural produce	-	-
Closing balance	943,277	859,102

The Scheme's 2016 harvest has commenced in February 2016 and is expected to be completed at the end of June 2016. Harvest proceeds are received in the financial year following harvest. Therefore, the proceeds of the 2016 harvest will be received in financial year 2017.

6 Inventories

	31 December 2015 \$	30 June 2015 \$
Agricultural produce:		
Almonds on hand, and at processor	1,441,193	3,373,469
Closing balance	1,441,193	3,373,469

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 2016. The forecast sale price for the 2015 harvest is \$11.45 per kilogram (2014 harvest: \$8.99 actual).

RFM Almond Fund 2007

ARSN 124 998 527

Notes to the Financial Statements

31 December 2015

7 Related party transactions

Transactions between the Scheme and related parties are on commercial terms and conditions.

(a) *Responsible entity (Rural Funds Management) and related entities*

Transactions between the Scheme and the responsible entity and its associated entities are shown below:

	31 December 2015	31 December 2014
	\$	\$
Management fee	42,223	41,560
Total management fees	42,223	41,560
Expenses reimbursed to RFM	628,527	571,049
Licence fee paid to Rural Funds Group	224,614	207,875
Rental expense paid to RF Active	90,137	80,178
Total amount paid to RFM and related entities	985,501	900,662

(b) *Share redemption by related parties*

	31 December 2015	31 December 2014
	\$	\$
RF Active	-	7,800
Total	-	7,800

8 Events after the reporting period

No other matters or circumstances have arisen since the end of the period which significantly affected or could significantly affect the operations of the Scheme, the results of those operations or the state of affairs of the Scheme in future financial years.

RFM Almond Fund 2007

ARSN 124 998 527

Directors' Declaration

31 December 2015

In the Directors of the Responsible Entity's opinion:

- 1 the financial statements and notes of RFM Almond Fund 2007 set out on pages 6 to 13 are in accordance with the *Corporations Act 2001*, including:
 - a. comply with Accounting Standards, as stated in accounting policy Note 2 to the financial statements, and the *Corporations Regulations 2001*; and
 - b. give a true and fair view of the Scheme's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
- 2 there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Board of the Directors of Rural Funds Management Limited.



David Bryant
Director

1 March 2016



Independent auditor's review report to the members of Almond Fund 2007

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Almond Fund 2007 (the registered scheme), which comprises the statement of financial position as at 31 December 2015, 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 half-year 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 2015 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 Almond Fund 2007, 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*.

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



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 Almond Fund 2007 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 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script, likely belonging to a partner at CMC Heraghty.

CMC Heraghty
Partner

Sydney
1 March 2016

Responsible Entity

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

Level 2, 2 King Street
Deakin Act 2600

www.ruralfunds.com.au

Telephone (Investor Services)
1800 026 665

Telephone (Adviser Services)
1300 880 295

Facsimile
1800 625 518