



Rural Funds Management Ltd

ABN 65 077 492 838
AFSL 226701

Level 2, 2 King Street Deakin ACT 2600
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RFM Almond Fund 2008 ARSN 127 947 960

5 December 2017

Introduction

Rural Funds Management Limited ABN 65 077 492 838 (**RFM**) is the Responsible Entity (**RE**) for the RFM Almond Fund 2008 ARSN 127 947 960 (**AF08** or **the scheme**).

The Australian Securities and Investments Commission (**ASIC**) Regulatory Guide (**RG**) 232 applies to agribusiness schemes, which are defined as “managed investment schemes that engage in primary production activities”. The AF08 is an agribusiness scheme as defined by RG232.

Under RG232, RFM as the RE for the AF08 must report against five disclosure benchmarks (**benchmark reporting**) and five disclosure principles (**disclosure**). RFM’s benchmark reporting and disclosure will assist retail investors to analyse the relative risks and returns of an investment in the AF08.

RFM will provide AF08 investors with updated benchmark reporting and disclosure and any material changes by posting the information on the RFM website at www.ruralfunds.com.au.



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Benchmark Reporting

Benchmark	Compliance
<p>Benchmark 1: Fee structures</p> <p>The scheme is structured so that either:</p> <p>(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</p> <p>(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> <p>Any fees (or contributions) received by the responsible entity from investors in the agribusiness scheme are:</p> <p>(a) held separately from the other assets of the responsible entity for the benefit of the investors in that agribusiness scheme, are only available for the operation of that agribusiness scheme and are subject to annual audit; and</p> <p>(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, including the portion of the responsible entity's fees that is proportionate to its duties that have been properly performed during that period.</p>	<p>Yes</p>
<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>	<p>Yes</p>
<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>	<p>Yes</p>



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Benchmark	Compliance
<p>Benchmark 4: Experts</p> <p>Where the responsible entity engages an expert to provide a professional or expert opinion on the agribusiness scheme, and the expert opinion is disclosed to retail investors in a way that may lead them to place reliance on the expert's expertise, the responsible entity only engages an expert that is independent.</p>	<p>Yes</p>
<p>Benchmark 5: Appointing and monitoring service providers</p> <p>The responsible entity only engages key service providers (whether directly or indirectly on behalf of the agribusiness scheme investors) 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>	<p>Yes</p>



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Disclosure

Disclosure Principle	Disclosure								
<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 and prominently disclose in the PDS:</p> <p>(a) the details of the financier;</p> <p>(b) any amounts paid to the responsible entity or related party in relation to the finance;</p> <p>(c) that the investor should obtain and read the finance agreement before entering into the finance facility; and</p> <p>(d) unless the proposed finance facility is non-recourse, that the investor will remain liable to repay the amount lent or made available under the finance agreement should the scheme fail.</p> <p>The responsible entity should also ensure that, as far as practicable, investors receive a copy of the finance agreement before entering into the finance facility.</p>	<p>RFM provides finance (working capital) to the AF08 as part of the fund structure.</p> <p>Growers are invoiced annually in arrears for all operating costs, licence and management fees associated with their Grove.</p> <p>The orchard occupied by AF08 is now mature. Annual distributions were paid in October 2014, 2015 & 2016. In 2017, the operating costs exceeded the 2016 harvest revenue, Growers were invoiced for a portion of the operating shortfall for the 2017 financial year. Future distributions or shortfalls are subject to yield, price and costs.</p>								
<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>Where the responsible entity has operated other agribusiness schemes, it should disclose:</p> <p>(a) the number of agribusiness schemes it currently operates;</p>	<table border="1"> <thead> <tr> <th data-bbox="1290 1027 1570 1106">Scheme</th> <th data-bbox="1570 1027 1839 1106">Type</th> <th data-bbox="1839 1027 2092 1106">Commencement date</th> </tr> </thead> <tbody> <tr> <td data-bbox="1290 1106 1570 1348">Rural Funds Trust ARSN 112 951 578</td> <td data-bbox="1570 1106 1839 1348">Horticultural land, vineyards, chicken growing sheds, water entitlements, cattle properties & breeder herds and</td> <td data-bbox="1839 1106 2092 1348">February 2005</td> </tr> </tbody> </table>	Scheme	Type	Commencement date	Rural Funds Trust ARSN 112 951 578	Horticultural land, vineyards, chicken growing sheds, water entitlements, cattle properties & breeder herds and	February 2005		
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(b) the types of agribusiness scheme being operated; (c) the period of time that it has been operating the agribusiness schemes; and (d) whether any of the agribusiness schemes operated by the responsible entity have produced, or are producing, positive returns net of contributions for the investors in those agribusiness schemes.	cotton growing properties			
	<table border="0"> <tr> <td data-bbox="1288 534 1556 598">RF Active ARSN 168 740 805</td> <td data-bbox="1568 534 1825 670">Plant & Equipment and finance leases of agricultural assets</td> <td data-bbox="1836 534 2072 566">April 2014</td> </tr> </table>	RF Active ARSN 168 740 805	Plant & Equipment and finance leases of agricultural assets	April 2014
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	Together, Rural Funds Trust and RF Active form a stapled investment vehicle and trade on the ASX as the Rural Funds Group (ASX Code: RFF).			
	<table border="0"> <tr> <td data-bbox="1288 805 1556 901">RFM Almond Fund 2006 ARSN 117 859 391</td> <td data-bbox="1568 805 1825 837">Almond growing</td> <td data-bbox="1836 805 2072 837">January 2006</td> </tr> </table>	RFM Almond Fund 2006 ARSN 117 859 391	Almond growing	January 2006
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Disclosure Principle	Disclosure
	<p>RFM Poultry (NSX: Poultry operations July 2013 RFP) ARSN 164 851 218</p> <p>All historical fund financial performance is disclosed on RFM's website www.ruralfunds.com.au.</p>
<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> <p>(a) is reliant on funding from external or related parties to perform the functions and obligations to members in relation to the agribusiness scheme;</p> <p>(b) has entered into guarantees or indemnities with external or related parties; or</p> <p>(c) is a member of a tax consolidation group.</p> <p>It should also disclose the measures it has in place to address the risks arising out of these arrangements to its financial position and its ability to meet its obligations in relation to the agribusiness scheme.</p> <p>If the responsible entity is reliant on funding from external or related parties to perform its functions and fulfil its obligations in relation to the agribusiness scheme, it should disclose the extent of the reliance.</p> <p>If the responsible entity has entered into any guarantee or indemnity with external or related parties, it should explain:</p>	<p>RFM is not reliant on funding from external or related parties to perform its obligations and functions to members. RFM in its role as Responsible Entity of AF08 has not entered into any guarantees or indemnities with external or related parties. RFM is not part of a tax consolidation group.</p>

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<p>(a) what each guarantee or indemnity is, including the names of the parties to the guarantee; and</p> <p>(b) the potential implications of entering into these arrangements on the financial position of the responsible entity if the other parties are unable to meet their obligations.</p> <p>If the responsible entity is a member of a tax consolidation group, it should disclose details of:</p> <p>(a) whether a tax-sharing agreement is in place and the parties to the tax-sharing agreement; and</p> <p>(b) if no tax-sharing agreement is in place, the potential implications of not having this.</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 agribusiness scheme, including any land, licences or leases, and water required, and whether these arrangements:</p> <p>(a) provide for access for the life of the agribusiness scheme; and</p> <p>(b) are entered into on an arm's length basis.</p> <p>The responsible entity should disclose: (a) the risks associated with these arrangements;</p> <p>(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</p> <p>(c) any measures the responsible entity has implemented, or will implement, to address these risks.</p>	<p>Australian Executor Trustees Limited (AETL) as custodian for the AF08 holds a lease with RFT, the lessor of the orchard area on which the AF08 operates. The lease terminates on 30 June 2027. The lease is considered scheme property.</p> <p>Groundwater entitlements necessary for the operation of the AF08 are derived through AF08's lease from RFT and have, to date, provided sufficient water allocation to meet the operating requirements of the AF08.</p> <p>RFM as RE for AF08 has undertaken temporary purchases of surface water on a cost-benefit basis, depending on extraction and infrastructure costs.</p>



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<p>The responsible entity should disclose the identity, where known, of the owner of the resources and infrastructure referred to in RG 232.96, the terms of use and whether security has been given over these assets.</p> <p>The responsible entity should disclose (where applicable) for any leases, licences, rights or infrastructure required for the operation of the agribusiness scheme: (a) whether the responsible entity treats the leases and licences or rights as scheme property;</p> <p>(b) the identity of the parties to the leases, licences and/or rights; and</p> <p>(c) whether any action in relation to a lease, licence or right needed for the operation of the agribusiness scheme, which is not an obligation of the responsible entity, could endanger the relevant lease, licence or right. Disclosure should clarify the risk of this occurring and how it may affect the agribusiness scheme.</p> <p>If land, licences or water assets are, or are proposed to be, used as security for borrowings by the responsible entity, the responsible entity should disclose the level of actual or proposed gearing, and the risks associated with this gearing, in the PDS and in the report provided to members under Benchmark 3.</p>	<p>The RFM Conflict of Interest Management Policy ensures that all transactions occur on a commercial arm's length basis.</p> <p>As with any lease arrangement, in order for the Growers to maintain access to trees and water the AF08 must continue to meet the lease payments. To date the AF08 has met all lease payments.</p> <p>Pursuant to the individual Licence Agreements and Farm Management Agreements, and the AF08 Constitution, where a Grower fails to pay their licence and management fees, their interest may be terminated and all Groves allocated to that Grower are surrendered to RFT. In this case, RFT is obliged to pay the same annual licence fees and operating costs and expenses that the Grower would have otherwise paid. RFT does not obtain any rights or obligations of a Grower under the AF08.</p> <p>In those circumstances RFT may reallocate the Groves; or it may continue to pay the costs and expenses associated with maintaining and harvesting the Groves and in turn become entitled to the income generated from those Groves. This ensures that all lease payments are met by the AF08.</p> <p>RFM does not use AF08 assets as security for any borrowing by RFM.</p>

Disclosure Principle	Disclosure
<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> <p>(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;</p> <p>(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;</p> <p>(c) any obligation to repay fees already paid to the responsible entity to the incoming responsible entity if the responsible entity changes; and</p> <p>(d) the risk to, and impact on, investors if the responsible entity changes.</p>	<p>AF08 Growers have entered into individual Licence Agreements and Farm Management Agreements with RFM as RE, to facilitate the lease of the almond orchard and the operation of the Almond Groves. If RFM was replaced by a new RE, the new RE would need to take over those agreements in order for the AF08 to remain operational.</p> <p>A Farm Services Agreement also exists between RFM as RE and RFM Farming Pty Ltd, appointing RFM Farming Pty Ltd to manage the operation of the Groves. A new RE would need this agreement to be assigned to them, or negotiate a new entity to manage the Groves for the AF08 to remain operational.</p> <p>A crop supply agreement exists between RFM as RE and Almondco Australia Limited (Almondco). A new RE would need to negotiate a new crop supply agreement with Almondco or an alternative almond processor. This agreement (as is the case with all Almondco agreements) is terminable (at Almondco's option) if RFM ceases to be the responsible entity of AF08.</p> <p>The key risk for AF08 Growers if RFM is replaced is to ensure any replacement RE has the expertise to conduct the AF08 fund management and farming operations.</p>