

Almond Fund 2008

Financial Statements

For the Year Ended 30 June 2017

RFM Almond Fund 2008

ARSN 127 947 960

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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 AFSL 226 701 Level 2, 2 King Street DEAKIN ACT 2600 Ph: 1800 026 665
Directors	Guy Paynter David Bryant Michael Carroll Julian Widdup
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 One International Towers Sydney Watermans Quay, Barangaroo GPO Box 2650 SYDNEY NSW 2001
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000

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Directors' Report

30 June 2017

The Directors of Rural Funds Management Limited (RFM), the Responsible Entity of RFM Almond Fund 2008 (AF08 or the Scheme) present their report on the Scheme for the financial year ended 30 June 2017.

Directors

The following persons held office as Directors of the Responsible Entity during the year and up to the date of this report:

Guy Paynter	Non-Executive Chairman
David Bryant	Managing Director
Michael Carroll	Non-Executive Director
Julian Widdup	Non-Executive Director (appointed 15 February 2017)

Principal activities and significant changes in nature of activities

The principal activity of the Scheme during the year was 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. Growers are licensed to operate an almond growing business for 19 years from June 2008, after which the agricultural produce from the trees 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 the Scheme costs. When Scheme costs exceed revenue, the Growers are required to fund the shortfall. When the revenue exceeds 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, 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 a Grower fails 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 Scheme operations is detailed in note 1 on page 13.

Each almond grove operated represents an area of 0.2158 hectares (2016: 0.2158 hectares). As at 30 June 2017, the Scheme had 180 Growers (2016: 174) with a total of 956 groves (2016: 956) representing 206.3 hectares (2016: 206.3).

Operating results

The net loss attributable to Growers for the year ended 30 June 2017 amounted to \$229,636 (2016: \$834,136 loss).

Harvest proceeds are received in the financial year following harvest. Therefore, the 2017 harvest proceeds will be received in the 2018 financial year. The proceeds of the 2016 harvest, the Scheme's seventh harvest, were available to fund the 2017 financial year operating costs. The table below gives the details of the 2017 harvest with a comparison to 2016.

	Tonnes per grove	Tonnes per hectare
2017 estimated harvest (per original PDS)	0.76	3.50
2017 estimated harvest (per forecast)	0.79	3.64
2016 estimated harvest (per original PDS)	0.76	3.50
2016 actual harvest	0.68	3.13

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Directors' Report

30 June 2017

Operating results (continued)

The final almond price for the 2016 harvest was \$7.40 per kilogram which was lower than the original price estimate. The lower price and the yield resulted in a net cash deficit position for the 2017 financial year. An invoice has been issued to the Growers in September 2017 for part of the shortfall. RFM will provide 12 months interest free funding for the remaining portion of the 2017 invoice shortfall.

The 2017 harvest yield is 4% higher than the estimated yield of 3.5 tonnes per hectare, due to the tendency for trees to follow a small crop with a larger one in the subsequent year. The almond price also fallen with a current price forecast of \$7.20 per kilogram.

Almondco Australia Limited ("Almondco"), the company responsible for processing and marketing the Scheme's almonds, sells the crop progressively over twelve months following harvest and thus the 2017 harvest final pricing will not be known until 30 June 2018.

On 28 September 2015, RFM entered a primary processing agreement with Almondco committing to use their new hulling and shelling services at the Riverina facility in Griffith, NSW for RFM's managed almond crop. RFM agreed that the primary processing fees for the first 3 years of supply to the Riverina facility will include an additional financial contribution of 17 cents per kilogram of almond kernel. In the long run, savings will be achieved due to lower freight costs.

Financial position

At 30 June 2017, the Scheme held assets with a total value of \$5,320,319 (2016: \$9,650,374) on behalf of Growers.

Distributions and performance

A distribution was declared and paid to Growers in October 2016, being proceeds from the 2015 harvest less the 2016 operating costs. The details of distributions per grove are shown below.

	Sub-total	GST	Total
	\$	\$	\$
Income			
Harvest proceeds (2015 crop)	10,415.27	GST Free	10,415.27
Other income	0.14	GST Free	0.14
Interest received	36.55	GST Free	36.55
Expenses			
Management fee	(227.13)	(22.71)	(249.84)
Licence fee	(1,249.93)	(124.99)	(1,374.92)
Operating and processing costs	(3,655.68)	(334.46)	(3,990.14)
Performance fees	(547.37)	(54.74)	(602.11)
Total distribution per grove	4,771.85	(536.90)	4,234.95

At balance date the Scheme had amounts held from 2016 harvest proceeds to cover Growers' 2017 operating costs, management fees and licence fees. As 2017 operating costs exceeded 2016 harvest revenue, an invoice will be issued to Growers to recover a portion of the operating shortfall for the 2017 financial year.

Interests in the Scheme

	2017	2016
	No.	No.
Licence and Management Agreements	180	174
Almondlots under Licence and Management Agreements	956	956

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Directors' Report

30 June 2017

Fees paid to Responsible Entity

In accordance with the LMA, management fees paid to the Responsible Entity for the financial year ended 30 June 2017 were \$240,521 (2016: \$238,850) inclusive of GST.

A performance fee is payable by the Growers to the Responsible Entity for each financial year from and including the financial year commencing 1 July 2013, calculated in accordance with the LMA. The 2017 distribution amount was nil. As a result, performance fees payable to the Responsible Entity for the financial year ended 30 June 2017 were nil (2016: \$575,617).

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 year.

Matters subsequent to the end of the financial year

Following the year end, based on changes in the market, the latest estimated sales price of almonds as provided by Almondco is \$7.00/kg. The price decrease has not been taken to account as the movement represents the fair value movement in the market value of almonds since 30 June 2017. The final sales proceeds are subject to change based on market conditions throughout the next year and will not be known until 30 June 2018.

An invoice has been issued to the Growers in September 2017 for part of the 2016 harvest shortfall as 2017 operating expenses were greater than 2016 harvest proceeds. RFM will provide 12 months interest free funding for the remaining portion of the 2017 invoice shortfall.

No other matter or circumstance has arisen since the end of the 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.

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.

There have been no known breaches of any other environmental requirements applicable to the Scheme.

Indemnity of Responsible Entity and Custodian

In accordance with the constitution, the RFM Almond Fund 2008 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.

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Directors' Report

30 June 2017

Information on Directors of the Responsible Entity

Guy Paynter

Qualifications

Experience

Special Responsibilities

Directorships held in listed entities during the three years prior to the current year

David Bryant

Qualifications

Experience

Special Responsibilities

Directorships held in listed entities during the three years prior to the current year

Michael Carroll

Qualifications

Experience

Special Responsibilities

Directorships held in listed entities during the three years prior to the current year

Non-Executive Chairman

Bachelor of Laws from The University of Melbourne

Guy Paynter is a former director of broking firm JB Were and brings to RFM more than 30 years of experience in corporate finance. Guy is a former member of the Australian Securities Exchange (ASX) and a former associate of the Securities Institute of Australia (now known as the Financial Services Institute of Australasia). Guy is also Chairman of Bill Peach Group Limited (previously known as Aircruising Australia Limited). Guy's agricultural interests include cattle breeding in the Upper Hunter region in New South Wales.

Member of Audit Committee and Remuneration Committee

Rural Funds Group, RFM Poultry

Managing Director

Diploma of Financial Planning from the Royal Melbourne Institute of Technology and a Masters of Agribusiness from The University of Melbourne.

David Bryant established RFM in February 1997 and since that time has led the team that is responsible for the acquisition of large scale agricultural property assets and associated water entitlements. RFM manages over \$600 million of agricultural assets. On a day-to-day level, David is responsible for leading the RFM Executive, maintaining key commercial relationships and sourcing new business opportunities.

Managing Director

Rural Funds Group, RFM Poultry

Non-Executive Director

Bachelor of Agricultural Science from La Trobe University and a Masters of Business Administration from The University of Melbourne's Melbourne Business School. Michael has completed the Advanced Management Program at Harvard Business School, Boston, and is a Fellow of the Australian Institute of Company Directors.

Michael Carroll serves a range of food and agricultural businesses in a board and advisory capacity. Michael is on the boards of Tassal Group Limited, Select Harvests Limited, Paraway Pastoral Company, Sunny Queen Pty Limited, and the Gardiner Dairy Foundation. Michael also has senior executive experience in a range of companies, including establishing and leading the National Australia Bank (NAB) Agribusiness division.

Chairman of Audit Committee and Remuneration Committee

Michael is on the Board of Tassal Group Limited, Rural Funds Group, RFM Poultry and Select Harvests Limited.

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Directors' Report

30 June 2017

Information on Directors of the Responsible Entity (continued)

Julian Widdup	Non-Executive Director
Qualifications	Bachelor of Economics from the Australian National University. Julian is a Fellow of the Institute of Actuaries of Australia and a Fellow of the Australian Institute of Company Directors.
Experience	Julian brings extensive experience to the RFM board having previously served as a director of Palisade Investment Partners, Darwin International Airport, Alice Springs Airport, NZ timberland company Taumata Plantations Limited, Regional Livestock Exchange Investment Company, Merredin Energy power generation company, Victorian AgriBioscience Research Facility, Casey Hospital in Melbourne and Mater Hospital in Newcastle.
Special responsibilities	Member of Audit Committee and Remuneration Committee.
Directorships currently held in listed entities	Rural Funds Group, RFM Poultry
Directorships held in listed entities during the three years prior to the current year	None noted

Company secretaries of the Responsible Entity

Stuart Waight and Andrea Lemmon are RFM's joint company secretaries. Stuart joined RFM in 2003, is a Chartered Accountant and is RFM's Chief Operating Officer. Andrea has been with RFM since 1997 and currently holds the position of Executive Manager Funds Management.

Meetings of Directors of the Responsible Entity

During the financial year 13 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Directors meetings	
	No. eligible to attend	No. attended
Guy Paynter	13	12
David Bryant	13	13
Michael Carroll	13	13
Julian Widdup	6	6

Non-audit services

During the year ended 30 June 2017 fees of \$5,045 (2016: \$4,849) were paid or payable to PricewaterhouseCoopers for compliance audit services provided.

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Directors' Report

30 June 2017

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2017 has been received and is included on page 8 of the financial report.

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

A handwritten signature in black ink, appearing to read 'David Bryant', is centered on the page. The signature is written in a cursive, flowing style.

David Bryant
Director

26 September 2017



Auditor's Independence Declaration

As lead auditor for the audit of RFM Almond Fund 2008 for the year ended 30 June 2017, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to be 'J. Heraghty', written over a light grey grid background.

CMC Heraghty
Partner
PricewaterhouseCoopers

Sydney
26 September 2017

PricewaterhouseCoopers, ABN 52 780 433 757
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Liability limited by a scheme approved under Professional Standards Legislation.

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Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue	4	4,781,242	9,957,002
Cost of almonds sold		(4,856,270)	(9,795,816)
Change in fair value of biological assets	9	1,456,717	1,098,497
Other income		130	143
Interest received		18,039	34,937
Performance fees		-	(575,617)
Management fees		(240,521)	(238,850)
Land lease and rental		(1,388,966)	(1,314,426)
Other expenses		(7)	(6)
Net loss for the year		(229,636)	(834,136)
Net loss attributable to Growers		(229,636)	(834,136)
Other comprehensive income:			
Other comprehensive income		-	-
Total comprehensive income attributable to Growers		(229,636)	(834,136)

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As at 30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	597	4,221,674
Trade and other receivables	7	412,150	877,225
Inventories	8	4,907,572	4,551,475
Total current assets		5,320,319	9,650,374
Total assets		5,320,319	9,650,374
LIABILITIES			
Current liabilities			
Trade and other payables	10	345,341	977,147
Borrowings	11	580,000	-
Total current liabilities		925,341	977,147
Total liabilities (excluding net assets attributable to growers)		925,341	977,147
Net assets attributable to growers		4,394,978	8,673,227
Total liabilities		5,320,319	9,650,374

The accompanying notes form part of these financial statements.

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Statement of Changes in Net Assets Attributable to Growers

For the year ended 30 June 2017

	2017
	\$
Balance at 1 July 2016	8,673,227
Net loss attributable to Growers	(229,636)
Total loss attributable to Growers	(229,636)
Distributions to growers	(4,048,613)
Balance at 30 June 2017	4,394,978

	2016
	\$
Balance at 1 July 2015	10,105,781
Net loss attributable to Growers	(834,136)
Total loss attributable to Growers	(834,136)
Distributions to growers	(598,418)
Balance at 30 June 2016	8,673,227

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		4,781,242	9,957,002
Payments to Responsible Entity		(5,551,745)	(5,247,243)
Interest received		18,039	34,937
Net cash (outflow)/inflow from operating activities	16	(752,464)	4,744,696
Cash flows from financing activities			
Proceeds from borrowings		580,000	-
Distributions paid to growers		(4,048,613)	(598,418)
Net cash outflow from financing activities		(3,468,613)	(598,418)
Net (decrease)/increase in cash and cash equivalents held		(4,221,077)	4,146,278
Cash and cash equivalents at the beginning of the year		4,221,674	75,396
Cash and cash equivalents at the end of the year	6	597	4,221,674

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements

30 June 2017

1 General information

These financial statements cover the RFM Almond Fund 2008 (AF08 or the Scheme) as an individual entity. The Scheme is a registered managed investment scheme constituted in 2008. The Responsible Entity of the Scheme, Rural Funds Management Limited (RFM), 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 26 September 2017. 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 Growers. 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 Growers.

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 the Scheme costs. When Scheme costs exceed revenue, the Growers are required to fund the shortfall. When revenue exceeds 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 Licence and Management Agreement (LMAs) rest with the Growers.

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 individual members of the Scheme under which RFM has other obligations directly with those members.

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, 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.

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 individual members are specific financial obligations of RFM and are reimbursable to RFM by 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 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.

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Notes to the Financial Statements

30 June 2017

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 Limited as Responsible Entity of the Scheme.

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

The financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated. The financial statements are based on historical cost. The Statement of Comprehensive Income matches harvest proceeds received during the period to the costs incurred in the period consistent with the basis on which Growers are invoiced.

Comparative amounts

Comparative amounts have not been restated unless otherwise noted.

Revenue

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Scheme and specific criteria relating to the type of revenue as noted below, have been satisfied.

Interest revenue is recognised in the Statement of Comprehensive Income as it accrues, on an effective interest rate basis.

Revenue from the sale of agricultural produce is recognised at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity.

Income tax

All Scheme assets and any income of the Scheme is held on behalf of either the Growers or the Responsible Entity. The Scheme does not derive any income on its own account and accordingly is not subject to income tax.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised inclusive of the amount of GST. Growers registered for GST are able to claim input tax credits from the ATO based on the annual invoice. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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Notes to the Financial Statements

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2 Summary of significant accounting policies (continued)

Trade and other receivables

Trade receivables are recognised and carried at original amount, less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of an amount is no longer probable. Financial difficulties of the debtor, default payments or debts more than 180 days overdue are considered objective evidence of impairment.

Impairment of assets

At each reporting date, the Scheme reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Inventory

Agricultural produce

Agricultural produce on hand at year end is valued at the lower of cost and net realisable value. Prior to acquisition of inventory, in accordance with the AASB 141 *Agriculture*, cost is measured at fair value less point of sale costs at the time of harvest.

Inventories include almonds on hand, both delivered to the processor and undelivered at balance date, as the transfer of ownership of the almonds to the customer does not occur until they are paid for.

Biological assets

In accordance with AASB 141 *Agriculture*, the almond harvest has been recognised at fair value less costs to sell at the point of harvest.

Any changes in the fair value of biological assets are recognised as income or expenditure in the Statement of Comprehensive Income. The movement is determined as the difference between the net fair value at the beginning and at the end of financial year adjusted for additions and harvesting during the financial year amount is expensed to the Statement of Comprehensive Income.

Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Scheme becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Available-for-sale financial assets

Certain investments are classified as available-for-sale financial assets. Available-for-sale financial assets are reflected at fair value unless their fair value cannot be reliably measured. Unrealised gains and losses arising from changes in fair value are taken directly to net assets attributable to Growers where the investment is held above cost, and through the Statement of Comprehensive Income where the fair value is less than costs.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, with reference to similar instruments and option pricing models.

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Notes to the Financial Statements

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2 Summary of significant accounting policies (continued)

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred from the lessor, are classified as finance leases.

Lease payments for operating leases, where substantially all of the risks and benefits have not been transferred from the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Trade and other payables

Liabilities for creditors are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received, if billed to the Scheme.

Borrowings

RFM provided 12 months of interest free funding to the Scheme to assist in meeting the ongoing costs of orchard maintenance and the management and other expenses of the Scheme.

Terms and conditions on interests

Each Grower entered into a LMA under which they contracted with the Responsible Entity to take a lease of one or more almondlots, totaling 0.25 hectares each, within the almond grove, and for the Responsible Entity to carry on the future management and maintenance of those almondlots for the duration of the project. The Responsible Entity will arrange for the harvest of the almond produce on behalf of Growers. The almond produce from all almondlots in the project will be aggregated with Growers receiving their proportionate share of the proceeds of sale of almond produce from the project as arranged by the Responsible Entity.

As a result of the resolutions passed at a meeting of Growers on 24 February 2010 an almondlot is defined as an area of approximately 0.25 hectares or such other size as notified by the Responsible Entity to the Grower. At the date of this report the almondlot size is 0.2158 hectares.

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2 Summary of significant accounting policies (continued)

New accounting standards and interpretations

Standard Name	Effective date for the Scheme	Requirements	Impact
AASB 15 Revenue from contracts with customers	1 Jan 2018	Recognise contracted revenue when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards.	It is not expected that this standard will have a material impact on the Scheme.
AASB 16 Leases	1 Jan 2019	Introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months.	Management is currently assessing the impact of the new rules. It is expected that this standard will have a significant impact on the property leases of the Scheme. Total future lease payments under non-cancellable operating leases of land, buildings, improvements and plant and equipment amount to \$18,656,127.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods.

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 realisable value of inventory

The price forecast for the 2017 harvest proceeds is based on Almondco Australia Limited's (Almondco) almond value calculation advice which takes into consideration the trend of demand and supply, performance from other major almond producers as well as foreign currency fluctuation.

4 Revenue

	2017	2016
	\$	\$
Harvest proceeds - sale of almonds	4,781,242	9,957,002
Total	4,781,242	9,957,002

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Notes to the Financial Statements

30 June 2017

5 Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditor of the scheme:

	2017	2016
PricewaterhouseCoopers Australia:	\$	\$
Auditing and review of the financial report	23,000	21,464
Compliance audit	5,045	4,849
Total	28,045	26,313

6 Cash and cash equivalents

	2017	2016
	\$	\$
Cash at bank	597	4,221,674
Total	597	4,221,674

Reconciliation of cash

Cash and cash equivalents reported in the Statement of Cash Flows are reconciled to the equivalent items in the Statement of Financial Position as follows

Cash and cash equivalents	597	4,221,674
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7 Trade and other receivables

	2017	2016
	\$	\$
Trade and other receivables	412,150	877,225
Total	412,150	877,225

8 Inventories

	2017	2016
Agricultural produce	\$	\$
Almonds on hand, and at processor	4,907,572	4,551,475
Total	4,907,572	4,551,475

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

The Scheme receives instalment payments of the proceeds and therefore the final sale price will not be known until the final instalment is received, which for the current harvest is due in June 2018. The forecast sale price is \$7.20 per kilogram (2016 actual: \$7.40 per kilogram).

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9 Biological assets

	2017	2016
	\$	\$
Opening balance	-	-
Costs capitalised	3,450,855	3,452,978
Change in fair value of biological asset	1,456,717	1,098,497
Transfer to inventory	(4,907,572)	(4,551,475)
Closing balance	-	-

The increment in biological assets represents the expected market price net of selling costs for the almond crop, which is generally harvested in the first four months of the calendar year. 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 harvest is due in June 2018. The forecast sale price is \$7.20 per kilogram (2016 actual: \$7.40 per kilogram actual). The Scheme does not own any trees. The fair value less costs to sell of almonds on trees and cost of work performed in respect of the 2018 crop at the year ended 30 June 2017 was nil.

10 Trade and other payables

	2017	2016
	\$	\$
Trade and other payables	345,341	977,147
Total	345,341	977,147

11 Borrowings

	2017	2016
	\$	\$
Loan from RFM	580,000	-
Total	580,000	-

RFM provided 12 months of interest free funding to the Scheme to assist in meeting the ongoing costs of orchard maintenance and the management and other expenses of the Scheme.

12 Financial risk management

Financial instruments of the Scheme comprise cash and cash equivalents, net assets attributable to Growers, and other financial instruments such as trade debtors and creditors, which arise directly from its operations. The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to Growers of the Scheme from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, ultimately to the Board of Directors of the Responsible Entity.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty. In order to avoid excessive concentrations of risk, the Scheme monitors its exposure to ensure concentrations of risk remain within acceptable levels.

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Notes to the Financial Statements

30 June 2017

12 Financial risk management (continued)

Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss.

Regarding credit risk arising from the financial assets of the Scheme, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the carrying amounts of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk is not considered to be significant to the Scheme because any default by a Grower on their contributions results in a corresponding reduction in the payable to RFM for management fees, licence fees and interest.

The Scheme sells its almonds through Almondco, an almond processing and marketing cooperative. The Responsible Entity retains ownership of the almonds until payment is received for their sale. Credit risk from this counterparty is assessed as low.

Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled as the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

Under the terms of its Constitution, the Scheme has the ability to manage liquidity risk by delaying distributions to Growers, if necessary, until the funds are available to pay them.

Financial liabilities of the Scheme comprise trade and other payables, and net assets attributable to Growers. Trade and other payables are on terms that correspond with Grower contributions thus limiting liquidity risk. Net assets attributable to Growers are payable when distributable profit meets the criteria for distribution according to the Scheme's Constitution.

Market risk

Market risk is the risk that the fair value or future cash flows of financial assets will fluctuate due to changes in market variables such as interest rates. The effects of a \$0.50/kg change in the price of almonds on unrealised harvest proceeds are shown in the following table. Any effect in the unrealised harvest proceeds would affect the net payable or receivable from the grower following payment of next year's growing costs.

	2017	2017	2016	2016
	Per grove	Total	Per grove	Total
	\$	\$	\$	\$
Increase of \$0.50/kg	393	375,937	339	323,785
Decrease of \$0.50/kg	(393)	(375,937)	(339)	(323,785)

Fair values

The Scheme's financial assets and liabilities included in the Statement of Financial Position are carried at their fair value or at amounts that approximate their fair values.

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13 Key management personnel

Directors

The Directors of RFM are considered to be key management personnel of the Scheme. The Directors of the Responsible Entity in office during the year and up to the date of the report are:

Guy Paynter
David Bryant
Michael Carroll
Julian Widdup (appointed 15 February 2017)

Other key management personnel

In addition to the Directors noted above, RFM, as Responsible Entity of the Scheme is considered to be key management personnel with the authority for the strategic direction and management of the Scheme.

In accordance with the Constitution and LMA, the Responsible Entity received management fees of \$251.59 (2016: \$249.84), inclusive of GST, per almondlot.

The revised fee structure has been applied retrospectively from 1 July 2009 to Growers that elected to remain in the scheme. Following the decision of the Responsible Entity to reduce the lot size from 0.25ha to 0.2158ha the revised fees and costs were also further scaled back on a proportional basis.

The agreement terminates on 30 June 2027.

Compensation of key management personnel

No amount is paid by the Scheme directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 *Related Party Disclosures* is paid by the Scheme to the Directors as key management personnel.

Interests in the Scheme held by the Responsible Entity and its associates

RFM acquired 102 almondlot licences from Rural Funds Trust in October 2013. Under the term of these licences, RFM was entitled to the harvest proceeds arising from these lots and was obligated to pay the operating expenses. RFM does not have rights or obligations as a Grower under the Scheme.

14 Minimum lease payments

Minimum lease payments under non-cancellable operating leases of land, buildings, improvements and plant and equipment not recognised in the financial statements, are payable as follows:

	2017	2016
	\$	\$
Within one year	1,770,170	1,672,426
Later than one year, but not later than five years	6,874,981	6,675,565
Later than five years	10,010,976	11,775,922
Total	18,656,127	20,123,913

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Notes to the Financial Statements

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15 Related party transactions

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

Responsible Entity (Rural Funds Management) and related entities

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 year ended 30 June 2017.

Transactions between the Scheme and the Responsible Entity and its associated entities are shown below:

	2017	2016
	\$	\$
Management fee	240,521	238,850
Total management fees	240,521	238,850
Expenses reimbursed to RFM	3,060,548	3,197,044
Rental expense paid to Rural Funds Trust	1,388,966	1,314,426
Rental expense paid to RF Active	411,382	320,289
Performance fee paid to RFM	-	575,617
Total amount paid to RFM and related entities	5,101,417	5,646,226

Debtors and other receivables

	2017	2016
	\$	\$
RFM	412,020	877,095
Total	412,020	877,095

Creditors and other payables

	2017	2016
	\$	\$
Loan from RFM	580,000	-
Total	580,000	-

16 Cash flow information

	2017	2016
	\$	\$
Net loss for the year	(229,636)	(834,136)
Changes in assets and liabilities		
Decrease in trade and other receivables	465,075	47,478
(Increase)/decrease in inventories	(356,097)	4,901,551
(Decrease)/increase in trade and other payables	(631,806)	629,803
Net cash inflow from operating activities	(752,464)	4,744,696

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17 Events after the reporting date

Following the year end, based on changes in the market, the latest estimated sales price of almonds as provided by Almondco is \$7.00/kg. The price decrease has not been taken to account as the movement represents the fair value movement in the market value of almonds since 30 June 2017. The final sales proceeds are subject to change based on market conditions throughout the next year and will not be known until 30 June 2018.

An invoice has been issued to the Growers in September 2017 for part of the 2016 harvest shortfall as 2017 operating expenses were greater than 2016 harvest proceeds. RFM will provide 12 months interest free funding for the remaining portion of the 2017 invoice shortfall.

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

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Directors' Declaration

30 June 2017

Directors of the Responsible Entity's Declaration

In the Directors of the Responsible Entity's opinion:

- 1 The financial statements and notes of RFM Almond Fund 2008 set out on pages 9 to 23 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Scheme's financial position as at 30 June 2017 and of its performance for the 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

26 September 2017



Independent auditor's report

To the Growers of RFM Almond Fund 2008

Our opinion

In our opinion:

The accompanying financial report of RFM Almond Fund 2008 (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in net assets attributable to Growers for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Registered Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The Directors of the Responsible Entity are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors' Report included in the Financial Statements, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity of the Registered Scheme are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Registered Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

CMC Heraghty
Partner

Sydney
26 September 2017

Responsible Entity

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