

Managed by:



Almond Funds 06 & 08

Tender process important information

Following the email sent to Growers on 17 May 2018 advising of the opportunity to purchase additional Almondlots in AF06 & AF08, RFM has received enquires requesting more information. To assist Growers and their Advisers in determining whether to proceed with their participation in the tender process or where a tender has been submitted to change or withdraw the tender, including an amount to offer, RFM has prepared the following information:

1. Returns for each Fund financial year (FY) FY14 to FY18f; and
2. Cash flow scenarios based on a range of yields and prices.

To allow Growers additional time to consider this information, RFM has extended the closing date for offers to 5.00pm Friday 8 June. All offers and any changes to existing offers must be received by this time. Details on how to make an offer or to change an existing offer are included at the end of this correspondence.

Financial returns

Figure 1 sets out the historical performance of each Fund since FY14 to FY18f. The Grower position is presented both inclusive and exclusive of the benefit of the GST refund. A significant portion of your annual Grower return may be received via a GST refund as certain expenses relating to operating your Almondlot incur GST, which is paid on your behalf by the Fund.

Note for FY18, Grower positions shown are forecast only, designated by the 'f'. The forecast is based on the current almond price, FY18 harvest yield as communicated to Growers on 8 May 2018, and an estimate of FY19 costs. The actual result will depend upon the final yield, the almond price achieved and the actual costs to 30 June 2018.

Figure 1 – Yield, price and Grower returns (inclusive and exclusive of the GST refund)

AF06					
Crop Year	Yield	Price/kg	Financial Year of Distribution	Grower Position incl. GST refund	Grower Position excl. GST refund
	t/ha	\$		\$	\$
FY14	3.16	8.79	FY15	1,514	998
FY15	4.18	11.26	FY16	6,073	5,529
FY16	2.67	7.44	FY17	-	(474)
FY17	3.68	7.15	FY18f	(221)	(863)
FY18f	2.64	7.50	FY19f	Refer to Figure 2 Scenario	

AF07					
Crop Year	Yield	Price/kg	Financial Year of Distribution	Grower Position incl. GST refund	Grower Position excl. GST refund
	t/ha	\$		\$	\$
FY14	3.41	8.99	FY15	1,629	1,155
FY15	4.34	11.27	FY16	4,660	4,100
FY16	3.00	7.43	FY17	-	(457)
FY17	3.76	7.08	FY18f	(15)	(538)
FY18f	3.13	7.50	FY19f	Refer to Figure 2 Scenario	

AF08					
Crop Year	Yield	Price/kg	Financial Year of Distribution	Grower Position incl. GST refund	Grower Position excl. GST refund
	t/ha	\$		\$	\$
FY14	3.06	8.83	FY15	1,075	626
FY15	4.28	11.28	FY16	4,772	4,235
FY16	3.13	7.40	FY17	-	(477)
FY17	3.64	7.16	FY18f	49	(459)
FY18f	3.19	7.50	FY19f	Refer to Figure 2 Scenario	

1. Crop proceeds are accounted for in the financial year following harvest. For example, the proceeds from the 2014 harvest, are received by the Fund throughout FY15 and are accounted for in the FY15 distribution or invoice.

Cashflow scenarios

Figure 2 provides Growers with return matrices based on different price and yield scenarios, using estimated costs for FY19. The matrices demonstrate that in years where price and / or yields are low, a shortfall may be payable by Growers. A shortfall in Figure 2 is represented by brackets around the amount. Your total return comprises two components: a return from farming and a refund of GST, and the scenarios are presented inclusive of the estimated GST refund. In years when the return is comprised entirely of the GST amount, RFM will invoice Growers for the GST amount and that refund will form part of their return. Returns for Growers who are not registered for GST will be lower than those shown in the matrices.

Figure 2 – Cash flow scenarios per Almondlot, including GST refund*

AF06 - Grower position scenarios (inclusive of GST return)					
		Yield (t/ha)			
		Low	Medium	High	
		2.50	3.25	4.00	
Price	Low	\$7.00	\$(1,721.34)	\$(534.91)	\$651.52
	Medium	\$7.75	\$(1,252.59)	\$74.47	\$1,401.52
	High	\$8.50	\$(783.84)	\$683.84	\$2,151.52

AF07 - Grower position scenarios (inclusive of GST return)					
		Yield (t/ha)			
		Low	Medium	High	
		2.50	3.25	4.00	
Price	Low	\$7.00	\$(1,712.01)	\$(687.89)	\$336.24
	Medium	\$7.75	\$(1,307.39)	\$(161.87)	\$983.64
	High	\$8.50	\$(902.76)	\$364.14	\$1,631.04

AF08 - Grower position scenarios (inclusive of GST return)					
		Yield (t/ha)			
		Low	Medium	High	
		2.50	3.25	4.00	
Price	Low	\$7.00	\$(1,606.32)	\$(582.22)	\$441.88
	Medium	\$7.75	\$(1,201.71)	\$(56.22)	\$1,089.27
	High	\$8.50	\$(797.09)	\$469.78	\$1,736.65

***Cash flow assumptions**

The information included in the matrices is not a financial forecast, a financial projection, financial product advice or an investment recommendation, and is provided for general information purposes only. The cash flow scenarios illustrated in the table are based on:

- estimated costs for financial year 2018 indexed by 5% for AF06 and 4% for AF07 and AF08 (12 month period) for the respective Fund;
- historical price ranges of almonds, actual prices may fall outside this range;
- historical yields achieved by mature almond trees, actual yields may be outside of this range;
- all amounts are provided post GST refund to GST registered growers; and
- individual taxation benefits are not measured.

Current orchard maintenance costs, the historical prices of almonds and the yield of almond trees are not necessarily a guide to future costs, prices and yields. The actual performance of the respective Fund is likely to differ significantly from the examples included in this table.

The Funds are structured so that Growers are responsible for all costs associated with the occupation of the orchard and the growing of Almonds until the conclusion of the Funds, being 2026 for AF06 and 2028 for AF07 & AF08. Under the 2007 and 2008 Fund Constitutions, RFM can invoice Growers **in advance** to fund these costs. To date, where costs have exceeded harvest proceeds, RFM has issued an invoice **in arrears**. However, AF07 and AF08 Growers should be aware of the potential to be invoiced in advance for their rent and growing expenses. This does not apply to AF06 Growers.

Importantly, in the final year of each Fund, harvest proceeds are distributed without the corresponding farming operating costs and licence fee. To assist Growers estimate this final payment, forecast operating costs and licence fee for FY18 is \$5,936 (AF06), \$5,332 (AF07) and \$5,223 (AF08) inclusive of GST.

Lastly, when considering making a bid or amending an existing bid, Growers should recall the FY17 shortfall was partly funded by a loan from RFM in the amount of \$874.89 for AF06 and \$90.54 for AF08. Growers who purchase additional Almondlots will extinguish this loan through their purchase amount, and this improved position will be reflected in their FY18 invoice by an amount equivalent to the loan repayment amount. Note RFM expects a deficit position for all Funds in the following year (FY19), based on the FY18 harvest.

Summary

AF06 and AF08 Growers who are interested in acquiring additional Almondlots, can participate in the tender process being facilitated by McCullough Robertson Lawyers by contacting Sean Robertson, Consultant, McCullough Robertson Lawyers and including the information below:

If you have already made an offer and wish to change that offer please also use the contact details below. If a Grower has submitted an offer and subsequently submits a later offer, the later offer will automatically cancel the earlier offer.

Contact details:

Email: SRobertson@mccullough.com.au

Post: Sean Robertson, McCullough Robertson, GPO Box 1855, BRISBANE, QLD, 4001.

The following information is required to participate in the tender:

- the number of Almondlots you wish to acquire; and,
- the amount you wish to offer per Almondlot.

Please note the minimum purchase price is that which is currently owing for the Almondlot, being \$1,349.19 per Almondlot for AF06 and \$567.42 for AF08.

Growers who offer the highest price above the minimum purchase price will be allocated the Almondlots.

RFM has extended the closing date for offers to 5.00pm Friday 8 June and all offers must be received by this time. RFM anticipates that payment from successful Growers will be required by Friday 15 June 2018 with Almondlots then issued to those Growers by 30 June 2018 with Growers financially responsible for their new Almondlots for the entire 2017-18 financial year.