RFM ALMOND FUND 2006

ARSN 117 859 391

PRODUCT DISCLOSURE STATEMENT

Rural Funds Management Ltd ACN 077 492 838
Australian Financial Services Licence Number 226 701
Issue Date: 25 July 2019

IMPORTANT INFORMATION

About this Product Disclosure Statement

This Product Disclosure Statement (PDS) has been prepared by Rural Funds Management Limited ACN 077 492 838 (**RFM**) as the responsible entity of RFM Almond Fund 2006 ARSN 117 859 391 (**AF06**). RFM is the holder of Australian Financial Services Licence (**AFSL**) Number 226 701.

This PDS is dated 25 July 2019. You should read this PDS in its entirety before making a decision about whether you would like to invest in AF06.

A number of defined terms are used in this PDS. These terms are explained in Section 11.

Restricted Distribution

An investment in AF06 under this PDS is only available to current RFM Almond Fund 2007 ARSN 124 998 527 (AF07) and RFM Almond Fund 2008 ARSN 127 947 960 (AF08) investors. This PDS is being provided to AF06 investors for information purposes and disclosure in relation to the conversion of current AF06 investors Grove interest to Units. This PDS does not constitute an offer or invitation in any jurisdiction where such an offer or invitation would be unlawful. The distribution of this PDS in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this PDS should seek advice on and observe any such restrictions.

An electronic form of this PDS is available from the RFM website at www.ruralfunds.com.au. During the life of this PDS, persons obtaining this PDS in electronic form are entitled to obtain this PDS in printed form free of charge by phoning RFM Investor Services on 1800 026 665.

RFM and its respective associates, members or directors do not:

> Guarantee the success of AF06;

> Guarantee income return or the repayment of capital; and

> Make any statement, including, without limitation, any representation, about the taxation consequences of any investment in AF06 that is made under this PDS.

An investment in AF06 is subject to certain risks. Past performance is not a reliable indicator of future performance.

RFM has not authorised any person to give any information, or to make any representation, in relation to the issue of Units under this PDS where that information or representation is not contained in this PDS. No such information or representation may be relied upon as having been authorised by RFM in connection with the issue of Units under this PDS.

Forward looking statements

This PDS contains certain 'forward-looking statements'.

Forward-looking statements include those containing words such as: 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', and other similar expressions. Any forward-looking statements, opinions and estimates provided in this PDS are based on assumptions and are subject to change without notice and involve known or unknown risk and uncertainties and other factors that are beyond the control of the responsible entity.

Forward-looking statements may include indications, projections, forecasts and guidance on earnings, distributions and other estimates. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and, except as required by law or regulations, the responsible entity assumes no obligation to update these forward-looking statements. To the maximum extent permitted by law, the responsible entity and its directors, officers, employees, agents, associates and advisers disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in the expectations or assumptions. Moreover, they do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of such information, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement, and disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).

The historical performance of the RFM Almond Fund 2006 is no assurance of the future performance of the RFM Almond Fund (RAF) (whether the merger is approved or not). Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement. RFM does not guarantee any particular rate of return of the performance of RAF, nor does it guarantee the repayment of capital from RAF or any particular tax treatment.

Important information

The information contained in this PDS is by way of general summary only and has been prepared without taking into account any person's individual objectives, financial situation or needs. Before making any decision to invest a person should consider the appropriateness of the information to their individual objectives, financial situation and needs and if necessary, seek advice from a suitably qualified professional.

RFM has authorised the use of this PDS for the purpose of disclosure to direct investors of AF06, AF07 and AF08.

During the life of this PDS, the information in the PDS and information relevant to AF06 may be updated from time to time. You can obtain the updated information by:

> Contacting your financial adviser;

> Phoning RFM Investor Services on 1800 026 665; or

> Accessing the RFM website at www.ruralfunds.com.au.

You can ask RFM for a printed form of the updated information. This will be provided free of charge.

RFM will issue a supplementary PDS if RFM becomes aware of any of the following between the date of this PDS and the issue of Units:

> A material statement in the PDS is misleading or deceptive;

> There is a material omission from the PDS;

> There has been a significant change affecting a matter included in the PDS; or

> A significant new circumstance has arisen and it would have been required to be included in the PDS.

Unless otherwise stated, all fees quoted in the PDS are exclusive of Australian goods and services tax (GST) and all amounts are in Australian dollars.

Pro forma financials in this PDS have been constructed on a pro forma basis for the merger as at 30 August 2019.

RFM ALMOND FUND 2006

ARSN 117 859 391

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1 INTRODUCTION

The purpose of this Product Disclosure Statement is to offer Units in RFM Almond Fund 2006 ARSN 117 859 391 (**AF06**) in exchange for Almondlots currently held by investors (**Growers**) in RFM Almond Fund 2007 ARSN 124 998 527 (**AF07**) and RFM Almond Fund 2008 ARSN 127 947 960 (**AF08**). AF06 investors' current interest in AF06 will be converted to Units in AF06. This exchange of Almondlots for Units effectively merges, or amalgamates, the AF07 and AF08 into AF06.

Once merged, AF06 will be renamed the RFM Almond Fund (**RAF**) and will also acquire the adjacent almond orchard of 41.22 ha from RFM (RFM Area) in exchange for an issue of Units to RFM.

1.1 Key information about the Merger

1.2 Background of the Merger

RFM is the responsible entity of AF06, AF07 and AF08 (collectively, the **Schemes**). Scheme members are referred to as **Growers**. The Growers engage RFM to operate an almond orchard via a lease agreement (**Licence to Occupy**) and Farm Management Agreement. The almond orchard is called Mooral and is located near Hillston, NSW. The orchard is leased from the Rural Funds Group (ASX:**RFF**).

Figure 1: RAF key information

ITEM	DESCRIPTION
Entity Name	RFM Almond Fund (RAF)
Responsible entity	Rural Funds Management Limited (RFM)
Business description	Operate a 592 ha almond orchard leased from the Rural Funds Group (ASX:RFF) until FY26 (272.00 ha) and FY29 (321.00 ha).
Investment term	RAF will distribute its net assets, comprised of working capital, which includes harvest revenue without direct operating costs in FY29, unless RFM determines appropriate liquidity is available to Unitholders. Notwithstanding, RFM as the responsible entity must continue to manage RAF in the best interests of Unitholders and may still distribute net assets if it considers this appropriate, despite sufficient liquidity being available.
Pro forma total assets[1]	$47.397m
Pro forma net assets	$9.475m
Pro forma units on issue	9.475m
Pro forma NAV per Unit	$1.00
Pro forma gearing	see Figure 8

1. The changes from the new accounting standard, AASB 16: Leases (which are effective from 1 July 2019), will result in the inclusion of a lease liability and a right of use asset on the balance sheet. RAF must now include the costs of use of the leased asset and the associated unwinding of the lease liability in its profit and loss. Of this amount, $33.057m related to the inclusion of the right of use asset in total assets.

ITEM *(cont'd)*	DESCRIPTION
Key debt details	A $1.5m term debt facility and a $3.0m working capital facility, each for three years. Key terms include: > No amortisation > Key covenants: » Fixed Charge Cover ratio[2] of no less than 1.00 » Borrowing Base ratio is no greater than 50% » Loan to Value ratio is to be no greater than 50% » Distribution restriction of no more than 50% of cumulative net profit after tax (adjusted for leases accounting standard, AASB16: Leases).
Distribution policy	RFM intends to declare a distribution to Unitholders annually in September. Distributions will aim to take into account the operational volatility from biennial bearing and will be based on the almond harvest in the current calendar year and the 12-month internal forecast. RFM expects the first RAF distribution to be $0.0442 per Unit declared in September 2020. RFM will adopt a distribution growth target of 3% per annum.
Distribution reinvestment plan (DRP)	RFM does not intend to offer a DRP facility.
Financial reporting	RFM will prepare half and full financial year accounts to 31 December and 30 June respectively.
Ongoing fees	Up to $1,000 per hectare per annum indexed at CPI payable to RFM. RFM will waive RAF management fees for FY20, and from FY21 50% of the management fee will be waived if RAF does not achieve revenue in excess of $18.0m indexed annually at CPI (representing a yield of greater than 3.8t/ha and a price of $8.00/kg). The remainder of the RFM management fee ($500/ha) will be charged on each dollar above the threshold, capped at the existing total fee ($1,000/ha indexed annually to CPI). The FY21 management fee is forecast to be $0.3m.

Growers are responsible for the costs associated with operating their portion of the orchard, referred to as Groves or Almondlots (for simplicity both are referred to as **Lots** in this document). The current area and duration of the Schemes is; 272.00 ha and 2026 (AF06); 72.94 ha and 2028 (AF07); 206.30 ha and 2028 (AF08) and 41.22 ha and 2028 (**RFM Area**).

The annual distribution or shortfall from the Schemes is typically calculated in August and is comprised of two components: income from harvested almonds net of expenses and a refund of GST paid on operating expenses. Expenses include various costs to operate the orchard, process harvested almonds, lease the orchard and remunerate the manager (RFM).

The structure of the Schemes is such that when expenses exceed almond income, Growers are liable for the difference. This is referred to as a '**Shortfall invoice**'.

If a Shortfall invoice is unpaid, RFM may cancel a Growers Licence to Occupy and Farm Management Agreement. This means such Growers forfeit their investment in the applicable Scheme.

RFM has previously communicated to Growers on the tendency for almond trees to biennially bear, or to exhibit a pattern of a larger crop followed by a smaller crop. Figure 2 demonstrates this pattern. A consequence of the biennial bearing nature of almond trees is that Growers are more likely to be liable for a Shortfall invoice due to the pattern of smaller crops every second year. As an example, Growers in each of the Schemes are currently liable for an FY19 Shortfall invoice following the smaller crop in FY18.

2. The fixed charge coverage ratio measures RAF's ability to cover its fixed charges, such as interest, rent and equipment lease costs with operational cash flow.

Figure 2: Average almond scheme yields and sale price 2013-2019[3]

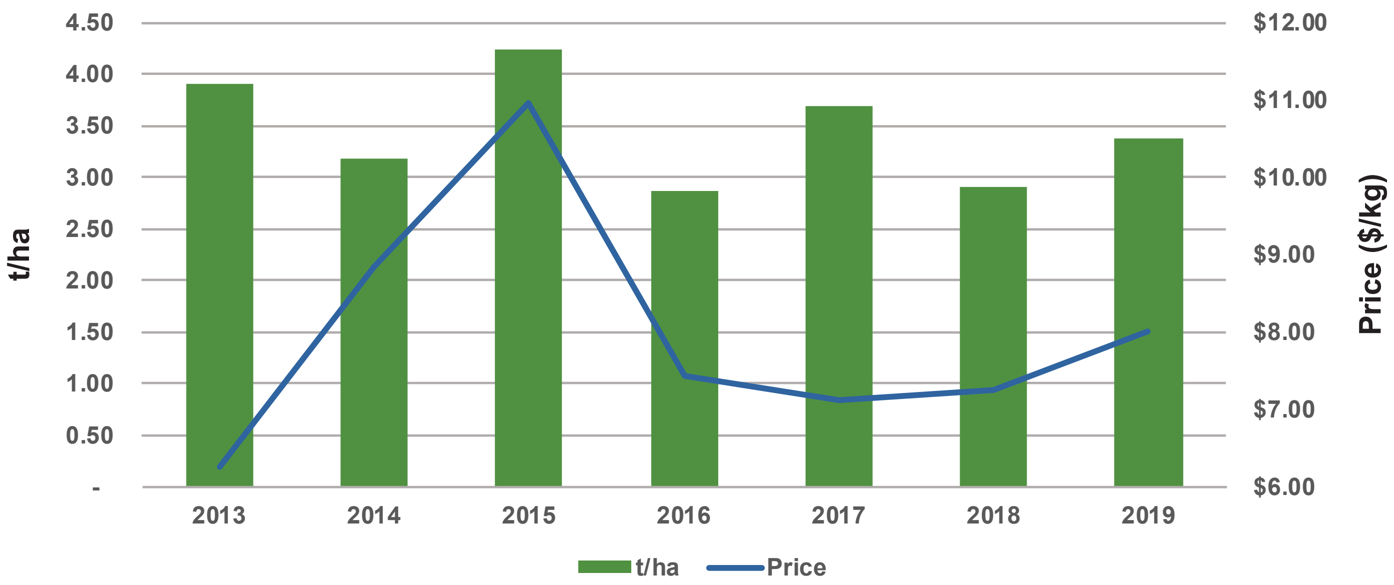


Figure 2 sets out the average per hectare yields since 2013, being the first year of mature harvest, of the Schemes and RFM Area.

When Growers pay costs including charges from RFM, these often include and are increased by a GST component. When Growers are registered for GST, the GST component can generally be claimed as a GST refund. This arrangement has two implications: firstly, it increases the likelihood of Growers receiving a Shortfall invoice, and secondly it requires Growers to be registered for GST to claim the refund. RFM is aware many Growers do not do this because of the administration required, despite it forming a significant part of their return.

Under each of the current Scheme arrangements Growers do not have access to liquidity. This is because there is no established secondary market for Growers to sell their Lots. The absence of a secondary market also creates difficultly in valuing a Grower's investment.

The Merger seeks to provide Growers with the following benefits (see Section 1.10 for a list of advantages):

1. **Capital efficiency –** unlike the Schemes, the unit trust structure allows for working capital to be funded with debt as well as equity. RFM has arranged debt facilities for RAF to unlock a portion of Growers equity allowing it to fund the FY19 shortfall and part prepay some FY20 expenses. The debt will also give some flexibility in managing the cash flow from the biennial bearing.
2. **Elimination of Shortfall invoices –** RAF will have a unit trust structure removing the requirement for any future Shortfall invoicing and therefore Growers (known in RAF as Unitholders) will not have personal liability to RAF. If the Merger does not proceed Growers will be invoiced for the FY19 Shortfall of between $1,151 and $2,179 per Lot (see Figure 10 in Section 5.2).
3. **Elimination of GST administration –** Growers will no longer have to pay and claim GST directly, as RAF will be able to administer GST internally.
4. **Improved diversification and operational efficiencies –** RAF Unitholders will diversify the operational risks across the merged almond area. Currently Growers share the operational risks at each Scheme level. This Merger will enable RFM to operate the separate Scheme areas as a single area, improving operational and cost efficiencies.

3. Average crop yields between 2013 and 2019 have been 3.5t/ha and have generally fallen within 3.2t/ha and 3.8t/ha. Note 2016 and 2018 crop yields were adversely impacted by frost. Over the period 2014-2018, RFF has installed 19 frost fans throughout the Schemes and RFM Area, with an additional 22 to be installed throughout July and August 2019 to better manage this risk.

1.3 Allocation of Units in RAF

Figure 3 describes the process following approval of the Merger:

Step 1: Growers in AF06 will convert their Lots into Units, and Growers in AF07 and AF08 will exchange their Lots for Units in AF06;

Step 2: AF06 will be renamed RFM Almond Fund (RAF); and

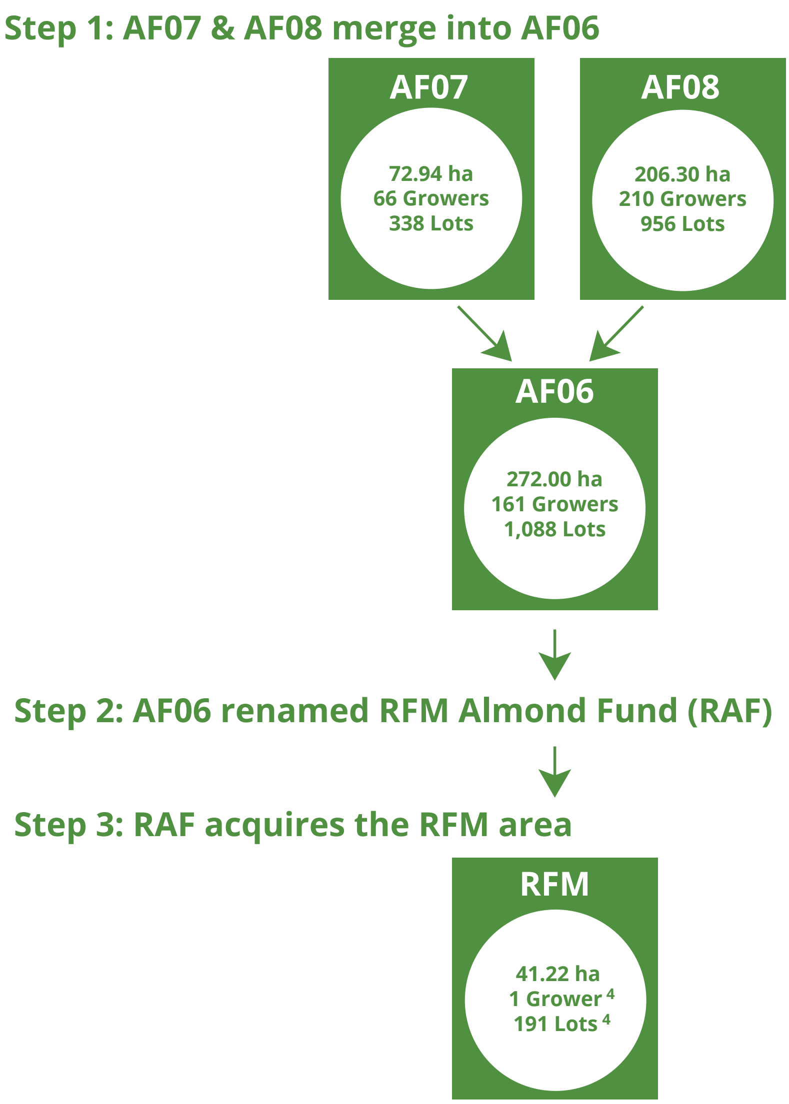
Step 3: RAF will then acquire the RFM Area.

The merged RAF will be a public trading trust. Investors in the merged RAF will be called Unitholders and own Units.

Conversion of Lots to Units

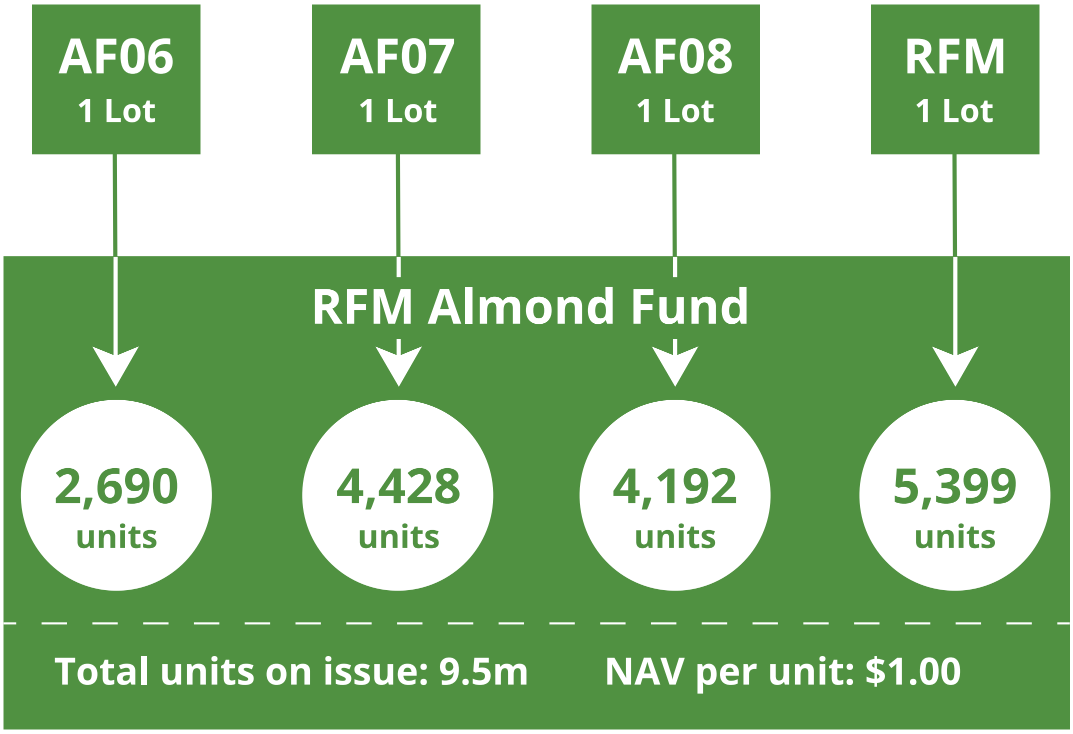
Once the Merger is approved, Growers in AF06, have their Lots converted to Units in RAF. Growers in AF07 and AF08 will receive Units in RAF in return for assigning all their interests in AF07 and AF08 to RAF. RFM will also convert its 291 Lots in AF06 to Units in RAF, and when the RFM Area is acquired by RAF, RFM will receive further Units as consideration for the RFM Area. The conversion to Units from Lots and the RFM Area is calculated using the same methodology and is described in Figures 4 and 5.

Figure 3: Overview of the Merger



4. As RFM operates its RFM Area directly there is no concept of Growers or Lots; however, this information has been extrapolated to assist Growers' understanding of these proposals. The number of Lots is calculated on an area of 0.22 ha (in line with AF07 and AF08 Lot areas conversions).

Figure 4: Conversion ratios of Scheme Lots to RAF Units[5]



Figures 4 and 5 set out the calculation of the value per hectare for each Scheme and RFM Area and conversion ratio. The value per hectare has been used to calculate the conversion of Lots to Units, and takes into consideration each Scheme's and RFM Area's:

- Inventory (harvested almonds) at the time of Merger;
- Valuation of future cash flows from the time of Merger;
- Lot size; and
- Liabilities (including the FY19 Shortfall invoice and FY20 Shortfall invoice prior to the Merger).

Key differences in conversion ratios

As AF07 Growers and AF08 Growers made a Shortfall invoice prepayment in 2018, for services provided by RFM in FY19, RFM will repay the GST exclusive portion of this prepayment (refer to Section 5.2, Figure 11 for further details). AF07 and AF08 will then have a liability to RFM for the original services incurred. This liability is to be paid to RFM by RAF, on behalf of Growers, as part of the Merger. Therefore, RAF will fund the GST exclusive portion of the FY19 Shortfall invoice for AF07 Growers and AF08 Growers. RAF will fund the full FY19 Shortfall invoice for AF06 Growers as its constitution did not allow prepayment of their invoice. This liability will be also be repaid to RFM following the Merger. As a result, AF07 Growers and AF08 Growers will receive a larger number of Units per Lot than AF06 Growers.

There is no shortfall required to be funded by RAF for the RFM Area as RFM has already funded this amount. As a result, RFM will receive a larger number of Units per Lot than the Schemes.

1.4 Fractional Entitlements

Growers will only receive a whole number of Units in RAF. Should a Grower's holding in Lots, when converted to Units, not equate to an exact number of Units, the number of Units of entitlement will be rounded down to the nearest whole Unit.

Where the entitlement between Joint Venturers results in a fractional entitlement, the first Joint Venturer's holding will be rounded down to the nearest Unit and the second Joint Venturer's holding will be rounded up to the nearest Unit, so that the total Units for that Lot are the same as if the Lot was not held under a joint venture arrangement.

5. As RFM operates its RFM Area directly there is no concept of Growers or Lots; however, this information has been extrapolated to assist Growers' understanding of the proposals. The number of Lots is calculated on an area of 0.22 ha (in line with AF07 and AF08 Lot areas). The exact number of RAF Units each individual Grower receives is also set out in separate correspondence to each Grower which accompanies this Explanatory Memorandum.

Figure 5: Calculation of Scheme and RFM Area values and conversion ratios

NOTE		AF06	AF07	AF08	RFM
	Hectares	272.00	72.94	206.30	41.22
	2019 yield (t/ha)	3.21	3.68	3.45	3.59
A	**Inventory ($/ha)**	19,600	22,470	21,065	21,920
B	**Valuation of future cashflow ($/ha)**	(1,838)	(3,678)	(3,478)	(3,791)
C	**FY20 pre-Merger Shortfall invoice ($/ha)**	(2,769)	(2,156)	(2,458)	(2,196)
D	**FY19 Shortfall invoice ($/ha)**	(8,239)	(6,173)	(5,270)	(4,640)
E	**Grower prepayment for FY19 Shortfall invoice ($/ha)**	-	2,392	2,343	4,640
	Net value ($/ha)	**6,754**	**12,855**	**12,202**	**15,933**
F	**Scheme % of net value**	30.88%	15.76%	42.32%	11.04%
G	**Pro forma net assets ($'000)**	2,926	1,493	4,009	1,046
	Lot size (hectares)	0.25	0.22	0.22	0.22
	Number of Lots	1,088	338	956	191
H	**RAF Units per Lot**	**2,690**	**4,428**	**4,192**	**5,399**

Notes:

A. The value of harvested almonds (2019 crop which will form part of RAF).

B. The valuation of the future cashflows of each of the Schemes from the date of Merger. Assumes annual alternating yields of 3.2t/ha and 3.8t/ha, almond price of $8.00/kg (indexed at CPI) and total costs of $27,500/ha indexed at CPI. These assumptions are consistent across the Schemes and the RFM Area.

C. FY20 pre-Merger Shortfall invoice which will be funded by RAF.

D. FY19 Shortfall invoice amount which will be funded by RAF. The differences in Shortfall invoices between the Schemes are a function of differing 2018 yields, operating costs and overheads. The RFM Area does not have a Shortfall invoice, as RFM has already funded this amount, however, this is shown for illustrative purposes.

E. GST credit relating to amount prepaid by AF07 and AF08. AF06 has not made a payment for GST relating to it's FY19 Shortfall invoice. RFM directly funded the amount relevant to the RFM Area.

F. Scheme % of net value calculated based on net value per hectare.

G. Calculated based on scheme % of net value on the total pro forma net assets of $9.475m.

H. RAF Units to be issued to Growers based on their holdings of Lots.

1.5 Description of management

RFM will be responsible entity of RAF. For more information on the responsible entity, including key management personnel, please refer to Section 3.

1.6 Investment term

The current area and duration of the Schemes is: 272.00 ha and 2026 (AF06); 72.94 ha and 2028 (AF07); and 206.30 ha and 2028 (AF08). RFM also directly operates an area adjacent to the Schemes of 41.22 ha the licence of which concludes in 2028 (RFM Area).

RAF will distribute its net assets, comprised of working capital, which includes harvest revenue without direct operating costs in FY29, unless RFM determines appropriate liquidity is available to Unitholders. Notwithstanding, RFM as the responsible entity must continue to manage RAF in the best interests of Unitholders and may still distribute net assets if appropriate despite sufficient liquidity being available.

1.7 Distribution policy

RFM intends to declare a distribution to Unitholders annually in September. Distributions will aim to take into account the operational volatility from biennial bearing and will be based on the almond harvest in the current calendar year and the 12-month internal forecast. RFM expects that the first distribution for RAF will be a distribution of $0.0442 cents per Unit, declared in September 2020. RFM will adopt a distribution growth target of 3% per annum.

1.8 Unit pricing policy

RFM has a Unit pricing policy (UPP). The UPP outlines:

> The pricing frequency;

> The valuation methodology;

> Fees;

> Rebates and expenses;

> Distributions;

> Unit pricing suspension; and

> Reporting requirements.

You can obtain a copy of the UPP and related documents by phoning RFM Investor Services on 1800 026 665. RFM will provide a copy of the UPP and related documents free of charge.

1.9 Possible future capital requirements

If additional capital is required in the future, RAF's new corporate structure allows it the flexibility to seek further debt funding or additional equity, as the need arises.

1.10 Advantages of the Merger

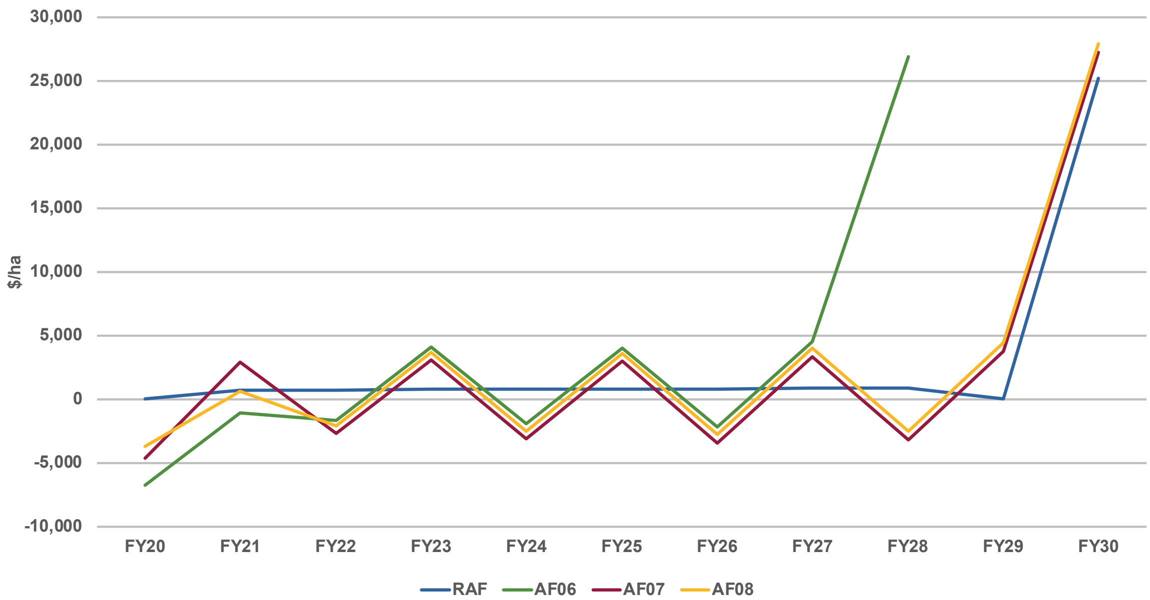
The below list details the advantages of the Merger:

1. Improved capital structure;
2. Elimination of future Shortfall invoices;
3. Elimination of Growers' personal liability;
4. Elimination of GST administration;
5. Improved diversification and operational efficiencies;
6. Reduced management fees.

1. Improved capital structure

RAF will have a capital structure similar to a company structure which includes access to bank debt. RFM has negotiated debt facilities for RAF. Distributions to Unitholders in RAF will be a function of the overall profitability, cash flow and debt position of RAF.

Figure 6: Hypothetical cash flows of the Schemes compared to RAF (per hectare)



Note: The cash flows presented in the graph above have been provided to illustrate the structural differences of the Schemes compared to RAF and assumes that AF07 and AF08 Growers are not invoiced in advance for prepayment of a forecast shortfall, as allowed under the relevant constitutions. They are neither forecasts nor projections of future returns. To reflect the biennial bearing nature of almond trees, yield is assumed to alternate between 3.2 to 3.8 t/ha. The almond price assumption is $8.00/kg indexed at 2% p.a. from FY20.

2. Elimination of Shortfall invoices

Under each of the current Scheme arrangements operating surpluses and shortfalls are distributed and invoiced respectively and individually to each Grower. Figure 6 shows a comparison of the hypothetical cash flows of the Schemes to RAF.

3. Elimination of Growers' personal liability

Under the current Scheme structures Growers are liable for an FY19 Shortfall invoice. If the Merger proceeds, RAF will assume this liability (as shown in Figure 5).

RAF will have a unit trust structure and therefore Unitholders will not have any personal liability to RAF.

4. Elimination of GST administration

When Growers pay costs, including charges from RFM, these include and are increased by a GST component. When Growers are registered for GST, the GST component can generally be claimed as a GST refund. This arrangement has two implications: firstly, it increases the likelihood of Growers receiving a Shortfall invoice, and secondly, it requires Growers to be registered for GST to claim the refund. RFM is aware that many Growers do not do this because of the administration required, despite it forming a significant part of their return.

5. Improved diversification and operational efficiencies

As noted in Figure 5, the individual Schemes are made up of three separate orchard areas ranging from 72.94 ha to 272.00 ha. Production risks, for example frost events, are currently spread across the Growers but within each of the separate Schemes. Under the Merger the production risks will be shared across a greater area. In addition a further adjacent RFM Area of 41.22 ha will be acquired by RAF further enlarging the total RAF orchard area.

Currently Growers share the operational risks at each Scheme level. This Merger will enable RFM to operate the separate Scheme areas as a single area, improving operational and cost efficiencies

6. Reduced management fees

RFM is currently, under each Scheme, eligible for a management fee up to $1,000 per hectare ($0.6m in total).

Whilst the equivalent management fee (capped at $1,000 per hectare indexed at CPI) will be charged by RFM for managing RAF, RFM will waive the RAF management fee in FY20.

In addition, from FY21, RFM will waive 50% of its management fee ($0.3m) if RAF does not achieve revenue in excess of $18.0m indexed at CPI (representing for example, a yield of 3.8t/ha and a price of $8.00/kg). The remainder of the RFM management fee ($500/ha) will be charged on each dollar above the threshold capped at the existing total fee ($1,000/ha indexed annually at CPI).

1.11 Disadvantages of the Merger

The potential disadvantages for Growers because of the Merger include:

1. Transaction costs

The costs to carry out and implement the Merger are estimated to be approximately $0.7m and will be paid for by RAF. If the Merger is not approved, the forecast costs of $0.5m will be shared by the Schemes and the RFM Area on a per hectare basis. This is an estimate of costs and subject to change.

Further information about the fees and costs associated with the Merger is contained in Section 8.

2. Taxation implications for Growers

AF06 Growers will be cancelling or converting their rights and interests in their Lots. AF07 Growers and AF08 Growers will be disposing of their rights and interests in their Lots.

From a tax perspective, Growers will be deemed to have disposed of their Lots including their interest in harvested almonds in exchange for RAF Units and assumption of liabilities.

Figure 11, at Section 5, depicts estimated taxation and cash flow positions for the Growers at certain marginal tax rates. Further details of the taxation implications of the Merger are included in the Taxation Report at Section 7.

3. Potential for dilution

RAF may require additional equity in the future and the price at which equity can be obtained is unknown. There is a risk the price of future equity would be at a discount to the prevailing NAV which would have the consequence of diluting existing Unitholders' proportionate ownership and earnings.

2 RFM ALMOND FUND (RAF) INFORMATION

2.1 Mooral orchard description

The almond orchard operated by RAF is located on the Mooral property, which is located 25 kilometres from Hillston, NSW. Hillston is approximately 110 kilometres north-west of Griffith, NSW.

Mooral is 3,841 ha in size, of which 807.65 ha was planted to almond orchards in 2006 and 2007. Of this, 592.22 ha is leased to RAF, 215.00 ha is leased to Select Harvests Ltd (**SHV**) and 0.43 ha is leased to RF Active (**RFA**).

The remaining 3,033 ha of land at Mooral comprises of lightly timbered river frontage, grazing country and irrigated land. The Schemes have access to 15.1 ML of water entitlements per ha, comprising of 11.9 ML of groundwater, 2.4 ML of general security river water entitlements and 0.8 ML high security river water entitlements.

Property	Mooral
Location	Hillston, NSW
Planted area	807.65 ha
Lessee(s)	SHV (215.00 ha) RAF (592.22 ha) RFA (0.43 ha)
Water entitlements	10,304ML groundwater, 1,443 ML general security river water and 470 ML high security river water
Year(s) planted	2006 and 2007

2.2 RAF lease arrangements

RAF earns income from the growing and selling of almonds. RAF leases the orchard from RFF through existing leases. Key terms of the leases are shown at Figure 7.

Figure 7: Key lease terms

LESSEES:	AETL AS CUSTODIAN AND RFM AS RESPONSIBLE ENTITY FOR RFM ALMOND FUND 2006	AETL AS CUSTODIAN AND RFM AS RESPONSIBLE ENTITY FOR RFM ALMOND FUNDS 2007 & 2008[6]
Subject of lease:	272.00 hectares of almond orchards, including water	321.00 hectares of almond orchards, including water
Property and location:	Mooral, Hillston, NSW	Mooral, Hillston, NSW
Agreement type	Lease	Lease
Expiry:	30-Jun-26	2-Jul-28
FY19 rent:	$1.7m	$2.1m
OTHER KEY TERMS:		
Capital commitments:	Capex required to meet replacement capital items on account of lessor, subject to additional rental.	Capex required to meet replacement capital items on account of lessor, subject to additional rental.
Indexation:	2.5% per annum	2.5% per annum
Repairs and maintenance:	On account of the Lessee	On account of the Lessee
Property rates:	On account of the Lessor	On account of the Lessor
Insurance:	On account of the Lessor, Lessee required to hold public liability	On account of the Lessee, including public liability
Water entitlements:	15.1ML/ha	15.1ML/ha
Termination events:	Material breach and insolvency	Material breach and insolvency. Possible partial or total termination if orchard destruction where not covered by an insurance policy.

6. Includes the RFM Area, which is licenced to RFM under, and on materially similar terms to, this lease.

2.3 Summary of material contracts

The table below shows the material agreements which will be held RAF, in addition to the leases shown at Section 2.2.

Details of related party transactions are set out Section 9.6.

Almond Crop Supply Agreements

Almondco Australia Limited (**Almondco**) is a processor, packer, marketer and distributor of almonds. This agreement provides the terms and conditions on which RAF supplies almonds to Almondco. Key terms of the agreement are in the table below.

Agreement Type:	Crop supply
Expiry:	30 September 2025
Termination events:	Insolvency, change in ownership or control and sale of members' almond producing property.

Plant and equipment licences

RAF will licence plant and equipment from RF Active (RFA) under a licence agreement, the key terms of which are summarised as follows:

Agreement Type:	Plant and equipment licence
Expiry:	The earlier of: > termination by notice by either party; > material breach; > insolvency of either party; > mutual agreement.
FY19 licence fee:	$0.773m
Limit:	The licenced equipment must not exceed $4.0m.
Insurance:	On account of licensor (RFA).
Repairs and maintenance:	On account of the licensee (RAF).
Termination events:	Insolvency, change in ownership or control and sale of members' almond producing property.

3 ABOUT RURAL FUNDS MANAGEMENT LIMITED

3.1 RFM Overview

Established in 1997, RFM manages approximately $1.2b of agricultural assets. This includes $939m of assets in six investment funds for which RFM is the responsible entity. Assets are located across New South Wales, Queensland, South Australia and Victoria.

RFM's largest fund under management, the Rural Funds Group (RFF), is an ASX-listed real estate investment trust. RFF owns a $923m portfolio of diversified agricultural assets including almond and macadamia orchards, commercial-scale poultry farms, premium vineyards, water entitlements, cattle and cotton assets, all of which are leased to quality tenants. RFF is the lessor of the Mooral orchard.

RFM has a 22-year history and operates from a head office in Canberra, and offices in Sydney, regional New South Wales and Queensland. The company employs more than 140 staff in fund and asset management activities.

RFM's Board and Management have relevant knowledge and experience in the sectors in which the funds are invested, gained through managing and developing assets including water, poultry, almonds, macadamias, viticulture, cotton, rural infrastructure, cattle properties and livestock.

RFM is responsible for strategic direction and day to day management of RAF. RFM is paid a management fee for provision of these services.

The RFM management team has significant experience in the Australian agricultural sector. This experience includes the management of a number of large farm developments from initial planning (including obtaining development approvals) through to completion and operation.

3.2 RFM Board of Directors

The RFM Board of Directors comprises four members, three of whom are independent of RFM.

Guy Paynter LLB AICD
Non-Executive Chairman

Guy Paynter is a former director of broking firm JBWere. Guy 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). Today, Guy is chair 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.

Guy holds a Bachelor of Laws from The University of Melbourne.

Guy is a member of the RFM Audit Committee and the RFM Remuneration Committee.

David Bryant Dip FP MAgB
Managing Director

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 $1.2 billion of agricultural assets.

David is responsible for leading the RFM Executive, maintaining key commercial relationships and sourcing new business opportunities.

David holds a Diploma of Financial Planning from the Royal Melbourne Institute of Technology (RMIT) University and a Master of Agribusiness from The University of Melbourne.

Michael Carroll BAgSc MBA
Non-executive Director

Michael Carroll serves in a board and advisory capacity for a range of agribusiness entities. Michael is Chairman of Elders Limited, Viridis Ag Pty Limited and the Australian Rural Leadership Foundation. Michael is a Director on the Boards of Select Harvests Limited and Paraway Pastoral Company Limited. Former board positions include Sunny Queen Australia Pty Limited, Tassal Group Limited, the Australian Farm Institute, Warrnambool Cheese and Butter Factory Company Holdings Limited, Queensland Sugar Limited, Rural Finance Corporation of Victoria, Meat and Livestock Australia and the Geoffrey Gardiner Dairy Foundation.

Michael's advisory clients have included government, major banks and institutional investors. He comes from a family who have been involved in agriculture for over 145 years and has his own property in South West Victoria.

Michael has senior executive experience in a range of companies, including establishing and leading the National Australia Bank (NAB) Agribusiness division. Michael worked for several years as a Senior Adviser in the NAB internal investment banking and corporate advisory team. Before joining the NAB, Michael worked for a range of agribusiness companies including Monsanto Agricultural Products and a biotechnology venture capital company.

Michael holds a Bachelor of Agricultural Science from La Trobe University and a Master of Business Administration (MBA) 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 is the Chair of the Audit Committee and the Remuneration Committee.

Julian Widdup FAICD FIAA B.Ec
Non-executive Director

Julian Widdup is a former executive of infrastructure investment management companies, Palisade Investment Partners and Access Capital Advisers (now Whitehelm Capital) where he was responsible for the acquisition and asset management of major infrastructure assets, risk management, portfolio construction, institutional client management and overseeing all aspects of investment operations.

Previously Julian had worked with Towers Perrin (now Willis Towers Watson) as an asset consultant, the Australian Bureau of Statistics and the Insurance and Superannuation Commission (now APRA).

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. Julian is currently a Director of Australian Catholic University Ltd and ACT Screen Industry Association Ltd.

Julian holds a Bachelor of Economics from the Australian National University, is a Fellow of the Institute of Actuaries of Australia and a Fellow of the Australian Institute of Company Directors.

Julian is a member of the RFM Audit Committee and the RFM Remuneration Committee.

3.3 RFM Management

Stuart Waight
Executive Manager

Stuart Waight joined RFM in 2003 bringing extensive financial management experience in the accounting profession and in the commercial sector, including his role as a Chief Financial Officer and Treasurer of a publicly listed company.

Stuart has a broad commercial and operational role within RFM, providing a link between farm management activities, the Operations team, and the Corporate and Finance sections of RFM. As part of this role, Stuart provides high level support to the Poultry, Almonds, Cropping & Livestock and Cattle businesses. Stuart is also responsible for RFM's borrowing activities, including the relationship with financiers.

Stuart is RFM's joint company secretary.

Stuart holds a Bachelor of Commerce (Accounting) from The University of Newcastle and is a Member of the Institute of Chartered Accountants.

Tim Sheridan
Chief Operating Officer

Tim Sheridan joined RFM in 2008 and is RFM's Chief Operating Officer reporting directly to the RFM's Managing Director. Tim oversees RFM's Human Resources, IT, Compliance, Client Services and Investor Relations teams. Tim also advises the Cattle JV business and provides ongoing advice and support for financial and agricultural due diligence associated with new ventures. Tim's role requires him to liaise with operational and corporate staff, corporate advisers and external parties.

Tim has previously been RFM's National Manager – Cattle, overseeing Cattle JV Pty Ltd, a wholly owned subsidiary of RFM, which operates large scale cattle breeding, backgrounding and finishing properties in Queensland. During this time, Tim was also responsible for acquisitions within the Rural Funds Group, which included negotiating long term leases with third party counterparts and leading a team which analysed new and existing projects. Tim has worked on several projects including large acquisitions and corporate restructures.

Tim holds a Bachelor of Commerce (Banking and Finance) from the University of Canberra.

Daniel Yap
Financial Controller

Daniel joined RFM in 2012 and has worked in the financial services industry for over twelve years, including six years with Ernst and Young where he worked with a range of clients including real estate investment trusts, not-for-profit entities, construction and infrastructure services clients, property development and hospitality clients.

Reporting directly to RFM's Managing Director, Daniel manages the Finance and Accounting team which oversees and reports on the financial performance of both the RFM business and the Schemes that RFM manages. Daniel also manages the taxation aspects of each of the Schemes managed by RFM.

Daniel is a member of Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce (Accounting and Finance) from the University of Sydney.

Emma Spear
Company Secretary

Emma joined RFM in 2008 and is RFM's Company Secretary, overseeing the team responsible for compliance, governance and risk functions for RFM and its related entities. Emma also manages RFM's investor and adviser services team.

Prior to this role, Emma was a senior member of RFM's Finance team, responsible for tax planning and advice, and various tax submissions for both RFM and the Schemes it manages.

Emma holds a Bachelor of Commerce and Bachelor of Laws from the University of Queensland and a Graduate Diploma of Legal Practice from the Australian National University. Emma is admitted as a Legal Practitioner of the Supreme Court of the ACT, is a Fellow of the Governance Institute of Australia, and a member of CPA Australia.

Daryl Winter
National Manager – Horticulture

Daryl Winter joined RFM in 2005. Daryl's role includes leadership and overall management of RFM's horticultural activities. Daryl has played a key role in the development of the almond orchards owned by the Rural Funds Group, with a total area of approximately 4,900 ha (1,814 ha mature and 3,100 ha under development). Daryl also provides technical expertise and support to RFM's macadamia growing activities.

Daryl brings to RFM a wealth of horticultural experience. Daryl's knowledge encompasses cultivation processes, plant nutrition, micro-irrigation systems, soil maintenance, and pest and disease management.

Dan Edwards
National Manager – Rural Funds Group (RFF)

Dan Edwards joined RFM in 2005 and has over 18 years of experience in the financial planning and funds management industry, including four years as a financial planner.

Dan oversees the business management of the RFM Almond Funds 2006, 2007 and 2008, as well as the 2007 Macgrove Project. In this role, Dan is responsible for the financial analysis, operational support, and day-to-day funds management of these entities.

Dan has been closely involved in fund and asset development projects, including the development of almond orchards, cattle properties, vineyards and chicken infrastructure projects. He manages leases with RFF's counterparts and the development of new and existing assets.

Dan holds a Bachelor of Business (Agricultural Commerce) from The University of Sydney, a Diploma of Financial Planning from Deakin University, and a Certificate IV in Project Management.

James Powell
General Manager – Investor Relations and Marketing

James has worked in the financial services sector for 18 years, having spent seven years in the financial planning industry, including as a financial adviser in both national and boutique dealer groups. James first joined RFM as a Business Development Manager from 2006 to 2008 and returned in 2010 to take up the role of Investor Relations and Distribution Manager.

James is responsible for investor relations, marketing and distribution activities for both listed and unlisted investments.

James holds a Master of Business Administration (Executive) from the Royal Melbourne Institute of Technology (RMIT) University, a Master of Personal Financial Planning from the University of Southern Queensland and a Diploma of Financial Planning from Deakin University.

3.4 Corporate Governance

The Board is responsible for the overall corporate governance of RAF, including establishing the appropriate policies and procedures for RFM to fulfil its functions effectively and responsibly. The Board recognises the role and importance of corporate governance and ensuring appropriate accountability of the Board and management. Accordingly, the Board has adopted corporate governance policies and procedures designed to promote the responsible management and conduct of RAF, including a board charter.

3.5 Board charter

Under RFM's board charter, the Board is responsible for, among other things:

> Setting the direction, strategies and financial objectives for the Group;

> Providing oversight of RFM, including its control and accountability systems;

> Reviewing, ratifying and monitoring risk management, internal compliance and control, codes of conduct and legal compliance;

> Approving and monitoring the progress of major capital expenditure, capital management, and material acquisitions and sales; and

> Approving and monitoring financial and other reporting requirements.

The Board reviews RFM's corporate governance charter, which includes the board charter, annually to ensure it remains consistent with its objectives and responsibilities.

3.6 Other governance arrangements

In addition, the conduct of RFM and the RFM Board is regulated by other measures and key documents of RAF, including its Compliance Plan and Constitution.

4 ALMOND INDUSTRY OVERVIEW

Almonds are best grown in regions that experience a Mediterranean climate, providing mild, wet winters and calm, hot and dry summers.

The US state of California grows 80% of the world's almonds. Australia is the second largest producer worldwide, producing 7% of the global crop in 2017/18, a season where the world harvest was estimated to be more than 1.2 million tonnes. While Spain is the world's third largest producer, growing 4% of the global crop, it is a net importer of almonds.

The Australian harvest runs counter-seasonal to the American harvest, enabling fresh almonds to enter international markets at different times of the year.

The Australian almond industry is concentrated around five regions which have a suitable climate, including the Riverland and Adelaide Plains in South Australia, Sunraysia in Victoria, Riverina in New South Wales, and the Swan region in Western Australia.

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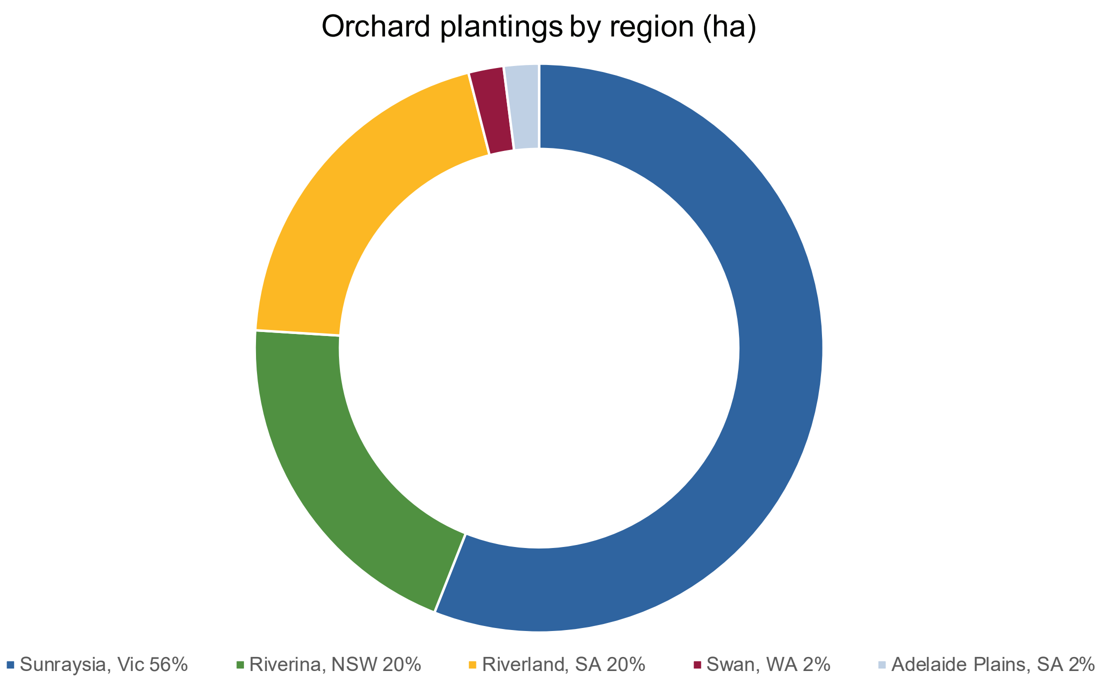
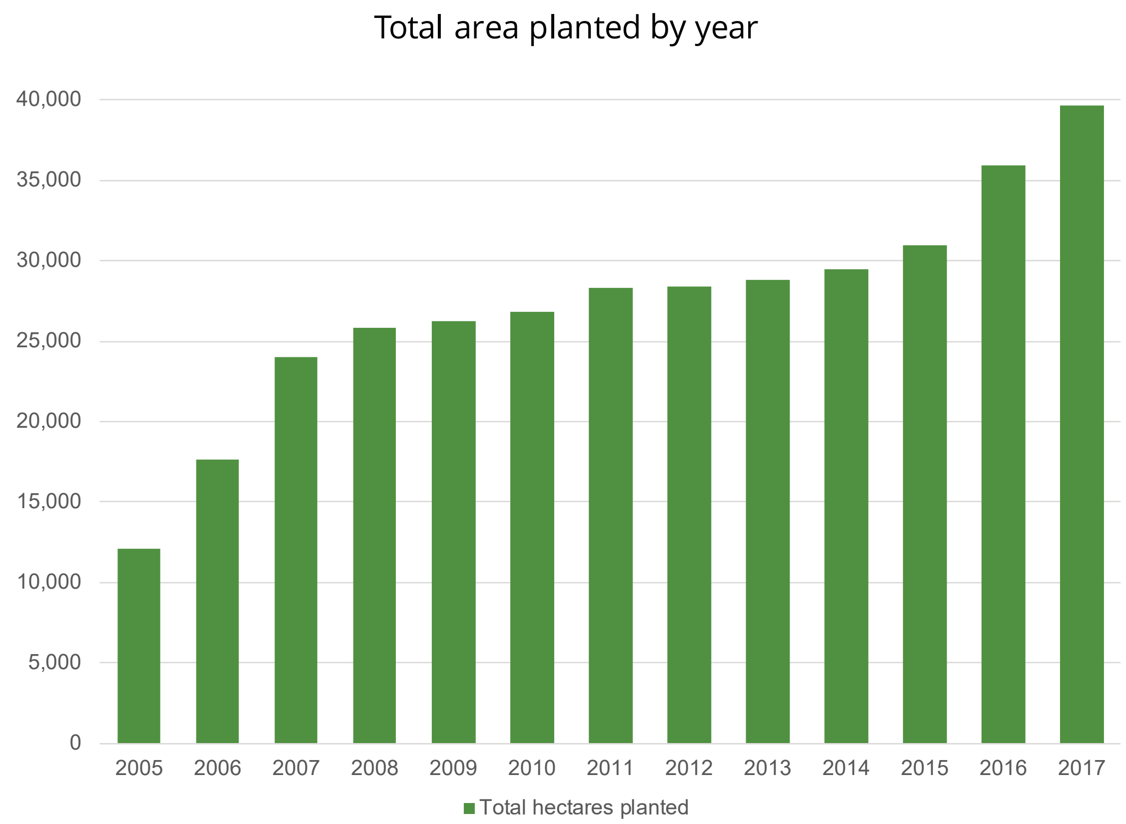
Over the past two decades, Australia's almond industry has experienced rapid growth. From 2001 to 2017, total hectares planted to almonds grew from 5,230 to 39,662. Australian almond production is expected to increase over the coming years as 30% of Australia's 11.5 million almond trees are yet to reach full maturity.

While domestic consumption of almonds is over one kilogram per person, increasing by 4.7% in 2017, Australian almonds are predominantly exported. Currently Australia exports over 80% of its almonds to 50 countries (2017/18). Australia's largest export destination is India (37%) followed by Vietnam (12%), Spain (8%) Germany (6%) and the US (4%). China and Japan are also important growing markets for Australian almonds.

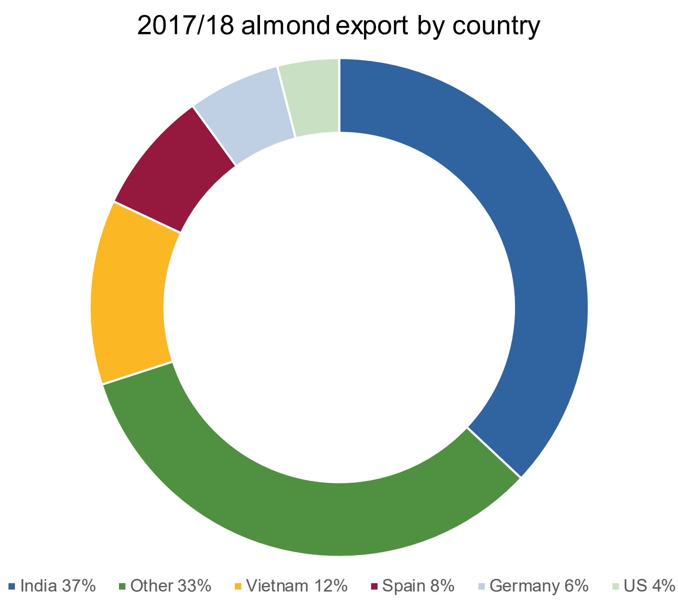




The global demand for almonds continues to grow in part as consumers are becoming more aware of the health benefits including heart health and weight loss. Global consumption of almonds is projected to double from 2006 to 2020.

The global almonds price is quoted in US dollars per pound due to dominant US production and as a result the return for Australian almonds is heavily influenced by the exchange rate between the A$ and the US$. A lower Australian dollar assists better returns to Australian almond growers. Since 2013, the almond sale price achieved for Growers in the Schemes has been an average of $8.26/kg, with a range of between $6.63/kg and $11.28/kg (see Figure 2).

All information including tables and graphs in Section 4 has been sourced from the Almond Board of Australia and Horticulture Innovation Australia.



5 FINANCIAL INFORMATION

5.1 Financial information of RAF

The Merger is expected to take place on 30 August 2019. The balance sheet has been constructed on a pro forma basis for the Merger and is shown in Figure 8.

Figure 8: Pro forma balance sheet at 30 August 2019

	PRO FORMA AS AT 30 AUGUST 2019	PRO FORMA AS AT 30 AUGUST 2019 EXCLUDING THE IMPACT OF AASB 16: LEASES[7]
Cash[8]	275,000	275,000
Biological asset	1,845,000	1,845,000
Inventory	12,220,000	12,220,000
Lease – right of use asset[7]	33,057,000	-
TOTAL ASSETS	**47,397,000**	**14,340,000**
Creditors	(365,000)	(365,000)
ANZ loan	(4,500,000)	(4,500,000)
Lease – finance lease liability[7]	(33,057,000)	-
TOTAL LIABILITIES	**(37,922,000)**	**(4,865,000)**
NET ASSETS	**9,475,000**	**9,475,000**
NAV per Unit	**$1.00**	**$1.00**
Pro forma gearing	**79%**	**31%**

7. The impact on accounting standard AASB16: Leases, effective 1 July 2019, where operating leases are recognised on the balance sheet, have been shown above.

8. RFM creditors totalling $2.5m, relating to the Growers' FY19 Shortfall invoice and FY20 pre-Merger estimated result, have been offset against the cash balance in the pro forma balance sheet. RFM creditors are forecast to be repaid following completion of the Merger.

Figure 9 shows operating profit before tax at a Fund and per Unit level, using various price and yield assumptions.

Figure 9: Operating profit before tax matrix

OPERATING PROFIT BEFORE TAX ($ Fund / $ per Unit)		BUDGETED YIELD (T/HA)		
		3.2	3.5	3.8
Price ($/kg)	$7.50	($1.2m) / ($0.13)	($0.3m) / ($0.03)	$0.6m / $0.06
	$8.00	($0.3m) / ($0.03)	$0.7m / $0.07	$1.7m / $0.18
	$8.50	$0.6m / $0.07	$1.8m / $0.18	$2.9m / $0.30

Notes:

A. The returns are calculated as the operating profit before tax for RAF ($ Fund) and on a per Unit basis ($ per Unit).

B. The scenarios included in the table are based on:
   - » Operating cost assumptions depending on the budgeted yield. Yield budgets are set at the start of each financial year.
   - » Recent historical price ranges of almonds and yields from the Schemes. Actual prices and yields may fall outside this range.

C. The information included in this matrix is not a financial forecast, a financial projection, financial product advice or an investment recommendation, and is provided for general information purposes only. The actual performance of RAF may differ significantly from the examples included in this table.

5.2 Growers net cash position following the Merger

Figure 11 shows Growers net cash position if the Merger proceeds. This considers the tax implications from the Merger and the various offsets which are available to Growers. If the Merger does not proceed Growers will need to pay a Shortfall invoice for FY19 and FY20. Figure 10 shows the estimated Shortfall invoice amounts.

The Merger will result in assessable income based on the value of almond inventory from the 2019 crop. This assessable income is expected to be offset by the FY19 Shortfall invoice and FY20 pre-Merger Shortfall invoice. RFM will fund these amounts until they are assumed by RAF as liabilities. **Therefore, they will not require payment by Growers.**

RFM will also repay the GST exclusive portion of the amount prepaid by AF07 Growers and AF08 Growers in FY19 to reinstate the liability owing by AF07 Growers and AF08 Growers to RFM for services provided. That liability will be assumed by RAF in the Merger. To avoid doubt, the difference between the total amount originally prepaid by Growers in AF07 and AF08 and the amount refunded is equal to the GST. AF06 Growers did not prepay expenses as it is not provided for in the constitution.

Figure 10: FY19 Shortfall invoice and FY20 Result assuming no Merger (per Lot)[9]

	AF06	AF07	AF08
FY19 Shortfall invoice	(2,179)	(1,348)	(1,151)
FY20 Result (estimated)	(614)	84	(164)
Total invoices assuming no Merger	**(2,793)**	**(1,264)**	**(1,315)**

9. Amounts include prepayments by AF07 Growers and AF08 Growers. Invoices contain refundable GST of $1,186 for AF06, $543 for AF07, and $531 for AF08.

Figure 11: Net cash position per Lot arising from the Merger

NOTE		AF06 ($)	AF07 ($)	AF08 ($)
A	**FY20 gross taxable income from Merger**	4,165	4,122	3,864
B	**Less: FY19 Shortfall invoice**	(1,590)	(816)	(630)
C	**Less: FY20 pre-Merger Shortfall invoice**	(692)	(465)	(530)
D	**Less: Estimated carried forward loss**	(164)	-	-
E	**FY20 net taxable income from Merger**	1,719	2,841	2,704
F	**Offset: Reimbursement of FY19 prepayments**	-	566	373
G	**Offset: Refundable GST from FY19 Shortfall invoice**	589	531	520
H	**Offset: Refundable GST from FY20 pre-Merger Shortfall invoice**	180	159	158
	Net cash positions at various Marginal Tax Rates (MTR)			
	0% MTR	769	1,256	1,051
	15% MTR	511	830	645
	30% MTR	254	404	240
	45% MTR	(4)	(22)	(165)

Notes:

A. Taxable income comprises the value of the almond inventory that has been harvested but not yet sold. The conversion of AF06 Growers Lots into Units and the AF07 Growers and AF08 Growers' sale of their interests in each of AF07 and AF08 is likely to give rise to a taxable event as Growers are selling their rights to the harvest inventory.

B. Relates to the FY19 Shortfall invoice excluding GST.

C. Relates to the FY20 pre-Merger Shortfall invoice excluding GST. This includes prepayment of approximately 50% of the FY20 land rental.

D. Carried forward losses estimated from Growers' non-commercial loss position.

E. Assumes an Australian resident individual accounting for assessable income on a cash basis. RFM is not licensed to provide tax advice. Growers should seek their own advice.

F. Reimbursement of the GST exclusive amount of prepayments made by AF07 Growers and AF08 Growers relating to the FY19 Shortfall invoice.

G. GST refund relating to the FY19 Shortfall invoice.

H. GST refund relating to the FY20 pre-Merger Shortfall invoice. This refund is likely to be claimed in FY21 if Growers are on an annual cycle.

The gross taxable income in Figure 10 less the value of liabilities assumed by RAF in Figure 5 will form the cost base of RAF on a per Lot basis (see Section 7 – Taxation Report). Growers will be liable for tax for the sale of assets to RAF. The tax liability represents the brought forward taxation that would have eventually been paid if the Schemes had not merged, and as such is not an additional tax liability for the Growers.

6 RISKS

6.1 Risks associated with the Merger

An investment in RAF, like any investment, involves risk. These risks can be broadly divided between specific risks, property market risks, and general risks relevant to RAF.

Whilst the assumptions used in generating the forecasts within this PDS are considered reasonable, a number of these risk factors could affect the achievement of the forecasts. Most risk factors are outside the control of RFM.

Detailed in Figure 12 are risk factors. However, this is not an exhaustive list. Unitholders should make their own independent assessment of an investment in RAF. Many of these risks apply to each of the Schemes under the current structure.

6.2 Specific risks

The key terms of RAF property leases are set out in Section 2.2. These should be read in conjunction with the risks set out in Figure 12.

Figure 12: Specific risks

RISK	SUMMARY
Counterpart	RAF leases its portion of the Mooral orchard from the Rural Funds Group (**RFF**). There is a risk that RFF may sell, or otherwise deal with, Mooral which may affect RAF. RAF has a crop supply agreement with Almondco whereby almonds are processed and marketed under a cooperative arrangement. There is a risk that proceeds from Almondco processing and selling almonds that have been delivered by RAF will vary.
Takeover	RFM, an experienced agricultural manager, is the responsible entity of AF06, and once merged, of RAF. Another entity may seek to take over as responsible entity of RAF. Any change of responsible entity will require Unitholder approval.
Future distributions or reduction in distributions	RAF must meet its operating expenses and debt servicing obligations before distributions can be made to Unitholders. Consequently, distributions may vary.

6.3 Property Market Risks

Figure 13: Property market risks

RISK	SUMMARY
Force majeure events	There is a risk that force majeure events, such as natural disasters, may affect the assets operated by RAF. See Section 9.4 for details of insurance.
Water availability	Pursuant to the terms of the lease for AF07 and AF08, where there is a reduction in water entitlements, RFF is required by the terms of the leases to source additional water entitlements at the expense of AF07 and AF08. This will remain the case for these leases when held in RAF. There is no such requirement in any of the other existing leases.
Water Allocation	A water allocation is the specified volume of water that is allocated to a water entitlement for use each year. There is a risk that in some years the allocation will not be 100% of the entitlement, usually due to seasonal weather conditions in the region and water availability.

6.4 General risks

Figure 14: General risks

RISK	SUMMARY
Change in economic conditions	The following economic conditions may impact the performance of RAF assets: > Industry change; > Interest rates; > Inflation; > Exchange rates; and > Changes to government economic policy.
Change in political and regulatory environment	The following international or domestic political conditions (as well as others that are not listed here) may adversely affect RAF's assets: > Legislative changes; > Regulatory changes; > Taxation changes; and > Foreign policy changes (including the status of trade agreements).
Weather conditions and climate change	Variability in weather conditions may impact key drivers for RAF earnings including crop size and quality, and the almond price. Weather conditions may include drought, extreme heat, floods, hail, frost and/or insufficient chill hours. Weather conditions may also influence disease and insect/pest infestations. Variability in weather conditions may be impacted in the future by climate change.

RISK *(Cont'd)*	SUMMARY
Debt facility	RAF has secured a debt facility that sets limits for the next three years. There is a risk that the facility will not be renewed on expiration. In these circumstances RAF may be required to sell assets and reduce or suspend distributions to retire debt. There is a risk that RAF may not achieve its existing covenants.
Lease financing	RAF leases its almond orchards, plant and equipment. This results in fixed lease payments to the Lessor, RFF, that do not vary with harvest yields and price outcomes.
Dilution	RAF may require additional equity in the future and the price at which equity can be obtained is unknown. There is a risk the price of future equity would need to be raised at a discount to the prevailing NAV which would have the consequence of diluting existing Unitholders proportionate ownership and earnings.
Taxation changes	Section 7 provides an outline of the tax implications of the Merger. As a Unitholder, you should be aware that taxation law can change which may materially impact your taxation position or the value of your investment in RAF.
Reliance on RFM's skills	Unitholders have no direct control over the decisions that affect the day-to-day management of RAF. Instead they rely on the skills of RFM and of RFM's employees to manage RAF assets and operations. An RFM employee may have a specialist skillset that is used to manage those assets. If that specialist skillset is lost, then RFM may not be able to replace the employee quickly or easily.
Conflict of interest and related party transactions	RFM is the responsible entity for RAF and for a number of other funds, including RFF, the lessor of the real property upon which RAF's orchards are located. RFM may face a conflict of interest that arises because of its role as the responsible entity for RAF and its role as the responsible entity for other funds. Related party transactions are subject to the RFM Conflict of Interest Management Policy and are submitted to the Internal Compliance Committee (ICC) for review. The ICC comprises members who are employees of RFM. See Section 9.6 for further detail about related party transactions.
Inflation	Inflation risk is the uncertainty over the future real value of Unitholder's investment and specifically whether revenue will increase at least in line with inflation. The leases to RAF are subject to standard indexation of 2.5%.

6.5 Risk mitigation strategies

All investments involve risk. The value of investments and the level of returns will vary. Historical performance is not necessarily indicative of future performances and not all investments risks can be predicted or foreseen.

RFM as the Responsible Entity of AF06, AF07 and AF08 has implemented a robust risk management policy which includes a risk management framework. This involves continual analysis and evaluation of the nature of risks to determine the tolerance levels and risk appetite of the Schemes and once merged, RAF.

The Risk Management Policy is located on the RFM website at https://ruralfunds.com.au/about-rfm/corporate-governance/

7 TAXATION REPORT

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25 July 2019

The Directors
Rural Funds Management Limited
Level 2, 2 King Street
DEAKIN ACT 2600

Dear Directors

Tax summary – proposed merger

The following tax summary has been prepared at the request of the directors of Rural Funds Management Limited (**RFM**).

RFM is the responsible entity for each of RFM Almond Fund 2006 (**AF06**), RFM Almond Fund 2007 (**AF07**) and RFM Almond Fund 2008 (**AF08**) (collectively, the **Schemes**).

This summary has been prepared for inclusion in the product disclosure statement (**PDS**) to be issued by RFM on or about 25 July 2019 in respect of a proposed merger (**Merger**) of the Schemes into one entity, AF06 which, once merged, will be renamed the RFM Almond Fund (**RAF**).

Scope

1 The following is a general summary of the potential Australian income tax and goods and services tax (**GST**) consequences for the participants in the Schemes who participate in the Merger. It should be used as a guide only and does not constitute professional legal or taxation advice as individual circumstances may differ.

2 The information contained in this summary is based on the *Income Tax Assessment Act 1936* (Cth) (**ITAA36**), *Income Tax Assessment Act 1997* (Cth) (**ITAA97**), *A New Tax System (Goods and Services Tax) Act* 1999 (Cth) (**GST Act**), the interpretation of the Australian Taxation Office (**ATO**) and the courts as at the date of the PDS. The application of relevant stamp duties legislation to the Merger is specifically excluded from this summary. However, as noted in Section 8.7 of the PDS to the extent that any duty is payable on the Merger, RFM will be responsible for payment.

3 This summary is given on the basis that, consistent with the information contained in Figure 3 of Section 1.3 of the PDS, the only asset that is being disposed of by participants with a positive value is their trading stock of harvested almonds.

4 Taxation laws can change at any time, which may have adverse consequences for participants. All participants must obtain their own taxation and financial advice that is relevant to their particular circumstances.

Deloitte.
Private

5 It is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every participant.

6 This summary only considers the Australian taxation position. Participants who are resident of, or subject to taxation in, other jurisdictions must obtain independent professional advice on the taxation consequences of the Merger in that particular jurisdiction.

7 The taxation implications applicable to the participants will vary from investor to investor. Deloitte Legal Pty Ltd does not accept any responsibility or liability for any tax consequences and specifically disclaims all responsibility for any reliance or the consequences of any reliance upon this tax summary by the participants.

8 Deloitte Legal Pty Ltd does not hold an Australian Financial Services Licence and the contents of this summary does not constitute financial product advice, an endorsement of a financial product or marketing of a financial product.

Background

9 This summary adopts and relies upon the background to the Merger outlined in Section 1.2 of the PDS.

10 Specifically, under the terms of the Schemes that were established in 2006, 2007 and 2008, the participants in the Schemes (**Growers**) entered into an arrangement with the relevant responsible entity (currently RFM), which entitled the Growers to carry on the business of commercial growing, cultivation and harvesting of almonds for sale.

11 Annually, the Growers are required to pay management fees, licence fees and operating costs to RFM (**Fees**).

Proposed Merger

12 As outlined in Section 1.3 of the PDS, it is proposed that the Schemes be merged into AF06 to form one entity, the RAF. The RAF will be a unit trust.

13 If it is approved, the Merger will require:

(a) Growers in AF06 to convert their Lots into units (**Units**);

(b) Growers in AF07 and AF08 to exchange their Lots for Units in RAF;

(c) Growers in all three Schemes to transfer their interest in unsold, harvested almonds to RAF; and

(d) RAF to assume specific debts owing by Growers to RFM for Fees.

Income tax and capital gains tax consequences for Growers of the Merger

14 The Merger will result in:

(a) Growers in AF06 cancelling or converting their rights and interests in the Lots; and

(b) Growers in AF07 and AF08 disposing of their rights and interest in the Lots under the existing Schemes; and

(c) Growers disposing of harvested but as yet unsold almonds, in return for:

(i) Units in RAF; and

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(ii) RAF assuming responsibility for payment of debts owing by Growers to RFM for Fees. (**Growers' Debts**).

Capital gains tax (CGT)

15 There are separate capital gains taxing events occurring for each Grower, namely:

(a) the disposal or cancellation of any residual assets or other rights under the Schemes, particularly contractual rights; and

(b) a disposal of the harvested almonds.

16 Any capital gain or capital loss arising in respect of the disposal of the harvested almonds will be disregarded and instead taxed under the trading stock rules, discussed further below.

17 The conversion of the AF06 Lots into Units in RAF will result in a cancellation of the Grower's interest in AF06. The cancellation of a CGT asset is a CGT event. When AF07 and AF08 Growers dispose of the Lots to RAF, a CGT event will occur.

18 The amount of the capital proceeds from a CGT event is generally the sum of the money received or receivable and the market value, worked out as at the time of the event, of any other property received or receivable as a result of the CGT event happening.

19 However, where a payment is received in connection with a transaction that relates to one CGT event and something else, the capital proceeds from the CGT event are so much of the payment as is reasonably attributable to the CGT event.

20 In the present circumstances, the consideration that the Growers will receive is the Units and RAF assuming the Growers' Debts.

21 RFM considers and we have assumed, as set out in Figure 5, Section 1.3 of the PDS, the market value of the Lots as at the date of the Merger (excluding the value of harvested almonds) is nil.

22 As a result, it is reasonable to attribute none of the consideration received by the Growers as capital proceeds for the disposal or cancellation of their interests in AF06, AF07 or AF08. Instead, the consideration will be attributed to the value of the harvested almonds.

23 There are no CGT consequences arising from a particular CGT event if neither a capital gain nor a capital loss arise.

24 For those Growers with a reduced cost base, a capital loss may arise. However, costs for which deductions have already been claimed cannot be included in a Grower's reduced cost base calculation.

25 For Growers that acquired their interests upon establishment of the Schemes, in accordance with the position set out in the Commissioner's Product Rulings applicable at the time (originally Product Rulings PR 2006/24, PR2006/25, PR 2007/34 and PR 2007/102), all acquisition costs were generally deductible as and when incurred with the implication that they would not form the part of the reduced cost base. In the absence of such a cost base, no capital loss will arise.

Income tax – trading stock provisions

26 The sale of the harvested almonds into RAF will be a disposal of trading stock. This will be a disposal under the Merger and therefore outside the ordinary course of the Growers' businesses.

27 The Growers will be required to account for the market value of the harvested almonds (as at the date of disposal) as assessable income. Growers that account for trading stock for taxation purposes will no longer hold trading stock.

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28 The value of their trading stock held will decline by the opening balance of their stock, and should have a deduction of that decline in the current tax year. Where growers do not have an opening tax value for trading stock, including because they were eligible to apply the 'simplified taxation system' of Division 328 of the ITAA 97, and the estimated change in the tax value of stock has been less than $5000 for each prior year, no additional deductions or taxation adjustments are required.

29 Per Figure 11 of the PDS, RFM has determined that they expect the value of harvested almonds of Growers will be:

(a) for Growers participating in AF06 - $4,165 per Lot;

(b) for Grower's participating in AF07 - $4,122 per Lot; and

(c) for Grower's participating in AF08 - $3,864 per Lot.

30 The income derived by Growers from the sale of harvested almonds should be regarded as from the Growers' business activity. Growers who are individuals or partnerships with deferred losses under the 'non-commercial business activity' rules in Division 35 ITAA97 may be entitled to deduct those deferred amounts against the income from the disposal of the harvested almonds, subject to satisfaction of the particular requirements applicable to individual Growers.

31 Application of those rules to individual Growers' is dependent on their individual tax profile in the current and prior years and thus outside the scope of this summary. Growers should obtain their own advice in order to determine whether they are applicable to their circumstances.

Taxation of RAF

32 It is expected that RAF will be a public trading trust for income tax purposes as defined in Division 6C ITAA36. Public trading trusts are taxed as companies and any tax paid by the trustee gives rise to franking credits that can be distributed to unitholders under the imputation system.

33 This means that RAF:

(a) will pay income tax on any profit derived during the income year at the corporate income tax rate; and

(b) distributions of profit to unitholders may be taxed to unitholders as if they were a dividend(which may be franked).

34 Any deemed dividends and franking credits received from RAF should be included in the assessable income of the unitholder. Where the unitholder is a resident individual or complying superannuation fund, and has excess franking credits available for the income year, those excess franking credits may be refunded to the unitholder.

35 Corporate unitholders are not eligible to receive a refund of excess franking credits, however they may be entitled to convert any excess into a loss that may be used to offset income earned in future years (subject to satisfaction of the loss utilisation rules).

36 It is noted that unitholders are generally required to have held their units 'at risk' for 45 days in order to be eligible for the franking benefits outlined above. Advice relevant to individual unitholders' circumstances must be obtained to determine eligibility.

Taxation on future disposal of Units in RAF

37 The cost base of the Units received by the Growers will be the value of the harvested almonds and residual value of the rights and interests in AF06, AF07 and AF08, less the value of the liabilities or obligations assumed by RAF.

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38 If a Grower sells or transfers their units in RAF after the Merger, this will constitute a disposal for capital gains tax purposes. Where a Grower holds their units on capital account, any capital gain or loss arising on a disposal will be subject to the CGT rules.

39 Each Grower should calculate their capital gain or loss according to their own particular facts and circumstances. Proceeds on disposal may include a component of taxable income/net taxable income.

40 In calculating the taxable amount of a capital gain, a discount of 50% for Australian resident individuals and trusts (conditions apply) or 33.33% for complying Australian superannuation funds may be allowed, where the units in RAF have been held for 12 months or more. No CGT discount is available for corporate Growers.

41 Any capital loss arising from the disposal of the Units may be used to offset other capital gains the Grower may have derived. Net capital losses may be carried forward to offset against capital gains of subsequent years but may not be offset against a Grower's ordinary income.

Goods and Services Tax (GST)

42 This section of the tax summary is only applicable to those Growers registered or required to be registered for GST, for example, as a result in participating in the Schemes or the Merger.

Supply of Almonds to RAF

43 Growers will make a supply of raw harvested almonds to RAF.

44 A supply of food is GST free. The sale of harvested raw almonds will be GST-free as they are food for human consumption that are not otherwise specified as being subject to GST in the GST Act.

45 On our understanding of the circumstances of the sale of the raw almonds into RAF, none of the taxable categories under the GST Act will apply.

46 Therefore no GST will be payable by the Growers on the supply of the raw almonds.

47 For the reasons outlined in paragraphs 21 and 22, it is reasonable to attribute none of the consideration received as relating to the disposal or cancellation of the balances of Growers interests in AF06, AF07 or AF08. Instead, the consideration should be solely attributed to the value of the harvested almonds.

GST on costs

48 If a Grower has separately incurred their own advisory or other costs in respect of entering into the Merger, they should also seek advice on their ability to claim GST input tax credits on any GST component on those costs.

Yours sincerely

Hayden Bentley
Legal Practitioner Director

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8 FEES AND OTHER COSTS

8.1 Introduction

Following the completion of the Merger, fees and other costs will be levied in accordance with the RAF constitution. The Merger provides for cost savings in several areas with fees and costs identified as one of those areas. Figure 15 sets out the fees that RFM intends to charge, which are lower than the maximum allowed for under AF06's pre-Merger constitution.

Consumer advisory warning

By law, RFM must provide you with the following Consumer Advisory Warning at the beginning of this section. Following the Consumer Advisory Warning, this section provides detailed information about the fees and other costs associated with investing in RAF.

8.2 Fee and Other Costs

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole.

Taxes are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of fees based on your own circumstances, the Australian Securities and Investments Commission (**ASIC**) website (www.moneysmart.gov.au) has a managed funds calculator to help you check out different fee options.

Figure 15: Fees and costs

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Fees when your money moves in or out of the Fund		
Establishment fee		
The fee to open your investment	Nil	Not applicable
Contribution fee		
The fee on each amount contributed to your investment.	Nil	Not applicable
Withdrawal fee		
The fee on each amount you take out of your investment	Nil	Not applicable
Exit fee		
The fee to close your investment	Nil	Not applicable
MANAGEMENT COSTS		
The fees and costs for managing your investment	Fund management fee up to $1,000 (indexed to CPI) per hectare leased by RAF per annum	Fee calculated monthly and payable monthly in arrears, commencing 1 July 2020.
	Operating costs and expenses Estimated at 2.13% of the net asset value of RAF	Costs paid from RAF as and when RFM incurs the costs and invoices RAF accordingly.
SERVICE FEES		
Investment switching fee		
The fee for changing investment options	Not applicable	

The maximum amount of fees permitted by the RAF Constitution are set out in Figure 15.

8.3 Additional explanation of fees and costs

8.3.1 Adviser remuneration

RFM does not pay commissions or trail commissions to advisers.

8.3.2 Management fee

The management costs outlined in the Fees and Other Costs table at Figure 15 include amounts payable for:

> ***Fund Management Fee***

This is the fee RFM charges for managing RAF's investments, overseeing RAF's operations and promoting RAF to investors.

RFM is entitled to an annual management fee equal to $1,000 (indexed to CPI) per hectare of land leased by RAF.

RFM will waive this management fee in FY20.

From FY21, RFM intends to waive 50% of its management fee if RAF does not achieve revenue in excess of $18.0m indexed at CPI (representing a yield of 3.8t/ha and a price of $8.00/kg). The remainder of the management fee ($500/ha) will be charged on each dollar above the threshold capped at the total fee ($1,000/ha indexed annually to CPI).

The management fee will be calculated and paid from RAF's assets monthly in arrears.

> ***Fund operating costs and expenses***

Under RAF's constitution, RFM is entitled to be reimbursed for all expenses properly incurred in relation to the duties and operations as the responsible entity in operating and managing the assets of RAF. These expenses include, but are not limited to, accounting fees, legal fees, valuation fees, audit fees and property management fees. These expenses may be paid directly from RAF's assets or alternatively paid by RFM and then recovered from RAF's assets.

The operating costs and expenses disclosed above and in Section 8.2 are an estimate (based on historical trading results) of the operating expenses likely to be incurred in relation to the operation of RAF. Actual operating expenses may be higher than the amount disclosed above in Section 8.2.

8.4 Example of annual fees and costs for a balanced investment option

This table gives an example of how the fees and other costs in the balanced investment option for this managed investment product can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

EXAMPLE - RAF		BALANCE OF $50,000 WITH A CONTRIBUTION OF $5,000 DURING YEAR[10]
Contribution fees	Nil	Not applicable[11]
Plus, Management Costs	2.25%	For every $50,000 you have in RFF you will be charged $1,250 each year[12]
Equals cost of RAF		If you had an investment of $50,000 at the beginning of the year and put in an additional $5,000 at the end of that year, you will be charged a fee of: **$1,250**[13]

10. It is a requirement of the *Corporations Regulations* that the above example assumes a balance of $50,000.
11. This example is required under the *Corporations Regulations*, notwithstanding that RFM does not charge contribution fees.
12. The management costs disclosed above include estimates for management fees, operating expenses and acquisition fees. In practice, your actual investment balance will vary daily and fees we charge are based upon the gross asset value will also fluctuate daily. The management costs disclosed above incorporate an estimate of an Investor's contribution towards the forecast operating expenses. Additional fees and costs may be charged.
13. It is a requirement of the *Corporations Regulations* that the additional $5,000 invested is excluded for the purposes of calculating management costs in this example.

8.5 Comparison of fees

Figure 16 compares three aspects of fees: the fees currently paid by the stand-alone Schemes; the maximum fee payable under each Scheme's constitution; and the proposed fees that will be paid by RAF.

Figure 16: Comparison of Scheme constitution fee limits and proposed RAF fees payable to RFM

	AF06	AF07	AF08
Fund management fee (FY20 budget)	\$930.52 per hectare or \$232.63 per Lot	\$1,090,90 per hectare or \$235.42 per Lot	\$1,090,90 per hectare or \$235.42 per Lot
Performance fee (FY20 budget)[14]	NIL	NIL	NIL
	RAF		
Fund management fee (FY20 budget)	Up to \$1,000 per hectare per annum indexed at CPI. RFM will waive RAF fees for FY20. From FY21, 50% of the fee will be waived if RAF does not achieve revenue in excess of \$18.0m indexed annually at CPI (representing a yield of greater than 3.8t/ha and a price of \$8.00/kg). The remainder of the RFM management fee (\$500/ha) will be charged on each dollar above the threshold capped at \$1,000/ha (indexed annually to CPI). The FY21 management fee for RAF is forecast to be \$0.3m.		
Performance fee (FY20 budget)	There is no performance fee applicable to RAF.		

8.6 Changes to fee structure

Subject to the limitation contained in RAF's constitution, RFM may increase the amount of fees without investors' consent. Investors will be given not less than 30 days prior notice of any changes to RAF's fee structure as set out in this PDS.

8.7 Government charges and GST

Growers will not be personally liable for stamp duty. Approximately \$1 of stamp duty will be payable by RAF for the acquisition of the RFM Area. The final amount is subject to a determination in by the Office of State Revenue in New South Wales.

Fees in Section 8 are shown exclusive of GST.

14. RFM is entitled to a performance fee under the Licence and Management Agreements of AF07 and AF08, subject to meeting certain performance thresholds. RFM does not expect these thresholds will be met in FY20 and as such, there is no performance fee included in the FY20 budget.

9 ADDITIONAL INFORMATION

9.1 Constitution

AF06 is a managed investment scheme which has been registered with ASIC in accordance with Chapter 5C of the *Corporations Act*.

RFM is the responsible entity and the holder of AFSL No 226701 which permits it to operate AF06.

At the Meeting to be held 28 August 2019 Growers will consider a resolution to amend the AF06 Constitution. If the resolution is successful, the new Constitution will govern the newly merged RFM Almond Fund. A copy of the new Constitution will be available upon request by contacting RFM Investor Services on 1800 026 665 between 8.30am and 5.00pm (AEST) on business days.

The respective rights and obligations of RFM and Unitholders in RAF is determined by the relevant Constitution and the *Corporations Act*, together with any exemptions and declarations issued by ASIC, and the general law relating to schemes. Neither the provisions of these laws and rules, nor their effect on the Constitution, have been summarised below.

The Constitution may be amended by a deed executed by RFM, provided that RFM reasonably considers that the amendment will not adversely affect the rights of Unitholders, or by a resolution of at least 75% of votes cast by Unitholders (at a meeting convened in accordance with the Constitution and the *Corporations Act*). If the Constitution is amended, RFM must lodge a copy of the change with ASIC. The change will not be affected until it is lodged with ASIC.

The Constitution includes provisions which relate to:

> 11.2.1 the responsible entity's powers, duties and obligations;

> 11.2.2 the rights and obligations of Unitholders;

> 11.2.3 the ability of Unitholders to remove the responsible entity;

> 11.2.4 the issue of Units;

> 11.2.5 the valuation of RAF;

> 11.2.6 fees payable to the responsible entity;

> 11.2.7 the responsible entity's right to be indemnified by RAF for expenses, losses and liabilities arising in its capacity as responsible entity providing it has properly performed its duties;

> 11.2.8 the winding up of RAF;

> 11.2.9 meetings of Unitholders;

> 11.2.10 complaints and procedures in relation to RAF; and

> 11.2.11 the responsible entity's limitation of liability (subject to the *Corporations Act*).

9.2 Units and Unitholders' rights

Once the three Schemes are merged to become RAF, Growers in AF07 and AF08 will receive Units and AF06 Growers' interests in AF06 will convert to Units. RFM is a Grower in AF06, owning 291 Lots. In addition, the RFM Area which was acquired by RFM from defaulting Growers in past years will be acquired by RAF on the same conversion basis as Growers in the Schemes. Figure 4 in Section 1 demonstrates the conversion of 1 Lot in AF06, AF07 and AF08 and the RFM Area into Units.

A Unitholder will hold a Unit subject to the rights and obligations attaching to that Unit. The rights of Unitholders include:

a. rights to receive income and other distributions attributable to Units held;

b. transfer Units (subject to the relevant rules and any permitted refusal by RFM);

c. convene, or request that RFM convene, a meeting of Unitholders;

d. attend and vote at meetings of Unitholders;

e. receive the annual audited accounts of RAF; and

f. participate in the winding up of RAF.

9.3 Valuation Policy

As stated in RFM's Asset Valuation Policy, in determining the value of RAF's assets, the Constitution provides for RFM to determine valuation methods and policies for each category of asset.

Agricultural produce is the harvested product of a bearer plant and includes almonds. Agricultural produce is measured at its fair value less point of sale costs at the point of harvest.

9.4 Insurance

The almond trees are insured by the landlord for loss or destruction against fire, impact and wind events. The extent of the cover is the best estimate of the replacement cost of replanting the trees.

RFM, as responsible entity, does not currently insure the annual almond crop as it is cost prohibitive, but RFM will review this position on a regular basis.

The farm infrastructure such as irrigation infrastructure and buildings are insured by the landlord, with cost of insurance being on account of the Unitholders as outlined in the lease agreements.

9.5 Reporting and audit

AF06 has a registered company auditor. The auditor's role is to conduct an audit of the financial statements of AF06.

RAF accounts will be audited twice each year. Audited half year accounts are prepared as at 31 December of each year and full year accounts as at 30 June.

9.6 Related party transactions

RFM is the responsible entity of RAF and a number of other funds, including RFF, the lessor of the real property upon which RAF's orchards are located. Transactions between RAF and RFM, or another fund for which it is responsible entity, are considered related party transactions.

The Board of Directors approve any related party transactions, ensuring that any such transaction is in line with the *Corporations Act 2001* (Cth) and the listing rules of any relevant exchange. RFM's Internal Compliance Committee (ICC) monitors compliance of all constituent documents and key policies including the Conflict of Interest Management Policy. RFM maintains Related Party Transactions and Conflicts of Interest registers. The ICC reports to the Board quarterly. The Conflict of Interest Management Policy requires that before any related party transactions are considered, the Board must consider s210 of the *Corporations Act* – Arm's length terms. If there is doubt the transaction may not be on arm's length terms, Unitholder approval must be sought.

At least one of AF06, AF07 or AF08 is currently a party to the following related party transactions:

> AETL as custodian for RFF holds a sublease with AETL as custodian for AF06 for part of Mooral. The lease is for primary production which includes the growing of Almond Groves. The sublease details include access to land and water entitlements with the term of the lease to expire in June 2026.

> AETL as custodian for RFF holds a sublease with AETL as custodian for AF07 and AF08 on for part of Mooral. The lease is for primary production which includes the growing of Almond Groves. The sublease details include access to land and water entitlements with the term of the lease to expire in July 2028.

> AETL as custodian of AF07 granted a licence to RFM as responsible entity of AF07. AETL as custodian of AF08 granted a licence to RFM as responsible entity of AF08. These licences allow RFM as responsible entity of AF07 & AF08 to pass on a licence to Growers to occupy the land to farm their Groves.

> AF07 and AF08 licenced 41.65 ha of almonds to RFM, terminating in July 2028. As detailed in Section 1.1, this is the RFM Area, and this interest will be acquired by RAF following the Merger. A Deed of Variation was signed on 5 December 2018 to reduce the licence by 0.43 ha (to 41.22 ha) and update the water rights accordingly. The interest in the 0.43 ha was acquired by RF Active (RFA).

> AETL as custodian for AF07 and AF08 entered into a licence agreement with AETL as custodian for RFM in its capacity as responsible entity for RFA for RFA to operate the business of cultivating, harvesting, marketing and sale of Almonds for a total 0.43 ha. This licence agreement terminates in July 2028.

> RFM provides finance to AF06, AF07 and AF08 as part of their fund structure. Growers are invoiced annually for all operating costs, licence and management fees associated with their Grove. Details are specified as part of ASIC's RG232 disclosure to retail clients regarding agribusiness managed investment schemes. This arrangement will cease on approval of the Merger.

> RFM as RE for RFA has entered into an equipment licence agreement with RFM as RE for each of AF06, AF07 and AF08. Total monthly rental in FY19 was $66,956.15. This is sub-licenced to RFM Farming (a wholly owned subsidiary of RFM) to use to perform farm management duties for the Schemes.

The Board of RFM is satisfied all related party transactions are on an 'arm's length basis'. Each transaction has been considered by the ICC and approved by the Board of RFM. RFM is in compliance with its Conflict of Interest Management Policy. Related party arrangements are reviewed annually to ensure they remain within originally approved terms.

Unitholder approval has not been sought for any related party transaction. The risks associated with related party transactions are set out in Figure 14.

Should the Merger be approved, the following related party agreements will be executed:

- Agreement for RAF to acquire the RFM Area from RFM, as described in this PDS
- A sharing agreement with RF Active (RFA). RFA operates a 0.43 ha portion of the Mooral orchard. Under this agreement, RFA and RAF will operate the orchard as one, sharing operating costs and harvest revenue proportional to their interest in the land.

9.7 Privacy and data collection

RFM and its related companies recognise that your privacy is very important and is committed to protecting the personal information collected from you. *The Privacy Act 1988* (Cth) and the Australian Privacy Principals guidelines (**APP**) specify laws protecting the privacy of your personal information when held by private sector organisations and the Australian Government.

When you make an application to invest in RAF, RFM will collect personal information about you. Your personal information is used to:

- To assess your application;
  - To identify you
- To administer and manage your assets;
- To facilitate RFM's internal business operations, including fulfilment of any legal requirements and protecting our business from fraudulent or unlawful activity;
- To communicate with you and provide to you any promotional information;
- To carry out confidential maintenance and testing of computer systems;
  - For any other purpose for which you have given your consent; and
  - Otherwise as permitted or required by law.

Personal information will generally be collected directly from you through the application form. There may, however, be some instances where personal information about you will be collected indirectly because it is unreasonable or impractical to collect personal information directly from you. We will usually notify you about these instances in advance, or where that is not possible as soon reasonably practicable after the information has been collected. From time to time, advisers may need to provide your information to RFM to enable fulfilment of licenced dealer obligations and the provision of other services to you.

RFM may disclose your personal information (as necessary):

- To your representatives or service providers such as your accountant, solicitor, tax agent, or professional advisers;
- On a confidential basis to industry bodies, our agents, contractors or third-party service providers that provide registry, financial, legal, administrative or other service for the purpose of RFM's business or your investment;
- Where the law permits or requires us to do so;
- To our related entitles and other organisations with whom we have affiliations so that those organisations may provide you with information about services and various promotions; and
- To third parties to whom you have agreed we may disclose your information.

We are assisted by a variety of external providers to deliver our services, some of whom may be located overseas. These third parties are too numerous to list, and they change from time to time. You consent to that disclosure and agree that by providing that consent, APP 8.1 no longer applies, and we are not required to take reasonable steps to ensure that the overseas recipient does not breach the APPs in relation to that information.

If the personal information you provide to us is incomplete or inaccurate, or you choose to interact with us anonymously or pseudonymously, we may not be able to provide you with the services you are seeking.

More information

More detailed information about the way we use, disclose, and secure your personal information, how you can access and correct that information, and how you can make a complaint about a breach of the Australian Privacy Principles can be found in our privacy policy, available on RFM's website **www.ruralfunds.com.au** or by contacting us at:

The Compliance Manager
Address: Locked Bag 150, Kingston ACT 2604
Email address: investorservices@ruralfunds.com.au
Telephone: (02) 6203 9700
Facsimile: (02) 6281 5077

For more information about privacy in general, you can visit the Office of the Australian Information Commissioner's website at **www.oaic.gov.au**.

9.8 Anti-Money Laundering and Counter Terrorism Financing

The A*nti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (**AML Act**) and other applicable anti-money laundering and counter terrorism laws, regulations, rules and policies which apply to RFM (**AML Requirements**), regulate financial services and transactions in a way that is designed to detect and prevent money laundering and terrorism financing. The Australian Transaction Reports and Analysis Centre (**AUSTRAC**) enforce the AML Act. In order to comply with the AML Requirements, RFM is required to, amongst other things:

> Verify your identity and source of your application monies before providing services to you, and to re-identify you if we consider it necessary to do so; and

> Where you supply documentation relating to the verification of your identity, keep a record of this documentation for 7 years.

RFM reserves the right to request such information as is necessary to verify your identity and the source of the payment. In the event of delay or failure by you to produce this information, RFM may refuse to accept an application and the application monies relating to such application or may suspend the payment of withdrawal proceeds if necessary to comply with AML Requirements applicable to them. Neither RFM nor its delegates shall be liable to you for any loss suffered by you as a result of the rejection or delay of any subscription or payment of withdrawal proceeds.

RFM has implemented a number of measures and controls to ensure it complies with its obligations under the AML Requirements, including carefully identifying and monitoring investors. As a result of the implementation of these measures and controls:

> Transactions may be delayed, blocked, frozen or refused where RFM has reasonable grounds to believe that the transaction breaches the law or sanctions of Australia or any other country, including the AML Requirements;

> Where transactions are delayed, blocked, frozen or refused RFM is not liable for any loss you suffer (including consequential loss) caused by reason of any action taken or not taken by RFM as contemplated above, or as a result of its compliance with the AML Requirements as they apply to the Fund; and

> RFM may from time to time require additional information from you to assist it in this process.

RFM has certain reporting obligations under the AML Requirements and are prevented from informing you that any such reporting has taken place. Where required by law, an entity may disclose the information gathered to regulatory or law enforcement agencies, including AUSTRAC. RFM is not liable for any loss you may suffer as a result of its compliance with the AML Requirements.

9.9 Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)

The United States of America has introduced rules known as FATCA which are intended to prevent US persons from avoiding tax. Broadly, the rules may require the Fund to report certain information to the Australian Taxation Office (**ATO**), which may then pass the information on to the US Internal Revenue Service (**IRS**).

In order to comply with these obligations, RFM will collect certain information about you and undertake certain due diligence procedures to verify your FATCA status and provide information to the ATO in relation to your financial information required by the ATO (if any) in respect of any investment in the Fund.

The Australian Government has implemented the OECD Common Reporting Standards Automatic Exchange of Financial Account Information by way of CRS. CRS, like the FATCA regime, will require banks and other financial institutions to collect and report to the ATO.

CRS will require certain financial institutions to report information regarding certain accounts to their local tax authority and follow related due diligence procedures. The Fund is expected to be a 'Financial Institution' under the CRS and intends to comply with its CRS obligations by obtaining and reporting information on relevant accounts (which may include your Units in the Fund) to the ATO. In order for the Fund to comply with their obligations, we will request that you provide certain information and certifications to us. We will determine whether the Fund is required to report your details to the ATO based on our assessment of the relevant information received. The ATO may provide this information to other jurisdictions that have signed the CRS Competent Authority Agreement, the multilateral framework agreement that provides the mechanism to facilitate the automatic exchange of information in accordance with the CRS. The Australian Government has enacted legislation amending, among other things, the *Taxation Administration Act 1953* (Cth) to give effect to the CRS.

Investors to provide certain information

If requested by RFM as responsible entity for RAF, the Unitholder agrees, and it is a condition of the issue of the Units, to provide certain information required by it or the Trustee/Custodian in order to comply with any applicable law, including the United States Foreign Account Tax Compliance Act (FATCA).

9.10 Disclosure

AF06, and once merged RAF, is a disclosing entity which is subject to regular reporting and disclosure requirements.

Unitholders have a right to obtain a copy of the following documents:

- The annual financial report for RAF most recently lodged with ASIC; and
- Any half-yearly report lodged with ASIC.

The financial statements for RAF are available on request.

9.11 Custody Agreement

In accordance with the *Corporations Act*, ASIC policy and the terms of RFM's AFSL, the assets of RAF will be held by the custodian of RFM, Australian Executor Trustees Limited ABN 84 007 869 794 (the **Custodian**). The Custodian is not liable to Unitholders and RFM is liable for the acts of the Custodian, subject to certain conditions under a Custody Agreement. The Custodian may only act on proper instructions (as set out in the Custody Agreement) given by RFM. The custodian is indemnified by RFM for any action taken and all claims and liabilities arising in connection with the assets of RAF, except where the custodian has failed to perform its obligations under the Custody Agreement.

RFM has appointed an independent custodian to hold the assets of the Fund.

Australian Executor Trustees Limited is one of Australia's largest and oldest licensed trustee companies. Australian Executor Trustees Limited has been providing custody and trustee services for over 130 years, having been established in 1880. Australian Executor Trustees Limited is a member of the IOOF Holdings Limited ("IOOF") Group, a leading provider of wealth management products and services in Australia. IOOF is an ASX200 listed company.

RFM has appointed Australian Executor Trustees Limited under a Custodian Agreement. The Custodian's role is to hold the assets in its name and act on the direction of RFM to effect cash and investment transactions.

Australian Executor Trustees Limited has no supervisory role in relation to the operation of the Fund and has no liability or responsibility to a unit holder for any act done or omission made in accordance with the Custodian Agreement.

Australian Executor Trustees Limited's role as Custodian is limited to holding the assets of the Fund.

9.12 Compliance Plan

AF06, and post Merger RAF, has a Compliance Plan that sets out the arrangements and measures that RFM, as responsible entity, applies in operating the Fund to ensure compliance with the *Corporations Act* and the Constitution. Meeting the requirements of the Compliance Plan is overseen by the Audit Committee, Internal Compliance Committee (includes risk management), Compliance Department and the Board. The Audit Committee, Internal Compliance Committee and Compliance Department are required to monitor the responsible entity's compliance with the Constitution, the Compliance Plan and the *Corporations Act*, to report on its findings and to assess annually the adequacy of the Compliance Plan.

9.13 Complaints

RFM is committed to providing excellent service to Unitholders. The Constitution and RFM's Complaint Handling Policy both contain procedures for the handling of complaints from Unitholders. RFM welcomes feedback and Unitholders can register a compliment, complaint or a suggestion by:

- Phoning RFM Investor Services on 1800 026 665; or
- Writing to RFM at Locked Bag 150, KINGSTON ACT 2604.

In the case of a complaint, RFM will seek to resolve your complaint efficiently and promptly. RFM will:

> Acknowledge in writing that we have received your complaint. RFM will provide this written acknowledgement as soon as reasonably practicable or in any event within 5 days of receiving your complaint; and

> Address your complaint within 30 days.

If you are dissatisfied with our response to your complaint, you can refer your complaint to the Australian Financial Complaints Authority by:

> Phoning the Australian Financial Complaints Authority on 1800 931 678; or

> Writing to the Australian Financial Complaints Authority at GPO Box 3, MELBOURNE VIC 3001.

9.14 Environmental, Social and Governance Responsibilities

RFM does not take into account labour standards or environmental, social or ethical considerations for the purpose of selecting, retaining or authorising investments for the Fund.

9.15 No commissions

RFM and its employees do not receive any fees or commission in relation to the provision of general financial product advice. RFM's employees are paid salaries, bonuses and other benefits directly from RFM and these are unrelated to the provision of advice.

From 1 July 2014, payment of commissions for new products acquired on or after that date is banned and RFM no longer pays commissions to financial advisers for any product RFM offers or manages. We do not pay commissions or provide other benefits to third parties for referring customers to us.

RFM is entitled to receive remuneration arising from the conduct of its duties as the responsible entity of the funds. This remuneration may include management fees such as fund and asset management fees, cost recovery payments for services performed and transaction costs associated with the relevant product. The remuneration we receive varies from product to product and is disclosed in the relevant PDS or other disclosure documents.

9.16 No cooling-off rights

Cooling-off rights do not apply to a subscription for Units under the Merger. This means that you cannot withdraw your Application once it has been accepted, except as required by law.

9.17 RFM Investor Servicess

RFM as responsible entity and trustee of AF06, AF07 and AF08 is committed to providing excellent service to the Growers of the Almondlots.

If you have any questions relating to this Product Disclosure Statement, you can contact RFM Investor Services from 8.30am to 5.00pm (AEST), Monday to Friday on:

> 1800 026 665 (from within Australia)

> +61 2 6203 9700 (from outside Australia)

Or by writing to RFM at:

> Locked Bag 150, Kingston ACT 2604

> investorservices@ruralfunds.com.au

9.18 New Zealand investors Warning Statement

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the *Corporations Act 2001* (Aust) and regulations made under that Act. In New Zealand, this is of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the *Corporations Act 2001* (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

The dispute resolution process described in this offer document is only available in Australia and is not available in New Zealand.

9.19 Consents

The persons listed below have given written consent to be named or referred to in this PDS and have not withdrawn their consent as at the date of this PDS. The persons listed below have not caused or authorised the issue of this PDS and to the maximum extent permitted by law, expressly disclaim, and take no responsibility for, any part of this PDS, other than references to the name of the person or the taxation report.

Australian Executor Trustee Limited has not withdrawn its consent to be named in this PDS as custodian of the Fund in the form and context in which it is named. Australian Executor Trustee Limited does not make, or purport to make, any statement that is included in this PDS and there is no statement in this PDS which is based on any statement by Australian Executor Trustee Limited.

To the maximum extent permitted by law, Australian Executor Trustee Limited expressly disclaims and takes no responsibility for any part of this PDS other than the references to its name. Australian Executor Trustee Limited does not guarantee the repayment of capital or any particular rate of capital or income return.

The RFM Board of Directors has consented to and authorised the issue of this PDS.

NAME OF PERSON	NAMED AS
McCullough Robertson Lawyers	Legal Adviser
Deloitte Legal Pty Ltd	Taxation Report

10 RG232 DISCLOSURE

INTRODUCTION

Rural Funds Management Limited ABN 65 077 492 838 (**RFM**) is the responsible entity (**RE**) for the post-Merger RFM Almond Fund ARSN 117 859 391 (**RAF** 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". RAF is an agribusiness scheme as defined by RG232.

Under RG232, RFM as the responsible entity for RAF 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 RAF.

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

Benchmark Reporting

BENCHMARK	COMPLIANT
Benchmark 1: Fee structures The scheme is structured so that either: **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 **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. Any fees (or contributions) received by the responsible entity from investors in the agribusiness scheme are: **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 **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.	Yes
Benchmark 2: Responsible entity or related party ownership of interests in the scheme 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.	Yes
Benchmark 3: Annual reporting to members The responsible entity provides members with a report at least annually that contains relevant scheme-specific information.	Yes
Benchmark 4: Experts 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.	Yes
Benchmark 5: Appointing and monitoring service providers 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: **a.** the engagement is subject to a written agreement approved by the board of the responsible entity in accordance with a documented policy; **b.** the agreement is subject to annual review against set performance criteria or measures; and **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.	Yes

DISCLOSURE

BENCHMARK	DISCLOSURE
Disclosure Principle 1: Investor financing arrangements 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: **a.** the details of the financier; **b.** any amounts paid to the responsible entity or related party in relation to the finance; **c.** that the investor should obtain and read the finance agreement before entering into the finance facility; and **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. 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.	RAF will have a capital structure similar to a company which includes access to bank debt. RFM has negotiated debt facilities for RAF. Distributions to Unitholders in RAF will be a function of the overall cash flow and debt position of RAF. The key debt details encompass two three year facilities that total $4,500,000 with Australian and New Zealand Banking Group (ANZ).
Disclosure Principle 2: Track record of the responsible entity in operating agribusiness schemes 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. Where the responsible entity has operated other agribusiness schemes, it should disclose: **a.** the number of agribusiness schemes it currently operates; **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.	**SCHEME** **Rural Funds Trust (RFT)** **ARSN 112 951 578** Commencement Date: February 2005 RFT assets consist of horticultural land, vineyards, poultry grower sheds, water entitlements, cattle properties and breeder herds, cotton growing properties **RF Active (RFA)** **ARSN 168 740 805** Commencement Date: April 2014 RFA assets consist of plant and equipment, finance leases of agricultural assets and temporary water sales 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). **RFM Poultry (NSX: RFP)** **ARSN 164 851 218** Commencement Date: July 2013 RFP operates poultry assets **RFM Almond Fund (RAF)** **ARSN 117 859 391** Commencement Date: January 2006 RAF operates almond growing assets **2007 Macgrove Project (MP07)** **ARSN 119 560 235** Commencement Date: February 2016 MP07 operates macadamia assets All historical fund financial performance (which will disclose whether or not any of the above schemes are producing, positive returns net of contributions for the applicable investors) is disclosed on RFM's website **www.ruralfunds.com.au**.

BENCHMARK *(cont'd)*	DISCLOSURE
Disclosure Principle 3: Responsible entity's financial position 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. The responsible entity should disclose if it: e. is reliant on funding from external or related parties to perform the functions and obligations to members in relation to the agribusiness scheme; f. has entered into guarantees or indemnities with external or related parties; or g. is a member of a tax consolidation group. 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. 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. If the responsible entity has entered into any guarantee or indemnity with external or related parties, it should explain: a. what each guarantee or indemnity is, including the names of the parties to the guarantee; and 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 If the responsible entity is a member of a tax consolidation group, it should disclose details of: a. whether a tax-sharing agreement is in place and the parties to the tax-sharing agreement; and b. if no tax-sharing agreement is in place, the potential implications of not having this.	RFM is not reliant on funding from external or related parties to perform its obligations and functions to members. RFM has not entered into any guarantees or indemnities with external or related parties. RFM is not part of a tax consolidation group.

BENCHMARK *(cont'd)*	DISCLOSURE
Disclosure Principle 4: Land, licences and water 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: **a.** provide for access for the life of the agribusiness scheme; and **b.** are entered into on an arm's length basis. The responsible entity should disclose: **a.** the risks associated with these arrangements; **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 **c.** any measures the responsible entity has implemented, or will implement, to address these risks. The responsible entity should disclose the identity, where known, of the owner of the resources and infrastructure referred to in the first paragraph in the Disclosure Principle 4 above, the terms of use and whether security has been given over these assets. 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; **b.** the identity of the parties to the leases, licences and/or rights, and; **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. 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.	RAF holds leases with Rural Funds Trust (**RFT**), the lessor of the orchard area on which RAF operates, which expire between 30 June 2026 and 2 July 2028. RAF is 13-15 years into the term of these leases. The leases are considered scheme property. Groundwater entitlements necessary for the operation of RAF are derived through RAF's lease from RFT and have, to date, provided sufficient water allocation to meet the operating requirements of RAF. RFM as the responsible entity for RAF has undertaken temporary purchases of surface water on a cost-benefit basis, depending on extraction and infrastructure costs. The RFM Conflict of Interest Management Policy ensures that all transactions occur on a commercial arm's length basis. As with any lease arrangement, in order for the Growers to maintain access to trees and water RAF must continue to meet the lease payments. To date RAF has met all lease payments. RFM does not use RAF assets as security for any borrowing by RFM. Further details on land, licences and water arrangements for the scheme are found in Sections 2, 6 and 9.6 of this PDS.

BENCHMARK *(cont'd)*	DISCLOSURE
Disclosure Principle 5: Replacement of the responsible entity 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). The responsible entity should disclose: **d.** 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; **e.** 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; **f.** any obligation to repay fees already paid to the responsible entity to the incoming responsible entity if the responsible entity changes; and **g.** the risk to, and impact on, investors if the responsible entity changes.	The former responsible entity is required to hand over the books of the Scheme and provide reasonable assistance to the new responsible entity If RFM is terminated as the responsible entity of RAF, RFM as the former responsible entity is entitled to be paid fees for the performance of its functions before it ceased to be the responsible entity, indemnified for expenses it incurred before it ceased to be the responsible entity, any right, obligation or liability the former responsible entity had as a Grower of the Scheme and any liability for which the former responsible entity could not have been indemnified out of the Assets if it had remained the Scheme's responsible entity. A crop supply agreement exists between RFM as responsible entity and Almondco Australia Limited (Almondco). A new responsible entity 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 RAF. The key risk for RAF Growers if RFM is replaced is to ensure any replacement responsible entity has the expertise to conduct the RAF fund management and farming operations.

11 GLOSSARY

In this PDS, the following terms have the following meanings, unless the context otherwise requires:

TERM	DEFINITION
ABN	Australian Business Number
ACN	Australian Company Number
AEST	Australian Eastern Standard Time
AF06	RFM Almond Fund 2006 ARSN 117 859 391
AF06 Constitution	The constitution of AF06 as at the date of this document
AF07	RFM Almond Fund 2007 ARSN 124 998 527
AF08	RFM Almond Fund 2008 ARSN 127 947 960
AFSL	Australian Financial Services Licence
Almondco	Almondco Australia Limited ABN 81 062 887 352
Application Form	The application form attached to this PDS or an application form in another format that the Manager considers appropriate for the Merger
ARSN	Australian Registered Scheme Number
ASIC	Australian Securities and Investments Commission
Board	The Board of Directors of the Responsible Entity
Business	A Grower's business of planting, growing, cultivating, harvesting and marketing Almonds for domestic and overseas sale
Business Day	Any day on which banks are generally open for business in New South Wales
Compliance Committee or ICC	The Internal Compliance Committee of the Responsible Entity (or, prior to June 2014, the External Compliance Committee of the Responsible Entity)
Compliance Plan	The compliance plans of RFM Almond Fund 2006, RFM Almond Fund 2007 and RFM Almond Fund 2008, as amended from time to time
Constitution	The constitution of AF06, as amended from time to time in accordance with the *Corporations Act*
Corporations Act	*The Corporations Act 2001* (Cth) and the *Corporations Regulations 2001* (Cth), as amended from time to time
CPI	The index published by the Australian Bureau of Statistics as the consumer price index for Sydney for all groups or if that index if suspended or discontinued, the index substituted for it by the Australian Statistician
Custodian	Australian Executor Trustees Limited ABN 84 007 869 794 AFSL 240023 RSE Licence No L0002554
Fund	Means AF06 or post-Merger RAF
FY19	The financial year ended 30 June 2019
FY20	The financial year ended 30 June 2020

TERM *(cont'd)*	**DEFINITION**
Grower	Means the Grower in each Scheme, including Joint Venturers, the Grower's successors and permitted assigns or, being a person, the Growers executors, administrators and permitted assigned and where not repugnant to the context the Growers employees, agents and contractors, and for the avoidance of doubt, where the Grower consists of Joint Venturers, a referent to the Grower is taken to be a reference to either or both Joint Venturers
GST	Goods and services tax as defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) (as amended)
Investor	The holder of Units
Lot or Grove or Almondlot	The separate and distinct land allocated to a Grower under the licence or LMA on which the Grower is entitled to conduct the Business
Meeting	The meeting of members of each of AF06, AF07 and AF08 to consider the special resolution
Merger	The offer of Units made under this PDS which results in the acquisition of all AF07 Growers and all AF08 Growers interests by AF06 in exchange for the issue of Units to all the AF07 Growers and all the AF08 Growers, the conversion of all AF06 Growers' lots to Units, the change of name from AF06 to RAF and the acquisition of the RFM Area by RAF in exchange for the issue of Units to RFM
Mooral	The property on which the trees for AF06, AF07, AF08 and the RFM Area are located
NAV	Net Asset Value of the Fund determined in accordance with the Constitution
Official List	Means the offer as contained in this document
p.a	Per annum
Privacy Act	The *Privacy Act 1988* (Cth)
PDS or Product Disclosure Statement	This Product Disclosure Statement
RAF or RFM Almond Fund	RFM Almond Fund ARSN 117 859 391, being the renamed AF06 which includes AF07 and AF08 interests and the RFM Area
Responsible Entity or RE	RFM is the responsible entity of AF06 (and post-Merger RAF)
RFM, Manager, we or us	Rural Funds Management Limited (ACN 077 492 838, AFSL 226 701)
RFM Area	An area of 41.22 ha adjacent to the Schemes on Mooral and operated as an almond orchard by RFM and includes harvested almonds as at the date of Merger. This area will be acquired by RAF following the Merger.
RFA	RF Active ARSN 168 740 805, ASX listed, stapled trading trust and related party of RFM
RFMF	RFM Farming Pty Limited ACN 105 842 671, a related party entity and wholly owned subsidiary of RFM
RFT	Rural Funds Trust, ARSN 112 951 578, ASX listed, stapled unit trust and related party of RFM
Scheme	Each of AF06, AF07 and AF08
Unit	Unit issued in RAF
Unitholder	The registered holder of a Unit
UPP	RFM's Unit Pricing Policy

12 CORPORATE DIRECTORY

RFM Almond Fund 2006 ARSN 117 859 391
RFM Almond Fund 2007 ARSN 124 998 527
RFM Almond Fund 2008 ARSN 127 947 960

Proposed Merger of the three almond Funds to create and rename AF06 as:

RFM Almond Fund (RAF)

Responsible Entity

Rural Funds Management Limited
ACN 077 492 838
AFSL 226701

Registered Office:
Level 2
2 King Street
DEAKIN ACT 2600

Phone: 02 6203 9700
Fax: 02 6281 5077

Investor Services:
Phone: 1800 026 665
Email: investorservices@ruralfunds.com.au

Adviser Services:
Phone: 1300 880 295
Email: adviserservices@ruralfunds.com.au

Directors of Rural Funds Management Limited

Guy Paynter
David Bryant
Michael Carroll
Julian Widdup

Legal Adviser

McCullough Robertson Lawyers
Level 11,
66 Eagle Street
BRISBANE QLD 4000

Custodian

Australian Executor Trustees Limited
The Bond
Level 3
30 Hickson Road
MILLERS POINT NSW 2000

13 APPLICATION FORM FOR ALLOTMENT OF UNITS

RFM ALMOND FUND ARSN 117 859 391 (RAF)

Responsible Entity: Rural Funds Management Limited ABN 65 077 492 838, AFSL 226 701

Applicant name (and date of birth (if an individual Applicant))	
Applicant address	
Units (number and type)	Fully paid ordinary units
Units (number)	
Issue Price	$1 per unit
Application	Each Applicant: a. applies for the allotment of the Units at the Issue Price, in the capital of RAF; b. will hold the Units legally and beneficially OR legally and not beneficially [strike through as applicable]; and c. agrees to be bound by the Constitution of RAF and the terms of issue of the Units on becoming a unit holder in RAF.

Dated ______________________________

Executed by the Applicant(s)

______________________________ ______________________________

______________________________ ______________________________

Rural Funds Management

Rural Funds Management Ltd

ABN 65 077 492 838
AFSL 226 701

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