

# RFM Almond Funds (AF06, AF07 & AF08)

Managed by:  
 Rural  
Funds  
Management



**Annual Grower and Adviser update**

**September 2018**

# Disclaimer

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1. Harvest and operational update
2. FY18 Grower results and invoice
3. Cash flow matrices

## RFM presenters



**Andrea Lemmon**  
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A close-up photograph of almond flowers in full bloom, showing numerous light pink blossoms with yellow centers and dark pink stamens. The flowers are clustered on a dark brown branch. The background is blurred, showing more flowers and a hint of a stone wall on the left.

# Harvest and operational update

*Almond flowers in full bloom, Moorral almond orchard, Hillston, NSW, September 2018*

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# Harvest and operational update

The FY18 season benefitted from good growing conditions and produced a crop ranging between 3.6 to 3.8 tonnes per hectare across the Funds.

	AF06	AF07	AF08	Notes
<b>FY17</b>				<ul style="list-style-type: none"> <li>Biennial bearing (see page 6), combined with poor conditions during flowering and pollination, resulted in a lower crop for all varieties.</li> <li>Prior year yields were 4.2 to 4.3 tonnes per hectare.</li> </ul>
2016 crop (t/ha)	2.67	3.00	3.13	
Almond price (\$/kg)	\$7.44	\$7.43	\$7.40	
<b>FY18</b>				<ul style="list-style-type: none"> <li>Good growing conditions throughout the majority of the season, with the exception of rain towards the end of harvest. Yield slightly reduced by lower kernel sizes.</li> <li>Almond price impacted by large US crop. AF07 received slightly lower prices due to quality downgrades.</li> </ul>
2017 crop (t/ha)	3.68	3.76	3.64	
Almond price (\$/kg)	\$7.12	\$7.02	\$7.15	
<b>FY19 forecast</b>				<ul style="list-style-type: none"> <li>Frost has impacted yield. RFM has installed additional frost fans (see pages 6 and 7) and finalised a pruning program to reduce the future impact of biennial bearing.</li> </ul>
2018 crop (t/ha)	2.61	3.12	3.19	
Almond price forecast (\$/kg)	\$7.50	\$7.50	\$7.50	



# Pruning program

**RFM has completed a three-year orchard pruning program which seeks to reduce the yield variance attributable to biennial bearing.**

- The alternation of large and small crops is referred to as 'biennial bearing':
  - Perennial fruit crops initiate flower buds for next seasons crop in the current season
  - This causes competition between the current seasons crop and the next seasons flower buds
  - Excessive crop in the 'on year' can deplete the nutrients needed to form new fruit buds, resulting in an 'off year' the following growing season.<sup>1</sup>
- In FY16 RFM commenced a pruning program throughout the orchard aiming to reduce the impact of biennial bearing.
- Specific areas of the orchard are hedged at appropriate times throughout the growing season.
- The program also assists with disease control and improved access during harvest.



*Trees not pruned can develop uneven and excessive growth on branches.*



*Pruned trees have a reduced surface area allowing more light to reach the lower parts of the tree.*

Note:

1. UC Davis (2018), *Alternate Bearing in Tree Fruit and Nut Crops*, Fruit and Nut, Research and Information, available <[http://fruitandnuteducation.ucdavis.edu/generaltopics/Tree\\_Growth\\_Structure/Alternate\\_Bearing/](http://fruitandnuteducation.ucdavis.edu/generaltopics/Tree_Growth_Structure/Alternate_Bearing/)>

# Frost fans

RFM has installed additional frost fans in the orchard to further protect yield.

- 14 frost fans were installed in the orchard between 2014-16. The fans have been effective in minimising the impact of frosts for the RFM Almond Funds in the areas where they are situated.
- An additional five frost fans were installed in 2018 to protect other areas of the orchard from frost events.
- In late August 2018 the orchard experienced a severe frost event. The new fans were operational and are thought to have saved a material amount of the 2019 forecast crop. As a result the 2019 crop has not been significantly affected by frost.



*Frost can significantly impact yield. The Almond Funds have experienced frost events in each of the past two years. Frost fans have materially reduced yield loss which would have occurred due to these events.*



*Frost fans work by drawing air from 15-20m above the orchard. This air, which can be 4-5 degrees warmer, mixes with the colder air on the ground. Fans turn on automatically when the temperature falls to one degree.*





## FY18 Grower results and invoice

*Harvested almonds drying on the 'headlands', Moorall almond orchard,  
Hillston, NSW, February 2018*

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# Pre-adjusted FY18 Grower result

FY18 returns are positive for AF06 and AF08, with AF07 slightly impacted by quality downgrades.

	AF06 <sup>1</sup>	AF07 <sup>1</sup>	AF08 <sup>1</sup>
Harvest proceeds from 2017 crop <sup>2</sup>	\$6,561	\$5,691	\$5,626
<i>Less fees and costs (inc. GST):</i>			
Processing cost	(\$388)	(\$527)	(\$507)
Interest cost	(\$67)	(\$64)	(\$62)
Management fee	(\$244)	(\$254)	(\$254)
Licence fee	(\$1,659)	(\$1,481)	(\$1,481)
Operating costs	(\$4,314)	(\$3,888)	(\$3,765)
<b>Pre-adjusted FY18 invoice per Grove (inc. GST)</b>	<b>(\$111)</b>	<b>(\$523)</b>	<b>(\$444)</b>
GST refund	\$565	\$511	\$500
<b>Pre-adjusted FY18 result per Grove</b>	<b>\$454</b>	<b>(\$12)</b>	<b>\$56</b>

Notes:

- Figures are unaudited and therefore estimates only.
- Includes a minor amount of dividend & interest revenue.

# FY18 Grower invoice

The FY17 shortfall funding and FY19 forecast shortfall<sup>3</sup> will be included in this invoice. RFM will provide a management fee rebate of 50% and interest cost rebate for FY18.

	AF06 <sup>1</sup>	AF07 <sup>1</sup>	AF08 <sup>1</sup>
FY18 result per Grove (inc. GST)	(\$111)	(\$523)	(\$444)
Interest cost rebate	\$67	\$64	\$62
Management fee - 50% rebate	\$122	\$127	\$127
FY17 carried forward shortfall (inc. GST) <sup>2</sup>	(\$875)	(\$154)	(\$91)
FY19 forecast shortfall (inc. GST) <sup>3</sup>	n/a <sup>3</sup>	(\$1,088)	(\$883)
<b>FY18 invoice per Grove (inc. GST)</b>	<b>(\$797)</b>	<b>(\$1,574)</b>	<b>(\$1,229)</b>
GST refund	\$634	\$1,036	\$1,008
<b>FY18 position per Grove (after GST refund)</b>	<b>(\$163)</b>	<b>(\$538)</b>	<b>(\$221)</b>

- The FY18 invoice will include the FY17 shortfall funding and FY19 forecast shortfall.
- Corporate costs will be maintained at FY18 levels in FY19.

Notes:

1. Figures are unaudited and therefore estimates only.
2. Will not apply if Grower elected to pay their shortfall in FY17.
3. AF06 constitution does not provide for prepayment of expenses.



# Timeline

Growers need to be registered for GST to claim back a portion of their return. Growers are strongly encouraged to seek advice about claiming their GST refund.

Event	Date
Invoices dispatched	19 September 2018
Latest payment date for first quarter GST reporting	30 September 2018
Final payment due date	31 October 2018
GST reporting date (assumes Grower is submitting an activity statement quarterly on a cash basis) <sup>1</sup>	28 October 2018

GST reporting frequency and corresponding reporting date		
Monthly	Quarterly	Annual
21 October	28 October	Tax return <sup>2</sup>

- Invoices will be dispatched on or around 19 September to provide sufficient time for Growers to claim their GST refund for the period ending 30 September.
- For Growers who wish to change from an annual activity statement to quarterly, the Grower will need to contact the ATO on 132 861. The deadline to make changes is 28 October 2018.
- The ATO generally process GST refunds reasonably promptly.
- RFM will contact defaulting Growers after the payment due date of 31 October 2018 as accounts must be maintained in good order for ongoing scheme participation.
- RFM is not a licenced taxation adviser.

#### Notes:

1. The GST submission date reflects the deadline for submitting the activity statement under each reporting frequency. Depending on your situation, you may only be able to claim the GST refund back once the invoice has been paid. If so, the GST submission date may be the following reporting period based on your situation.
2. The GST submission date for an annual return is the same date as the lodgment of your income tax return, or 28 February following the annual tax period if you are not required to lodge an income tax return.

# Conclusion

**RFM continues to actively manage the farming operations and identify cost savings to reduce the impact of shortfalls due to low yields.**

- FY18 returns are positive for AF06 and AF08, with AF07 slightly impacted by quality downgrades.
- RFM has adjusted the FY18 invoices to include:
  - the FY17 shortfall, which was provided to Growers interest free
  - the FY19 forecast shortfall (excluding AF06).
- To assist Growers, RFM will reduce the invoice through:
  - a FY18 management fee rebate of 50%
  - a FY18 interest cost rebate of 100%.
- RFM will bear the risk of any increase in corporate costs between FY18 and FY19 (e.g. audit fees).
- Invoice is due for payment on 31 October. Growers may choose to pay on or before 30 September 2018 to claim the GST refund in October 2018.
- **Growers are strongly encouraged to seek advice about claiming GST to minimise the time to receive their refund.**
- Growers must pay their invoice to remain scheme members.





## Cash flow matrices

*A 'sweeper' windrowing almonds , Moorai almond orchard, Hillston, NSW,  
February 2018*

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# Cash flow matrices

- Pages 15 to 17 present return matrices based on different price and yield scenarios, using estimated costs for FY19.
- The matrices demonstrate that in years where price and / or yields are low, a shortfall may be payable by Growers. A shortfall is represented by brackets around the amount.
- Your total return comprises two components: a return from farming and a refund of GST, and the scenarios are presented inclusive of the estimated GST refund.
- In years when the return is comprised entirely of the GST amount, RFM will invoice Growers for the GST amount and that refund will form part of their return.
- Returns for Growers who are not registered for GST will be lower than those shown in the matrices.
- Projects are structured so that in the final year harvest proceeds are distributed without corresponding farming operating costs and the licence fee. For example using the FY18 result as a proxy, this would be:<sup>1</sup>
  - Almond Fund 2006: \$4,071
  - Almond Fund 2007: \$4,119
  - Almond Fund 2008: \$4,318

Note:

1. Calculated harvest proceeds less processing costs, management fees and corporate overheads. Actual return will differ.



# AF06 Grower position scenarios (inc. GST return)

		Yield (t/ha)			
		Low	Medium	High	
		2.50	3.50	4.00	
Price (\$/kg)	Low	\$7.00	\$(1,745.87)	\$(148.14)	\$650.72
	Medium	\$7.50	\$(1,433.37)	\$289.36	\$1,150.72
	High	\$8.50	\$(808.37)	\$1,164.36	\$2,150.72

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

- estimated costs for financial year 2019 for the respective fund
- corporate overheads are maintained at FY18 level
- assuming no interest cost are charged to funds on any shortfall funding provided by RFM
- assuming no management fee rebate
- historical price ranges of almonds. Actual prices may fall outside this range
- historical yields achieved by mature almond trees. Actual yields may be outside of this range.

All amounts are provided post GST refund to GST registered Growers and individual taxation benefits are not measured.

Current orchard maintenance costs, the historical prices of almonds and the yield of almond trees are not necessarily a guide to future costs, prices and yields.

The actual performance of the respective Fund is likely to differ significantly from the examples included in this table.

# AF07 Grower position scenarios (inc. GST return)

		Yield (t/ha)			
		Low	Medium	High	
		2.50	3.50	4.00	
Price (\$/kg)	Low	\$7.00	\$(1,746.59)	\$(358.97)	\$334.84
	Medium	\$7.50	\$(1,476.84)	\$18.68	\$766.44
	High	\$8.50	\$(937.34)	\$773.98	\$1,629.64

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- estimated costs for financial year 2019 for the respective fund
- corporate overheads are maintained at FY18 level
- assuming no interest cost are charged to funds on any shortfall funding provided by RFM
- assuming no management fee rebate
- historical price ranges of almonds. Actual prices may fall outside this range
- historical yields achieved by mature almond trees. Actual yields may be outside of this range.

All amounts are provided post GST refund to GST registered Growers and individual taxation benefits are not measured.

Current orchard maintenance costs, the historical prices of almonds and the yield of almond trees are not necessarily a guide to future costs, prices and yields.

The actual performance of the respective Fund is likely to differ significantly from the examples included in this table.



# AF08 Grower position scenarios (inc. GST return)

		Yield (t/ha)			
		Low	Medium	High	
		2.50	3.50	4.00	
Price (\$/kg)	Low	\$7.00	\$(1,633.15)	\$(251.20)	\$439.77
	Medium	\$7.50	\$(1,363.40)	\$126.45	\$871.37
	High	\$8.50	\$(823.90)	\$881.75	\$1,734.57

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- estimated costs for financial year 2019 for the respective fund
- corporate overheads are maintained at FY18 level
- assuming no interest cost are charged to funds on any shortfall funding provided by RFM
- assuming no management fee rebate
- historical price ranges of almonds. Actual prices may fall outside this range
- historical yields achieved by mature almond trees. Actual yields may be outside of this range.

All amounts are provided post GST refund to GST registered Growers and individual taxation benefits are not measured.

Current orchard maintenance costs, the historical prices of almonds and the yield of almond trees are not necessarily a guide to future costs, prices and yields.

The actual performance of the respective Fund is likely to differ significantly from the examples included in this table.



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Managing good assets with good people

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