



RFM RiverBank

Product Disclosure Statement

ARSN 112 951 578

Rural Funds Management Limited ABN 65 077 492 838
Australian Financial Services Licence Number 226 701

Issue Date: 21 October 2013

Directory

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About this Product Disclosure Statement

This Product Disclosure Statement (**PDS**) is dated 21 October 2013 and relates to the issue of Units in RFM RiverBank ARSN 112 951 578 (**RiverBank**). Rural Funds Management Limited ABN 65 077 492 838 (**RFM**) prepared and issued this PDS. RFM holds Australian Financial Services Licence (**AFSL**) Number 226 701.

Restricted Distribution

An investment in RiverBank under this PDS is only available to current RFM Chicken Income Fund ARSN 105 754 461 (**CIF**) and RFM Australian Wine Fund ARSN 099 573 485 (**AWF**) investors. 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 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 RiverBank;
- do not guarantee income return or the repayment of capital; and
- do not make any statement, including, without limitation, any representation, about the taxation consequences of any investment in RiverBank that is made under this PDS.

An investment in RiverBank 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.

United Kingdom Investors

Neither the information in this PDS nor any other document relating to the Merger has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no approved prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000 of the United Kingdom, as amended (FSMA)) has been published or is intended to be published in respect of the new Units in RiverBank. This PDS is issued on a confidential basis to fewer than 150 persons (other than “qualified investors” (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the new Units in RiverBank may not be offered or sold in the United Kingdom by means of this PDS, any accompanying letter or any other document, except in circumstances which do not require the publication of an approved prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) in connection with the issue or sale of the new Units in RiverBank has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances which do not give rise to a breach of FSMA or any other applicable law or regulation.

In the United Kingdom, this PDS is being distributed only to, and is only directed at, (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the FPO) and Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001, as amended (the PCISO), (ii) high net-worth companies, unincorporated associations and other bodies within the categories described in Article 49(2) of the FPO and Article 22(2) of the PCISO, and (iii) persons to whom it may otherwise be lawfully communicated (together relevant persons). The investments to which this PDS relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this PDS or any of its contents.

Forward looking statements

This PDS contains forward looking statements. Those statements may be based upon RFM's current expectations in regard to future events or results. All forecasts in this PDS are based upon the assumptions described in Section 10. Actual results may be materially affected by changes in circumstances, some of which may be outside the control of RFM. The reliance that Investors place on the forecasts is a matter for their own commercial judgment. No representation or warranty is made that any forecast, assumption or estimate contained in this PDS will be achieved.

Important information

This PDS contains important information and investors should read the PDS carefully. The information in this PDS is general information only. This PDS does not take into account the investment objectives, financial situation or needs of any particular investor. Investors should not base their decision to invest in RiverBank solely on the information in this PDS. Investors should consider RiverBank's suitability in view of their financial position, investment objectives, and needs. Investors are encouraged to seek independent financial advice before making an investment decision.

RFM has authorised the use of this PDS for the purpose of disclosure to direct investors, as well as to investors and prospective investors of an Investor Directed Portfolio Service (**IDPS**), such as a master trust and a wrap account. Investors who access, or wish to access, RiverBank through an IDPS may rely on this PDS.

During the life of this PDS, the information in the PDS and information relevant to RiverBank 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 inclusive of Australian goods and services tax (GST) and all amounts are in Australian dollars.

Photographs in this PDS do not necessarily represent assets that are directly held by RiverBank.

Defined terms

Certain terms used in this PDS have been defined and the definitions are set out in the glossary of defined terms in Section 13.

Introduction

The purpose of this Product Disclosure Statement is to offer Units in RFM RiverBank (**RiverBank**) in exchange for Units currently held by investors in the RFM Chicken Income Fund (**CIF**) and the RFM Australian Wine Fund (**AWF**).

This exchange of Units effectively merges, or unites, CIF and AWF into one fund, RiverBank. Once merged, RiverBank will be renamed the Rural Funds Group (**RFF**).

Key information about the Offer

Figure 1: RFM RiverBank key information

RFM RiverBank ARSN 112 951 578	
Existing Units on issue ¹	32.724 million
Units on issue following restructure	121.440 million
Net Asset Value following restructure	\$1 per unit
CIF unit exchange rate	0.6887 Units for every 1 Unit held in CIF
AWF unit exchange rate	0.4607 Units for every 1 Unit held in AWF
Management fee	1.05% of gross assets
Distributions	Quarterly
Reinvestment	Unitholders have the option of reinvesting their distributions

1. As at 30 June 2013.

1.1 BENEFITS

Consistent earnings

RFF will derive all of its revenue from leasing agricultural assets, and thus investors will not experience the volatility of earnings typically associated with agricultural businesses. It is RFF's objective to pay regular distributions to Unitholders.

Diversification

Diversification serves to reduce the volatility of an investment. By aggregating three sector specific Funds, your investment in RFF will have a diversity of agricultural sectors, geographic regions and counterparts.

Reduced costs

RFF expects the combined RFF will result in total cost reductions of approximately \$0.9 million per annum across the three Funds. This is a result of a reduction in RFF's management fee and a reduction in fund overheads. The three Fund constitutions currently allow RFF to charge a higher management fee. Following the Merger, RFF will reduce its overall management fee and it is RFF's intention to keep management fees below their current level.

Future growth

RFF's investment strategy is to generate lease rentals and capital growth from owning agricultural assets. Consistent with this strategy, RFF will consider the acquisition of additional assets that grow the quantum and diversity of RFF's earnings.

1.2 RISKS

Changes in profile

RFF Unitholders will own assets exposed to at least four agricultural sectors, being poultry, almonds, viticulture and livestock. This compares to individual Funds which are sector specific. It is possible that the performance of one or more of the assets, sectors or counterparts that comprise RFF may be different to the asset, sector or counterpart of your current investment or Fund.

The change in profile has a counterbalancing advantage in that this provides a diversified revenue stream, sourced from different locations and different lease counterparts.

Transaction costs

Transaction costs, including professional fees and stamp duty, have been or are expected to be incurred. Details of the transaction costs applicable to each Fund are shown in Section 10 – Financial Information.

Dilution

RiverBank and CIF Unitholders will have slightly lower values at the commencement of RFF. This decrease in value is attributable to three major items being RiverBank acquiring the AWF assets at higher than current carrying value, the cost to all three Funds of stamp duty and other transaction costs, and the loss of carried forward deferred tax assets as a result of the Merger.

This results in a dilution of 7.4% for RiverBank Unitholders and 5.5% for CIF Unitholders.



Details of the Offer

This PDS and accompanying Explanatory Memorandum contain a proposal to merge the RFM Chicken Income Fund (**CIF**) and the RFM Australian Wine Fund (**AWF**) with RFM RiverBank (**RiverBank**) to form one entity (Merger). Once merged, RiverBank will be renamed the Rural Funds Group (RFF).

The Explanatory Memorandum contains important information about the Merger.

2.1 CONVERSION RATIO

Details of the conversion ratio is set out in Figures 1, 44 and 45 of this PDS.

2.2 PRESENT SITUATION

At present there are a total of 4,308 Unitholdings between the three discreet, sector specific Funds. All three Funds are classified under the Corporations Act as non liquid. This means that redemptions must be carried out as prescribed by the Corporations Act including a restriction preventing the offer of a redemption to any one Unitholder without offering it to all Unitholders.

The assets held by each of the Funds, which are described briefly below, are large scale and not readily or easily liquidated because of their size.

RiverBank assets are valued at approximately \$94 million and include almond orchards, water entitlements, and plant and equipment located in New South Wales. The orchards are leased to Select Harvests and three RFM Almond Funds. There are 1,030 Unitholders in RiverBank.

The largest of the Funds is CIF with assets valued at approximately \$105 million. The assets of CIF include 13 poultry growing farms in New South Wales and four farms in Victoria, and an investment in RFM StockBank. CIF has long term growing agreements with Baiada, a poultry processor. There are 1,865 Unitholders in CIF.

The smallest Fund is AWF with assets valued at approximately \$37 million and 1,413 Unitholders. The assets include six vineyards located in South Australia, one vineyard located in Victoria, and a plant and equipment loan. The vineyards are leased to Treasury Wine Estates.

Figure 2 sets out the current assets of each of the Funds.

After considering numerous alternatives, merging has been identified as the best solution to meet the varying needs of Unitholders.

2.3 CONSISTENT EARNINGS

RFF will derive all of its revenue from leasing agricultural assets, and thus investors will not experience the volatility of earnings typically associated with agricultural businesses. It is RFM's objective to pay regular distributions to Unitholders.

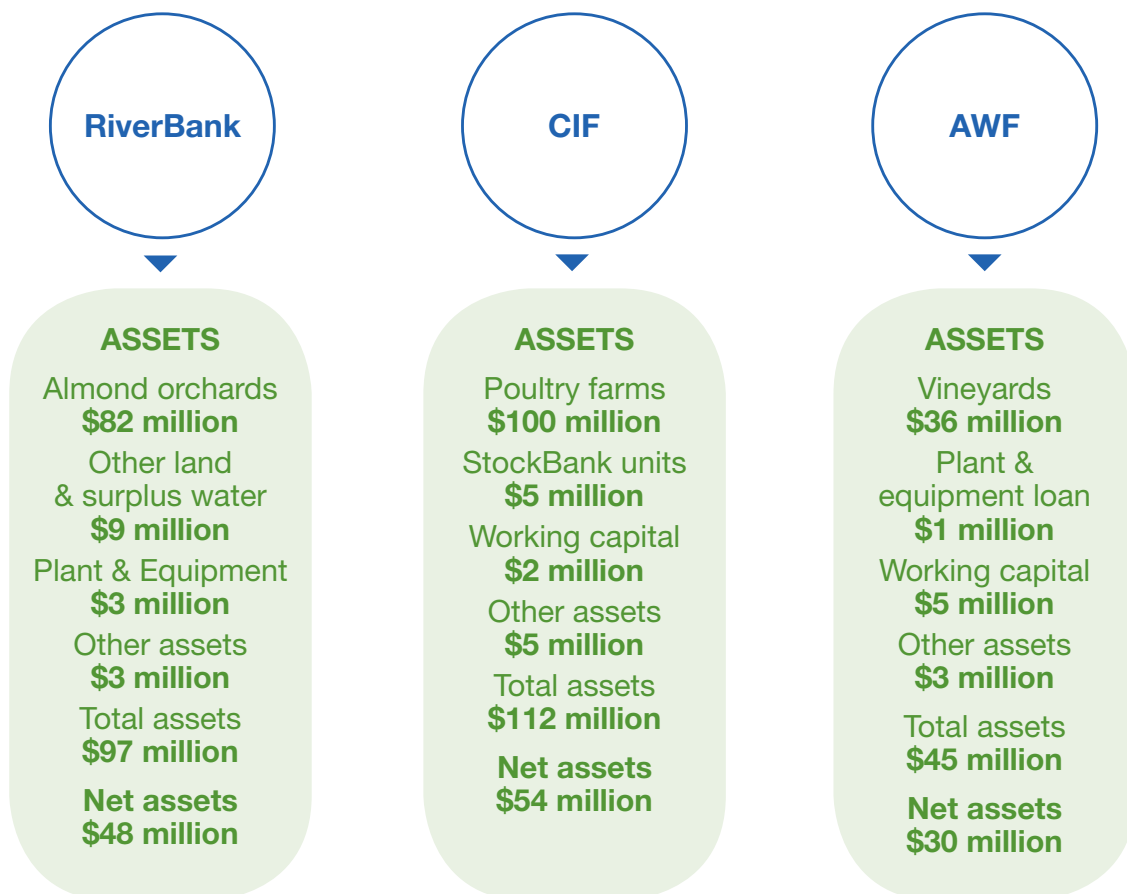
2.4 DIVERSIFICATION

An important aspect of the Merger is the management of risk. RFF will derive its revenue from owning and leasing agricultural assets, rather than owning and operating them. In addition, by merging the three Funds, investors will have a more diversified investment.

2.5 REDUCED COSTS

RFM expects the combined RFF will result in total cost reductions of approximately \$0.9 million per annum across the three Funds. This is a result of a reduction in RFM's management fee and a reduction in fund overheads. The three Fund constitutions currently allow RFM to charge a higher management fee. Following the Merger, RFM will reduce its overall management fee and it is RFM's intention to keep management fees below their current level.

Figure 2: RiverBank, CIF and AWF Funds – asset valuations as at 30 June 2013



2.6 FUTURE GROWTH

Growing the scale of RFF has two advantages. Firstly, acquisitions can increase returns per Unit. Secondly, in RFF's view investors in entities with larger market capitalisation have a greater capacity to realise their unitholding.

RFF's investment strategy is to generate lease rentals and capital growth from owning agricultural assets. Consistent with this strategy, RFF will consider the acquisition of additional assets that grow the quantum and diversity of RFF's earnings.

2.7 ACCESS TO CAPITAL

The borrowing facility negotiated for RFF is more flexible than that available for each of RiverBank, CIF and AWF. The loan to security ratio covenant (**LSR**) for RFF is 50% compared to 45% or less for CIF and AWF. Under the RFF facility there is no initial amortisation requirement, compared to a \$0.9 million per annum requirement in CIF.

The forecast peak LSR of RFF will be 41.1% and will be higher than the forecast peak LSR of RiverBank (40.5%) and AWF (29.0%), however, it will be lower than CIF (43.3%).

3

Past performance of RiverBank, CIF & AWF

The following information sets out the performance history for each of the three Funds to be merged. The rolling returns are calculated in accordance with Financial Services Council Standard No. 6 (Product Performance – Calculation of Returns). The main features of this standard are:

- to specify the approach to calculating product performance;
- to specify the principles to be adopted when calculating returns;

- to facilitate accurate comparisons amongst products;
- to provide guidance in the interpretation and application of those principles; and
- to standardise the practices, procedures and terminology relating to the calculation of returns.

In accordance with Standard No. 6, the calculations assume that distributions are reinvested.

Figure 3: RiverBank annual rolling returns

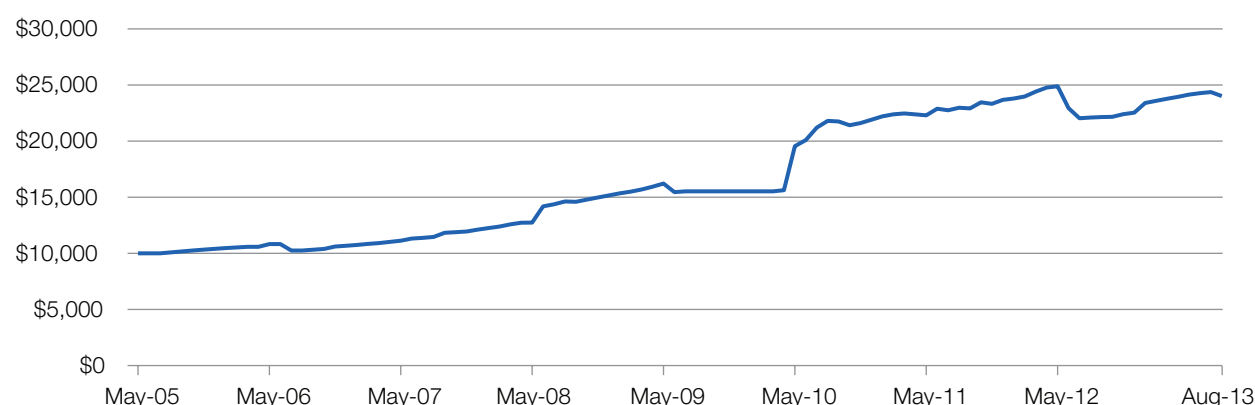
RiverBank (as at 31 Aug 13)	1 Yr	2 Yr ²	3 Yr ²	4 Yr ²	5 Yr ²	Inception ²
Distribution Returns	1.89%	4.33%	5.11%	5.50%	5.53%	5.41%
Growth Returns	6.77%	-2.67%	-2.36%	5.59%	4.57%	5.32%
Total Returns	8.66%	1.66%	2.75%	11.10%	10.10%	10.73%
Grossed Up Distribution Returns¹	1.89%	4.91%	5.63%	5.93%	5.86%	5.89%
Grossed Up Total Returns¹	8.66%	2.24%	3.27%	11.52%	10.43%	11.20%

Notes to Figure 3:

1. Effective returns including franking credits distributed to Unitholders
2. Rolling annualised figures have been prepared in accordance with the Financial Services Council Standard No. 6 (Product Performance – Calculation of Returns) explained above.

Past performance is not necessarily indicative of future performance.

Figure 4: RFM RiverBank growth of \$10,000 invested since inception¹



Notes to Figure 4:

1. Rolling annualised figures have been prepared in accordance with the Financial Services Council Standard No. 6 (Product Performance – Calculation of Returns) explained above.

Past performance is not necessarily indicative of future performance.

Figure 5: RFM Chicken Income Fund annual rolling returns

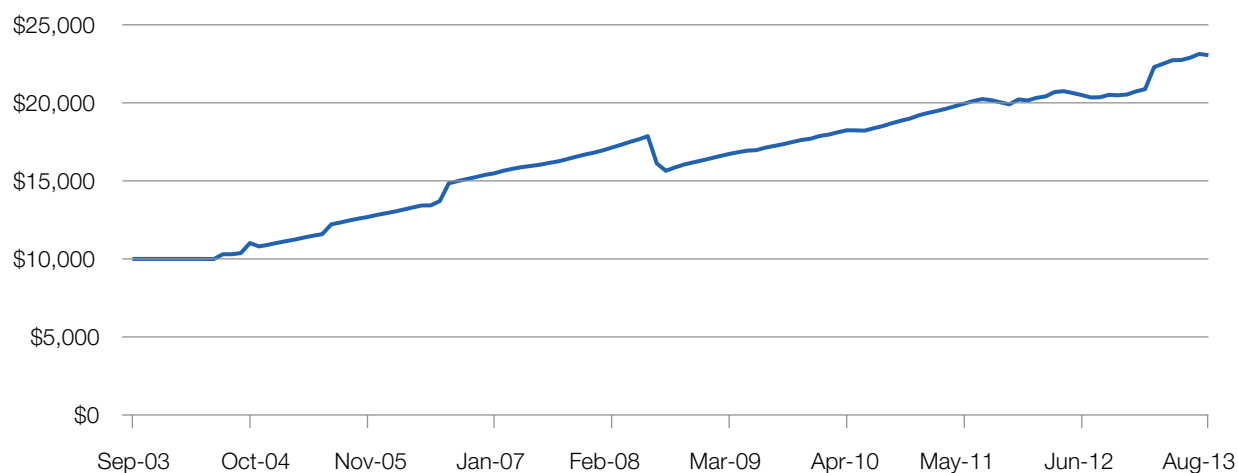
CIF (as at 31 Aug 13)	1 Yr	2 Yr ²	3 Yr ²	4 Yr ²	5 Yr ²	Inception ²
Distribution Returns	3.66%	7.99%	9.16%	10.13%	10.65%	10.21%
Growth Returns	9.58%	-1.08%	-2.09%	-2.98%	-2.90%	-1.72%
Total Returns	13.24%	6.91%	7.07%	7.15%	7.75%	8.49%
Grossed Up Distribution Returns¹	3.66%	7.99%	9.68%	10.52%	10.96%	10.51%
Grossed Up Total Returns¹	13.24%	6.91%	7.59%	7.53%	8.06%	8.79%

Notes to Figure 5:

1. Effective returns including franking credits distributed to Unitholders
2. Rolling annualised figures have been prepared in accordance with the Financial Services Council Standard No. 6 (Product Performance – Calculation of Returns) explained above.

Past performance is not necessarily indicative of future performance.

Figure 6: RFM Chicken Income Fund growth of \$10,000 invested since inception¹



Notes to Figure 6:

1. Rolling annualised figures have been prepared in accordance with the Financial Services Council Standard No. 6 (Product Performance – Calculation of Returns) explained above.

Past performance is not necessarily indicative of future performance.

Figure 7: RFM Australian Wine Fund annual rolling returns

AWF (as at 31 Aug 13)	1 Yr	2 Yr ²	3 Yr ²	4 Yr ²	5 Yr ²	Inception ²
Distribution Returns	0.00%	0.00%	0.00%	0.00%	0.55%	0.27%
Growth Returns	19.72%	14.65%	-7.60%	-6.43%	-14.71%	-7.24%
Total Returns	19.72%	14.65%	-7.60%	-6.43%	-14.16%	-6.97%
Grossed Up Distribution Returns¹	0.00%	0.00%	0.00%	0.00%	0.55%	0.27%
Grossed Up Total Returns¹	19.72%	14.65%	-7.60%	-6.43%	-14.16%	-6.97%

Notes to Figure 7:

1. Effective returns including franking credits distributed to Unitholders
2. Rolling annualised figures have been prepared in accordance with the Financial Services Council Standard No. 6 (Product Performance – Calculation of Returns) explained above.

Past performance is not necessarily indicative of future performance.

Figure 8: RFM Australian Wine Fund growth of \$10,000 invested since inception¹



Notes to Figure 8:

1. Rolling annualised figures have been prepared in accordance with the Financial Services Council Standard No. 6 (Product Performance – Calculation of Returns) explained above.

Past performance is not necessarily indicative of future performance.

4

Details of RFF Assets

4.1 INTRODUCTION

Once the Merger is complete, RFF (currently known as RiverBank) will control all the assets currently owned by RiverBank, and 100% of the issued Units in CIF and AWF, including the underlying assets of those Funds. RFF will derive income from leasing out these assets which have a total value of approximately \$236 million. RFM will remain the Responsible Entity of RFF, CIF and AWF.

The RFF assets will consist of:

1. almond orchards and water entitlements currently owned by RiverBank;
2. poultry farms currently owned by CIF;
3. vineyards currently owned by AWF;
4. \$5 million StockBank units currently owned by CIF; and
5. \$2.7 million plant and equipment currently owned by RiverBank.

Details of these assets are set out in this section.

4.2 ALMOND ORCHARDS AND WATER ENTITLEMENTS

The almond orchards and water entitlements are located at Hillston and are currently owned by RiverBank. Hillston is located 110 kilometres north west of Griffith in New South Wales. The orchards are leased to tenants who pay a regular rental. Details of those leases are set out in Figure 10. As at 30 June 2013 the Hillston orchards, land and water assets were independently valued at \$91.5 million. The following is a description of these assets.

Yilgah

Yilgah is located 20 km north of Hillston and is 6,400 ha in size.

Yilgah consists of 1,006 ha of almond orchards planted in 2007 and 2008. The almond plantings, associated infrastructure and water of Yilgah are leased entirely to Select Harvests under a 20 year lease arrangement. The lease commenced in May 2010 and expires in May 2030. Further details about the lease are contained in Figure 10.

The property is supported by 15,090 ML of groundwater licensed entitlements and irrigation infrastructure that enables the delivery of water.

A further 959 ha of land at Yilgah has been developed for flood irrigation. The irrigation development includes a central holding dam and an integrated channel system to supply and recycle water.

The remaining land at Yilgah comprises lightly timbered creek frontage and open plains suited to grazing. Parts of Yilgah are often licensed on a short term basis for cropping purposes depending upon seasonal conditions.

Mooral

Mooral is located 25 km south west of Hillston and is 3,841 ha in size.

Mooral consists of 808 ha of almond orchards planted in 2006 and 2007. Of this, 551 ha are leased to three RFM Almond Funds, 215 ha are leased to Select Harvests and 42 ha are licensed to RFM.

Further details about the leases are contained in Figure 10.

The remaining 3,033 ha of land at Moorall comprises lightly timbered river frontage, grazing country, 320 ha of olive orchard, and 121 ha of irrigated land for broadacre cropping. The olive orchard has been leased and the irrigated cropping land is licensed to counterparts depending on seasonal conditions.

The property is supported by 12,120 ML of groundwater licensed entitlements, with a supplementary groundwater licensed entitlement of 3,223 ML.

Collaroy

Collaroy borders Yilgah and is considered a separate property. This property is 1,998 ha in size and includes a 64 ha irrigated olive orchard.

Collaroy is often licensed to counterparts on an annual basis for cropping purposes and in the long term will either be leased out or sold.

Other assets

RiverBank owns 949 ML of High Security Lachlan River water entitlement. Currently, the annual allocation for this entitlement is sold on a temporary basis and the permanent licensed entitlement has been listed for sale.

4.3 POULTRY FARMS

The poultry growing farms owned by CIF, are located in Griffith, New South Wales, and Lethbridge, Victoria. There are 17 farms in total, consisting of 154 sheds.

The weighted average age of the sheds is 16.16 years. As at 30 June 2013 the poultry farms were independently valued at \$100.2 million. There are a small number of related water entitlements owned by CIF which are held in the Murrumbidgee Irrigation Area.

All sheds provide shelter, heating and cooling for the chickens. All sheds are fully automated with farm managers able to monitor and modify temperature, food and water supplies quickly and easily. An extensive maintenance program is required by the lessee RFMP to ensure the sheds remain in good condition and are economically efficient to operate.

The majority of the farms are located in Griffith, New South Wales, which is one of the major chicken meat producing regions in Australia. The Griffith farms are located within eight kilometres of the Baiada processing plant and are the primary contributor to that plant. The Baiada processing plant supplies chicken meat to the national market.

The farms will be leased to RFMP who will operate the farms in accordance with chicken broiler contracts with Bartter Enterprises Pty Ltd – a wholly owned subsidiary of Baiada Poultry Pty Ltd. Further details about the lease to RFMP are contained in Figure 10.

4.4 VINEYARDS

There are seven vineyards currently owned by AWF, with six located in South Australia within the Barossa Valley, Adelaide Hills, and Coonawarra, and one vineyard located in the Grampians, Victoria. All of the vineyards are managed to produce premium quality grapes. As at 30 June 2013 the vineyards were independently valued at \$36.0 million.

Figure 9: Vineyard assets

Vineyard	Planted (ha)	Location
Kleinig	206.3	Barossa
Dohnt	29.7	Coonawarra
Rosebank	82.3	Grampians
Geier	243.3	Barossa
Hahn	49	Barossa
Mundy and Murphy	55.2	Adelaide Hills
	665.8	

The vineyards are leased to Treasury Wine Estates. The leases for all vineyards except Hahn commenced on 1 July 2012 and are for a ten year term. The Hahn Vineyard is leased for a nine year term commencing 1 July 2013. Further detail about these leases is contained in Figure 10.

There are a number of water entitlements owned by AWF which provide the vineyards with sufficient water supplies and these are included in the lease to Treasury Wine Estates.

The plant and equipment previously owned by AWF has been sold to Murdock Viticulture subject to a loan agreement, with an interest rate of 12% per annum. The loan terms require full amortisation on or before 27 March 2018. The loan is secured by a registered security interest over the plant and equipment.

4.5 STOCKBANK UNITS

The StockBank Units are currently owned by CIF. As at 30 June 2013 the Units were valued at \$5 million.

StockBank is a fund managed by RFM which purchases livestock that are leased to landowners who are responsible for managing the livestock until they are sold. StockBank generally divides its investment between approximately 80% cattle and 20% sheep.

Upon sale of the livestock, the accrued lease payments are remitted to StockBank by the selling agent. Importantly, the landowner is contractually obliged to remit to StockBank any shortfall between the livestock sale price and the accrued lease payments.

StockBank is a liquid fund as defined by the Corporations Act. It does not own any land or infrastructure and has a risk management system which focuses on ensuring a geographic diversification of its livestock.

4.6 PLANT AND EQUIPMENT

The plant and equipment currently owned by RiverBank will be retained. As at 30 June 2013 the plant and equipment was valued at \$2.7 million.

The plant and equipment is leased to the RFM Almond Funds and consists of mostly large farm machinery, including almond harvesting equipment, tractors and implements such as sprayers.

4.7 PROPERTY INVESTMENT STRATEGY

It is RFM's investment strategy for the property of RFF to be agricultural but with no exposure to direct agricultural operating risk. Any increase in investments will be dependent on increasing the size of RFF.

RFF has no development assets. RFM does not intend to invest in other external unlisted property trusts.

5

RFF lease arrangements

RFF earns its income from owning and leasing out agricultural assets. RFF receives income from a diverse range of counterparts who have entered into leases for various periods. Figure 10 sets out the material lease terms for RFF and its subsidiaries.

Figure 10: Material lease terms

Lessor:	RFF formerly RiverBank	RFF formerly RiverBank	RFF formerly RiverBank	RFF formerly RiverBank	CIF	AWF
Counterpart / Lessee:	Select Harvests Limited	Select Harvests Limited	RFM as responsible entity for RFM Almond Fund 2006	AETL as custodian for RFM Almond Funds 2007 & 2008*	RFM Poultry	Treasury Wine Estates Pty Ltd
Property:	Yilgah	Mooral	Mooral	Mooral	All poultry farms	All vineyards
Agreement Type:	Lease	Lease	Lease	Lease	Lease	Lease
Expiry:	31-May-30	31-May-30	30-Jun-26	31-Jul-28	Weighted average lease expiry 15-Jan-23	01-Jul-22
Area:	1,006 hectares	215 hectares	272 hectares	321 hectares	303,216 sq metres	663 hectares
2014 rent:	\$3.061 million	\$0.654 million	\$1.361 million	\$1.606 million	\$10.150 million	\$3.104 million
Other key terms:						
Payment dates:	Quarterly in advance	Quarterly in advance	Annually in October	Quarterly in advance	Quarterly in advance	Quarterly in advance
Capital commitments:	Capex required to meet orchard development requirements and replacement capital items on account of lessor, both subject to additional rental.	Capex required to meet orchard development requirements and replacement capital items on account of lessor, both subject to additional rental.	Capex required to meet orchard development requirements and replacement capital items on account of lessor, both subject to additional rental.	Capex required to meet orchard development requirements and replacement capital items on account of lessor, both subject to additional rental.	Structural capital expenditure	Lessor's expense, added to capital value and attracts additional rent.

Figure 10: Material lease terms (continued)

Lessor:	RFF formerly RiverBank	RFF formerly RiverBank	RFF formerly RiverBank	RFF formerly RiverBank	CIF	AWF
Counterpart / Lessee:	Select Harvests Limited	Select Harvests Limited	RFM as responsible entity for RFM Almond Fund 2006	AETL as custodian for RFM Almond Funds 2007 & 2008*	RFM Poultry	Treasury Wine Estates Pty Ltd
Payment or rent review:	Market review at 1 July 2016, and 5 years thereafter	Market review at 1 July 2016	Annual Indexation	Annual Indexation	The lessee and the lessor have the right of rent review where there is significant change to the profitability of chicken growing activities.	Capital value reassessed at fifth anniversary, based on independent valuation. Cannot be less than 2014 rent indexed for 5 years.
Indexation:	2.5% per annum	2.5% per annum	2.5% per annum	2.5% per annum	2.25% per annum	2.5% per annum
Repairs & Maintenance:	On account of Lessee	On account of Lessee	On account of Lessee	On account of Lessee	On account of Lessee	On account of Lessee
Property rates:	On account of Lessor	On account of Lessor	On account of Lessor	On account of Lessor	On account of Lessee	On account of Lessee
Insurance:	On account of Lessor, Lessee required to hold Public Liability insurance.	On account of Lessor, Lessee required to hold Public Liability insurance.	On account of Lessor, Lessee required to hold Public Liability insurance.	On account of Lessee	On account of Lessee	On account of Lessor
Water licences	15ML/ha	15ML/ha	15ML/ha	15ML/ha	Water provided by Lessor	Leased property includes all water entitlements attached to each vineyard
Suspension events:	N/A	N/A	N/A	N/A	Includes force majeure, industrial disputes, husbandry issues, disease and chicken meat importation.	N/A
Termination events:	Material breach and insolvency. Possible partial or total termination if orchard destruction where not covered by an insurance policy.	Material breach and insolvency. Possible partial or total termination if orchard destruction where not covered by an insurance policy.	Material breach and insolvency.	Material breach and insolvency. Possible partial or total termination if orchard destruction where not covered by an insurance policy.	Material breach and insolvency. A failure of the grower to fulfil the terms of the growing contracts. Change of RE.	Possible partial or total termination if vineyard destruction where not covered by an insurance policy. Material breach. Insolvency

* RFM is responsible entity for these projects.

6

RG46 Disclosure

Introduction

The ASIC Regulatory Guide 46 applies to registered unlisted property schemes in which retail investors have a direct or indirect investment. RiverBank is an unlisted property scheme as defined by RG46. Under RG46, RFM as the RE of RiverBank must report against six disclosure

benchmarks (**benchmark reporting**) and eight disclosure principles. RFM's benchmark reporting and disclosure will assist retail investors to analyse the relative risks and returns of an investment in RiverBank. The disclosures assume the members of CIF, AWF and RiverBank have voted to approve the merger of the three funds.

Benchmark Reporting & Disclosure

Benchmark / Disclosure Principle	Compliance / Disclosure
Benchmark 1: Gearing policy The responsible entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.	Yes. RFM as RE maintains and complies with a written policy that governs the level of gearing. The policy stipulates that gearing of RFF should not exceed 50%, with the target ratio at 35%. A copy of the policy governing gearing can be obtained by contacting Investor Services.
Disclosure Principle 1: Gearing ratio Responsible entities should disclose a gearing ratio for the scheme calculated using the following formula: $\text{Gearing ratio} = \frac{\text{Total interest-bearing liabilities}}{\text{Total assets}}$	The gearing ratio of RFF after the Merger will be 41%. The gearing ratio demonstrates the extent to which RFF's assets are funded by interest bearing liabilities. It indicates the potential risk that RFF faces from increased interest rates or decreased property values. In RFM's view the RFF gearing ratio is appropriate given the current economic conditions.
Benchmark 2: Interest cover policy The responsible entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.	Yes. RFM as RE maintains and complies with a written interest cover policy that governs the level of interest cover. The policy stipulates that the interest cover ratio of RFF should not be less than 1.75 times earnings. In addition, RFF is required to comply with any interest cover covenant under the terms of RFF's credit limit facilities. A copy of the policy governing interest cover can be obtained by contacting Investor Services.
Disclosure Principle 2: Interest cover ratio The interest cover ratio gives an indication of an unlisted property scheme's ability to meet the interest payments from earnings. Responsible entities should disclose the scheme's interest cover ratio calculated using the following formula and based on the latest financial statements: $\text{Interest cover ratio} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$	The interest cover ratio of RFF is 2.94 times earnings. Interest cover demonstrates RFF's capacity to service interest payable on RFF's debts using its adjusted earnings. Interest cover is a critical indicator of RFF's financial position and of the sustainability and risks of RFF's debt level. In RFM's view, the interest cover is appropriate given the current economic conditions.

Benchmark / Disclosure Principle	Compliance / Disclosure
Benchmark 3: Interest capitalisation The interest expense of the scheme is not capitalised.	Yes. All interest costs are currently expensed in the profit and loss statement. RFF does not currently incur any interest costs that are required to be capitalised.
Disclosure Principle 3: Scheme borrowing If a scheme has borrowed funds (whether on or off balance sheet), responsible entities should clearly and prominently disclose details of the facilities. If borrowings and credit facilities will mature within 12 months, the responsible entity should make appropriate disclosure about the prospects of refinancing or possible alternative actions (e.g. sales of assets or further fundraising). If the responsible entity has no reasonable grounds for commenting on the prospect of refinancing or possible alternative actions, it should state this and explain why to investors: see Regulatory Guide 170 Prospective financial information (RG 170) at RG 170.91–RG 170.94. Responsible entities should explain any risks associated with their borrowing maturity profile, including whether borrowings have been hedged and, if so, to what extent. Responsible entities should also disclose any information about scheme borrowing and breaches of loan covenants that is reasonably required by investors. Responsible entities should update investors about the status of scheme borrowings and any breaches of covenants through ongoing disclosure.	Term loan: \$97.5m (limit \$100m) Maturity profile: no amortisation requirements for term of loan Facility termination date: 5 years from 1 October 2013 Loan to security ratio: • Covenant – 50% • Forecast on commencement – 41.1% • Forecast 30 June 2014 – 40.85% Interest cover ratio: • Covenant – at all times >2.25 times – if distribution lock-up <2.5 times • Forecast Interest Cover Ratio 30 June 2014 – 2.94 times Non-financial covenants: • Annual independent valuation • Financial reporting The loan facility will be secured by registered first mortgage over RFF's land holdings and a security interest registered over RFF's other assets. Various standard default and review events. At the commencement of the facility, interest rates will not be hedged. RFM intends to hedge up to 50% of the borrowings within 12 months of commencement. RFF is not in breach of any lending covenants under its current loan facility. Unitholders should note that money owing to RFF's financiers and creditors must be repaid in priority to money owing to Unitholders. RFM will update Unitholders on any material changes to borrowings or breaches of loan covenants.



Benchmark / Disclosure Principle	Compliance / Disclosure
Benchmark 4: Valuation policy The responsible entity maintains and complies with a written valuation policy that requires: (a) a valuer to: (i) be registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists), or otherwise be a member of an appropriate professional body in that jurisdiction; and (ii) be independent; (b) procedures to be followed for dealing with any conflicts of interest; (c) rotation and diversity of valuers; (d) valuations to be obtained in accordance with a set timetable; and (e) for each property, an independent valuation to be obtained: (i) before the property is purchased: (A) for a development property, on an 'as is' and 'as if complete' basis; and (B) for all other property, on an 'as is' basis; and (ii) within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.	Yes, RFM as RE maintains and complies with a written Asset Valuation Policy that requires: (a) the valuer to be registered or licensed; (b) the valuer to be independent; (c) procedures to be followed for dealing with conflicts of interest; (d) rotation of valuers every three years unless the Board considers there are special circumstances; (e) diversity of valuers based upon a pre-approved list, which is assessed annually; (f) valuations to be obtained in accordance with a set timetable; and (g) for each property an independent valuation to be obtained before a property is purchased and within two months after the Directors form a view that there is a likelihood that there has been a material change in the value of the property. RFF currently complies with this policy and a copy of this policy can be obtained by contacting Investor Services. All properties are valued on an 'as is' basis. RFF has no development properties.
Disclosure Principle 4: Portfolio diversification A responsible entity should disclose the current composition of the property scheme's direct property investment portfolio.	The composition of RFF's property investment portfolio is detailed in Section 4. RiverBank does not own any development or construction assets.
Benchmark 5: Related party transactions The responsible entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.	Yes. RFM as RE maintains and complies with a written policy on related party transactions. A copy of the RFM Conflict of Interest Management Policy can be obtained by contacting Investor Services.
Disclosure Principle 5: Related party transactions Responsible entities that enter into transactions with related parties should describe related party arrangements relevant to the investment decision.	Details of all related party transactions are set out in Section 12.3. The RFM Conflict of Interest Management Policy requires that all related parties be clearly identified and that all related party transactions be submitted to the RFM External Compliance Committee for review. RFM records all related party transactions in the Related Party Transaction Register. A copy of the RFM Conflict of Interest Management Policy can be obtained by contacting Investor Services.
Benchmark 6: Distribution practices The scheme will only pay distributions from its cash from operations (excluding borrowings) available for distribution.	Yes. Forecast distributions will be paid from cash from operations.

Benchmark / Disclosure Principle	Compliance / Disclosure
Disclosure Principle 6: Distribution practices If a scheme is making or forecasts making distributions to members, the responsible entity should disclose: (a) the source of the current distribution (e.g. from cash from operations available for distribution, capital, unrealised revaluation gains); (b) the source of any forecast distribution; (c) whether the current or forecast distributions are sustainable over the next 12 months; (d) if the current or forecast distribution is not solely sourced from cash from operations (excluding borrowings) available for distribution, the sources of funding and the reasons for making the distribution from these other sources; (e) if the current or forecast distribution is sourced other than from cash from operations (excluding borrowings) available for distribution, whether this is sustainable over the next 12 months; and (f) the impact of, and any risks associated with, the payment of distributions from the scheme from sources other than cash from operations (excluding borrowings) available for distribution.	RFM forecasts distributions to be paid quarterly as set out in Section 12.1. Recurring distributions are paid from operating cash flow and are considered to be sustainable over the forecast period subject to the assumptions and sensitivities set out in Section 10. There is a Special Distribution expected to be paid 45 days after merging and this distribution will be funded through opening retained earnings.
Disclosure Principle 7: Withdrawal arrangements If investors are given the right to withdraw from a scheme, the responsible entity should clearly disclose the circumstances surrounding those rights.	RFF is an illiquid registered managed investment fund and investors are only able to withdraw in response to a withdrawal offer or as the law otherwise permits.
Disclosure Principle 8: Net tangible assets The responsible entity of a closed-end scheme should clearly disclose the value of the net tangible assets (NTA) of the scheme on a per unit basis in pre-tax dollars. We consider that responsible entities should calculate the NTA of the scheme using the following formula: $\text{NTA per unit} = \frac{\text{Net assets} - \text{intangible assets} \pm \text{any other adjustments}}{\text{Number of units in the scheme on issue}}$ The responsible entity should disclose the methodology for calculating the NTA per unit and details of the adjustments used in the calculation, including the reasons for the adjustments. Responsible entities should also explain to investors what the NTA per unit calculation means in practical terms and how investors can use the NTA per unit calculation to determine the scheme's level of risk.	The net tangible assets per unit is \$1.00 calculated on a pro forma basis on completion of the Merger. Unitholders should refer to Section 10 for further information.

7

About Rural Funds Management Limited

RFM is a boutique fund and asset manager specialising in the rural property sector. RFM was established in 1997 to provide retail investors with an opportunity to invest in Australian rural assets.

The RFM management team includes specialist fund managers, finance professionals, horticulturists, livestock managers, and agronomists. This team provides RFM with the specialised skills and experience required to manage the agricultural assets.

RFM also utilises the best available consultants and supporting resources to achieve desired outcomes and has a substantial network available to ensure that, where appropriate, tasks can be outsourced.

As Responsible Entity, RFM will have the primary responsibility for managing RFF on behalf of Unitholders. RFM's duties and responsibilities are governed by the Corporations Act and by the Constitutions of the Funds.

RFM is the Responsible Entity for ten agricultural investment funds. As at 30 June 2013 RFM had approximately \$308 million of agricultural assets under management in New South Wales, South Australia, Victoria, Tasmania, and Western Australia.



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 RiverBank constitution. The Merger provides for cost savings in several areas with fees and costs identified as one of those areas. Figure 11 sets out the fees that RFM intends to charge, which are lower than the maximum allowed for under RiverBank's Constitution.

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 RFF.

Consumer Advisory Warning

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 fund 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 RFM 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 investment fee calculator to help you check out different fee options.

8.2 FEE TABLE

The table below sets out the fees and costs it is expected that RFF will have to pay to RFM.

Figure 11: Fees and costs

Type of fee or cost	RFF amount	How and when paid
<i>Establishment fee</i>		
The fee to open your investment	Nil	Not applicable
<i>Contribution fee</i>		
The fee on each amount contributed to your investment.	Nil	Not applicable
<i>Withdrawal fee</i>		
The fee on each amount you take out of your investment	Nil	Not Applicable
<i>Termination fee</i>		
The fee to close your investment	Not applicable	
Management Costs		
Fund management fee	0.60% p.a. of gross assets of RFF	Fee calculated monthly based on the gross value of the RFF assets Fee reflected in the RFF Unit price Fee paid monthly in advance from RFF
Fund expenses	Estimated at 1.03% of the net value of RFF	Costs paid from RFF as and when RFM incurs the costs
Performance fee	Nil	Not applicable
Acquisition fee	1% of the total purchase price of the asset	Payable on acquisition of an asset
Development fee	Nil	Not applicable
Service Fees		
<i>Investment switching fee</i>		
The fee for changing investment options	Not applicable	

The maximum amount of fees permitted by the RFF constitution are set out in Figure 14.

8.3 ADDITIONAL EXPLANATION OF FEES AND COSTS

Management fee

This is the fee we charge for managing RFF's investments, overseeing RFF's operations and promoting RFF to investors. RFM will be paid a management fee equal to 0.60% p.a. of the gross value of RFF's assets. The management fee will be calculated and paid from RFF's assets monthly in advance.

The three Fund constitutions currently allow RFM to charge a higher management fee. Following the merger, RFM will reduce its overall management fee and it is RFM's intention to keep management fees below their current level.

Fund operating expenses

Under RFF's constitution, RFM is entitled to be reimbursed for all expenses properly incurred in relation to the operation of RFF from RFF's assets. These expenses may be paid directly from RFF's assets or alternatively paid by RFM and then recovered from RFF's assets. For example, expenses relating to managing the Fund's underlying assets may be paid from the Fund's assets. Operating expenses may include abnormal items such as the cost of a Unitholders' meeting, changing the constitution or pursuing legal proceedings. The operating expenses disclosed in Sections 8.2 and 10 of the PDS are an estimate (based on historical trading results) of the operating expenses likely to be incurred in relation to the operation of RFF for the financial year ending 30 June 2014 and should not be considered as limiting RFM's rights to pay all proper and reasonable expenses incurred in relation to the operation of RFF from RFF's assets. Actual operating expenses may be higher than the amount disclosed above in Section 8.2 of the PDS.

Acquisition fees

RFM may be paid an acquisition fee equal to 1% of the total purchase price paid for an asset. This fee may be paid from RFF's assets at the time or after the acquisition is made. Any acquisition fees are included in the management costs disclosed in the worked example of annual fees and costs set out in Section 8.4. The example assumes that RFF will not derive acquisition fees during the financial year ending 30 June 2014.

Indirect Cost Ratio

The Indirect Cost Ratio (**ICR**) is the ratio of the fund management costs that are not deducted directly from the RFF Unitholder's account, divided by the RFF average net assets. The ICR calculation includes fund management fees and costs such as costs to administer the fund, investor services, fund audit, compliance, sales and marketing, and legal fees.

Figure 12 sets out the forecast ICR for RFF and compares it to the forecast ICRs for the existing Funds on a stand-alone basis.

Figure 12: Forecast ICRs for FY 2014.

Fund	Forecast
RFF	2.25%
OR	
RiverBank	3.88%
CIF	4.23%
AWF	3.62%

Under the Merger there are no direct costs deducted from an individual Unitholder's account.

Asset management fees

RFF is charged a fee for asset management services provided by RFM. These services include, but are not limited to:

- contract management and lease negotiation;
- property management including overseeing any necessary capital expenditure; and
- finance and accounting services.

RFM intends to charge an asset management fee of 5% of the annual gross lease revenue, or 0.45%, if expressed as a percentage of gross assets. The fee is charged monthly in advance and is separate from the cost recovery that RFM is entitled to under the RFF constitution.

Where assets are operated, rather than leased, RFM may charge up to 5% of operating expenses. RFF does not currently operate assets nor intends to do so.

8.4 EXAMPLE OF ANNUAL FEES AND COSTS FOR RFF

Figure 13 gives an example of how the fees and other costs can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Figure 13: Forecast ICR for FY 2014

Example		Balance of \$50,000 with a contribution of \$5,000 during year¹
Contribution fees	Nil	Not applicable ²
Plus management costs	2.25%	For every \$50,000 you have in RFF you will be charged \$1,250 each year ³
Equals cost of the fund		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 ⁴

Notes

1. It is a requirement of the Corporations Regulations that the above example assumes a balance of \$50,000.
2. This example is required under the Corporations Regulations, notwithstanding that RiverBank does not charge contribution fees.

3. 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.
4. 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

Figures 14 to 16 compare three aspects of fees: the fees currently paid by the stand-alone funds; the maximum fee payable under the RFF constitution; and the proposed fee that will be paid by RFF.

Figure 14: Comparison of RiverBank constitution fee limits and proposed RFF fees

	RiverBank current fee arrangement	Maximum fee under RiverBank Constitution	Proposed RFF fee	Notes
Contribution fee	up to 3% of the amount invested	up to 3% of the amount invested	nil	
Fund management fee	1.00% p.a. of the gross asset value of the Fund	1.5% p.a. of the gross asset value of the Fund	0.60% p.a. of the gross asset value of the Fund	
Performance fee	15% of the returns in excess of a return on equity of 15% p.a. on the amount invested	15% of the returns in excess of a return on equity of 15% p.a. on the amount invested	nil	
Acquisition fee	2% of the total purchase price of an asset	2% of the total purchase price of an asset	1% of the total purchase price of an asset	
Development fee	-	-	-	
Asset management fee	Where property is operated: 5% of the amount of annual operating expenses	Where property is operated: 5% of the amount of annual operating expenses	Where property is operated: 5% of the amount of annual operating expenses	The asset management fee is capped under the constitution at 1% p.a. of the gross asset value of the Fund
	Where property is leased: 5% p.a. of the annual rent	Where property is leased: 5% p.a. of the annual rent	Where property is leased: 5% p.a. of the annual rent	

Figure 15: Comparison of CIF current fee arrangements and proposed RFF fees

	CIF current fee arrangement	Proposed RFF fee	Notes
Contribution fee	up to 3% of the amount invested	Nil	
Fund management fee	1.25% p.a. of the gross asset value of the Fund	0.60% p.a. of the gross asset value of the Fund	
Performance fee	-	-	
Acquisition fee	-	-	
Development fee	-	-	
Asset management fee	Where property is operated: 5% p.a. of the amount of annual operating expenses	Where property is operated: 5% p.a. of the amount of annual operating expenses	The asset management fee is capped under the constitution at 1% p.a. of the gross asset value of the Fund
	Where property is leased: 5% p.a. of the annual rent	Where property is leased: 5% p.a. of the annual rent	

Figure 16: Comparison of AWF current fee arrangements and proposed RFF fees

	AWF current fee arrangement	Proposed RFF fee
Contribution fee	up to 3% of the amount invested	nil
Fund management fee	0.8% p.a. of the gross asset value of the Fund	0.60% p.a. of the gross asset value of the Fund
Performance fee	-	-
Acquisition fee	-	-
Development fee	-	-
Asset management fee	Where property is operated: 5% of the amount of annual operating expenses	Where property is operated: 5% of the amount of annual operating expenses Where property is leased: 5% p.a. of the annual rent

8.6 WHOLESALE INVESTORS

RFM may offer wholesale investors a discount on the fees payable by them to RFM for managing their investment. Any discounts will be individually negotiated with wholesale investors based on the amount invested. RFM would only exercise this discretion where wholesale investors were investing a significant sum into RFF.

8.7 CHANGES TO FEE STRUCTURE

Subject to the limitation contained in RFF's constitution, RFM may increase the amount of fees without investors' consent. Investors will be given 30 days prior notice of any changes to RFF's fee structure as set out in this PDS.

8.8 GOVERNMENT CHARGES AND GST

Government taxes such as stamp duty and GST will apply as appropriate. Fees in Section 8 are disclosed based upon the net effect of GST.

9

Risks

9.1 RISK FACTORS

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

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 below are risk factors however this is not an exhaustive list. Unitholders should make their own independent assessment of an investment in RFF. Many of these risks apply to the Funds under the current ownership structure.

9.2 SPECIFIC RISKS

The key terms of the RFF property leases are set out in Section 5. These should be read in conjunction with the risks set out below.

Figure 17: Specific risks

Risk	Summary
Counterpart	All land and infrastructure assets owned by RFF are leased in order to ensure that Unitholders are not exposed to operational risk. There is a risk that a counterpart may terminate or default on its lease obligations to RFF. Any termination or default would reduce RFF's revenue and thus its ability to meet its obligations and the payment of distributions. RFF has several lessees with the largest lessee (by rental income), being RFMP representing 43% of RFF's revenue stream during the 2014 financial year.
Takeover	RFM, an experienced agricultural manager, is the Responsible Entity of RFF. Another entity may seek to take over RFF. Any change of responsible entity will require Unitholder approval.
Future distributions or reduction in distributions	RFF must meet its operating expenses and debt servicing obligations before distributions can be made to Unitholders. Consequently, distributions may vary.
Liquidity	RFF is considered a non-liquid managed investment scheme.
Suspension event	There is a risk that a suspension event could occur under the terms of the chicken grower contracts. Under the terms of the RFMP lease any reduction in the grower fee revenue relating to a suspension event will result in a proportional reduction in the rent payable to RFF. Details of suspension events under the chicken growing contracts are set out in Figure 10.
Welfare standards	The adoption by Baiada of higher animal welfare standards may lead to increased costs. The increased costs may not be included in the growing fee until the subsequent year, or not at all.

9.3 PROPERTY MARKET RISKS

Figure 18: Property market risks

Risk	Summary
Decline in asset value	RFF owns property including land, water entitlements and infrastructure for agricultural production. The value of these assets may rise or fall because of general economic conditions, local and global agricultural conditions, changes in independent valuation methodologies and changes in discount rates.
Destruction or damage of property	It is possible that the assets owned by RFF could be destroyed or damaged by natural or other events. RFM will maintain appropriate levels of insurance, provided it is economically sensible to do so.
Property illiquidity	The majority of assets owned by RFF are large scale. Given this scale, the number of potential buyers is limited. Therefore the sale of assets at book value may take longer to realise.
Water availability	Pursuant to the terms of the Treasury Wine Estates leases, and the lease for the RFM Almond Funds 2007 and 2008, where there is a reduction in water entitlements, RFF is required by the terms of the leases to supplement the entitlements from an alternative source. Failure to do so may result in a rent abatement or a right to terminate the lease. There is no such requirement in any of the other existing leases.

9.4 GENERAL RISKS

Figure 19: General risks

Risk	Summary
Change in economic conditions	The following economic conditions may impact the performance of RFF assets: • national economic growth; • 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 RFF's assets: • legislative changes; • regulatory changes; • taxation changes; and • foreign policy changes (including the status of trade agreements).
Hedging of interest rates	RFF undertakes interest rate hedging to help protect against changes in interest rates. Interest rate swaps, although used for hedging, can create interest rate risk and counterpart risk. Further, for accounting purposes, swaps are required to be valued at market value and this can create earnings volatility.
Gearing	RFF has secured a debt facility that sets limits for the next five years. Beyond this there is a risk that RFF's bank could reduce the gearing limit. In these circumstances, where asset values have not increased sufficiently to offset any decrease in gearing limits, RFF may be required to sell assets and reduce or suspend distributions to retire debt.

Risk	Summary
Taxation changes	Section 11 provides an outline of the current taxation status of RFF. 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 RFF.
Reliance on RFM's skills	RFF Unitholders have no direct control over the decisions that affect the day-to-day management of RFF. Instead they rely on the skills of RFM and of RFM's employees to manage RFF assets. An RFM employee may have a specialist skillset that is used to manage those assets. If that RFM employee resigns, then RFM may not be able to replace that specialist skillset quickly or easily.
Conflict of interest and related party transactions	RFM is the Responsible Entity for RFF and for a number of other funds. It is possible that investment opportunities will arise for RFF through RFM's relationship with those other funds. Therefore, from time to time, RFM may face a conflict of interest that arises because of its role as the Responsible Entity for RFF 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 ECC for review. The ECC comprises a majority of members who are external to RFM. See Section 12.3 for further detail about related party transactions.
Inflation	Inflation risk is the uncertainty over the future real value of your investment and specifically whether revenue or profitability will increase at least in line with inflation. The Select Harvests and Treasury Wine Estates leases allow for standard annual indexing of 2.5% with regular reviews to market. The RFMP lease is subject to standard indexation capped at 2% per annum. The leases to RFM's Almond Projects are subject to standard indexation of 2.5%. There is the risk that inflation will be more than the results achieved by the market reviews and standard indexing.

Financial information

This section includes financial information on the Rural Funds Group (RFF) and each of the Funds which are eligible to participate in RFF.

10.1 BASIS OF PREPARATION

The financial information in this section has been prepared on the basis required by Australian Accounting Standards as issued by the Australian Accounting Standards Board unless otherwise stated.

Further, this financial information has been prepared on a going concern basis. The Directors are of the opinion that there are reasonable grounds to believe that the RFF and each of the Funds will be able to pay their debts as and when they become due and payable.

10.2 HISTORICAL AND FORECAST FINANCIAL INFORMATION

The financial information in this section has been presented to show the following scenarios:

- Each Fund on a stand-alone basis assuming the Merger does not proceed; and
- The Merger where all three Funds are merged.

The financial information in this section includes the following financial statements:

- Audited Statements of Comprehensive Income and Changes in Net Assets for the 12 months ended 30 June 2013;
- Audited historical Statements of Financial Position as at 30 June 2013; and
- Forecast Statements of Comprehensive Income and Changes in Net Assets for the 12 months ending 30 June 2014 (9 months in the case of RFF), and 12 months ending 30 June 2015, and forecast Statements of Financial Position as at 30 June 2014 and 30 June 2015, collectively known as forecast financial statements.

The financial statements set out in this section should be read in conjunction with the notes that follow each figure. In addition, consideration should also be given to key risks identified in Section 9.

The forecast financial information is based on RFM's assessment of the present economic and operating conditions and a number of assumptions regarding future events and actions, which RFM expects to take place. These events or actions may or may not take place.

Whilst the Directors of RFM consider all key assumptions to be reasonable at the time of preparation of this Explanatory Memorandum, Unitholders should be aware that unforeseen events cannot be controlled and may lead to a deviation from the forecast financial statements.

The forecast financial information is by its very nature subject to uncertainty and unexpected events, many of which are outside the control of RFM. Events and circumstances often do not occur as anticipated and, therefore, actual results may differ from the forecast financial information and these differences may be material. Accordingly, RFM cannot guarantee that the forecast financial information can or will be achieved.

Past performance is not indicative of future performance and returns are not guaranteed. Financial information is presented for financial years ended or ending on 30 June unless otherwise stated.

10.3 GENERAL ASSUMPTIONS

The following best estimate general assumptions are relevant to the forecast provide in Section 10.4 and should be read in conjunction with the notes and special assumptions at the end of each financial statement:

- All lease agreements are enforceable and are performed in accordance with the terms set out in Section 5;
- All lease are classified as operating leases;
- Expenses indexed at 2.5% unless noted in the notes and specific assumptions;
- No specific change to the legislative regime and regulatory environment in the jurisdictions that the stand-alone entities or RFF operate;
- No material changes in applicable Australian Accounting Standards, other mandatory professional reporting requirements, or the Corporations Act during the forecast period;
- No material changes to the Australian income tax legislation;

- The movement in the fair value of investment is accounted for in accordance with the applicable accounting standards. Refer to notes and specific assumptions for details; and
- No material amendment to any key agreements relating to the stand-alone entities or RFF.

10.4 FUND STAND-ALONE HISTORICAL AND FORECAST FINANCIAL STATEMENTS

Detailed in this section is each Fund's stand-alone historical and forecast Statement of Comprehensive Income and Changes in Net Assets Attributable to Unitholders, and Statement of Financial Position.

Detailed annual returns for the forecast period are shown under each of the respective Funds' financial statements below. This presents comparative returns between RFF and the existing Funds over the forecast period. The rolling annualised returns are calculated in accordance with FSC Standard 6, which requires the assumption that distributions are reinvested.

Assumed distributions are based on available forecast cash after taking into account the Funds' operating, investing, and financing activities.

Sensitivity analysis on profit and distributions for key assumptions for the forecast period are also shown under each of the respective Funds' financial statements below.



RFM RIVERBANK ARSN 112 951 578

Detailed in this section is RiverBank's stand-alone forecast Statement of Comprehensive Income and Changes to Net Assets, and historical and forecast Statements of Financial Position.

Figure 20: RiverBank forecast Statement of Comprehensive Income and Changes in Net Assets

	Notes	Audited Actual 12 mths to 30 June 2013 \$'000	Forecast 12 mths to 30 June 2014 \$'000	Forecast 12 mths to 30 June 2015 \$'000
Revenue				
Lease revenue	1	7,071	7,906	8,148
Harvest revenue	2	272	-	-
Unrealised gain on property assets	3	13,748	2,369	1,946
Unrealised gain on interest swaps	4	588	-	-
Other income		76	106	6
Total revenue		21,755	10,381	10,100
Operating and other costs	5	(1,966)	(1,839)	(1,420)
Management fees		(1,239)	(1,309)	(1,347)
Depreciation	6	(2,942)		
Finance costs	7	(2,990)	(2,411)	(2,224)
Net profit before income tax		12,618	4,822	5,110
Income tax expense		(3,977)	(1,210)	(1,464)
Net profit after income tax		8,640	3,612	3,646
Other comprehensive income				
Unrealised loss on fair value adjustments to property, plant and equipment	8	(117)	-	-
Income tax on other comprehensive income		15	-	-
Total comprehensive income attributable to Unitholders		8,539	3,612	3,646
Distributions paid to unitholders	9	(793)	(1,968)	(2,624)
Issue of units		503	-	-
Change in net assets attributable to Unitholders		8,248	1,644	1,022

Notes and specific assumptions to Figure 20:

1. Lease revenue relates to revenue from Select Harvests, RFM Almond Funds and Steak Plains Olive Farm Pty Ltd ACN 161 539 153. Lease revenue is set under the leases and indexed at 2.5% p.a., or CPI in some instances. Any capital expenditure under the leases attracts additional lease rental of 10%–11% p.a. plus depreciation allowances.
2. Harvest revenue relates to almond grove harvest owned by RiverBank up to 30 June 2013 net of costs. This portion of the orchard is leased from 2014 onwards.

3. Property assets comprise of land, water, almond trees, and irrigation infrastructure. For forecast years, property assets increase from the 30 June 2013 independent valuation at an assumed growth rate in the range of 1.5%–2.75% per annum. In FY 2013 the increase in the value of property assets is partly offset by the unrealised loss recorded in the comprehensive income – refer to Figure 20 note 8.
4. Unrealised gain on interest rate swaps and options are based on actuals to 30 June 2013 with no change in interest rates assumed for the forecast period.
5. Operating and other costs include direct operating costs, insurance, property rates, fund administration and compliance costs and are based upon historical costs of RiverBank. Revaluation costs of \$0.4 million in FY 2013 and \$0.5 million in FY 2014 are also included in operating and other costs.
6. In 2013 the Property Plant and Equipment (PPE) accounting standard is adopted requiring PPE to be depreciated. Depreciation of fixed assets includes depreciation on buildings and capitalised leased assets. All depreciation is calculated on a straight-line basis over the useful lives of the assets. In 2014 and 2015 the Investment Property Accounting Standard is adopted and therefore depreciation is not forecast.
7. Average forecast cost of debt is 5.5% p.a. based on market rates as at 20 August 2013 of 5.0% p.a, and on the assumption that 50% is hedged on a 5 year tenor at a rate of 6.0% p.a. Finance costs also include interest on plant and equipment at 9.00% p.a., and interest on a loan to RFM at 10.0% p.a.
8. Unrealised loss on fair value adjustments to PPE is based upon the June 2013 independent valuation of RiverBank's PPE.
9. FY 2013 distributions declared: 2.43 cents per Unit (distribution paid of 4.53 cents per Unit); FY 2014 forecast distributions declared: 6.01 cents per Unit (distribution paid of 4.01 cents per Unit). FY 2015 forecast distributions declared: 8.02 cents per Unit (distribution paid of 8.02 cents per Unit). Distributions are based on income derived from forecast operating cash flow and after consideration of capital requirements.

Figure 21: RiverBank Statement of Financial Position

	Notes	Audited Actual 12 mths to 30 June 2013 \$'000	Forecast 12 mths to 30 June 2014 \$'000	Forecast 12 mths to 30 June 2015 \$'000
ASSETS				
Cash		182	200	200
Other current assets	1	3,002	1,592	1,560
Property assets	2	90,789	92,672	96,774
Other non-current assets	3	2,724	1,235	800
TOTAL ASSETS		96,697	95,699	99,334
LIABILITIES				
Payables and accruals	4	1,574	894	918
Interest bearing liabilities	5	38,980	38,044	39,603
Deferred tax liabilities		4,433	5,224	6,255
Other non-current liabilities	6	4,146	2,329	2,329
TOTAL LIABILITIES		49,133	46,491	49,105
NET ASSETS		47,564	49,208	50,229

Notes and specific assumptions to Figure 21:

1. Other current assets include trade receivables. 30 June 2013 includes inventory of \$0.987 million relating to almond harvest revenue.
2. Property assets include land, water, almond trees, and irrigation infrastructure. Changes in the forecast period are due to capital expenditure, disposals and assumed growth rates. Assumed growth rates are in the range of 1.5%–2.75% per annum.
3. Other non-current assets include plant and equipment that is leased to the RFM Almond Funds.
4. Trade payables are generally on 30-90 day terms and are not interest bearing.
5. Interest bearing liabilities include bank borrowings (2013: \$35.3m, 2014: \$36.1m, 2015: \$37.7m); Plant and Equipment facility (2013: \$1.9m, 2014: \$1.9m, 2015: \$1.9m); and loan from RFM (2013: \$1.8m, 2014: \$0.0m, 2015: \$0.0m). The total interest bearing debt that is due and payable in the next 12 months (current) is 2014: \$1.8m and 2015: \$0.0m. This will be funded from opening cash reserves and from operations. The bank borrowings are secured against the real property and subject to a general security agreement. The forecast LSR is 2014: 39.0% and 2015: 38.9%. This compares to the facility covenant of 50%. RFM's loan is forecast to be repaid in October 2013. The forecast interest cover ratio is 2.17 and 2.60 for 2014 and 2015 respectively. This compares to the interest cover ratio bank covenant of 1.75 and 2.05 for 2014 and 2015 respectively.
6. Other non-current liabilities include derivative financial liabilities, provisions for distributions declared 30 June and the \$1.6 million Select Harvests security deposit. The forecast assumes that the derivative financial liabilities are partly repaid in FY 2014.

Figure 22: RiverBank key financial metrics

	Notes	Audited Actual 30 June 2013	Forecast 30 June 2014	Forecast 30 June 2015
Units on issue ('000)		32,733	32,748	32,748
Declared distributions per unit		\$0.0243	\$0.0601	\$0.0802
NAV		\$1.4531	\$1.5026	\$1.5337
LSR	1	39.3%	39.0%	38.9%

Note to Figure 22:

1. Bank LSR at 30 June 2013 is measured after excluding a \$3 million facility from total borrowings as specified by the facility's LSR covenant.

Figure 23 shows a comparison of forecast financial returns for RFF and RiverBank for the 9 months to 30 June 2014, and the 2015 financial year assuming distributions are reinvested.

Figure 23: RiverBank comparison of forecast returns

% Returns	9 months ending 30 June 2014	12 months ending 30 June 2015
RFF		
Distributions	7.81%	8.65%
Growth	-7.62%	0.46%
Total	0.19%	9.11%
Stand-alone		
Distributions	4.13%	5.48%
Growth	1.16%	2.08%
Total	5.28%	7.56%

Notes to Figure 23:

1. The RFF return assumes that the Merger of the Funds will take effect on 1 October 2013 and therefore relates to a 9 month period ending 30 June 2014.
2. The financial forecast is based on a number of best estimate assumptions which are subject to change.

Set out in Figures 24 and 25 is the sensitivity analysis for changes to forecast net profit and distributions for the 12 months ending 30 June 2014, and 12 months ending 30 June 2015, as a result of:

- changes in variable expenses; and
- changes in interest rates.

RiverBank holds cash reserves that may be used to absorb the reduction in distributions presented in Figures 24 and 25.

Figure 24: RiverBank sensitivity analysis for the 12 months ending 30 June 2014

	Assumption \$'000	Amount \$'000	Change in net profit after tax \$'000	Change in total distributions \$'000	Change in distributions \$ per unit	Change in distributions % per unit
5% reduction in variable expenses	1,839	92	64	92	0.0028	4.7%
5% increase in variable expenses	1,839	(92)	(64)	(92)	(0.0028)	-4.7%
10% increase in variable expenses	1,839	(184)	(129)	(184)	(0.0056)	-9.3%
1% decrease in interest rates ¹	5%	195	136	195	0.0060	9.9%
1% increase in interest rates ¹	5%	(195)	(136)	(195)	(0.0060)	-9.9%

Notes to Figure 24:

1. Assumes 50% of debt is hedged. Hedged debt is assumed at 6.0% p.a. and unhedged debt is based on a market rate of 5.0% p.a. Therefore any interest rate movements only impact the unhedged component.
2. Parenthesis indicates a negative value.

Figure 25: RiverBank sensitivity analysis for the 12 months ending 30 June 2015

	Assumption \$'000	Amount \$'000	Change in net profit after tax \$'000	Change in total distributions \$'000	Change in distributions \$ per unit	Change in distributions % per unit
5% reduction in variable expenses	1,420	71	50	71	0.0022	2.7%
5% increase in variable expenses	1,420	(71)	(50)	(71)	(0.0022)	-2.7%
10% increase in variable expenses	1,420	(142)	(99)	(142)	(0.0043)	-5.4%
1% decrease in interest rates ¹	5%	191	134	191	0.0058	7.3%
1% increase in interest rates ¹	5%	(191)	(134)	(191)	(0.0058)	-7.3%

Notes to Figure 25:

1. Assumes 50% of debt is hedged. Hedged debt is assumed at 6.0% p.a. and unhedged debt is based on a market rate of 5.0% p.a. Therefore any interest rate movements only impact the unhedged component.
2. Parenthesis indicates a negative value.

RFM CHICKEN INCOME FUND ARSN 105 754 461

Detailed in this section is CIF's stand-alone forecast Statement of Comprehensive Income and Changes in Net Assets and historical and forecast Statements of Financial Position.

Figure 26: CIF forecast Statement of Comprehensive Income and Changes in Net Assets

	Notes	Audited Actual 12 mths to 30 June 2013 \$'000	Forecast 12 mths to 30 June 2014 \$'000	Forecast 12 mths to 30 June 2015 \$'000
Revenue				
Grower fees	1	23,756	23,968	24,983
Unrealised gain on interest swaps	2	664		
Other income		224	549	541
Total revenue		24,644	24,517	25,524
Operating and other costs	3	(12,500)	(12,657)	(12,427)
Management fees		(1,851)	(1,855)	(1,848)
Depreciation	4	(5,838)	(5,887)	(5,294)
Repairs and maintenance	5	(745)	(2,252)	(2,096)
Finance costs	6	(3,146)	(2,378)	(2,181)
Net profit before income tax		564	(512)	1,678
Income tax expense		(169)	154	(503)
Net profit after income tax		395	(358)	1,175
Other comprehensive income				
Unrealised loss on fair value adjustments to property, plant and equipment	7	5,984	3,854	3,294
Income tax on other comprehensive income		-	(1,156)	(988)
Total comprehensive income attributable to Unitholders		6,379	2,340	3,481
Distributions declared	8	(1,587)	(3,734)	(5,847)
Issue of units		186	191	192
Change in net assets attributable to Unitholders		4,977	(1,204)	(2,174)

Notes and specific assumptions to Figure 26:

1. Grower fees relate to services provided pursuant to growing contracts with Bartter Enterprises. Grower fees have been forecast based upon current growing contracts and the standard fee review mechanism specified in the contracts.
2. Unrealised gain on interest rates swaps and options is based on actuals to 30 June 2013 with no changes in interest rates assumed for the forecast periods.
3. Operating and other costs are based on historical trading results of CIF and include direct operating costs, property costs, insurance, administration and compliance costs. Revaluation transaction costs of \$0.4 million in FY 2013 and \$0.5 million in FY 2014 are also included in operating costs. Costs are indexed at 2.5% p.a.
4. Depreciation of fixed assets includes depreciation on buildings and capitalised leased assets. All depreciation is calculated on a straight-line basis over the useful lives of the assets.

5. The increase in FY 2014 and FY 2015 is due to a reclassification of capital expenditure to repairs and maintenance. Some items of actual expenditure may be classified as capital expenditure under accounting standards, capitalised in the balance sheet and depreciated.
6. Average forecast cost of debt is 5.5% p.a. based on market rates as at 20 August 2013 of 5.0% p.a., and on the assumption that 50% is hedged on a 5 year tenor at a rate of 6.0% p.a.
7. Fair value adjustments to property plant and equipment are recorded in the asset revaluation reserve – refer to note 2, Figure 27.
8. FY 2013 distributions declared including franking credits: 2.50 cents per Unit (distributions paid 5.0 cents). FY 2014 forecast distributions declared: 5.85 cents per Unit (distributions paid of 3.15 cents per Unit). FY 2015 forecast distributions declared: 9.14 cents per Unit (distributions paid of 9.30 cents per Unit). Distributions are based on income derived from forecast operating cash flow and after consideration of capital requirements.

Figure 27: CIF Statement of Financial Position

	Notes	Audited Actual 12 mths to 30 June 2013 \$'000	Forecast 12 mths to 30 June 2014 \$'000	Forecast 12 mths to 30 June 2015 \$'000
ASSETS				
Cash		2,215	354	352
Other current assets	1	4,540	4,292	4,376
Property, plant and equipment	2	100,695	98,411	96,458
Other non-current assets	3	5,026	5,277	5,231
TOTAL ASSETS		112,476	108,334	106,417
LIABILITIES				
Payables and accruals	4	2,761	485	1,077
Interest bearing liabilities	5	41,125	39,998	39,098
Deferred tax liabilities		12,428	13,276	13,937
Other non-current liabilities		2,412	2,030	1,933
TOTAL LIABILITIES		58,727	55,788	56,045
NET ASSETS		53,749	52,546	50,372

Notes and specific assumptions to Figure 27:

1. Other current assets include accrued revenue relating to incomplete chicken batches and trade receivables due from the processor.
2. Property, plant and equipment is based on June 2013 independent valuation less \$2.0 million p.a. decrement commencing FY 2014 to depreciate the sheds over their assessed remaining useful life. The assumed asset decrement is allocated to either the profit and loss or asset revaluation reserve depending on the accounting standard requirements.
3. Other non-current assets include 4.9 million units in StockBank valued at \$1.03 per unit. Forecast assumes no growth in the StockBank unit price due to the assumption that all income is distributed.
4. Trade payables are generally on 30-90 day terms and are not interest bearing.
5. Interest bearing liabilities include bank borrowings (2013: \$36.0m, 2014: \$34.9m, 2015: \$34.0); StockBank facility (2013: \$5.0m, 2014: \$5.0m, 2015: \$5.0m); and plant and equipment facility (2013: \$0.5m, 2014: \$0.5m, 2015: \$0.5m). The total interest bearing debt that is forecast to be repaid in the next 12 months (current) is 2014: \$1.0m, and 2015: \$0.9m. This will be funded from opening cash reserves and from operations. The Bank borrowings are secured against the real property and subject to a general security agreement. The forecast LSR is 2014: 41.3% and 2015: 41.2%. This compares to the facility covenant of 45%. The forecast interest cover ratio is 3.26 and 4.20 for 2014 and 2015 respectively. This compares to the interest cover ratio covenant of 3.0 and 3.35 for 2014 and 2015 respectively.

Figure 28: CIF key financial metrics

	Audited Actual 30 June 2013	Forecast 30 June 2014	Forecast 30 June 2015
Units on issue ('000)	63,638	63,831	64,066
Declared distributions per unit	\$0.0250	\$0.0585	\$0.0914
NAV	\$0.8446	\$0.8232	\$0.7862
LSR	41.5%	41.3%	41.2%

Figure 29 shows a comparison of forecast financial returns for RFF and CIF for the 9 months to 30 June 2014, and the 2015 financial year assuming distributions are reinvested.

Figure 29: CIF comparison of forecast returns

% Returns	9 months ending 30 June 2014	12 months ending 30 June 2015
RFF & RFMP		
Distributions	8.21%	9.52%
Growth	-5.48%	0.55%
Total	2.73%	10.07%
Stand-alone		
Distributions	7.03%	11.37%
Growth	-2.19%	-4.49%
Total	4.84%	6.88%

Notes to Figure 29:

1. The RFF return assumes that the Merger of the Funds will take effect on 1 October 2013 and therefore relates to a 9 month period ending 30 June 2014.
2. The RFF return includes income which Unitholders will receive from RFMP.
3. The financial forecast is based on a number of best estimate assumptions that are subject to change.

Set out in Figures 30 and 31 is the sensitivity analysis for changes to forecast net profit and distributions for the 12 months ending 30 June 2014, and 12 months ending 30 June 2015, as a result of:

- changes in variable expenses (gas and electricity, direct agribusiness expenses, and repairs and maintenance);
- changes in interest rates; and
- changes in CPI on grower fee for the 12 months ending 30 June 2015.

CIF holds cash reserves that may be used to absorb the reduction in distributions presented in Figures 30 and 31.

Figure 30: CIF sensitivity analysis for the 12 months ending 30 June 2014

	Assumption \$'000	Amount \$'000	Change in net profit after tax \$'000	Change in total distributions \$'000	Change in distributions \$ per unit	Change in distributions % per unit
5% reduction in variable expenses	7,762	388	272	388	0.0061	10.4%
5% increase in variable expenses	7,762	(388)	(272)	(388)	(0.0061)	-10.4%
7.5% increase in variable expenses	7,762	(582)	(408)	(582)	(0.0091)	-15.6%
1% decrease in interest rates ¹	5%	206	144	206	0.0032	5.5%
1% increase in interest rates ¹	5%	(206)	(144)	(206)	(0.0032)	-5.5%

Notes to Figure 30:

1. Assumes 50% of debt is hedged. Hedged debt is assumed at 6.0% p.a. and unhedged debt is based on a market rate of 5.0% p.a. Therefore any interest rate movements only impact the unhedged component.
2. Parenthesis indicates a negative value.

Figure 31: CIF sensitivity analysis for the 12 months ending 30 June 2015

	Assumption \$'000	Amount \$'000	Change in net profit after tax \$'000	Change in total distributions \$'000	Change in distributions \$ per unit	Change in distributions % per unit
5% reduction in variable expenses	7,773	389	272	389	0.0061	6.7%
5% increase in variable expenses	7,773	(389)	(272)	(389)	(0.0061)	-6.7%
10% increase in variable expenses	7,773	(583)	(408)	(583)	(0.0091)	-10.0%
1% decrease in interest rates ¹	5%	200	140	200	0.0031	3.4%
1% increase in interest rates ¹	5%	(200)	(140)	(200)	(0.0031)	-3.4%

Notes to Figure 31:

1. Assumes 50% of debt is hedged. Hedged debt is assumed at 6.0% p.a. and unhedged debt is based on a market rate of 5.0% p.a. Therefore any interest rate movements only impact the unhedged component.
2. Parenthesis indicates a negative value.

RFM AUSTRALIAN WINE FUND ARSN 099 573 485

Detailed in this section is AWF's stand-alone forecast Statement of Comprehensive Income and Changes in Net Assets, and historical and forecast Statements of Financial Position.

Figure 32: AWF forecast Statement of Comprehensive Income and Changes in Net Assets

	Notes	Audited Actual 12 mths to 30 June 2013 \$'000	Forecast 12 mths to 30 June 2014 \$'000	Forecast 12 mths to 30 June 2015 \$'000
Revenue				
Lease revenue	1	2,783	3,104	3,212
Operating income	2	565	-	-
Unrealised gain on property assets	3	2,637	1,844	1,365
Other income	4	3,195	114	92
Total revenue		9,180	5,062	4,669
Operating and other costs	5	(4,694)	(1,546)	(1,166)
Management fees		(475)	(383)	(378)
Finance costs	6	(1,278)	(646)	(569)
Net profit before income tax		2,733	2,487	2,556
Income tax expense	7	2,028	(561)	(623)
Net profit after income tax		4,761	1,926	1,933
Other comprehensive income				
Unrealised loss on fair value adjustments to property, plant and equipment		(100)	-	-
Income tax on other comprehensive income		-	-	-
Total comprehensive income attributable to Unitholders		4,661	1,926	1,933
Distributions paid to Unitholders	8	-	(1,552)	(1,441)
Issue of units		29	-	-
Change in net assets attributable to Unitholders		4,690	374	492

Notes and specific assumptions to Figure 32:

1. Lease revenue relates to revenue from Treasury Wine Estates as per the lease terms set out in Section 5. It is assumed that the leases are classified as operating leases. Leases are indexed at 2.5% p.a. FY 2013 excludes lease revenue relating to Hahn Vineyard as the lease of that vineyard commenced on 1 July 2013.
2. Operating income in FY 2013 includes harvest revenue from the Hahn Vineyard.
3. Property assets include land, water, vines and irrigation infrastructure. For forecast years, property assets increase from the 30 June 2013 independent valuation at an assumed growth rate in the range of 2.5%–4.0% p.a.
4. Other income includes cost reimbursements from Treasury Wines Estates and interest payments from Murdock Viticulture on plant and equipment vendor finance.
5. Operating costs are based on historical operating costs for AWF adjusted to reflect the leasing business model and include direct operating costs, administration and compliance costs. Revaluation transaction cost of \$0.17 million in 2013 and \$0.25 million in 2014 are also included in operating costs.

6. Average forecast cost of debt is 5.5% p.a. based on market rates as at 20 August 2013 of 5.0% p.a., and on the assumption that 50% is hedged on a 5 year tenor at a rate of 6.0% p.a.
7. AWF assumed to form a tax consolidated group and be taxed as a company.
8. Forecast distributions declared for FY 2014: 2.20 cents per Unit (distributions paid of 1.16 cents per Unit). Forecast distributions declared for FY 2015: 2.04 cents per Unit (distributions paid of 2.45 cents per Unit). Distributions are based on income derived from forecast operating cash flow and after consideration of capital requirements.

Figure 33: AWF Statement of Financial Position

	Notes	Audited Actual 12 mths to 30 June 2013 \$'000	Forecast 12 mths to 30 June 2014 \$'000	Forecast 12 mths to 30 June 2015 \$'000
ASSETS				
Cash		4,566	755	464
Other current assets	1	1,215	1,139	1,166
Property, plant and equipment	2	36,000	37,780	39,043
Deferred tax assets	3	2,071	1,510	887
Other non-current assets	4	893	728	552
TOTAL ASSETS		44,744	41,911	42,112
LIABILITIES				
Payables and accruals	5	101	101	101
Interest bearing liabilities	6	14,000	10,348	10,348
Other non-current liabilities	7	348	793	502
TOTAL LIABILITIES		14,449	11,242	10,951
NET ASSETS		30,296	30,669	31,161

Notes and specific assumptions to Figure 33:

1. Other current assets include trade receivables which are generally issued on 30 day terms. 30 June 2013 includes a \$0.4 million receivable from a winery that is subject to legal proceedings which RFM expects to be resolved in favour of AWF.
2. Property assets include land, water, vines and irrigation infrastructure. The change in the forecast period is due to capital expenditure, disposals and assumed growth rates. Assumed growth rates are in the range of 2.5 – 4.0% p.a.
3. Deferred tax assets represent deferred tax assets arising due to tax losses net of deferred tax liabilities.
4. Other non-current assets include a loan to Murdock Viticulture relating to the sale of plant and equipment.
5. Trade payables are generally on 30–90 day terms and are not interest bearing.
6. Interest bearing liabilities include bank borrowings (2013: \$14.0m, 2014: \$10.4, and 2015: \$10.4). The total interest bearing debt that is forecast to be repaid in the next 12 months (current) is 2014: \$1.2m. This will be funded from opening cash reserves and from operations. The forecast has assumed an additional \$2.4m is repaid during FY 2014 however this may be used to fund redemptions. The Bank borrowings are secured against the real property and subject to a general security agreement. The forecast bank loan to security ratio (LSR) is 2014: 27.5% and 2015: 26.3%. This compares to the facility covenant of 45%. The forecast interest cover ratio is 2.65 and 3.78 for 2014 and 2015 respectively. This compares to the interest cover ratio bank covenant of 2.0 and 2.0 for 2014 and 2015 respectively.
7. Other non-current liabilities include derivative financial liabilities, employee provisions, and provision for distributions. Forecast assumes that the derivative financial liabilities are repaid in FY 2014.

Figure 34: AWF key financial metrics

	Audited Actual 30 June 2013	Forecast 30 June 2014	Forecast 30 June 2015
Units on issue ('000)	70,648	70,663	70,663
Declared distributions per unit	Nil	\$0.0220	\$0.0204
NAV	\$0.4288	\$0.4340	\$0.4410
LSR	39.4%	27.5%	26.3%

Figure 35 shows a comparison of forecast financial returns for RFF and AWF for the 9 months to 30 June 2014, and the 2015 financial year assuming distributions are reinvested.

Figure 35: AWF comparison of forecast returns

% Returns	9 months ending 30 June 2014	12 months ending 30 June 2015
RFF		
Distributions	9.03%	8.65%
Growth	6.80%	0.46%
Total	15.83%	9.11%
Stand-alone		
Distributions	5.18%	4.80%
Growth	0.79%	1.60%
Total	5.97%	6.40%

Notes to Figure 35:

1. The RFF return assumes that the Merger of the Funds will take effect on 1 October 2013 and therefore relates to a 9 month period ending 30 June 2014.
2. The financial forecast is based on a number of best estimate assumptions and these best estimate assumptions are subject to change.

Set out in Figures 36 and 37 is the sensitivity analysis for changes to forecast net profit and distributions for the 12 months ending 30 June 2014, and 12 months ending 30 June 2015, as a result of:

- changes in assumed recovery of vineyard receivable (refer to note 1 Figure 33);
- changes in variable expenses; and
- changes in interest rates.

AWF holds cash reserves that may be used to absorb the reduction in distributions presented in Figures 36 and 37.

Figure 36: AWF sensitivity analysis for the 12 months ending 30 June 2014

	Assumption \$'000	Amount \$'000	Change in net profit \$'000	Change in total distributions \$'000	Change in distributions \$ per unit	Change in distributions % per unit
Full recovery of vineyard receivable ¹	361	361	253	361	0.0051	23.2%
No recovery of vineyard receivable ¹	361	(361)	(253)	(361)	(0.0051)	-23.2%
5% reduction in variable expenses	1,546	77	54	77	0.0011	5.0%
5% increase in variable expenses	1,546	(77)	(54)	(77)	(0.0011)	-5.0%
10% increase in variable expenses	1,546	(155)	(108)	(155)	(0.0022)	-9.9%
1% decrease in interest rates ²	5%	70	49	70	0.0010	4.5%
1% increase in interest rates ²	5%	(70)	(49)	(70)	(0.0010)	-4.5%

Notes to Figure 36:

1. The balance sheet contains a provision for 50% of the receivable (refer note 1, Figure 33).
2. Assumes 50% of debt is hedged. Hedged debt is assumed at 6.0% p.a. and unhedged debt is based on a market rate of 5.0% p.a. Therefore any interest rate movements only impact the unhedged component.
3. Parenthesis indicates a negative value.

Figure 37: AWF sensitivity analysis for the 12 months ending 30 June 2015

	Assumption \$'000	Amount \$'000	Change in net profit \$'000	Change in total distributions \$'000	Change in distributions \$ per unit	Change in distributions % per unit
5% reduction in variable expenses	1,166	58	41	58	0.0008	4.0%
5% increase in variable expenses	1,166	(58)	(41)	(58)	(0.0008)	-4.0%
10% increase in variable expenses	1,166	(117)	(82)	(117)	(0.0017)	-8.1%
1% decrease in interest rates ¹	5%	52	36	52	0.0007	3.6%
1% increase in interest rates ¹	5%	(52)	(36)	(52)	(0.0007)	-3.6%

Notes to Figure 37:

1. Assumes 50% of debt is hedged. Hedged debt is assumed at 6.0% p.a. and unhedged debt is based on a market rate of 5.0% p.a. Therefore any interest rate movements only impact the unhedged component.
2. Parenthesis indicates a negative value.

10.5 RURAL FUNDS GROUP MERGED SCENARIO

The RFF Group comprises the RFF parent (formerly RiverBank) and its subsidiaries CIF and AWF. Detailed in this section are the consolidated forecast Statement of Comprehensive Income and Changes to Net Assets Attributable to Unitholders for the 9 month period ending 30 June 2014 and the 12 month period

ending 30 June 2015. Figure 40 sets out the forecast Statement of Financial Position as at 30 June 2014 and 30 June 2015. It is assumed all three Funds will be merged on 1 October 2013.

It is also assumed that the group will not form a tax consolidated group, that is, each entity will continue to have its own taxation status and will be taxed accordingly. Figure 38 sets out each subsidiary, including a summary of the assumed tax positions for the forecast periods.

Figure 38: Assumed tax position

Entity	% Ownership	Assumed taxation status 2014	Assumed taxation status 2015
RFF formerly RiverBank	Parent entity	Public trading trust	Public trading trust
CIF	100%	Public trading trust	Public trading trust
AWF	100%	Tax consolidated group	Tax consolidated group

RFM intends that RiverBank and CIF become flow through trusts in 2015, however the forecasts assume public trading trust status for this year. This is because the flow through status is not certain and presenting the results on the same tax basis allows for better comparison between financial years.

Generally, public trading trusts are taxed as companies and any tax paid gives rise to franking credits that can be distributed to unitholders under the imputation system. In contrast, flow through trusts, are not liable for corporate taxation; rather the trust's taxable income is calculated and fully distributed to the unitholders each year. The financial information presented below adopts tax effect accounting on the basis that the taxable entity within the RFF group is subject to corporate income tax.

Based on public trading trust status for RFF parent and its significant subsidiary, CIF, the majority of the RFF Group profit will be liable for tax, as if the trust were a company (i.e. tax will be calculated on the profit derived by the trust during the year at the corporate tax rate, and will be paid by the trust).

As at 30 June 2014, RiverBank (RFF in forecast period) and CIF are expected to have net deferred income tax liabilities of \$12.7 million and \$7.3 million respectively, mainly relating to asset revaluations which give rise to differences between accounting and taxation values. If RFF and CIF are categorised as flow through trusts from 1 July 2014, then the forecast deferred tax liabilities at 30 June 2014 will no longer be recognised in the consolidated statutory accounts of RFF in accordance with accounting standards.

Figure 39: RFF consolidated forecast Statement of Comprehensive Income and Changes in Net Assets

	Notes	Forecast 9 mths to 30 June 2014 \$'000	Forecast 12 mths to 30 June 2015 \$'000
Revenue			
Lease revenue	1	15,247	20,848
Unrealised gain on property assets	2	1,298	910
Other income	3	1,097	1,476
Total revenue		17,642	23,234
Property costs	4	(1,249)	(793)
Fund overhead costs	5	(1,616)	(2,312)
Management fees		(1,915)	(2,577)
Finance costs	6	(3,898)	(5,492)
Net profit before income tax		8,964	12,060
Income tax expense		(1,999)	(2,911)
Net profit after income tax		6,965	9,149
Total comprehensive income attributable to Unitholders			
		6,965	9,149
Distributions declared	7	(7,417)	(8,599)
Issue of units	8	(1,000)	-
Change in net assets attributable to Unitholders		(1,452)	550

Notes and specific assumptions to Figure 39:

- Lease revenue relates to lease agreements as set out in Section 5. It is assumed that the leases are classified as operating leases. Lease revenue is fixed under lease agreements and are assumed to index at the following rates:
 - RFMP Lease – 1.5% p.a.
 - Select Harvest – 2.5% p.a.
 - RFM Almond Fund 2006 – 2.5% p.a.
 - RFM Almond Fund 2007 – 2.5% p.a.
 - RFM Almond Fund 2008 – 2.5% p.a.
 - Treasury Wine Estates – 2.5% p.a.
- Property assets include land, water, almond trees, vines, irrigation and poultry infrastructure. For forecast years, property assets increase from the 30 June 2013 independent valuation at an assumed growth of:
 - CIF: June 2013 independent valuation less \$2.0 million p.a. decrement commencing FY 2014 to depreciate the sheds over their assessed remaining useful life. The assumed asset growth is allocated to either the profit and loss or asset revaluation reserve depending on the accounting standard requirements.
 - RiverBank: June 2013 independent valuation indexed at the assumed growth rate of 1.5% to 2.75% p.a.
 - AWF: June 2013 independent valuation indexed at assumed vineyard growth rate of 2.5% to 4.0% p.a.
- Other income relates to distributions from StockBank (\$0.4 million), and lease income from plant and equipment leased to the RFM Almond Funds (\$0.7 million) for the 9 month period 30 June 2014 and annual indexing of 2.5% p.a. FY 2015 other income include distributions from StockBank (\$0.5 million), and lease income from plant and equipment leased to the RFM Almond Funds (\$0.9 million) and annual indexing of 2.5% p.a.

4. Property costs are based on the historical results of the Funds and include asset administration, insurance and property rates. The 9 month period ending 30 June 2014 includes \$0.7 million of stamp duty payable as a result of the Merger.
5. Fund overhead costs are based on the historical results of the Funds and include fund administration and compliance costs.
6. Average forecast cost of debt is 5.5% p.a. based on market rates as at 20 August 2013 of 5.0% p.a. and on the assumption that 50% is hedged on a 5 year tenor at a rate of 6.0% p.a. Finance costs also include interest on plant and equipment at 9.00% p.a.
7. Forecast distributions including franking declared in FY 2014 are 8.20 cents per Unit (distributions paid 6.15 cents per Unit). Forecast distributions including franking declared in FY 2015 are 8.31 cents per Unit (distributions paid 8.26 cents per Unit). Distributions have been calculated based upon forecast net operating cash flow.
8. It is assumed a \$1.0 million Unit buyback will be offered at a 20% discount to NAV.

Figure 40: RFF Consolidated Statement of Financial Position

	Notes	Pro forma 1 October 2013 \$'000	Forecast 30 June 2014 \$'000	Forecast 30 June 2015 \$'000
ASSETS				
Cash		1,305	1,419	455
Other current assets	1	5,162	5,845	5,603
Property assets	2	227,766	229,115	232,480
RFM StockBank	3	5,026	5,026	5,026
Other non-current assets	4	2,707	2,875	2,873
TOTAL ASSETS		241,966	244,280	246,437
LIABILITIES				
Payables and accruals	5	1,025	3,076	2,899
Bank facilities	6	98,631	98,631	98,638
Deferred tax liabilities	7	16,827	18,567	20,284
Other non-current liabilities	8	4,043	4,017	4,079
TOTAL LIABILITIES		120,526	124,291	125,900
NET ASSETS		121,440	119,989	120,537

Notes and specific assumptions to Figure 40:

1. Other current assets include trade receivables and inventory. As at 1 October 2013 the RiverBank trade receivables account for \$1.2 million, AWF trade receivables account for \$1.5 million (includes a \$0.4 million receivable from a winery that is subject to legal proceedings which RFM expects to be resolved in favour of RFF) and almond inventory valued at \$0.7 million.
2. Property assets comprise of land, water, almond trees, vines, irrigation and poultry infrastructure. Changes in the forecast period are due to capital expenditure, disposals and assumed growth rates. Assumed growth rates applicable to each sector are:
 - a. CIF: June 2013 independent valuation less \$2.0 million p.a. decrement commencing FY 2014 to depreciate the sheds over their assessed remaining useful life.
 - b. RiverBank: June 2013 independent valuation indexed at the assumed growth rate of 1.5% to 2.75% p.a.
 - c. AWF: June 2013 independent valuation indexed at assumed vineyard growth rate of 2.5% to 4.0% p.a.

3. 4.897 million units in RFM StockBank based on the 30 June 2013 unit price. Forecast assumes no growth in unit price due to the assumption that all income is distributed.
4. Other non-current assets include plant and equipment leased to RFM Almond Funds (\$2.707 million), and loan to Murdock Viticulture (\$0.847 million).
5. Payables and accruals include trade payables which are generally on 30-90 day terms and are not interest bearing.
6. Refer to Section 10.6 for details of bank borrowing facility.
7. Deferred tax liabilities are net of deferred tax assets.
8. Other non-current liabilities include: 30 June 2014 security deposit relating to the Select Harvest lease (\$1.6 million) and provision for distributions (\$2.5 million); 30 June 2015 security deposit relating to the Select Harvest lease (\$1.6 million) and provision for distributions (\$2.5 million).

Figure 41: RFF key financial metrics

	Notes	Forecast 9 mths to 30 June 2014	Forecast 12 mths to 30 June 2015
Units on issue ('000)	1	121,440	120,186
Earnings per Unit (EPU)	2	\$0.0574	\$0.0761
Funds from operations (FFO) (\$'000)	3	\$8,365	\$9,766
FFO per Unit	4	\$0.0689	\$0.0928
Forecast distributions per Unit (including franking)		\$0.0615	\$0.0831
Forecast distributions per Unit (excluding franking)		\$0.0615	\$0.0715
Payout ratio (FFO)	5	89%	90%
Starting NAV per Unit		\$1.00	\$1.00
Closing NAV per Unit		\$1.00	\$1.00
Starting loan security ratio (LSR)		41.1%	40.8%
Closing LSR		40.8%	40.3%
Interest cover	6	2.94	3.01
Indirect cost ratio (ICR)	7	2.25%	2.25%
Weighted average lease expiry (WALE) (Years)		14	13

Notes and specific assumptions to Figure 41:

1. Units on issue at the beginning of forecast period.
2. Total comprehensive income attributable to Unitholders divided by Units on issue.
3. Funds from operations is the total forecast operating cashflow for the period.
4. FFO divided by units on issue.
5. Distributions per unit including franking divided by FFO. The 9 months ending 30 June 2014 excludes the payment of a special distribution.
6. Interest cover is earnings before interest, taxes, depreciation and amortisation (EBITDA) less increase in value of biological assets and unrealised gain (loss) on investment properties divided by core interest payments.
7. 2014 ICR is annualised.

The financial forecast is based on a number of best estimate assumptions and these best estimate assumptions are subject to change.

Set out in Figures 42 and 43 is the sensitivity analysis for changes to forecast net profit and distributions for the 9 months ending 30 June 2014, and 12 months ending 30 June 2015, as a result of:

- changes in assumed recovery of vineyard receivable (refer to note 1, Figure 40);
- changes in variable expenses; and
- changes in interest rates.

RFF holds cash reserves that may be used to absorb the reduction in distributions presented in Figures 42 and 43.

Figure 42: RFF sensitivity analysis for the 9 months ending 30 June 2014

	Assumption \$'000	Amount \$'000	Change in net profit \$'000	Change in total distributions \$'000	Change in distributions \$ per unit	Change in distributions % per unit
Full recovery of vineyard receivable ¹	361	361	253	361	0.0030	3.6%
No recovery of vineyard receivable ¹	361	(361)	(253)	(361)	(0.0030)	-3.6%
5% reduction in variable expenses	2,865	143	100	143	0.0012	1.4%
5% increase in variable expenses	2,865	(143)	(100)	(143)	(0.0012)	-1.4%
10% increase in variable expenses	2,865	(287)	(201)	(287)	(0.0024)	-2.9%
1% decrease in interest rates ²	5%	493	345	493	0.0041	5.0%
1% increase in interest rates ²	5%	493	345	493	0.0041	5.0%

Notes to Figure 42:

1. The balance sheet contains a provision for 50% of the receivables (refer note 1, Figure 40).
2. Assumes 50% of debt is hedged. Hedged debt is assumed at 6.0% p.a. and unhedged debt is based on a market rate of 5.0% p.a. Therefore any interest rate movements only impact the unhedged component.
3. Parenthesis indicates a negative value.

Figure 43: RFF sensitivity analysis for the 12 months ending 30 June 2015

	Assumption \$'000	Amount \$'000	Change in net profit \$'000	Change in total distributions \$'000	Change in distributions \$ per unit	Change in distributions % per unit
5% reduction in variable expenses	3,105	155	109	155	0.0013	1.6%
5% increase in variable expenses	3,105	(155)	(109)	(155)	(0.0013)	-1.6%
10% increase in variable expenses	3,105	(311)	(217)	(311)	(0.0026)	-3.1%
1% decrease in interest rates ¹	5%	493	345	493	0.0041	4.9%
1% increase in interest rates ¹	5%	(493)	(345)	(493)	(0.0041)	-4.9%

Notes to Figure 43:

1. Assumes 50% of debt is hedged. Hedged debt is assumed at 6.0% p.a. and unhedged debt is based on a market rate of 5.0% p.a. Therefore any interest rate movements only impact the unhedged component.
2. Parenthesis indicates a negative value.

The calculation ownership for each of the existing Funds in RFF is shown in Figure 44.

Figure 44: Calculation of ownership in RFF

Entity	Notes	NAV 30 June 2013 \$'000	Adjustments \$'000	Premium \$'000	Total RFF consideration \$'000	Ownership RFF
RiverBank	1	47,564	309		47,874	37.1%
CIF	2	53,749	(7,150)		46,599	36.1%
AWF	3 & 4	30,296	(210)	4,513	34,599	26.8%
Total		131,610	(7,051)	4,513	129,072	100%

Notes and specific assumptions to Figure 44:

The ownership calculation is based on the 30 June 2013 unaudited accounts, plus the following adjustments:

1. \$0.3 million adjustment for RiverBank relates to the valuation of parcels of land and water which at 30 June were held for sale based on a proposed transaction which subsequently completed on better than anticipated terms and has therefore been adjusted to reflect this. In addition an accounting impairment of water has been reversed to reflect the independent valuation of water. These adjustments are net of tax.
2. (\$7.2 million) adjustment to the CIF NAV comprising the de-merger of RFM Poultry (\$6.8 million) and (\$0.4 million) provision for future improvements on the chicken sheds required for the adoption of higher welfare standards.
3. AWF adjustment of \$0.2 million for future capital expenditure in FY 2014 required under the terms of the lease.
4. \$4.5 million adjustment to AWF due to RiverBank acquiring the AWF assets at higher than carrying value. Based on the size and current market conditions for premium vineyard assets like those held by the AWF it is RFM's view the sale prices that could be achieved for the AWF assets would be comparable to their current book value. In addition the market for premium vineyard assets has been depressed for some years and is now showing signs of recovery. This contrasts with the assets owned by RiverBank and CIF which are significantly larger in scale and thus would attract a smaller number of prospective buyers. For these reasons RFM considered the conversion rate for AWF Unitholders at a 15% premium to NAV appropriate.

The numbers of Units issued in RFF is based on the forecast 30 September 2013 NAV multiplied by the allocation of ownership of the total assets of RFF as between the three Funds (CIF, AWF and RiverBank) as at 30 June 2013. Figure 45 shows how many units will be offered to existing Unitholders in each of the Funds assuming a \$1.00 issue price.

Figure 45: Calculation of RFF units issued

Entity	Forecast NAV Sep 13 \$'000	Adjustments ¹	Forecast NAV Sep 13 \$'000	Forecast Units on issue '000	RFF Units issued '000	Ownership RFF	Merger ratio
RiverBank	48,646	(1,638)	47,008	32,748	45,043	37.1%	1.3755
CIF	46,780	(1,594)	45,186	63,662	43,844	36.1%	0.6890
AWF	30,431	(1,184)	29,247	70,663	32,554	26.8%	0.4608
Total	125,857	(4,416)	121,440		121,440	100%	

Notes to Figure 45

1. Adjustments relate to a provision for a special distribution of \$2.5 million and the loss of \$1.9 million of deferred tax losses.

Figures 46 and 47 show a comparison of the total comprehensive income attributable to Unitholders, and a comparison of net assets between RFF and the standalone entities.

Figure 46: Comparison of total comprehensive income attributable to Unitholders for the 9 months ending 30 June 2014 and 12 months ending 30 June 2015

	Notes	Forecast 9 mths to 30 June 2014 \$'000	Forecast 12 mths to 30 June 2015 \$'000
RFF		6,965	9,149
RFMP		750	759
Total		7,715	9,908
RiverBank	1	3,612	3,646
CIF	1	2,340	3,481
AWF	1	1,926	1,933
Less comprehensive income attributable to Unitholders for 3 months prior to Merger	2	(1,000)	
Total		6,878	9,060
Variance		837	848
Fund expenses	3	635	967
Management fee	4	321	362
Interest	5	289	(374)
Stamp duty	6	(700)	-
Other	7	291	(106)
Total		837	848

Notes to Figure 46:

1. Represents a 12 month period ending 30 June 2014 refer to Figures 20, 26 and 32.
2. Adjustment excludes the 3 months of operations for the standalone entities from 1 July 2013 to 30 September 2013.
3. Reduction in fund overhead costs as a result of the Merger.
4. Reduction in management fee payable to RFM as a result of the Merger.
5. Lower interest costs payable as a result of the Merger offset by additional drawings in FY 2015.
6. Payment of \$0.7 million of stamp duty as a result of the Merger.
7. Includes other income, fair value adjustments to investment properties, and depreciation.

Figure 47: Comparison of net assets as at 1 October 2013, 30 June 2014, and 30 June 2015

	Notes	Forecast 1 October 2013 \$'000	Forecast 30 June 2014 \$'000	Forecast 30 June 2015 \$'000
RFF		121,440	119,989	120,537
RFMP		6,800	6,875	6,951
Total		128,240	126,864	127,488
RiverBank		48,646	49,208	50,229
CIF		53,580	52,541	50,372
AWF		30,431	30,669	31,161
Total		132,657	132,418	131,762
Variance		(4,416)	(5,554)	(4,275)
Opening variance – net asset			(4,416)	(5,555)
Total comprehensive income attributable to Unitholders	1	-	837	848
Loss of RiverBank tax assets	2	(1,927)	-	-
Variance in distribution	3	(2,490)	(838)	630
Issue of Units	4	-	(1,138)	(199)
Closing variance – net assets		(4,416)	(5,555)	(4,275)

Notes to Figure 47:

1. Refer to Figure 46.
2. \$1.9 million reduction in RFF net assets due to the loss of RiverBank deferred tax assets.
3. Reduction in RFF net assets due to additional distributions paid as a result of the Merger.
4. Reduction in RFF assets due to a \$1 million Unit buyback offset by reinvestment of Units.

10.6 RFF BANK FACILITIES

Figure 48 sets out the key terms of the bank facility for RFF.

Figure 48: RFF bank facilities key terms

Term	Description
Term Loan	Drawn to \$97.5 million at Implementation Date
Limit	\$100 million
Maturity profile	\$2 million per annum amortisation due commencing 30 September 2016
Facility termination date	5 years from 1 October 2013
Loan to Security Ratio (LSR)	• Covenant: 50% • Forecast on commencement: 41.1% • Forecast 30 June 2014: 40.8%
Interest cover ratio	• Covenant – at all times greater than 2.25 times, if less than 2.5 times distribution lock-up • Forecast interest cover ratio 30 June 2014: 2.94 times
Non-financial covenants	• Annual independent valuation • Financial reporting
Security	Borrowing facilities are secured by: • real property mortgages; • a general security agreement; and • cross guarantees between RFF and its subsidiaries.
Hedging	At the commencement of the facility, interest rates will not be hedged. RFM intends to hedge up to 50% of the borrowings within 12 months of the Merger.
Other key terms	• Various standard default and review events. • Facility is subject to annual review.

Taxation



2 October 2013

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

Dear Directors

Tax opinion - Merger

The following tax summary has been prepared for inclusion in the RFM RiverBank Product Disclosure Statement (**PDS**) being issued to facilitate the proposed merger of RFM Riverbank (**RBK**), RFM Chicken Income Fund (**CIF**) and RFM Australian Wine Fund (**AWF**), to form the Rural Funds Group (**RFF**).

Scope of opinion

- 1 The following is a general summary of the potential tax consequences for the Unitholders who participate in Revaluation (**Merger**). This summary is based on the law and practice in effect on the date of this PDS.
- 2 However, it is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every Unitholder. In particular, the summary is only relevant to Unitholders that are Australian tax residents, who hold their units on capital account for investment purposes and only considers the Australian tax position. Unitholders who are residents of, or subject to, taxation in other countries will also need to obtain advice on the tax consequences of that country.
- 3 RFM has applied to the Australian Taxation Office (**ATO**) for a class ruling regarding certain taxation consequences of the Merger for the Unitholders of CIF. This ruling is expected to confirm the ATO view of the tax consequences of the Merger for the Unitholders of CIF – in particular, the tax treatment of the distribution paid to the Unitholders of CIF under Stage 2 of the Merger, and the availability of scrip for scrip rollover relief from capital gains tax (**CGT**) in respect of Stage 3 of the Merger.
- 4 RFM has also requested that the ATO issue a class ruling to the Unitholders of AWF AWF to confirm the taxation consequences of the Merger and in particular whether scrip for scrip rollover relief will be available to AWF Unitholders in respect of the exchange of units in AWF for units in RFF under Stage 4 of the Merger.
- 5 In accordance with usual practice, a class ruling will only be issued sometime after the public announcement of the transaction and will not become operative until it is published in the Government

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Peter Stokes

Mark West
Tim Cook
Samantha Daly
Duncan Bedford
Sarah Bakerlock

Gazette. Once issued, copies of the class ruling will be available on www.ato.gov.au and on the Rural Funds Management Limited website, www.ruralfunds.com.au.

- 6 Each Unitholders' circumstances will determine how the tax laws apply to them. All Unitholders are advised to seek independent professional advice about their particular circumstances (including non-resident Unitholders on the foreign tax consequences of the Merger).

Stage 1 – Standardisation of units in RFF (currently RBK)

This stage is relevant for Unitholders in RBK

- 7 Under Stage 1 of the Merger, all of the units in RBK (to be renamed RFF) will be split, so that the net asset value of each unit on issue immediately prior to the following steps in the transaction will be \$1.00.
- 8 No capital gains tax (CGT) event should occur as a result of the 'split' of units in RBK. However, each Unitholders' existing cost base in respect of their units in RBK should be apportioned equally across all of the units each Unitholder will hold in RBK immediately after the unit 'split'.

Stage 2 – Issue of units in RFMP

This stage is relevant for Unitholders in CIF

Tax treatment of distribution

- 9 While the full amount of the distribution will be debited to unit capital, RFM believes that the ATO will consider that the distribution to the Unitholders of CIF under Stage 2 of the Merger should be treated as a distribution partly of income and partly of capital for tax purposes. RFM expects that the ATO will consider that the amount treated as capital for tax purposes will be limited to the proportion of the total accounting equity (including the assets revaluation reserve) that is represented by unit capital.
- 10 RFM considers that the potential split will be approximately:
 - (a) capital 42.26% of the distribution; and
 - (b) income 57.74% of the distribution.
- 11 To the extent the distribution is taxed as a capital distribution, it will proportionately reduce each investor's CGT cost base in respect of their CIF units. Where the amount of the capital component of the distribution is greater than an investor's cost base in their units, the cost base will reduce to nil and the excess will give rise to a taxable capital gain. Where a capital gain does arise in this step, the comments in paragraphs 18 (capital gains and losses) and 27 to 32 (CGT discount) apply equally to this gain.
- 12 To the extent that the distribution is income it will be taxed like a dividend and should be included in the investor's assessable income for the relevant year. Where CIF has available franking credits, it may frank the income component of the distribution. At this point RFM does not have sufficient certainty to advise as to whether or not any income component may be franked, in whole or in part. If however the income component is franked the comments in paragraphs 53 to 55 would apply in respect of any franked component.

Cost base of units in RFMP

- 13 Each CIF Unitholder's cost base in respect of their units in RFMP should be equal to the value of the distribution (both income and capital components) received from CIF under Stage 2 of the Merger.

Stage 3 – Exchange of units in CIF for units in RFF

This stage is relevant for Unitholders in CIF

CGT event on disposal of CIF Units

- 14 The disposal of CIF units will constitute a CGT event for Australian resident CIF Unitholders. This CGT event should occur on the Implementation Date.
- 15 CIF Unitholders will derive a capital gain on the disposal of their units in CIF to the extent the market value of the total consideration received (capital proceeds) exceeds the tax cost base of their CIF units. Conversely, CIF Unitholders should incur a capital loss on the disposal of their units in CIF to the extent that the market value of the total consideration received (capital proceeds) is less than the reduced tax cost base of their CIF units.

Capital proceeds received under the Scheme

- 16 The capital proceeds received for the disposal of units in CIF should be calculated by reference to the market value of the RFF units that each CIF Unitholder will receive.

Cost base

- 17 Generally, the tax cost base of any CIF units should be equal to the amount paid to acquire the units, reduced by any capital distributions received from CIF in respect of their Units (including the capital component of the distribution made under Stage 2 of the Merger). Other incidental costs incurred by a CIF Unitholder in respect of their acquisition or ownership of CIF units may also be included in the cost base of the CIF units they own.
- 18 The sum of all capital gains incurred by a CIF Unitholder in the year in which the Implementation Date occurs, reduced by any capital loss incurred during that year, or carried forward from prior years (known as the net capital gain), should be included in the assessable income of the CIF Unitholder (subject to any election to apply CGT rollover relief, as described below).
- 19 Alternatively, a CIF Unitholder will make a capital loss on the transfer of their units to RFF, equal to the amount by which the reduced cost base of their CIF units is more than the capital proceeds (i.e. value of units in RFF) they receive as a result of the Merger. A capital loss may be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year (subject to the satisfaction of certain loss recoupment tests which apply if the CIF Unitholder is a company or trust).

Availability of CGT rollover relief

- 20 If a CIF Unitholder would make a capital gain on the disposal of their CIF units, they should be eligible to make a choice whether or not to apply CGT rollover relief to defer that gain. The availability of CGT rollover relief is expected to be confirmed in the Class Ruling issued to the CIF Unitholders in respect of the Merger.
- 21 If a CIF Unitholder elects to apply CGT rollover relief, a capital gain that they would otherwise make on the disposal will be disregarded, as the only consideration that the CIF Unitholders will receive in respect of their CIF units are replacement units in RFF.
- 22 The benefit of choosing scrip for scrip rollover relief will depend on the individual circumstances of each CIF Unitholder and therefore Unitholders should discuss this with their tax advisers.

- 23 Where rollover relief is chosen, the tax cost base of the RFF units received by the CIF Unitholders should equal the tax cost base of the CIF units disposed of. This tax cost base will be allocated on a proportionate basis across the RFF units received.
- 24 For the purposes of determining whether the CGT discount applies on any subsequent disposal of RFF units where rollover relief is chosen, the date on which the CIF Unitholders will be deemed to have acquired the RFF units will be the day they acquired their original CIF units.
- 25 Generally, where CIF Unitholders prepare their income tax return on the basis that scrip for scrip rollover has been applied, this will be sufficient evidence of making the choice to obtain rollover relief.
- 26 RFF, as the acquirer of the CIF units, can choose to prevent CIF Unitholders obtaining scrip for scrip rollover relief but, in order to do so, must notify the CIF Unitholders in writing of this prior to the exchange of shares. RFF will not make a choice to prevent CIF Unitholders obtaining scrip for scrip rollover relief in respect of the Merger should they choose.

CGT discount

- 27 Where CIF Unitholders have a capital gain and do not choose rollover relief, they may be entitled to a 'CGT discount'.
- 28 Any Australian resident CIF Unitholder who is an individual, the trustee of a trust or a complying superannuation entity may be entitled to claim the CGT discount in calculating any capital gain if their CIF Units were acquired at least 12 months before the Implementation Date.
- 29 The CGT discount is applied to reduce the capital gain after any available capital losses are first offset against that capital gain.
- 30 A CIF Unitholder that is an individual or the trustee of a trust may discount the capital gain by 50% and include only 50% of the net capital gain in the taxable income of that individual or trust.
- 31 A CIF Unitholder that is a complying superannuation entity may discount the capital gain by 33 1/3% and include 66 2/3% of the net capital gain in the taxable income of that complying superannuation entity.
- 32 No CGT discount is available to a CIF Unitholder that is a company.

Subsequent disposal of RFF Units

- 33 If a CIF Unitholder sells their RFF Units after the Implementation Date, any gain or loss will be subject to CGT, as the RFF Units received by the CIF Unitholder will be an asset for CGT purposes.
- 34 For CIF Unitholders who elected for scrip for scrip rollover relief to apply, the cost base or reduced cost base for their RFF Units will reflect the cost base or reduced cost base for the CIF Units that were exchanged by the CIF Unitholder (reduced by the amount of the distribution received under Stage 2 of the Merger, as noted above). For the purposes of determining the availability of the CGT discount, the acquisition date for CIF Unitholders who elected for scrip for scrip rollover relief to apply will be the date their original CIF Units were acquired.
- 35 If a scrip for scrip election is not made, the cost base of the RFF Units will be equal to the market value of the replacement RFF Units at the Implementation Date. The CGT discount will only be available once the CIF Unitholder has held their RFF Units for at least 12 months.

Stage 4 – Exchange of units in AWF for units in RFF

This stage is relevant for Unitholders in AWF

CGT event on disposal of CIF Units

- 36 The disposal of AWF units will constitute a CGT event for Australian resident AWF Unitholders. This CGT event should occur on the Implementation Date.
- 37 AWF Unitholders will derive a capital gain on the disposal of their units in AWF to the extent the market value of the total consideration received (capital proceeds) exceeds the tax cost base of their AWF units. Conversely, AWF Unitholders should incur a capital loss on the disposal of their units in AWF to the extent that the market value of the total consideration received (capital proceeds) is less than the reduced tax cost base of their AWF units.

Capital proceeds received under the Scheme

- 38 The capital proceeds received for the disposal of units in AWF should be calculated by reference to the market value of the RFF units that each AWF Unitholder will receive under the Merger.

Cost base

- 39 Generally, the tax cost base of any AWF units should be equal to the amount paid to acquire the units, less any capital distributions received from AWF in prior years. Other incidental costs incurred by an AWF Unitholder in respect of their acquisition or ownership of AWF units may also be included in the cost base of the AWF units they own.
- 40 The sum of all capital gains incurred by an AWF Unitholder in the year in which the Implementation Date occurs, reduced by any capital loss incurred during that year, or carried forward from prior years (known as the net capital gain), should be included in the assessable income of each AWF Unitholder.
- 41 Alternatively, an AWF Unitholder may make a capital loss on the transfer of their units to RFF, equal to the amount by which the reduced cost base of their AWF units is more than the capital proceeds (i.e. value of units in RFF) they receive as a result of the Merger. A capital loss may be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year (subject to the satisfaction of certain loss recoupment tests which apply if the AWF Unitholder is a company or trust).

Availability of CGT rollover relief

- 42 The AWF Unitholders will not be eligible to apply scrip for scrip rollover to defer any capital gain they might otherwise make in respect of the exchange of units in AWF for units in RFF.
- 43 RFM expects that this will be confirmed in the Class Ruling issued to AWF Unitholders in respect of the Merger.

CGT discount

- 44 AWF Unitholders that derive a capital gain on the exchange of their units in AWF for units in RFF may be entitled to a 'CGT discount'.
- 45 Any Australian resident AWF Unitholder who is an individual, the trustee of a trust or a complying superannuation entity may be entitled to claim the CGT discount in calculating any capital gain if their AWF Units were acquired at least 12 months before disposal under the Merger.

- 46 The CGT discount is applied to reduce the capital gain which remains after any available capital losses are offset.
- 47 An AWF Unitholder that is an individual or the trustee of a trust may discount the capital gain by 50% and include only 50% of the net capital gain in the taxable income of that individual or trust.
- 48 An AWF Unitholder that is a complying superannuation entity may discount the capital gain by 33 1/3% and include 66 2/3% of the net capital gain in the taxable income of that complying superannuation entity.
- 49 No CGT discount is available to an AWF Unitholder that is a company.

Subsequent disposal of RFF Units

- 50 If an AWF Unitholder sells their RFF Units after the Implementation Date, any gain or loss will be subject to CGT as the RFF Units received by the CIF Unitholder will be an asset for CGT purposes.
- 51 The cost base or reduced cost base of each AWF Unitholders' units in RFF will be equal to the market value of the replacement RFF Units at the Implementation Date. The CGT discount will only be available once the AWF Unitholder has held their RFF Units for at least 12 months.

General tax advice for all Unitholders

This comment is relevant for Unitholders in CIF, AWF and RBK who will each become Unitholders in RFF as a result of the Merger.

Dividends from RFF

- 52 Immediately after the Merger, RFF should continue to be treated as a public trading trust for tax purposes. This means that RFF:
- (a) will pay tax on any profit derived during the year at the corporate tax rate of 30%; and
 - (b) may distribute the profit to Unitholders in the form of dividends (which may be franked).
- 53 Any dividends and franking credits received from RFF should be included in the assessable income of the Unitholder. Where the Unitholder is a resident individual or complying superannuation fund, and the Unitholder has excess franking credits available for the income year, those excess franking credits may be refunded to the Unitholder.
- 54 Whilst corporate Unitholders are not eligible to receive a refund of excess franking credits, 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).
- 55 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. Unitholders should obtain their own advice on the application of these rules to their circumstances.

Stamp Duty

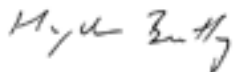
- 56 None of the stages required to effect the Merger should give rise to any stamp duty liability for Unitholders. In any event, RFF has agreed to pay any stamp duty in connection with the Merger.

Goods and Services Tax (GST)

- 57 The transfer of Units by existing Unitholders to RFF as contemplated will not attract GST. Similarly, no GST will be payable on the acquisition of RFF Units.
- 58 Where Unitholders are registered or required to be registered for GST, any GST incurred on expenses that relate to the sale of existing units or acquisition of new units may not be recoverable if the individual Unitholder exceeds the financial acquisitions threshold as set out in the relevant GST legislation. However, a reduced input tax credit equal to 75% of the GST incurred may still be available if the acquisition constitutes a reduced credit acquisition.
- 59 Where Unitholders are not registered, or required to be registered for GST, no GST implications should arise in relation to the Merger.

Future status of RFF

- 60 As part of the 2010-11 Budget, the Government announced its intention to introduce a new taxation regime for managed investment trusts (**MIT**), in response to the Board of Taxation Report released in August 2009. On 30 July 2012, the Government announced the start date of the new laws would be 1 July 2014. Legislation has not yet been enacted to give effect to these changes and the Government has deferred consideration of some other Board recommendations that may narrow the scope of the public trading trust rules.
- 61 The Board has also more recently considered whether a broader range of tax flow-through vehicles should be permitted, having regard to the new MIT tax framework. The outcome of this review will likely be released when the Government releases its response to this Board of Taxation Report.
- 62 Irrespective of any future changes to the law, if RFF's business activities change over time, RFF may cease to be taxed as a trading trust in future years and instead be taxed as a flow through trust.
- 63 When a trust becomes a flow through trust, the income derived by the trust each year should retain its character when distributed to investors. The income will then be subject to tax based on the income tax profile of the investor. This may allow the investor to offset any tax losses from other activities.



Hayden Bentley
Partner

Additional information

12.1 RFF DISTRIBUTIONS

RFF distributions may take the form of:

- income (franked or unfranked); and/or
- tax deferred.

The form of distribution will depend on the performance of the RFF assets and the taxation status of RFF. RFM intends to recommence quarterly distributions following completion of the Merger as detailed in Figure 49.

In addition to the regular quarterly distribution in Figure 49, RFM intends to announce a special distribution within 45 business days of the Merger.

Figure 49: Distribution dates

Calendar Month	Declaration Month	Payment Month
December 2013	November 2013	January 2014
March 2014	February 2014	April 2014
June 2014	May 2014	July 2014
September 2014	August 2014	October 2014
December 2014	November 2014	January 2015
March 2015	February 2015	April 2015
June 2015	May 2015	July 2015

12.2 PAYMENT OF DISTRIBUTABLE INCOME

RFF's distributable income is allocated to RFF Unitholders on a per Unit basis according to individual unitholdings at the end of the distribution period. RFF's distributable income is calculated quarterly and is generally paid to RFF Unitholders within two calendar months of the last day of the distribution period.

12.3 RELATED PARTY TRANSACTIONS

RFM's External Compliance Committee monitors compliance with all constituent documents and key policies including the Conflict of Interest Management Policy. The Policy requires that before any related party transaction is considered it must:

- be on arm's length; and
- include at least one independent valuation of an external party which confirms the terms are no more favourable to the related party

If there is doubt the transaction may not be on arm's length, then Unitholder approval must be sought.

In accordance with its compliance plan RFM maintains Related Party Transactions and Conflicts of Interest registers. Related party transactions are subject to review by RFM's External Compliance Committee and are only approved by the RFM Board if they consider them to be at arm's length. The following related party transactions currently exist for the Funds:

- RiverBank has entered into a licence with RFM Farming with respect to the Yilgah property for grazing and cropping to 30 June 2014. The agreement provides RFF with \$40,000 of lease revenue in FY 2014. RFM Farming is a wholly owned subsidiary of RFM.
- RiverBank has entered into a licence with RFM Farming with respect to the Collaroy property for grazing and cropping to 30 June 2014. The agreement provides RiverBank with \$34,000 of lease revenue in FY 2014. RFM Farming is a wholly owned subsidiary of RFM.

- (c) StockBank, in which RFF will be invested, currently has livestock placed on properties leased by AgLink Pty Ltd ACN 153 808 354, a company partly owned by David Bryant and Stuart Waight, both officeholders and shareholders of RFM. For the year ending 30 June 2013 AgLink leased sheep to the value of \$1,380,000, and the associated lease cost to StockBank was \$232,000.
- (d) AWF has entered into a Loan Agreement with Murdock Viticulture with respect to the sale of plant and equipment. Further details about this loan are set out in Section 4.4. RFM holds 28% of the issued shares in Murdock Viticulture.
- (e) Treasury Wine Estates has appointed Murdock Viticulture to manage the viticultural operations on a contract basis. Murdock Viticulture will manage Kleinig, Geier, Hahn, Adelaide Hills and Rosebank (Treasury Wine Estates will manage Dohnt under their own resources). The agreement is for a term of 5 + 5 years, and Murdock Viticulture will be entitled to receive the cost of managing the vineyards plus a fixed margin. The terms of the agreement are considered commercial and arm's length based on industry practices, and Treasury Wine Estates's agreement to the arrangements. This agreement does not directly benefit RFF.
- (f) RiverBank currently has a loan from RFM in the amount of \$1.8 million which is repayable by 1 January 2015. For the year ending 30 June 2013 RiverBank paid RFM interest of \$180,000.
- (g) RiverBank has entered into a Funding Agreement with RFM Almond Fund 2007 pursuant to which it has agreed to take a licence over all cancelled almondlots and to provide shortfall funding as a loan at any time up to 30 June 2015, where the responsible entity of the RFM Almond Fund 2007 has insufficient available funds to operate the fund, to meet immediately pending operating costs and expenses of the fund (capped at \$1,675,000). Interest is payable on any amounts funded at BBSW plus 4%. All amounts of funding and interest must be repaid by no later than 30 June 2015. For the year ending 30 June 2013 RFM Almond Fund 2007 borrowed \$115,757, and the associated interest cost was \$3,767. The RFF forecast assumes no funding going forward.
- (h) RiverBank has entered into a Funding Agreement with RFM Almond Fund 2008 pursuant to which it has agreed to take a licence over all cancelled almondlots and to provide shortfall funding:
 - i. up to 30 June 2012, for any shortfall in the management fees collected and the actual costs incurred by the responsible entity of the RFM Almond Fund 2008 in providing the management services (capped at \$2 million); and

- ii. as a loan from 1 July 2012 to 30 June 2015, where the responsible entity of the RFM Almond Fund 2008 has insufficient available funds to operate the fund, to meet immediately pending operating costs and expenses of the fund (capped at \$2,657,600).
- iii. Interest is payable on any amounts funded at BBSW plus 4%. All amounts of funding and interest must be repaid by no later than 30 June 2015.

For the year ending 30 June 2013 RFM Almond Fund 2008 borrowed \$360,136, and the associated interest cost was \$11,720. The forecast assumes no funding going forward.

- (i) RiverBank has leased 42 hectares of almond orchards to RFM. The lease is for a 15 year period commencing 1 July 2013 and the starting rent is \$205,800 indexed at 2.5% per annum. The lease rental and other terms are on the same basis as RiverBank leases with the RFM Almond Schemes with the exception that the lease terminates on change in Responsible Manager and RFM can terminate the lease at any time by giving notice and paying two years rental.
- (j) The lease arrangement RFMP will enter into with CIF will amount to a related party transaction, even though RMFP and CIF will initially have the same Unitholders. The Board of RFM has satisfied itself that the lease is on commercial arm's length terms. The material terms of the lease are summarised in Section 5.
- (k) RFM Farming entered into an Operating Contract with StockBank in June 2013 under which RFM Farming leased \$55,050 of cattle. The contract contained the standard terms and conditions which are identical to the Operating Contracts entered into by StockBank with third party Operators.

The Board of RFM is satisfied all related party transactions are on an 'arm's length basis'. Each transaction has been considered by the External Compliance Committee 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 Section 9.4.

12.4 RFF CONSTITUTION, INFORMATION ON UNITS AND UNITHOLDER RIGHTS

RFF is a managed investment scheme which has been registered with ASIC in accordance with Chapter 5C of the Corporations Act. RFF has been established in the form of a unit trust pursuant to the relevant trust constitution.

RFM is the responsible entity and the holder of AFSL No 226 701 which permits it to operate the Fund.

The respective rights and obligations of RFM and holders of Units in RFF 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 trusts. Neither the provisions of these laws and rules, nor their effect on the RFF Constitution, have been summarised below.

The RFF 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 Unitholders. If the Fund constitution is amended, RFM must lodge a copy of the change with ASIC. The change will not be effected until it is lodged with ASIC.

12.5 UNITS AND UNITHOLDERS' RIGHTS

RFF is divided into Units, each of which confers a proportionate beneficial interest in the net assets of RFF. Each Unit confers an equal interest in RFF property. A Unit does not confer any interest in a particular part or asset of RFF, nor does it confer any rights over the management of RFF. A Unitholder holds a Unit subject to the rights and obligations attaching to that Unit. The rights of Unitholders include rights to: receive income and other distributions attributable to Units held;

- (a) transfer Units (subject to the relevant rules and any permitted refusal by RFM);
- (b) convene, or request that RFM convene, a meeting of Unitholders;
- (c) attend and vote at meetings of Unitholders;
- (d) receive the annual audited accounts of RFF; and
- (e) participate in the winding up of RFF.

12.6 CUSTODY AGREEMENT

In accordance with the Corporations Act, ASIC policy and the terms of RFM's AFSL, the assets of RFF will be held by the custodian of RFF (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 RFF, except where the custodian has failed to perform its obligations under the Custody Agreement.

12.7 RFM UNIT PRICING POLICY AND COMMITTEE

Under the RFF Constitution, RFM or its nominee has certain discretion in calculating the RFF Unit Price. The RFF Unit Pricing Policy applies to the exercise of this discretion and 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 RFF Unit Pricing Policy and related documents by phoning RFM Investor Services on 1800 026 665. RFM will provide a copy of the RFF Unit Pricing Policy and related documents free of charge.

The RFF Unit Pricing Committee meets monthly and is responsible for ensuring that the RFF Unit Price is calculated in accordance with the RFF Unit Pricing Policy.

12.8 RFM INVESTOR SERVICES

RFM is committed to providing excellent service to Unitholders. Do you have a compliment or a complaint? Do you have a suggestion on how RFM can serve you better? RFM is committed to continuous improvement and welcomes your feedback.

You 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 14 days of receiving your complaint; and
- address your complaint within 45 days.

If you are dissatisfied with our response to your complaint, you can refer your complaint to the Financial Ombudsman Service by:

- phoning the Financial Ombudsman Service on 1300 780 808; or
- writing to the Financial Ombudsman Service at GPO Box 3, MELBOURNE VIC 3001.

12.9 REPORTING TO RFF UNITHOLDERS

RFM is committed to keeping RFF Unitholders fully informed about RFF. The RFM website displays:

- the RFF distribution details; and
- the RFM Newsletter, which includes the RFF financial performance as well as commentary on RFF.

You can access the RFM website at www.ruralfunds.com.au.

RFM has appointed Boardroom Limited to manage the RFF unit registry. Boardroom (<http://www.boardroomlimited.com.au/>) is a leading service provider for the Australian funds management industry delivering innovative and effective solutions to help manage investments.

12.10 STATEMENTS

RFM will send to each RFF Unitholder a transaction statement whenever there is a change in your Unitholding.

Following the payment of a distribution, RFM will send to each RFF Unitholder a distribution statement. The distribution statement will show the RFF Unitholder's distribution and Unitholding.

RFM will send to each RFF investor an annual taxation statement.

12.11 RFF DISTRIBUTION INSTRUCTIONS

The reinvestment instructions that apply to CIF and/or AWF distributions will apply to RFF unless you advise RFM otherwise.

Distributions paid to a financial institution account

Investors who have nominated to have their distributions credited will have their RFF distributions direct credited to their nominated financial institution.

If the financial institution rejects the distribution payment, RFM will treat this as a direction to use Option 1 (distributions reinvested as additional Units) for that distribution and all future distributions. Usually, the rejected distribution payment will be reinvested within 30 days after the rejection.

RFF distributions may take the form of:

- income (franked or unfranked); and/or
- tax deferred (capital).

The form of distribution will depend on the performance of the RFF assets and the taxation status of RFF. See Section 11 for information about taxation.

RFM calculates RFF distributions quarterly and generally pays the distributions within two calendar months of the record date. The record date for distributions is the final day of each quarter. Distributions are paid on a per Unit basis according to the individual Unit holdings at the end of the distribution period.

12.12 RFF ANNUAL FINANCIAL REPORT

RFF investors can elect to receive the RFF annual financial report. Where an investor makes such an election, RFM will send the report by 30 September each year. The annual financial report will detail the RFF financial position. The RFF annual financial report is also available on the RFM website at www.ruralfunds.com.au.

12.13 INVESTING THROUGH AN IDPS

Indirect Investors who invest in RFF through an IDPS will receive their investment reports from the IDPS operator, not from RFM.

12.14 COOLING OFF PERIOD

As at the date of this PDS, RFF is a non-liquid scheme (as defined by the Corporations Act) so there are no cooling off rights.

12.15 ENVIRONMENTAL, SOCIAL, ETHICAL, AND LABOUR STANDARDS CONSIDERATIONS

When it makes decisions about RFF, RFM will take the following considerations into account only to the extent that RFM considers that they have the potential to materially impact the investment returns of RFF:

- environmental;
- social;
- ethical; and
- labour standards.

Therefore, where the sustainability or value of RFF is adversely affected by unacceptable labour standards or environmental, social or ethical factors, RFM may choose not to invest further or may choose to dispose of the relevant investment.

12.16 ONGOING DISCLOSURE

RFF is a disclosing entity which is subject to regular reporting and disclosure requirements. Investors have a right to obtain a copy of the following documents:

- the annual financial report for RFF most recently lodged with ASIC;
- any half-yearly report lodged with ASIC; and
- any continuous disclosure notices given by RFF. Continuous disclosure notices are also posted on the RFM website.

The financial statements for RFF are available on request.

12.17 CONSENTS

McCullough Robertson lawyers have given written consent to be named or referred to in this PDS, including their taxation report in Section 11, and have not withdrawn their consent as at the date of this PDS. McCullough Robertson lawyers 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 McCullough Robertson lawyers and the taxation report.

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

Glossary

Term	Definition
ABN	Australian Business Number
AFSL	Australian Financial Services Licence
ARSN	Australian Registered Scheme Number
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
AWF	RFM Australian Wine Fund ARSN 099 573 485
Baiada or Bartter Enterprises	Includes both Bartter Enterprises Pty Limited ABN 22 000 451 374 and Baiada Poultry Pty Limited ABN 96 002 925 948
Business Day	A day that is not a Saturday, Sunday or a public holiday in Canberra, Australian Capital Territory
CIF	RFM Chicken Income Fund ARSN 105 754 461
Compliance Plan	The Compliance Plan of RFF
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Directors	The directors of RFM
ECC	External Compliance Committee
Funds	RFM RiverBank ARSN 112 951 578
	RFM Chicken Income Fund ARSN 105 754 461
	RFM Australian Wine Fund ARSN 099 573 485
ICR	Indirect Cost Ratio
Meetings	The meetings of Unitholders to consider and vote on the Merger.
Merger	The merger of RFM Chicken Income Fund (CIF) and RFM Australian Wine Fund (AWF) with RFM RiverBank (RiverBank):
Murdock Viticulture	Murdock Viticulture & Advisory Pty Ltd ACN 161 344 252
Net Asset Value or NAV	A measure of the value of a Unit in the Funds, RFF or RFMP as the case may be. The NAV is the net value of the assets divided by the number of Units on issue. The NAV for the Funds is currently determined according to the RFM Unit Pricing Policy.
Responsible Entity or RE or RFM or we	Rural Funds Management Limited ABN 65 077 492 838
RFF	Rural Funds Group (formerly RFM RiverBank) ARSN 112 951 578
RFM Almond Funds	RFM Almond Fund 2006 ARSN 117 859 391, RFM Almond Fund 2007 ARSN 124 998 527, and RFM Almond Fund 2008 ARSN 127 947 960

Term	Definition
RFM Farming	RFM Farming Pty Ltd ACN 105 842 671
RFMP	RFM Poultry ARSN 164 851 218
RiverBank	RFM RiverBank ARSN 112 951 578
Select Harvests	Select Harvests Limited ACN 000 721 380
StockBank	RFM StockBank ARSN 153 436 803
TFN	Tax File Number
Treasury Wine Estates	Treasury Wine Estates Vintners Limited ACN 004 094 599
Unit	A Unit in one of the Funds
Unitholder or Investor	The holder of the legal title of Units in one or more of the Funds

