Rural Funds Management Ltd
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RFM Land Trust ARSN 128 112 443

29 July 2014

Introduction

Rural Funds Management Limited ABN 65 077 492 838 (**RFM**) is the Responsible Entity (**RE**) for the RFM Land Trust ARSN 128 112 443 (**RFM LT** or **the fund**).

The Australian Securities and Investments Commission (**ASIC**) Regulatory Guide (**RG**) 46 applies to registered unlisted property schemes in which retail investors have a direct or indirect investment. RFM LT is an unlisted property scheme as defined by RG46.

Under RG46, RFM as the RE for RFM LT must report against six disclosure benchmarks (**benchmark reporting**) and eight disclosure principles (**disclosure**). RFM's benchmark reporting and disclosure will assist retail investors to analyse the relative risks and returns of an investment in the RFM LT.

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

In July 2011, the RFM Board of Directors resolved to sell the RFM LT assets, distribute the proceeds to RFM LT investors, and wind-up the fund. It is expected this process will be completed by December 2014.

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Benchmark Reporting

Benchmark	Compliance
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 however RFM LT has no interest bearing debt.
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 however RFM LT has no interest bearing debt.
Benchmark 3: Interest capitalisation The interest expense of the scheme is not capitalised.	Yes however RFM LT has no interest bearing debt.
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'	Yes. The responsible entity maintains a written Asset Valuation Policy that requires: (a) the valuer to be registered or licensed; and be independent; (b) procedures to be followed for dealing with 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 before a property is purchased and within two months after the directors for a view that there is a likelihood that there has been a material change in the value of the property.

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Benchmark	Compliance
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.	The LT currently complies with this policy and a copy of this policy can be obtained by contacting Investor Services.
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. The RFM LT complies with this policy and a copy of this policy can be obtained by contacting Investor Services. See below 'Disclosure Principle 5: Related party transactions' for a summary of the key elements of the policy and procedures the responsible entity has in place for entering into related party transactions.
Benchmark 6: Distribution practices The scheme will only pay distributions from its cash from operations (excluding borrowings) available for distribution.	Yes. RFM LT is being wound up and distributions are paid from the proceeds of property sales as a method of returning equity to Unitholders.

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Disclosure

Disclosure Principle	Disclosure
Disclosure Principle 1: Gearing ratio Responsible entities should disclose a gearing ratio for the scheme calculated using the following formula: Gearing ratio = $\frac{\text{Total interest-bearing liabilities}}{\text{Total assets}}$	RFM LT has no interest bearing debt.
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: Interest cover ratio = $\frac{\text{EBITDA – unrealised gains + unrealised losses}}{\text{Interest expense}}$	RFM LT has no interest bearing debt.
Disclosure Principle 3: Scheme borrowing If a scheme has borrowed funds (whether on or off balance sheet), responsible entities should clearly and prominently disclose: (a) for each borrowing that will mature in five years or less—the aggregate amount owing and the maturity profile in increments of not more than 12 months; (b) for borrowings that will mature in more than five years—the aggregate amount owing; (c) the amount (expressed as a percentage) by which either the operating cash flow or the value of the asset(s) used as security for the facility must fall before the scheme will breach any covenants in any credit facility;	RFM LT has no interest bearing debt.

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Disclosure Principle	Disclosure
(d) for each credit facility: (i) the aggregate undrawn amount; (ii) the assets to which the facility relates; (iii) the loan-to-valuation and interest cover covenants under the terms of the facility; (iv) the interest rate of the facility; and (v) whether the facility is hedged; (e) details of any terms within the facility that may be invoked as a result of scheme members exercising their rights under the constitution of the scheme; and (f) the fact that amounts owing to lenders and other creditors of the scheme rank before an investor's interests in the scheme. 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.	

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Disclosure Principle	Disclosure
Disclosure Principle 4: Portfolio diversification A responsible entity should disclose the current composition of the property scheme's direct property investment portfolio, including: (a) properties by geographic location by number and value; (b) non-development properties by sector (e.g. industrial, commercial, retail, residential) and development projects by number and value; (c) for each significant property, the most recent valuation, the date of the valuation, whether the valuation was performed by an independent valuer and, where applicable, the capitalisation rate adopted in the valuation; (d) the portfolio lease expiry profile in yearly periods calculated on the basis of lettable area or income and, where applicable, the weighted average lease expiry; (e) the occupancy rate(s) of the property portfolio; (f) for the top five tenants that each individually constitute 5% or more by income across the investment portfolio, the name of the tenant and percentage of lettable area or income; and (g) the current value of the development and/or construction assets of the scheme as a percentage of the current value of the total assets of the scheme. Disclosure should cover the responsible entity's investment strategy on these matters, including its strategy on investing in other unlisted property schemes, whether the scheme's current assets conform to the investment strategy and an explanation of any significant variance from this strategy. A responsible entity should also provide a clear description of any significant non-direct property assets of the scheme, including the value of such assets. Responsible entities of unlisted property schemes involved in property development	RFM LT property assets are forestry properties in Western Australia. See Figure 1 for a summary: **Figure 1: RFM LT property assets** Properties are unencumbered, with all previous leases terminated and removed from title.

#	Property Name	May 2014 valuations ($000s)	Area (ha)
Western Australia			
1	Crystal Brook	460	219
2	Kathleen	375	306
	Total	**835**	**525**

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Disclosure Principle	Disclosure
should also disclose for each significant development asset: (a) the development timetable with key milestones; (b) a description of the status of the development against the key milestones identified; (c) a description of the nature of the funding arrangements for the development (including the sources of funding and repayment strategies if borrowing is used to fund the development); (d) the total amounts of pre-sale and lease pre-commitments, where applicable; (e) whether the loan-to-valuation ratio for the asset under development exceeds 70% of the 'as is' valuation of the asset; and (f) the risks associated with the property development activities being undertaken. The responsible entity for any scheme that has over 20% of its property assets in development based on an 'as if complete' basis should ensure that the scheme is clearly identified as a development and/or construction scheme.	
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. The description should address: (a) the value of the financial benefit; (b) the nature of the relationship (i.e. the identity of the related party and the nature of the arrangements between the parties, in addition to how the parties are related for the purposes of the Corporations Act or ASX Listing Rules—for group structures, the nature of these relationships should be disclosed for all group entities); (c) whether the arrangement is on 'arm's length' terms, is reasonable remuneration, some other exception applies, or we have granted relief;	RFM LT is not currently a party to any related party transactions. RFM LT may enter into transactions with parties that are related to RFM. These related parties include managed investment schemes for which RFM is the RE or manager. The RFM Conflict of Interest Management Policy ensures that all related party transactions occur on a commercial arm's length basis. 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 Board for

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(d) whether scheme member approval for the transaction has been sought and, if so, when (e.g. if member approval was obtained before the issue of interests in the scheme); (e) the risks associated with the related party arrangement; and (f) whether the responsible entity is in compliance with its policies and procedures for entering into related party transactions for the particular related party arrangement, and how this is monitored.	review. RFM records all related party transactions in the Related Party Transaction Register.
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.	To date, RFM LT has paid one distribution (April 2012). The net cash distribution amount paid was $250.00 per unit. RFM LT distribution payments are sourced from the proceeds of the liquidation of the RFM LT assets and business operations.

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Disclosure Principle	Disclosure
Disclosure Principle 7: Withdrawal arrangements If investors are given the right to withdraw from a scheme, the responsible entity should clearly disclose: (a) whether the constitution of the scheme allows investors to withdraw from the scheme, with a description of the circumstances in which investors can withdraw; (b) the maximum withdrawal period allowed under the constitution for the scheme (this disclosure should be at least as prominent as any shorter withdrawal period promoted to investors); (c) any significant risk factors or limitations that may affect the ability of investors to withdraw from the scheme, or the unit price at which any withdrawal will be made (including risk factors that may affect the ability of the responsible entity to meet a promoted withdrawal period); (d) a clear explanation of how investors can exercise their withdrawal rights, including any conditions on exercise (e.g. specified withdrawal periods and scheme liquidity requirements); and (e) if withdrawals from the scheme are to be funded from an external liquidity facility, the material terms of this facility, including any rights the provider has to suspend or cancel the facility. The responsible entity should ensure that investors are updated on any material changes to withdrawal rights through ongoing disclosure. For example, investors should be informed if the responsible entity knows that withdrawal requests will be suspended during an upcoming withdrawal period for whatever reason. Responsible entities should also clearly disclose if investors have no withdrawal rights.	RFM LT is an illiquid investment. Under the RFM LT Constitution, RFM has the discretion to make limited withdrawal offers to RFM LT investors from time to time. There is no formal secondary trading market for RFM LT units. However, RFM LT units are transferable. RFM is currently in the process of selling the RFM LT assets as part of the wind-up of the RFM LT. RFM does not currently intend to make any withdrawal offers, but will focus on the orderly sale of the RFM LT assets and the distribution of the sale proceeds to investors.

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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: NTA per unit = $\frac{\text{Net assets – intangible assets +/– any other adjustments}}{\text{Number of units in the scheme on issue}}$ 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 NTA per unit of the RFM LT is $232.31 based on the 31 December 2013 audited accounts. The method for calculating this NTA per unit is the net assets less intangible assets (of which there are none), divided by the units on issue at 31 December 2013.