

Thursday, 2 November 2023

Agricultural Land Trust RG 46 Disclosures September 2023

The Australian Securities & Investments Commission (ASIC) requires responsible entities of unlisted property schemes in which retail investors invest to provide a disclosure addressing ASIC's six benchmarks and eight disclosure principles as set out in **Regulatory Guide 46: Unlisted Property Schemes - Improving disclosure for retail investors (RG46)**.

The disclosures aim to help retail investors understand the risks, assess the returns and the effect of changing economic conditions on their investment in the unlisted property scheme.

One Managed Investment Funds Limited ACN 117 400 987 is the responsible entity (Responsible Entity) of the Agricultural Land Trust (the **Fund or ALT**).

The benchmarks and disclosure principals in relation to the Fund are listed in this document, which should be read in conjunction with the Fund's annual and half-yearly financial statements and other updates provided to member, which are available at

<https://www.agriculturallandtrust.com.au/>

In accordance with the requirements of RG46, the disclosures contained in this document will be updated for any material changes that the Responsible Entity becomes aware of, and in any event, at least every six months. The Continuous Disclosure Notices will be made available on:

[Investor Updates - Agricultural Land Trust](#)

Fund Objective and Strategy

ALT, via a wholly owned sub-trust known as ALT No 1 Trust owns a mixed used agricultural asset known as Linkletter's Place.

As at the date of this report, the principal activity of ALT is to earn income from the exploitation of its investment property, Linkletter's Place, located near Esperance, Western Australia, including the sale of harvested timber and earning rental income from the cleared areas.

At 30 June 2023 Linkletter's Place land areas are summarised as follows:

Land component	Area hectares	Use
Arable	2,699.5	Farming Lease
Arable being rehabilitated	903.4	Rehabilitation for Farming
Plantation (Non-Viable)	1044.1	Unusable
Plantation	3,268.6	Timber Harvesting
Non Arable	1,029.3	Unusable
Total	8,944.9	

Disclosure Benchmarks and Principles

Pursuant to RG46, responsible entities of unlisted property schemes are required to apply these disclosure benchmarks and principles in their product disclosure statements and in other disclosures they provide to their investors on an ongoing basis (through websites and other forms of communication with investors).

The following contains an explanation of each ASIC disclosure benchmark and principle and the Fund's disclosure.

The RG46 gearing ratio, interest cover ratio and NTA calculations are based on the Fund's half-year accounts ended 30 June 2023, which were prepared by the Responsible Entity and audited Crowe, Sydney.

Gearing

Disclosure principle 1: Gearing ratio

Gearing ratio: 24.92%

Look through gearing: Not applicable

As at the reporting date the Fund complies with its gearing related financial covenants for its financing facilities. The Fund does not have any off-balance sheet financing.

Benchmark 1: Gearing policy

Benchmark	<i>The responsible entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.</i>
Met or not met	Not met While the Responsible Entity maintains an overarching Treasury Management Policy, which guides its thinking in terms of managing ALT's gearing levels, it has not adopted a specific gearing policy for ALT.

	Given ALT's variable cash flows raising external capital may be challenging consequently the Responsible Entity believes that having a set gearing policy may restrict its ability to consider alternative funding sources and may not be capable of being adhered with in the medium to long term.
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Interest cover

Disclosure principle 2: Interest cover ratio

Interest cover ratio: 0.38 times

Look through gearing: Not applicable

As at the reporting date the Fund complies with its gearing related financial covenants for its financing facilities. The Fund does not have any off-balance sheet financing.

Benchmark 2: Interest cover policy

Benchmark	<i>The responsible entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.</i>
Met or not met	<p>Not met</p> <p>While the Responsible Entity maintains an overarching Treasury Management Policy, which guides its thinking in terms of managing ALT's interest exposure, it has not adopted a specific interest cover policy for ALT.</p> <p>Given ALT's variable cash flows raising external capital may be challenging consequently the Responsible Entity believes that having a set interest cover policy may restrict its ability to consider alternative funding sources and may not be capable of being adhered with in the medium to long term.</p>

Borrowings

Disclosure principle 3: Fund borrowings

The table below summarises ALT's key external finance facilities at 30 June 2023.

ALT Summary of facilities			
Facility	RMBL loan	Unitholder loan	Total
Facility limit	\$13,000,000.00	\$3,000,000.00	\$16,000,000.00
Amount Drawn	\$13,000,000.00	\$2,227,000.00	\$15,227,000.00
Interest rate (plus other costs)	7.50%	15%	
	increased to 8.75% from 16Dec22		
Drawdown date	28/01/2022	25/08/2020	
Maturity Date	28/01/2025	26/08/2024	

Note after 30 June 2023 the Unitholder Facility limit was increased to \$5.0 million

Benchmark 3: Interest capitalisation

Benchmark	<i>The interest expense of the scheme is not capitalised.</i>
Met or not met	<p>Not met</p> <p>Due to the Fund's variable cash flow base, namely that the harvesting contractor is able to pause operations at its discretion, the Responsible Entity has determined that having a mix of facilities which require interest to be paid by cash and which also permit interest to be capitalised provides ALT with the ability to better manage its cash needs than only having facilities which require interest to be paid by way of cash.</p> <p>Some of the risks of using capitalising interest in the context of ALT include but are not limited to:</p> <ol style="list-style-type: none"> 1. The risk that it masks ALT's operating cash flows; 2. That it will result in ALT's gearing level continuing to increase; and

	<p>3. The higher debt levels arising from the capitalisation of interest may make it more difficult for ALT to refinance its debt facilities when they expire.</p> <p>The Responsible Entity regularly explores ways of maximising ALT's cash flows which will help support it being able to meet its interest obligations from its operating cash flows. ALT anticipates being able to use these cash flows as well as anticipated continued growth in the value of Linkletter's Place to support any future refinance needs that ALT may have.</p>
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Portfolio diversification

Disclosure principle 4: Portfolio diversification

As noted above ALT owns a single agricultural asset located near Esperance in Western Australia. The most recent independent valuation was completed as at 30 June 2023 and ascribed a value to the property of \$62.95 million.

Circa 2,700 hectares of the property is leased to a farming operator. The majority of the balance of the property contains a blue gum plantation which is in the process of being cleared. ALT has agreed with the tenant that the farm area will increase by a further 800 hectares with effect from 1 April 2024. These areas will be subject to a rent free period of four years.

The farming lease expires in 2031.

Valuations

Benchmark 4: Valuation policy

<p>Benchmark</p>	<p><i>The responsible entity maintains and complies with a written valuation policy that requires:</i></p> <ul style="list-style-type: none"> <i>a. a valuer to: <ul style="list-style-type: none"> <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</i> <i>○ be independent;</i> </i> <i>b. procedures to be followed for dealing with any conflicts of interest;</i> <i>c. rotation and diversity of valuers;</i> <i>d. valuations to be obtained in accordance with a set timetable; and</i> <i>e. for each property, an independent valuation to be obtained: <ul style="list-style-type: none"> <i>○ before the property is purchased: <ul style="list-style-type: none"> <i>(A) for a development property, on an ‘as is’ and ‘as if complete’ basis; and</i> <i>(B) for all other property, on an ‘as is’ basis; and</i> </i> <i>○ 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.</i> </i>
<p>Met or not met</p>	<p>Met</p>

Related party transactions

Disclosure principle 5: Related party transactions

Other than the fees paid to the responsible entity and sub trust trustee's the fees paid to entities related to and associated with the responsible entity are set out below:

1. Approx \$25,000 has been paid to Unity Fund Services preparation of the group's tax returns.
2. Unity Fund Services has the same shareholders as the Responsible Entity of ALT.
3. The Responsible Entity believes these arrangements to be at arms' length.
4. Member approval was not sought.
5. The Responsible Entity believes the risks associated with these arrangements are insignificant given the returns are prepared and reviewed by a qualified tax agent.
6. The responsible entity is in compliance with its internal policies with respect to these arrangements.

Benchmark 5: Related party transactions

Benchmark	<i>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.</i>
Met or not met	Met

Distribution practices

Disclosure principle 6: Distribution practices

Due the historical tax loss position of ALT, the Responsible Entity does not intend on making a distribution.

Benchmark 6: Distribution practices

Benchmark	<i>The scheme will only pay distributions from its cash from operations (excluding borrowings) available for distribution.</i>
Met or not met	Met

Withdrawal arrangements

At the date of this update ALT is an illiquid managed investment scheme as defined in the Corporations Act and the Responsible Entity does not intend on making a limited withdrawal offer.

Net tangible assets

Disclosure principle 8: Net tangible assets

ALT's consolidated net tangible asset backing at 30 June 2023 was \$0.52.

The net tangible asset backing has been calculated as net tangible assets divided by the number of units on issue.

A higher net tangible asset value per unit or growth therein, all things being equal, represents a less riskier or a healthier investment.

Contacts

Contact the Responsible Entity for all other enquiries.

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Important Information

One Managed Investment Funds Limited (ACN 117 400 987) (AFSL 297042) is the responsible entity of the Fund (OMIFL). This report has been prepared by OMIFL for general information purposes only, without taking into account any potential investors' personal objectives, financial situation or needs. This information consists of forward looking statements which are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Fund to be materially different from those expressed or implied. Past performance is not a reliable indicator of future performance. Neither this document nor any of its contents may be used for any purpose without the prior consent of OMIFL. All figures stated herein are as at 30 June 2023 and in Australian dollars unless otherwise stated.

Anyone reading this report must obtain and rely upon their own independent advice and inquiries. Investors should consider all updates provided to unitholders including the annual report for the year ended 30 June 2023 and half-year report for the period ended 31 December 2022. You should also consult a licensed financial adviser before making any decision with respect to your units in the Fund.