

BENCHMARK DISCLOSURES FOR AGRICULTURAL SCHEMES

1.1 Regulatory Guide 232

In January 2012, ASIC issued Regulatory Guide 232 – *Agribusiness managed investment schemes: Improving disclosure for retail investors (RG 232)*. RG 232 sets out benchmarks and disclosure obligations for agricultural schemes.

1.2 Underlying principles

The benchmarks are intended to allow retail investors to understand the risks involved in agricultural schemes so they can make an informed decision about whether the potential reward (the return on investment) matches the level of risk involved, and whether or not they are prepared to take on that risk (RG 232.29).

RG 232 sets out a number of key risks for agricultural schemes.

The benchmarks are also designed to lead to comparable disclosure for agribusiness schemes.

To meet best practice, Primary Securities Ltd (**Primary**) proposes to disclose various matters including information about Primary, risks associated with holding interests in agricultural schemes and information about relevant characteristics or features attaching to those interests.

These benchmark disclosures do not deal with schemes in the process of being terminated.

1.3 Benchmarks

The table below sets out:

- Each benchmark that applies to agricultural schemes and the information that ASIC requires be disclosed
- How and to what extent Primary complies with the benchmark

	Benchmark – and what it means	How Primary meets the benchmark
1.	Fee Structures	
	Do Growers pay annual fees that are sufficient to fund the operation of the scheme for the relevant year or up-front fees for the entire operation of the scheme?	On each of Primary's agricultural schemes, annual fees can be rendered which are intended to fund operation of the scheme for the relevant year. These fees are placed into a separate fee account. In principle, Primary prefers not to render fees if income can be generated from harvesting or other means. This means that in all its current schemes, Primary renders fees in arrears rather than in advance.
	Are fees paid into a fee account and only available for the operation of the scheme?	Yes, if and to the extent that fees are rendered in advance. The fee account is drawn upon only as expenditure is incurred.
2.	Responsible Entity ownership of interests	
	Will Primary own less than 5% of the Hectares?	Yes. Primary owns no lots in any scheme in its own right.
3.	Annual reporting to Growers	
	Will Primary report annually to Growers as to how the fees are being used and how the scheme is being operated?	Yes. Primary provides detailed reports to Growers in relation to the matters set out in RG 232.
4.	Experts	
	Will Primary engage only independent experts?	No. Primary sees its role as to provide efficient returns to Growers and for this purpose wishes to conserve Grower funds and proposes to limit the engagement of independent experts, particularly if the project is mature.
5.	Appointing and monitoring service providers	
	Will Primary engage key service providers only pursuant to a	Yes, otherwise most service providers will be on a short term

	written agreement, which is subject to an annual review.	basis.
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1.4 Disclosures

RG 232 requires Primary to set out disclosures in relation to:

- Investor financing arrangements
- Track Record of Primary in operating agribusiness schemes
- Responsible Entity's financial position
- Land, Licences and water
- Replacement of Primary

1.5 Investor Financing Arrangements

The only form of investor financing provided by Primary is instalment plans where management fees may be paid in instalments.

1.6 Track Record of Primary in operating agribusiness schemes

Primary's managing director has been involved in agricultural managed investment schemes since the 1980s, being the first lawyer for Timbercorp and ITC.

Primary currently operates three agricultural schemes, all of which are forestry schemes and all of which were "rescues" where Primary took over from an insolvent responsible entity.

Name	Type of scheme	Date of takeover	Comments
Willmott Forests 1995-1999 Project	Forestry	2011	Growers would have received very little from the Liquidators of the Land Owner had Primary not taken over. There are still disputes with the Liquidators, which have come to a head with the Liquidators purporting to terminate or disclaim Grower Leases, which actions have resulted in a response by Primary for Growers in the Supreme Court of Victoria. This action is set down for a trial

			commencing on 15 May 2017. Harvesting of thinnings and some clearfelling is currently ongoing and prospects of returns at harvest are good in the long term.
Gunns Plantations Woodlot Projects 2000 and 2001. There are 3 options for each project. Options 1 and 2 are Nitens and Option 3 is Radiata Pine.	Forestry	2014	To avoid sale of the trees at a poor price, Growers appointed Primary as responsible entity. Primary negotiated contracts for the sale of the Nitens timber from Options 1 and 2 plantations to a major forestry company. Harvesting of Nitens is now finished and distributions have been paid to Growers. The Projects will continue for Option 3, Radiata Pine. Harvesting has commenced for Year 2000 Option 3.

1.7 Responsible Entity's financial position

Primary has issued capital of \$1m and complies with the financial requirements of its Australian Financial Services Licence. Primary is profitable.

Primary is not dependent on funding from external or related parties to fulfil its obligations in relation to any agribusiness schemes except to the extent to which it is funded from Growers.

Primary has not entered into any guarantees or indemnities with external or related parties. Primary is not a member of any tax consolidation group.

Primary does not borrow, except as trustee.

When Growers pay fees in advance, these are placed into a Fee Account for the scheme. Primary takes its fees and reimbursements monthly from the Fee Account or from proceeds.

1.8 Land, licences and water

In agricultural schemes which Primary takes over there is normally a head-lease over the land, the subject of the scheme, on which a market rent is payable.

In the case of Willmott Forests 1995-1999 Project, Growers lease the land directly from the former responsible entity and only 1999 Growers pay rent under their sub-leases.

The Supreme Court of Victoria delivered judgment in the court proceedings concerning Primary's rights with respect to the land on which the Project operates including areas surrounding the Growers' Hectares *Willmott Forests Limited (receivers and managers appointed) (in liquidation) v Primary Securities Limited* [2013] VSC 574 to the effect that Primary has, and enjoys, the rights it needs to operate the Project.

No current schemes of Primary require water rights or involve licences.

1.9 Replacement of Primary

There are no restrictions of any kind on replacement of Primary, nor access to resources required to continue to operate any agricultural scheme for any scheme except as set out in the immediately preceding paragraph except that Primary is entitled to recoupment of some money from all its agricultural schemes. In the event that there is a change of responsible entity, Primary would hand over to any new responsible entity unexpended fees standing in the Fee Account and any undistributed proceeds (subject to recoupment of any moneys owed to Primary). In the event of termination of the scheme, any unexpended balance in the Fee Account or in any proceeds account would be paid to Growers (subject to recoupment of any moneys owed to Primary).

10th May 2017