

BENCHMARK DISCLOSURES FOR AGRICULTURAL SCHEMES

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.

2. Willmott Forests 1995 -1999 Project ARSN 089 598 612

The only agricultural scheme currently managed by Primary Securities Ltd (**Primary**) is Willmott Forests 1995 – 1999 Project ARSN 089 598 612 (**Project**). The Project comprised 5 prospectuses, one for each year from 1995 to 1999 and was converted to a managed scheme in 1999 with Willmott Forests Limited (Receivers and Managers Appointed) (in Liquidation) ACN 063 263 650 (**WFL**) being the responsible entity. WFL was placed in receivership and administration on 6 September 2010 and subsequently went into liquidation.

Primary was appointed as the responsible entity of the Project on 22 December 2011 following a meeting of Growers and made amendments to the Constitution as approved at that meeting (amongst other things):

- (a) converting the Project into a contributory scheme (as previously all management costs except those for 1999 Growers were paid up front and Growers were not required to contribute any further funds to Willmott); and
- (b) making provision for the harvesting and sale of the Trees so that this was carried out by Primary on behalf of the Growers.

The structure of the Project has not changed except those Growers who did not wish to contribute to the Project have now been paid out and the Plantation Land upon which the leases planted to Trees are situated has been purchased from WFL using the proceeds of the sale of some of the Trees and some of the Plantation Land.

All fees payable by the Growers since 2018 is paid from income generated from the sale of Trees.

3. 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 232.28).

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

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

RG232.6 encourages responsible entities of “closed schemes” as a matter of best practice to provide the benchmark and disclosure principle information to investors in closed schemes. A closed scheme is one which no further offers of interests will be made on or after 1 August 2012. The Project is therefore a closed scheme.

These benchmark disclosures do not deal with schemes in the process of being terminated. Whilst, Willmott is not technically in the process of being terminated, it is a mature scheme and it is intended that final clear felling of its Trees will commence in 2025 and continue until all the Trees have been clear felled and sold and all the Plantation Land sold in about 2029.

4. **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? | In relation to the Project, Primary renders fees in arrears rather than in advance and fees are paid out of proceeds of sale of Trees. This is intended to continue until the Project is terminated. |
| | Are fees paid into a fee account and only available for the operation of the scheme? | All income generated from the sale of Trees is paid into an Operations Account and used for payment of fees and any surplus is distributed to Growers. |
| | | |

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|----|-----------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. | Responsible Entity ownership of interests | |
| | Will Primary own less than 5% of the Hectares? | Yes. Neither Primary nor any related entity owns any lots in the Project. |
| | | |
| 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 as the Project is mature and it employs a dedicated experienced forestry manager. |
| | | |
| 5. | Appointing and monitoring service providers | |
| | Will Primary engage key service providers only pursuant to a written agreement, which is subject to an annual review. | Yes, otherwise most service providers will be on a short term basis. |

5. 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

6. Investor Financing Arrangements

The Project is a mature scheme and there is no current provision of finance to Growers. Nevertheless, many Growers entered into financing arrangements

when they entered the Project and these financing arrangements are being paid out from the proceeds of the sale of the Trees.

7. 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 also employs an experienced forestry manager for the purpose of managing the Project.

Primary currently operates only one agricultural scheme, the Project, where Primary took over from an insolvent responsible entity.

| Name | Type of scheme | Date of takeover | Comments |
|------------------------------------|----------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Willmott Forests 1995-1999 Project | Forestry | 2011 | <p>Growers would have received very little from the Liquidators of the WFL had Primary not taken over. All disputes between Primary and the Liquidators of WFL have now been settled and the Liquidators have sold the Plantation Land to Primary (for the Project) which has been transferred to Primary on behalf of the Project. The Project has no debt.</p> <p>Thinning of plantations is currently ongoing and Growers can look forward to quarterly returns from harvest proceeds and additional proceeds from the sale of the Plantation Land in approximately 2029 after all the Trees have been harvested. Upon sale of all the Plantation Land the Project will be terminated.</p> |

8. 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 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.

Primary takes its fees and reimbursements monthly from the proceeds of sale of the Trees.

9. 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 the Project, Growers initially leased the land directly from the former responsible entity and only 1999 Growers paid rent under their sub-leases. As at the end of June 2018 all Plantation Land is owned by Primary on behalf of Growers.

The Project does not require water rights or involve licences.

10. Replacement of Primary

There are no restrictions of any kind on replacement of Primary as the responsible entity of the Project, nor access to resources required to continue to operate the Project except as set out under the immediately preceding heading except that Primary is entitled to recoupment of some money from the Project.

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 Project, 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).

25th May 2020