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Dear Salutation

### **Agricultural Income Trust No 1 (AIT) – ARSN 093 804 276 update**

The purpose of this letter is to provide you with information regarding recent events that have impacted upon the AIT.

As indicated in previous correspondence, the Australian wine industry is presently facing challenging conditions. These conditions have been reflected in independent valuations obtained in December 2009, which indicate that the value of the AIT vineyards has fallen by 9%. This decrement has resulted in the December 15 unit price decreasing from \$0.6201 to \$0.5383. It should be noted that these losses do not crystallise until the time the vineyards are sold.

Although the AIT vineyards have decreased in value, the decrement suffered is much smaller than that of many other vineyards in the region. The comparative strength of the fund assets is largely due to the high quality of grapes produced in the 2009 vintage. In that crop, not only were 17.96 tonnes of Grange and 10.24 tonnes of RWT (Red Wine Trial) grapes produced at the Geier Vineyard, but the general standard of fruit at all AIT vineyards increased markedly.

Another contributing factor to the comparatively small decrement is the contracting status of the vineyards, with contracts in place for 100% of the 2010 vintage. This is a significant achievement given the current market conditions.

Climatic conditions in recent months have been less than ideal, with poor flowering conditions combined with short bursts of very hot weather in November and January. These events are set to reduce grape yields, with average to slightly below average yields now expected for the 2010 vintage. However, these conditions should not impact on grape quality, which is expected to remain high. Additionally, water allocations have increased to 48%, ensuring that the vineyards will have abundant water, with excess to carry over to the 2011 vintage.

Finally, in July 2009 investors were advised of the possibility of the AIT needing to raise approximately \$1m in working capital by the end of the 2009 calendar year to assist with a shortfall in revenue. RFM management has decided that this requirement is no longer necessary for the 2010 financial year. Furthermore, the AIT has successfully negotiated a small loan facility with the RFM Diversified Agricultural Fund for the next two years. RFM remains hopeful that AIT will not need to make use of this facility.

If you have any questions please contact RFM Investor Services on 1800 026 665 or via email [investorservices@ruralfunds.com.au](mailto:investorservices@ruralfunds.com.au).

Yours sincerely,



**David Bryant**  
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