8th October 2014

A REVIEW from the Board of GAS Global Agricultural Services

During the course of the week ended 3rd October various meetings were held with SIPP Companies and individual Investors by Mr Gaskell who was representing the Board of GAS.

It was emphasised that these were exploratory discussions regarding a proposed restructure of the fund.

This Memorandum is a summary of the points that arose and the Board has decided to circulate it via the SIPP companies and to individual Investors.

BACKGROUND

In the first quarter of 2014 the Cypriot Company, GAS Global Agricultural Services, was redomiciled in Mauritius. The Board was reduced and the Management Company that administered its operations changed.

At this time there was a significant increase in requests to exit the fund.

There also arose a taxation problem in Australia.

The Board examined the potential for investors to sell their participations. The Board also engaged tax counsel in Australia.

TAX PROBLEM

Heeding tax counsel's advice, the previous years tax computations were recalculated. This, unfortunately, held up the process of financial reports and distributions to the SIPP companies and consequently the Investors.

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At the meetings the Board apologised for the delay. It is understood that all distributions will have been made by the time this communication has been circulated.

PRESENT REDEMPTION OF INVESTMENTS

The Board is of the opinion that the market for wheat producing farmland in Australia is very weak. Discussions with farm managers, banks and lawyers indicate that the market is very parochial. The values of the farms are difficult to determine professionally as there are several repossessions available at reduced cost and there is poor demand.

The present set up of the Fund renders sales difficult; the Fund is regarded as a long term investment and the plot holders are locked in by the terms of their investments with realisation dates ranging from 2018 to 2020.

LONG TERM REDEMPTION

The consideration of short term selling also led the Board to reconsider the "exit plan". If, as the previous paragraph implies the weakness of the Western Australian farm Market is its parochialism, then, when the Fund comes to sell the various farms under the terms of the Investor contracts, it is a concern that the knowledge the Fund is having to sell by the due date may determine a lot weaker price.

LIQUIDITY OF INVESTMENT

In short, the Fund is illiquid in trading terms and the requests for redemption are extremely difficult to satisfy. In addition, the previous sources of funding, i.e. UK pensions, financial advisors etc. are neither available or acceptable to the Board.

LACK OF COMMUNICATION

A recurrent theme during the meetings was the lack of communication between the Fund and its Investors. The Board has taken steps to remedy this, appointing an Investor Relations Manager and make improvements to the website, making it a current means of updating investors. The meetings held in London were an additional point of contact. Also, a local number will be made available to enable enquiries.

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One very salient fact that had not been communicated, apparently, was that after a disastrous first year's farming the decision had been taken to tenant or sharecrop farms. This results in a fixed income from tenancy and only a partial farming interest in sharecropping.

CHANGE IN INVESTMENT THEME

The change from farming to tenanting, in the Board's opinion, results in the investment being in the main a real estate "play".

POOR RETURNS

This in turn diminishes any prospect of above market returns, as the crop outcome only affects four out of fourteen farms on a shared basis. Moreover, without impinging on the Farm Reports, it appears that there has been a lack of rainfall this year. (It should be mentioned, however, that one of our best tenants has suffered enormous losses this year whilst farming one of the Fund's farms. Losses that would have been the Fund's if it were still farming. So there are two sides to tenanting).

Wheat farming is a climatically challenged form of farming as it is dependent upon rainfall and soil composition. These inherent difficulties cannot be overlooked.

LEGAL STRUCTURE

During the meetings it was emphasised ad nauseam, that opinions expressed were exactly that, personal opinions, in no way can the Board comment on the UK tax aspects of its proposals. That is, in part, why the SIPPs were especially invited. With regard to the present structure whereby there is a form of beneficial ownership linked through SIPPs, we believe it cumbersome and inhibiting both to liquidity and to communication. There is, obviously, an historical legislative reason for this, but it does present several obstacles.

Additionally, the reporting by the Farm Managers we found to be superfluous. The Farm Managers are not the investment managers and, essentially beyond reporting on the climate conditions and local problems, are not qualified to comment on financial considerations, although, to be fair, attempts have been made to assuage various concerns.

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CAVEATS

In addressing all of the above, the Board also had to take note of the revised taxation structure. We are awaiting the clearance by the Australian Tax Office of our submissions. This is pre- conditional to any of the proposals to be set forth.

It bears repetition that the proposals do not necessarily take into account individual tax positions, investment plans in the UK etc. Discussions with the SIPP companies that attended the meeting indicated a favourable response to the Board's proposals, although it is well understood SIPPs cannot make investment recommendations.

Also, it is stressed that this is a memorandum presented before any legal actions are taken. A period of a month will elapse before anything proposed is actioned. The meetings were twofold in intention; to improve communication with the investors and to "feel the water" in relation to the proposed restructure.

CONSIDERATIONS OF THE BOARD

Under Mauritian Law the Board is in a position whereby it must act equitably in the interests of the investors.

The Board wishes to address the following:

1. Make the investment liquid, enabling those who wish to sell without compromising those who wish to stay in for the long term;

2. Diversify the fund, both in terms of investor funds and in assets invested;

3. Streamline the legal structure to facilitate the foregoing.

PROPOSED RESTRUCTURE

GAS Global Agricultural Services will become a listed entity on a recognised Stock Exchange, probably either Hong Kong or Singapore. Plot holdings in farms will be exchanged for shares in the listed company. The listed company will then embark on an expansion program by raising equity capital to diversify further into Australian farming. It is envisaged that investments will be made into chicken and sheep farming reducing the Fund's exposure to a one crop policy.

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There are several publicly traded farmland funds in operation, throughout main stock exchanges, the Board proposes to become one.

ADVANTAGES

The advantages of a publicly traded fund are:

1. Liquidity;

2. A real Market value, buyers will determine the price available daily, without necessarily referring to a hypothetical valuation;

3. Flexibility on the investment manager's part to buy and sell farms;

4. A dividend policy;

5. Regulation by a Stock Exchange, with the enforced legislated reporting and declarations;

6. Ability to expand;

7. No loss of capital gains, if there is an increase in farmland values the Board should still take advantage of that growth, just as it would under the present structure.

Further advantages that accrue: under the present Trust regulations, we cannot lease for longer than a year. Farmers are happier when they have long term leases in that they can get back what they invest over time, hence long term leases attract higher returns for the lessor.

Moreover, Farm Managers can get on with doing what is their main job and not be saddled with investor relations.

ALTERNATIVES

At present the Board sees that the Fund can continue as is, but without access to funds other than internally generated then it cannot envisage any significantly higher returns. It is moribund.

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Or, dissolution and returning of monies. However, given the tight market, very poor prices would be elicited and capital losses incurred. The dissolution could take several years.

FOOTNOTE

This is a proposal and has yet to be commenced. There may be legal and technical reasons unforeseen. Serious work has to be undertaken to reach listing and the main reason the Board is issuing this is, again we repeat, to try to consider the best interests of its investors.

In this way, we welcome constructive criticism and questions.

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