2001

Timbercorp Almond Project Prospectus

ARSN 095 649 746

An offer to cultivate and manage up to 500 hectares of almond orchards (ie. 2000 x 0.25 hectare Almondlots) with an option to accept oversubscriptions.

This is not intended to be a short term venture and will be subject to the risks generally associated with horticultural operations.

Contents

This document is important and should be read in its entirety. If you are uncertain or have any doubts about subscribing to this issue, you should consult your financial advisor, solicitor or accountant.

No person, firm or corporation associated with the issue of this prospectus guarantees, warrants or underwrites the performance of this Project or any particular return.

The Custodian has not authorised or caused the issue of this prospectus. The Custodian has not performed any role in the preparation of this prospectus.

Each subscriber will become a Grower responsible commercially for carrying on the business of growing almonds for sale. This venture is not intended to be a short term investment and will be subject to the risks generally associated with commercial almond orchard plantations. The Responsible Entity does not guarantee that any Grower will be protected against all liability to other parties since each Grower is severally liable under the various agreements entered into on its behalf.

Intending applicants should note that Select Harvests (and any related company of Select Harvests involved in the Project) has not been involved in the preparation of this prospectus; has not authorised or caused the issue of this prospectus; has not been involved as a promoter of Timbercorp Securities, the Project or this prospectus; has not taken any responsibility for the correctness of any disclosure in this prospectus of any references to Select Harvests (or any related company of Select Harvests involved in the Project) or the terms of any contract to which Select Harvests (or any related company of Select Harvests involved in the Project) is a party; and has not performed any function in a professional, advisory or other capacity for Timbercorp Securities in relation to the issue or proposed issue of securities under this prospectus.

References to Select Harvests (or any related company of Select Harvests involved in the Project) in this prospectus ought not to be taken as an endorsement by Select Harvests (or any related company of Select Harvests involved in the Project) of this Project nor are they recommendations of participation by an intending applicant.

This prospectus is dated 2 March 2001 and was lodged with the Australian Securities and Investments Commission on 2 March 2001. The Australian Securities and Investments Commission takes no responsibility as to its contents. No interests will be allotted or issued on the basis of this prospectus later than 1 April 2002. It should be noted that no applications will be accepted after 31 May 2001, or such later date as may be determined by Timbercorp Securities Limited.

Electronic Prospectus: Timbercorp Securities Limited proposes to issue this prospectus on the website www.timbercorp.com.au. Any person accessing the electronic version of this prospectus for the purpose of participating in the 2001 Timbercorp Almond Project must be an Australian resident and must only access the information from within Australia. Almondlots will only be issued under this prospectus on receipt of an application form issued together with the prospectus.

Corporate Directory

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2001

ATO Product Ruling PR 2001/15

Timbercorp Almond Project Prospectus

Features

- Benefit from an established and vibrant industry that has not experienced the boom and bust cycles common to many horticultural crops | Page 8
- An opportunity to participate in one of the largest commercial almond orchards in Australia | Page 4
- The Orchard will be established on premium land and professionally managed by Select Harvests Limited, an ASX listed company, and Australia's largest integrated producer, processor and marketer of almonds | Pages 24 & 30
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- Significant tax deductions are available to Growers – confirmed by ATO Product Ruling PR 2001/15: 2001 Timbercorp Almond Project | Page 16
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- Security of land tenure is enhanced by the grant of a lease of the Orchard by Almond Land Pty Ltd to the Responsible Entity | Page 20

Overview of the 2001 Timbercorp Almond Project

What are we offering?

The 2001 Timbercorp Almond Project offers you a unique opportunity to participate in an historically stable, yet expanding, global industry.

The Australian almond industry, which accounts for less than 3% of world production, is experiencing increasing demand for almonds and almond related products both locally and in export markets that include India, Europe, the Middle East, Japan and South East Asia.

If fully subscribed, the Project will be one of the largest commercial almond orchards in Australia. The anticipated size of the Project, combined with the use of best horticultural management practices and the most advanced harvesting and irrigation systems and processing facilities, should achieve significant economies of scale with enhanced returns for Growers.

Select Harvests Limited, Australia's leading integrated producer, processor and marketer of almonds, will undertake the day-to-day management of the Orchard and will process the entire crop of Almonds and market it through established domestic and overseas channels.

How does the Project work?

Almond Land will establish a commercial almond orchard on land that comprises two sites known as the Liparoo site and the Carina site in north west Victoria, approximately 125 kilometres southeast of Mildura.
The Orchard will comprise at least 500 hectares, or more, if we accept oversubscriptions. Almond Land is entitled to become registered as the owner of the Liparoo site and has entered into a contract of sale to purchase the Carina site. Pending settlement of the contract, it has secured rights of exclusive possession over the Corina site. Almond Land owns the Water Licences, and will own the irrigation infrastructure and other capital works that it establishes on the Land.

Under the Licence and Joint Venture Agreement, Almond Land will grant you a licence to use and occupy a discrete area of the Orchard, which you will agree to cultivate and manage in joint venture with Almond Land. Your discrete area will comprise a number of allotments of approximately 0.25 hectares each, called Almondlots. **You must apply for a minimum of two Almondlots.** Each Almondlot will include Almond Trees, an allocation of water licences and associated infrastructure. The infrastructure and other capital works necessary to operate a commercial almond orchard are being established on and near the Land and will be completed when your Almond Trees are planted.

Almond Land will be your joint venturer in respect of each of your Almondlots. Your joint venture interest will be 90% and Almond Land's interest will be 10%. This means that you will pay 90% of all costs associated with the purchase and planting of the Almond Trees and the cultivation and management of your Almondlots. Almond Land will pay 10% of these costs. Correspondingly, you will receive 90% of the produce and Almond Land will receive 10% of the produce.

You should note that the costs of purchasing and planting the Almond Trees and the management costs shown in this prospectus relate to your 90% share of those costs and entitlement to income.

Under a Tree Supply and Planting Agreement, Almond Land, as vendor, will sell to you a 90% interest in the Almond Trees to be planted on your Almondlots. Almond Land, as your 10% joint venturer, will have the remaining 10% interest in the Almond Trees. You will then engage Almond Land to plant the Almond Trees on your Almondlots. The total cost of purchasing your 90% interest in the trees and having them planted is $1,100 per Almondlot (including $100 GST). At the end of the Project, Almond Land will purchase your 90% joint venture interest in the Almond Trees planted on each of your Almondlots for a fixed price of $2,200 (including $200 GST) per Almondlot.

You, together with Almond Land as your 10% joint venturer, will engage us (Timbercorp Securities) under the Almondlot Management Agreement as your manager to:

- cultivate and manage the Almond Trees on your Almondlots;
- harvest and procure the processing of the almonds grown on your Almondlots; and
- market and sell the almonds grown on your Almondlots.

The term of the Project is approximately 18 years from the date of acceptance of a Grower's application.

Naturally, you will be free to visit the Orchard and monitor the performance of your Almondlots.

We, as Responsible Entity, will delegate our managerial responsibilities to the Project Manager (Almond Management) under the Management Agreement, but will remain liable to you for the actions of the Project Manager.

Engagement of Select Harvests

Almond Land has engaged Select Harvests under the Tree Supply and Capital Works Agreement to oversee the establishment of the infrastructure and other capital works on the Land.

Under the Almond Orchard Management Agreement, Almond Management has engaged Select Harvests to manage the day-to-day farming operations, harvest and process the Almonds at its processing facility and market the Almonds through established channels in domestic and overseas markets. Select Harvests is a public company listed on the Australian Stock Exchange and is Australia's largest integrated almond producer, harvester and marketer. Under this agreement, Select Harvests will undertake and guarantee to Almond Management that the entire annual crop of Almonds available for harvest in a particular season will be sold by 30 June in the Financial Year after the year in which the harvest for that season commences. There is no guarantee as to the sale price of Almonds.

What will you receive?

As a Grower, you will receive:

- an Almondlot statement together with a map to enable you to identify the location of your Almondlots;
- annual reports setting out the results of the harvest of your Almonds, the condition of the Orchard and Almond Trees and other relevant details; and
- once the Almond Trees start producing almonds, annual statements of income and expenses, and proceeds from the sale of your Almonds.

After harvest, your Almonds will be pooled with the Almonds of all other Growers in the Project and then processed and sold. Accordingly, you will receive a pro rata share of the Proceeds, less your annual cost of licence and management fees, including all incentive fees.

We expect your Almondlots to start producing commercial quantities of almonds in the third year after the year of establishment, ie. February/April 2004.

How much will it cost?

Initial fees and costs

As a Grower, you will be required to pay the following fixed management and licence fees PER ALMONDLOT (0.25 of a hectare) in respect of the first three financial years of the Project. These fees represent your 90% share of the total fees for this period. Further, on application, you will be required to pay the cost of acquiring your 90% joint venture interest in the Almond Trees and the cost of planting the trees.

Year ended 30 June	2001 $	2002 $	2003 $
Management fee	4,598 (incl. $418 GST)	1,512.50 (incl. $137.50 GST)	1,512.50 (incl. $137.50 GST)
Licence fee	852 (incl. $77.45 GST)	852.50 (incl. $77.50 GST)	852.50 (incl. $77.50 GST)
Purchase and planting of Almond Trees	550 (incl. $50 GST)	550 (incl. $50 GST)	–
Total	6,000	2,915	2,365
When due	On Application	30 September 2001	30 September 2002
Tax deduction	90.83%	81.13%	100%

The total costs payable **per Almondlot** on application are $6,000 (including $545.45 GST). You must apply for a minimum of two Almondlots (0.50 hectares).

Ongoing fees and costs

From 30 September 2003, you will incur the following ongoing annual fees and costs:

- $852.50 per Almondlot (including $77.50 GST) as an annual licence fee for the use of the Orchard (ie. the Land, Water Licences and Capital Works). This fee will be indexed each year by CPI increments from 30 September 2003, adopting 2003 as the base year;
- the estimated costs of operating your Almondlots; and
- incur an annual management fee equal to 6% of the proceeds from the sale of your Almonds.

It should be noted that the operating costs payable each year from 30 September 2003 will be an estimate only. Once the actual costs for a year are determined, we will adjust the following year's payments to reflect the real costs.

Our remuneration is deliberately designed to provide both an incentive for us to obtain the highest yield and best price for your Almonds and to minimise your operating costs. We will be entitled to 25% of any annual Net Proceeds payable to you as a Grower in excess of forecasted annual Net Proceeds set out in this prospectus, but indexed from the date of the Almondlot Management Agreement. You will receive the remaining 75% of such excess. To allow for a variation in yields from year to year, our incentive fee will be calculated on a two-year rolling basis.

All fees and costs will be increased on account of GST.

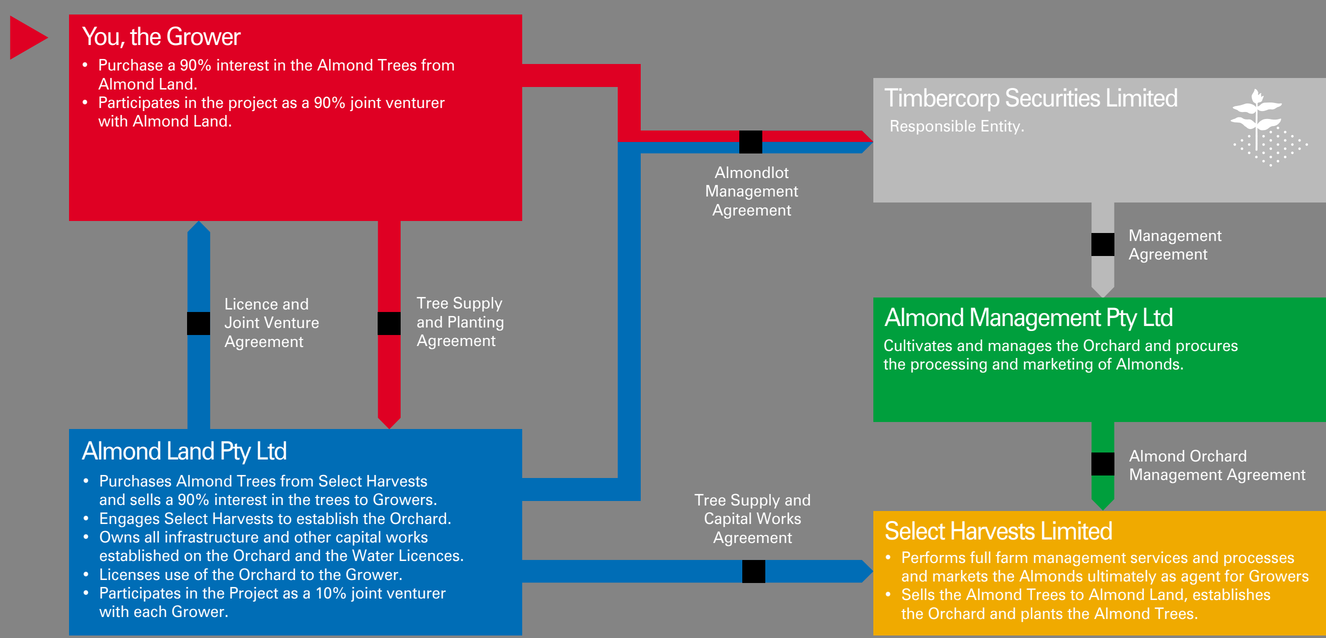
You should be entitled to an income tax deduction for all ongoing fees and costs that you pay to us from 30 September 2003, reduced by the amount of any GST input tax credit to which you are entitled under GST Law.

Cost of acquiring and planting the Almond Trees

The cost of purchasing your 90% joint venture interest in the Almond Trees and having them planted on your Almondlots is $1,100 (including $100 GST) per Almondlot. On average, 62 Almond Trees will be planted on each Almondlot. One half of these costs is payable on application and the balance is payable on 30 September 2001.

The purchase of the Almond Trees and their planting are capital costs. Accordingly, you will not be entitled to an income tax deduction for these costs. However, you will be entitled to write off these costs over the effective life of the Almond Trees. For further details on the tax treatment of these costs refer to the section of this prospectus titled Taxation Benefits and GST.

2001 Timbercorp Almond Project Structure



Proceeds from the sale of Almonds

Your Almonds will be harvested generally between February and April each year. At full maturity, each Almondlot is expected to yield an average of 865 kilograms of almonds.

Your Almonds will be pooled with the Almonds of all other Growers in the Project, processed and then marketed by Select Harvests. Generally, Select Harvests will pool the Almonds with all other almonds sold by it. By doing so, you will be entitled to receive proceeds based on the same pooled average price as Select Harvests receives.

You will be entitled to your proportionate share of the proceeds less the licence fees payable, the estimated costs of operating your Almondlots for the next year, the management fee equal to 6% of the annual proceeds from the sale of your Almonds and any incentive fee due to us. These costs will be deducted from the Almond sale proceeds before distribution. Further, by the time we distribute the proceeds to you, we will have calculated the actual costs of operating your Almondlots for the preceding year. Therefore, we will also adjust the amount of the proceeds payable to you to reflect the actual cost for that year.

As consumer demand and price prospects will determine the timing of sales, we will receive proceeds from the sale of Almonds progressively throughout each year. We will distribute net proceeds received less all amounts owing by you within 30 days after the end of each quarter.

What are the returns?

Based on the forecasts set out in this prospectus, a Grower participating in the Project can expect the returns set out below.

	Geared	Ungeared
Equivalent average pre-tax return p.a.	29.6%	24.1%
Average after tax compound return p.a.	15.2%	12.4%

** For assumptions on gearing, refer to the Forcasted Proceeds and Returns section of this prospectus.*

Detailed cashflows are set out in the section of this prospectus titled Forecasted Proceeds and Returns.

Subscription and allocation details

There is no minimum subscription that must be reached before we allocate Almondlots under this prospectus. This means that the Project will proceed irrespective of how many applications we receive.

We are offering up to 2000 Almondlots. We also have the right to accept oversubscriptions. Unless agreed otherwise with any particular Grower or financial intermediary, Almondlots will be allocated on a first come first served basis, ie. in the order of receipt of completed applications. Almondlots will be allocated randomly across the Orchard. Applications will not be accepted after 31 May 2001.

This section contains an overview only of the Project. Before deciding whether to participate in the Project, you should read the whole of this prospectus.

The Almond Industry Stability and Growth

Why invest in almonds

In July 1999, the South Australian Government ('SAG') published a report outlining the investment opportunity in almonds. Under the heading, 'Why Invest in Almonds?' the report lists the following key reasons:

- 'Industry growth of more than 13 percent per annum for more than 15 years indicates buoyancy of the market.'
- 'The industry enjoys world's-best practice in production, processing and marketing.'
- 'It is a highly organised industry and professionally managed at all levels.'
- 'Its relative pest and disease-free status results in lower production costs.'
- 'Australia's international reputation as a producer of premium quality product is driving export sales.'
- 'There is potential to develop new, value-added almond products.'

Increasing global demand for almonds

Almonds are the most versatile of all nuts, able to be consumed in their raw form as well as in a wide variety of processed forms, including blanched (whole, sliced or silvered) and roasted. They are extensively used in cooking, breakfast cereals, confectionery, snack foods, dairy products and spreads. Almond oil has very low saturated fat content that makes it popular for cooking and as salad oil. It is also used for massaging, cosmetics and wood preservation. Almond hull (the outside husk) is a high-energy fodder used as stock food.

In developed countries, health-related considerations contribute to the increasing acceptance of almonds as an important component of a healthy diet. This has led to a drive among producers to develop an even wider range of applications for almonds.

In developing countries, where almonds are desirable and are often associated with cultural ceremonies or celebrations, affordability is a key factor in market growth. In India, China and several Middle Eastern and Asia Pacific countries, economic development is improving the average standard of living and increasing the size of the middle class. This growth makes almonds an affordable food for a sizeable market. The marketing of almonds is likely to become a contributing factor to continued growth in demand in these countries once market size encourages greater investment in marketing activities.

Given California's dominant supplier position, accounting for approximately 75-80% of world almond production (see below), it is reasonable to take Californian export statistics as indicators of market growth. These statistics show that Asian demand experienced a significant dip in 1995/96 (during Asia's economic difficulties) but consistent growth since then, achieving pre-crisis export levels by 1997/98. Demand from China is accelerating strongly.

India accounts for approximately one-third of California's almond exports to Asia. India is also a major market for Australian almonds, and is widely considered to have a stronger economy than many other countries in the region, with a fast-growing middle class which is a significant almond consumer. Almonds are attractive to the Indian diet because of their high protein value in a meatless society.

History shows that worldwide consumer demand for almonds is relatively elastic. Increased almond production has historically been met with increased market demand and market consumption.

International demand for almonds is expected to continue to show strong growth with considerable strength in India, Japan and China.

The Californian almond crop

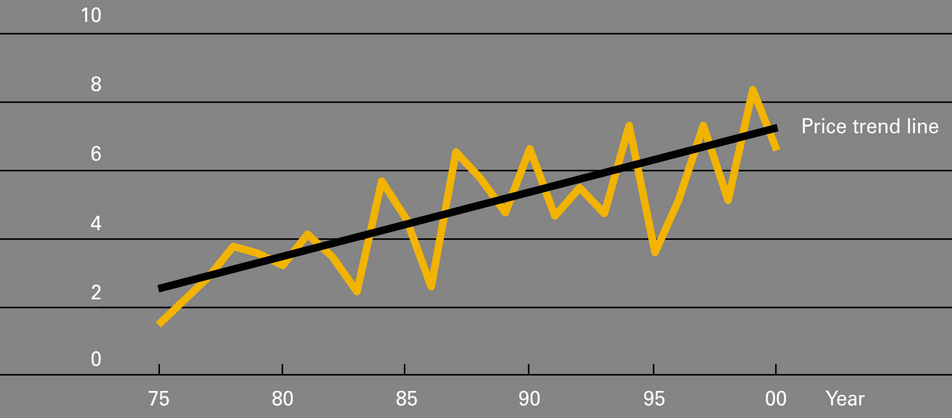
The world's largest producer of almonds is California, which accounts for approximately 75-80% of the world supply. Almonds are California's largest food export and the United States' seventh-largest food export. The size and quality of the Californian crop is the single most influential factor affecting the market price for almonds. Spain and Italy are also significant almond growers, accounting for approximately 19% of world production, with a large number of other countries sharing the balance.

World prices declined in 1999 following a record crop in California of 830 million pounds (approximately 380,000 tonnes). However, in May 2000, the United States implemented a statutory reserve system (ie. a crop set aside) of just over 22% of the total crop to help stabilise the market. With a commercial selling floor now operating, prices have recently recovered, and stability is returning to the market. The record exports from the United States, including newly developed markets, together with a harvest and supply shortfall projection for the year 2000 crop, have resulted in the release of the reserve.

The entire 2000 crop has not yet been finalised. The industry's position report as of 31 January 2001 shows 695 million pounds (approximately 315,000 tonnes) have been received to date.

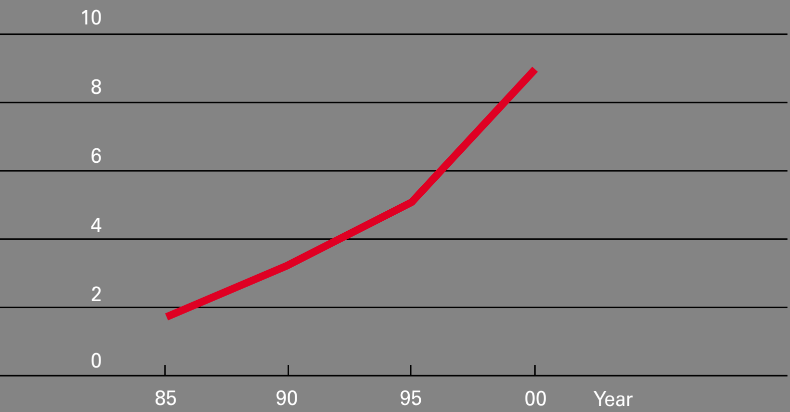
Despite the recent bumper crops, California suffers from variable climatic conditions that result in substantial fluctuations in world almond production: see the graph on the next page. An analysis of California's almond crops over the past 25 years shows that bumper crops occur only sporadically, with very good crops typically followed by average or poor harvests.

California almond crop
Pounds (hundreds of millions)



World almond prices
Grade NP SSR 23/25 $US price per pound

Australian almond production
Tonnes (000)



The Australian almond industry

Climate

Unlike California, Australia has a history of stable almond production: see the graph above. This is primarily due to the more favourable weather conditions present in almond growing regions of Australia.

The majority of almond production in Australia is located in the Sunraysia region, which is centred on the Murray River from Robinvale in Victoria through Renmark and Loxton in South Australia and then through to Swan Reach, also in South Australia. Australian growers experience less significant variations in climatic conditions than those experienced by Californian almond growers.

Production

Australian production of almonds has been steadily increasing over the past 15 years at approximately 13% per annum.

Australia's favourable weather conditions result in a relatively stable production of almonds and Australian almond growers produce a consistent quality of output, which should place our industry in a competitively advantageous position.

Furthermore, Australia has a track record of producing high-grade almonds (recognised by their largeness and lightness in colour), and has been able to develop attractive export markets because of the ability to provide continuity of supply, as well as the quality of this supply.

Select Harvests, the orchard contractor and marketer for this Project, focuses on meeting the requirements of its customers. An example of this is its Indian customers. In India, there is a demand for unshelled almonds and an established hand-shelling industry. Most of Select Harvests' exports are sold to India, which has an expected rapidly growing market for almonds.

Australia's position is further strengthened by the fact that its supply is anti-cyclical, complementing rather than competing with the supply patterns of the almond producers of the Northern Hemisphere.

In 1999, Australia's production of almonds reached a record of approximately 8,500 tonnes and continues to increase at an annual compound rate of 11%.

Consumption

The domestic market for almonds is solid, with high per capita consumption due to Australia's relative affluence and multicultural mix. Almonds are a traditional component of the diets of people from Mediterranean countries, India, the Middle East and Asia.

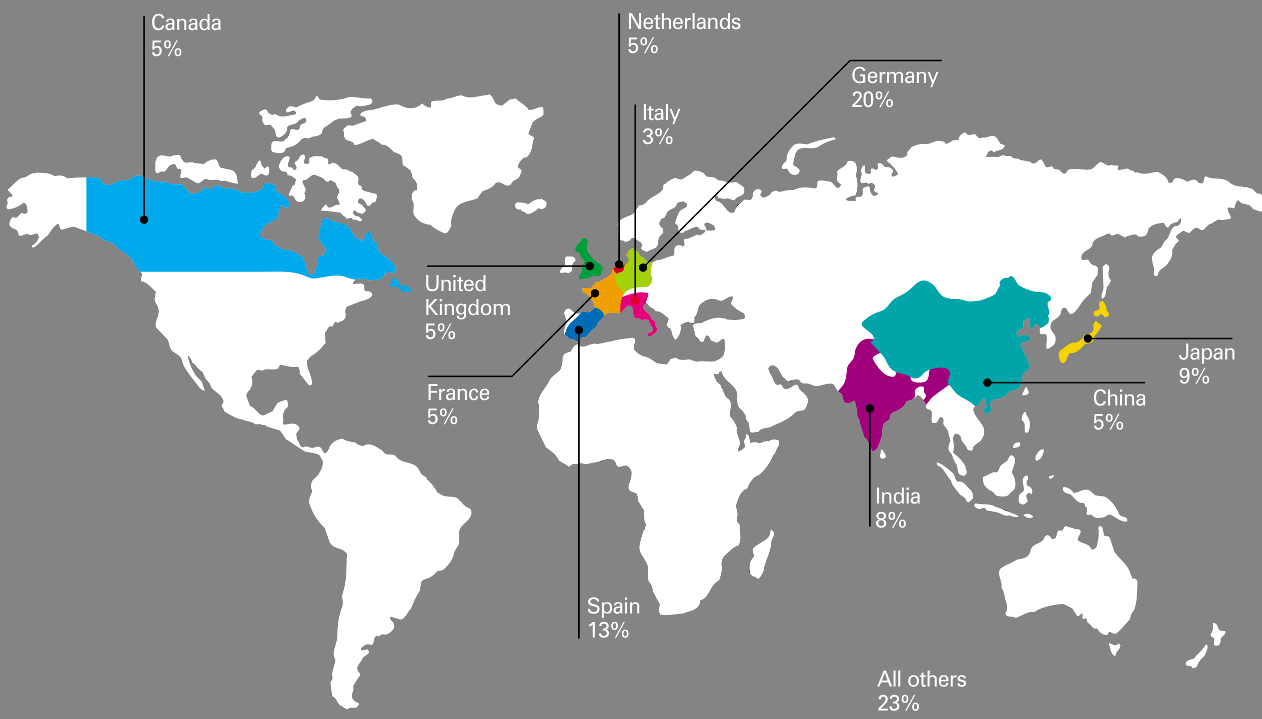
Australian consumption reached 8,867 tonnes in 1999, representing a per capita consumption rate of approximately 490 grams. This compares with 5,790 tonnes in 1995, equating to approximately 350 grams per head.

Australia's competitive advantage

While Australia has developed a sound niche position in selected export markets, its overall volume of production is still very small, accounting for less than 3% of world production. Although Australia's production is increasing, so is the world production (the Californian crop has quadrupled over the past 20 years). Our proportion of world production is not expected to change significantly, although as some producers (example Italy) decline, Australia will move up the ranking ladder.

While the production level from California and the United States' exports and market policies remain the most influential factors in determining global supply and prices of almonds, in some niche markets such as India, Australia has enjoyed premium prices in being able to meet demand for high quality almonds and value added products such as blanched almonds.

The 10 largest importers of almonds for 1999/2000



Australia, being the dominant grower of almonds in the Southern Hemisphere, has a counter seasonal advantage, providing a fresh alternative for consumers, and benefits also from a far less erratic climatic pattern than California. This produces relatively stable harvests of good quality almonds.

Our counter seasonality to Northern Hemisphere growers, together with our quality and clean environment and efficient production technology, ensure that Australia is comfortably able to sell its total crop each year.

The SAG report highlights this competitive advantage: 'High-quality almonds tend to be exported for premium process to niche markets… Over the past three years significant export markets have been identified and developed, and the almond industry is now increasingly focused on the export market.'

The SAG report further states: 'The Riverland/Sunraysia region provides excellent climate conditions … The primary requirements of almonds are frost-free growing conditions from the flowering stage in the month of July. The region is relatively frost free and there are few pests and disease problems due to the ideal dry climate.'

In recent times, Australian production has outstripped domestic consumption and we are now a net exporter, selling a growing proportion of our crop to international markets.

This Project aims to capitalise on the competitive advantages identified above, but also takes the range of benefits further through long-term contractual arrangements with Select Harvests, Australia's leading integrated producer, marketer and exporter of almonds. Select Harvests will control all aspects of growing, harvesting, processing, sorting and packing of almonds and will, therefore, achieve a consistent quality of almonds.

The planned expansion of the industry by this Project is expected to have little or no impact on the balance of global supply and demand and therefore no significant impact on world almond prices. However, Growers will benefit from increased sales that Select Harvests will make to niche and emerging export markets, including China, India, Japan, Middle East, Europe, and to longstanding domestic customers such as confectioners, bakers and cereal manufacturers, dairy producers, supermarket packers and wholesalers. For further details regarding Select Harvests, refer to the sections of this prospectus titled How the Project Works and Key Participants.

Almonds – the health benefits

Current medical research demonstrates that not only are almonds healthy, but they may also protect against various cancers, lower the risk of heart disease and reduce the risk of strokes by lowering blood pressure. In addition, almonds contain a wide range of important vitamins, antioxidants and minerals as well as dietary fibre.

The health benefits of almonds are being increasingly understood and stimulating consumption in developed countries. Nuts of all sorts are rich in antioxidant vitamin E. Almonds are loaded with alpha-tocopherol which is believed to have the potential to lower the risk of heart disease.

Until recently, there was some focus on nuts being relatively high in fat. Whilst this is true, the fat in nuts is unsaturated. A study published in the April 2000 issue of the American Archives of Internal Medicine indicated that people could lower their blood cholesterol by eating less saturated fats and more unsaturated fats.

Because nuts are rich in unsaturated fats, nut enthusiasts could very well enjoy their cholesterol lowering benefits. In fact, New Mexico State University researchers reported in the March 2000 issue of the Journal of American Dieteric Association that diets that include almonds, walnuts, pecans, macadamias and pistachios could help lower cholesterol.

Nuts of all varieties have traditionally been labelled 'party fare' – a sinful, fat laden snack only to be eaten as a treat. However, awareness is growing that nuts contain monounsaturated fats and are in fact good for you.

Research by the Heart Foundation has established that 'good' fats are found in nuts, fish, poly and monounsaturated margarines, cooking oils and salad dressings. These fats help lower high blood cholesterol levels and fight heart disease.

While a diet high in saturated fat is undoubtedly bad, Heart Foundation National Nutrition Manager Susan Anderson says: 'Throwing out all fats is like throwing out the baby with the bath water.' The most popular misconception about nuts is that they are fattening and contain cholesterol. Studies by leading medical and nutritional researchers in the United States have shown this to be without scientific basis.

Other studies by leading research groups have concluded that diets high in nuts could be protective against some cancers such as colon, lung and prostate cancer and diabetes and Alzheimer's disease, amongst others.

The accumulation of nutritional and medical research should have a significant impact on the demand for, and consumption of, almonds in developed countries where growing numbers of people are changing their dietary habits to include healthy foods.

Nutritional benefits

High in monounsaturated fat

Cholesterol free

Low in saturated fat

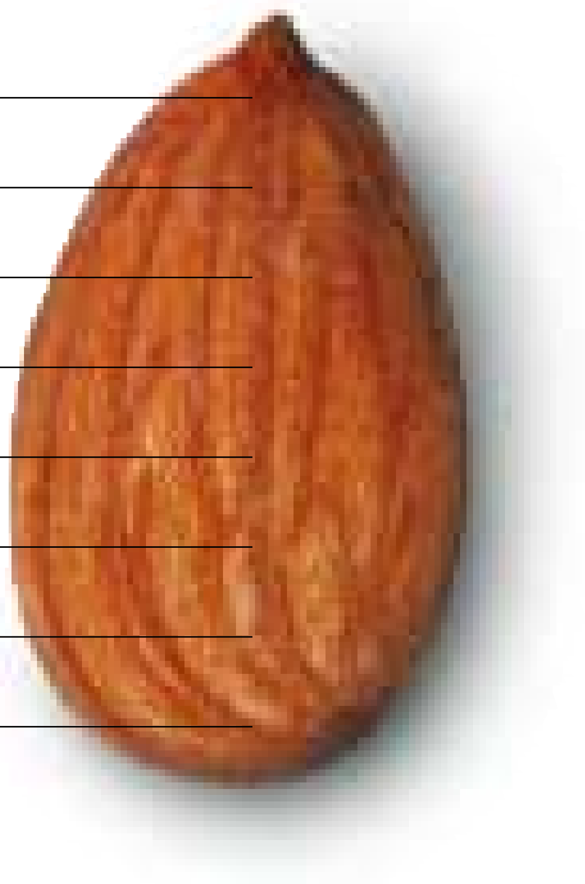
A leading source of vitamin E

A good source of dietry fibre

High in arginine rich protein

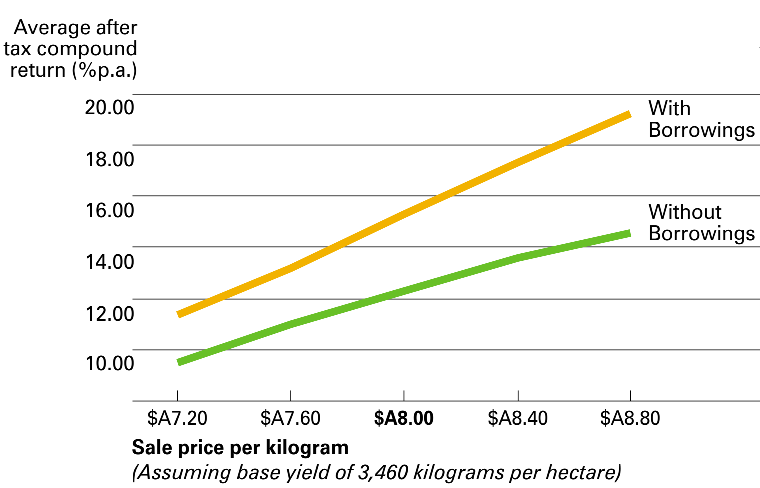
High in calcium and riboflavin

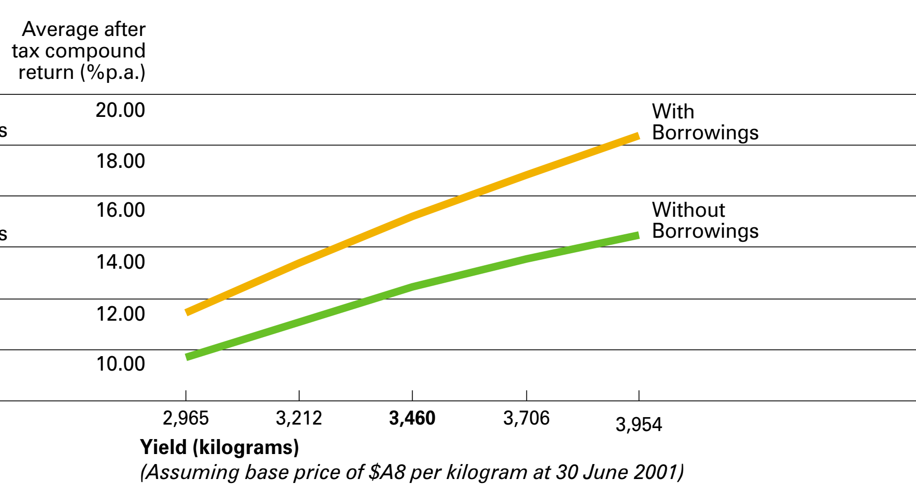
A source of copper, zinc and magnesium



Forecasted Proceeds and Returns

Sensitivity Analysis





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Notes and assumptions:

a The projections are for one Almondlot of 0.25 hectares and for a Grower who is a natural person.

b The inflation rate, as measured by the Consumer Price Index (All Groups) Weighted Average of Eight Capital Cities, is 3% per annum from June 2001.

c The sale price of almonds is $A8.00 per kilogram for the year ended 30 June 2001 and is expected to increase at the rate of 2% per annum.

d One half of the entire crop for a season will be sold by 30 June of the year in which it is harvested.

e On average, 62 Almond Trees are planted on each Almondlot.

f The long term average yield of Almonds is as follows:

Year ended 30 June	**Almond yields** (kilograms/Almondlot)	(kilograms/hectare)
2004	95	380
2005	340	1,360
2006	462	1,850
2007	802	3,210
2008 onwards p.a.	865	3,460

Actual yields may vary from year to year due to seasonal and other factors.

g Management costs are based on actual production costs. In addition there is a management fee equal to 6% of the proceeds of sale of your Almonds. Licence fees are indexed at the assumed inflation rate of 3% per annum, commencing 30 September 2003.

h Gearing – assumes 80% of the management and licence fees (inclusive of GST) payable during the first three years of the Project, and the cost of purchasing and planting your Almond Trees during the first two years of the Project will be financed by way of three separate loans. Each of the loans will be advanced when the relevant fees become due and payable and will be repayable by 60 equal monthly instalments of principal and interest. The annual interest rate will be 12%. Repayments for loan one will commence in May 2001.

i Under Item 5 of section 387-185(1) of the Tax Act, Growers will write-off the costs of purchasing and planting the Almond Trees on their Almondlots at the rate of 13% per annum, commencing in the year ended 30 June 2004.

j At the end of the Project, Almond Land will purchase the Grower's 90% joint venture interest in Almond Trees at the GST exclusive price of $2,000 per Almondlot. The Grower is entitled to the 50% capital gains tax concession afforded by A New Tax System (Integrity and Other Measures) Act 1999, but is not entitled to additional relief under the small business relief measures.

k Taxation rate - 48.5% including medicare levy.

l All costs incurred in respect of services rendered will be subject to GST. However, the effect of GST has been ignored in calculating the forecasted results outlined above. This is because Growers registered for GST should be entitled to claim a GST input tax credit for GST paid. In addition, to the extent that any Almonds are sold to the export market, they should be GST exempt.

We do not guarantee the returns set out in this prospectus.

Taxation Benefits and GST

ATO Product Ruling PR 2001/15

Ralph Report – Stage 2

On 11 November 1999, the Federal Treasurer released the second stage of the Government's response to the recommendations of the Ralph Review of Business Taxation. In that release, the Treasurer announced that prepayments in respect of 'tax shelter' arrangements would be deductible over the period during which the services are provided, rather than being immediately deductible. The New Business Tax System (Integrity Measures) Act 2000, which gives legislative effect to these changes, was passed on 30 June 2000.

Growers in the Project should not be affected by these changes, as all payments under the Project relate to services being wholly provided in the year of payment. In other words, none of these payments are prepayments. This means that all management and licence fees and costs set out in this prospectus and incurred in relation to the Project should be deductible in the year of payment.

The New Business Tax System (Integrity Measures) Act 2000 also affects the deductibility of losses from 'non-commercial business activities'. The provisions of this legislation which apply from 1 July 2000 to the income year ending 30 June 2001 and subsequent years, restrict the extent to which an individual can offset losses from a non-commercial activity against other income.

If the provisions apply, losses from the non-commercial business activity will be carried forward and will be deductible against future income derived from that activity only. Losses will only be allowed as deductions against other income if the income is excepted income, if one of four tests is satisfied or, importantly for our purposes, if the Commissioner favourably exercises a discretion that the legislation gives to him.

This is important because none of the tests will be satisfied by a Grower either in the year of investment or subsequent years up to the stage of harvest and the income is unlikely to be excepted income.

The Product Ruling states that the Commissioner will exercise his discretion favourably and this will apply for the period of the Product Ruling and thereafter, in the absence of legislative change.

For further explanation of how these provisions affect Growers in the Project, refer to the Taxation Advisor's Report.

Deductions available

You should be entitled to an immediate taxation deduction for the management and licence fees each year, when incurred. In addition, you should be entitled to deductions for other ongoing costs relating to the Project, including interest on any funds that you borrow to finance your activities. These costs should all be deductible in the years in which they are incurred.

However, you should note the operation of section 27-5 of the Tax Act which is explained below.

ATO Product Ruling

The Australian Taxation Office has issued Product Ruling PR 2001/15. This Ruling confirms the deductibility of the above costs. A copy of the ruling is attached to the Taxation Advisor's Report.

A product ruling is a binding public ruling under the Taxation Administration Act 1953, in relation to the effect of the income tax law on a project. It protects Growers so long as the Project is carried out in accordance with the details that we provided to the Australian Taxation Office and described in the product ruling.

Goods and Services Tax (GST)

The Goods and Services Tax (GST) came into effect on 1 July 2000.

GST is a tax payable on any "taxable supply". A taxable supply includes the supply of goods, services and many other things. Taxable supplies under the Project are likely to include the management services provided by us, the licence rights granted by Almond Land in relation to your Almondlots and all services associated with the harvesting, processing, delivery and marketing of your Almonds. This means that as a Grower, you will be required to pay 10% GST on all payments for services delivered to you under the Project.

Almond proceeds

All proceeds that you derive from the sale of Almonds will be assessable income for taxation purposes.

Costs of purchasing and planting Almond Trees

The purchase of the Almond Trees and their planting costs are capital costs, as there is an enduring benefit to be derived from them. Accordingly, these costs are not allowable as deductions under section 8-1 of the Tax Act. However, subdivision 387-C allows the cost of establishing horticultural plants to be written off over the effective life of the trees.

As the estimated useful life of the Almond Trees is 25 years, under item 5 of section 387-185(1), the costs of purchasing and planting the Almond Trees on your Almondlots may be written off at the rate of 13% per annum, commencing in the year in which the Almond Trees enter their first commercial season.

As a Grower in the Project, you will be carrying on an enterprise. This means that you will be entitled to claim an input tax credit in the nature of a refund or offset for any GST that you pay in relation to the Project. In order to claim the credit, you must be registered for GST purposes and obtain an Australian Business Number (ABN) from the Australian Taxation Office. If you already carry on an enterprise that is registered and you own your Almondlots in the same name as that which carries on the enterprise, your existing registration will be sufficient. However, if you do not, or if you do not carry on any other type of enterprise, then you will be able to register specifically in relation to your Almondlots and Almond growing enterprise.

All of the Project Agreements contain provisions to the effect that where we or Almond Land are required to remit any GST in respect of services provided to you under the Project, the amount of management and licence fees payable by you may be increased by an equivalent amount.

You should note the effect of section 27-5 of the Tax Act. It operates to reduce the amount of any tax deduction that you may claim by the amount of any input tax credit to which you are entitled. This means that if you register, or are required to be registered, for GST, you will not be entitled to claim a tax deduction for the amount of any GST that you pay to us during the life of the Project. Of course if you are registered for GST, you will be entitled to claim an input tax credit in respect of any GST paid to us.

You should obtain your own independent professional advice in relation to the effects of GST under the Project.

Sale of Almond Trees at Project end

On termination of the Project, you must sell to Almond Land your joint venture interest in the Almond Trees. The Almond Trees are assets for capital gains tax purposes and a sale of the Almond Trees will give rise to an assessable taxable gain in your hands. You will realise a capital gain if the sale proceeds exceed the cost base of your Almond Trees.

By the Project end, your cost base in the Almond Trees will have been reduced to nil as a result of the annual write-offs claimed under subdivision 387-C discussed above. Accordingly, the entire sale proceeds will be subject to capital gains tax in your hands.

The effect of A New Tax System (Integrity and Other Measures) Act 1999 is that a natural person Grower who acquires Almond Trees under the Project will be taxed on only 50% of the sale proceeds. Where the Grower is a superannuation fund, a discount of 33% will apply.

Further, you should note that a Grower disposing of Almond Trees at Project end may be eligible for the Small Business Relief of a further 50% reduction of any remaining assessable capital gain as provided for in Division 152 of the Tax Act. This relief, if available, is in addition to the capital gains tax discounts that an individual Grower or a superannuation fund may receive.

Taxation opinion

The Taxation Advisor's Report sets out in full the taxation implications of participating in the Project.

Before deciding whether to participate, you should refer to the Taxation Advisor's Report and to Product Ruling PR 2001/15. You should also obtain your own independent professional advice on this important matter.

How the Project Works

Becoming a Grower

You may become a Grower by completing the application and power of attorney form at the back of this prospectus and paying the relevant Application Moneys.

On acceptance of your application, you will become an almond grower in your own right on land that Almond Land licenses to you.

Upon becoming a Grower we will send to you:

- an Almondlot statement, together with a map to enable you to identify the location of your Almondlots; and
- a formal advice of the Application Moneys paid by you, to assist in the preparation of your income tax return.

During the Project we will send to you:

- annual reports setting out the results of the harvest of Almonds including the condition of the Orchard and Almond Trees and other relevant details;
- annual invoices for management fees and licence fees; and
- once the Almond Trees start producing Almonds, annual statements of income and expenses and proceeds from the sale of Almonds produced from the Orchard.

Naturally, you will be entitled to visit your Almondlots and monitor the progress of the Almond Trees.

Project Agreements

Your rights and obligations under the Project will be governed by the Project Agreements. An explanation of the key features of these agreements follows.

Constitution

The Constitution is a deed that establishes the 2001 Timbercorp Almond Project as a managed investment scheme. By completing the application and power of attorney form attached to this prospectus, a Grower agrees to be bound by the Constitution. The Constitution sets out the terms and conditions under which we are appointed Responsible Entity of the Project. It also sets out:

- how the Project will be administered;
- how reports will be provided to you;
- your rights;
- the fees that you are required to pay;
- termination and retirement provisions;
- your protections and safeguards, including complaints resolution procedures; and
- receipt and distribution of Proceeds.

Custody Agreement

We have engaged Permanent Trustee Company Limited as Custodian for the Project. Its principal role is to perform the following functions:

- receive and hold Application Moneys and Proceeds until they are disbursed under the Project Agreements;
- upon a direction from us, and if duly appointed as attorney, execute the Licence and Joint Venture Agreement, Tree Supply and Planting Agreement and Almondlot Management Agreement as attorney for and on behalf of the Growers; and
- retain the executed Project Agreements in safe custody.

We will pay all of the Custodian's fees and expenses out of our own funds. None of these fees are required to be met by Growers.

Licence and Joint Venture Agreement

The Licence and Joint Venture Agreement will be between you and Almond Land. We will also be a party to that agreement.

Under this agreement, Almond Land agrees to establish all infrastructure and other capital works necessary to operate a commercial almond orchard in readiness for planting of your Almond Trees under the Tree Supply and Planting Agreement. These works include the installation of irrigation equipment and the construction of a dam. Almond Land will also clear the Land and prepare the soils for planting.

Almond Land will own all infrastructure and other capital works established on the Land, including the Water Licences and irrigation equipment. It has acquired rights over the irrigation mainlines that will transport water to Orchard. For further details on the Orchard and the Water Licences refer to the Project Site and Development section of this prospectus.

Almond Land will grant to you a licence to use and occupy identifiable Almondlots for the term of the Project. The purpose of the licence is to allow you to cultivate and harvest Almonds in a joint venture with Almond Land for commercial gain.

Your application fee includes a licence fee of $852 (including $77.45 GST) for the period from acceptance of your application until 30 June 2001.

Then, on 30 September each year during the Project, commencing 30 September 2001, you will pay an annual licence fee of $852.50 (including $77.50 GST), payable partly in arrears and partly in advance. From year 4 of the Project, commencing on 30 September 2003, each annual licence fee will be indexed to CPI, adopting 2003 as the base year.

Almond Land will be your joint venturer in respect of each of your Almondlots. Your joint venture interest will be 90% and Almond Land's joint venture interest will be 10%. This means that you will pay 90% of all costs associated with the cultivation and management of your Almondlots and Almond Land will pay 10% of these costs. Correspondingly, you will receive 90% and Almond Land will receive 10% of the produce. Costs shown in this prospectus relate to your 90% share of the costs and entitlement to income.

Joint Venture

Tree ownership

90%	10%
Grower	Almond Land Pty Ltd

Project participation

90%	10%
Grower	Almond Land Pty Ltd

Tree Supply and Planting Agreement

Under the Tree Supply and Planting Agreement, you will purchase an interest in the Almond Trees that will be planted on your Almondlots equal to your joint venture interest under the Licence and Joint Venture Agreement (ie. 90%). You will also engage Almond Land to plant the Almond Trees on your Almondlots.

The purchase and planting cost in respect of each Almondlot is $1,100 (including $100 GST). On average, each Almondlot will contain 62 Almond Trees. One half of these costs is payable on application and the balance is payable on 30 September 2001.

At the end of the Project, you will be required to sell to Almond Land your joint venture interest in the Almond Trees planted on each of your Almondlots for a fixed price of $2,200 (including $200 GST) per Almondlot.

Almond Land has purchased the Almond Trees from Select Harvests and has engaged Select Harvests under a Tree Supply and Capital Works Agreement:

- to oversee the establishment of the infrastructure and other capital works on the Land; and
- to plant the Almond Trees on the Orchard and to erect stakes and tree guards.

Lease of the Land

In order to secure your tenure of the Land for the duration of the Project, Almond Land will lease the Land to us in our capacity as Responsible Entity under the Project. This lease will confer on us exclusive possession of the Land. In order to enable Almond Land to grant to you a licence over your Almondlots, we will sub-lease the Land back to Almond Land. The terms and conditions of the sub-lease generally will reflect those contained in the lease.

Management of your Almondlots

Under the Almondlot Management Agreement between you and us, we will throughout the term of the Project manage and cultivate your Almondlots (which you will operate in joint venture with Almond Land) procure the processing of the Almonds that have been harvested and procure the marketing and sale of the Almonds.

We will engage Almond Management to assist us in performing our duties and meeting our obligations under the Almondlot Management Agreement. In turn, under the Almond Orchard Management Agreement, Almond Management will engage Select Harvests, Australia's leading integrated producer, processor and marketer of Almonds, to undertake the day-to-day management of the Orchard, harvest the Almonds and thereafter process and sell the Almonds to domestic and overseas markets through an established distribution network.

Select Harvests' ability to manage the value chain from the Orchard to the supermarket shelf is considered to be a major benefit to Growers participating in the Project.

Your application fee includes a management fee of $4,598 per Almondlot (including $418 GST) for the period from acceptance of your application until 30 June 2001.

Thereafter, you will be required to pay the following management fees and costs:

a) for the period commencing on 1 July 2001 and ending on 30 June 2002 - $1,512.50 per Almondlot (including $137.50 GST) payable on 30 September 2001, partly in arrears and partly in advance;

b) for the period commencing on 1 July 2002 and ending on 30 June 2003 - $1,512.50 per Almondlot (including $137.50 GST) payable on 30 September 2002, partly in arrears and partly in advance;

c) in respect of each subsequent financial year until 30 June 2019 – an amount per Almondlot that we estimate to be the reasonable operating costs of us managing your Almondlots. This fee will include an allocation of overhead costs incurred by us that will not exceed $50 per Almondlot (indexed each year) and will be payable on 30 September of each year. Once the actual costs are determined, we will adjust the following year's payments to reflect the actual costs;

d) a management fee of 6% of the annual proceeds of sale of your Almonds; and

e) an incentive fee of 25% of so much of the annual Net Proceeds payable to you in a financial year which exceed the forecasted Net Proceeds set out in this prospectus, less any allowance for inflation at arriving at such estimate, but indexed from the date of the Almondlot Management Agreement. In order to allow for a variation in yields from year to year, this fee will be calculated on a two year rolling basis.

Under the Almondlot Management Agreement, we may pay on your behalf your annual licence fees and your participating share of the annual management fees and other costs out of any Proceeds that we hold on your behalf or to which you are entitled.

One of the key arrangements that underpins the commerciality of the Project is the engagement by Almond Management of Select Harvests to market the entire crop of Almonds through established local and overseas channels. This arrangement is embodied in the Almond Orchard Management Agreement.

Pools and sub-pools

Following harvest, your Almonds will be pooled with the Almonds of all other Growers in the Project, processed and kept separate from all other almonds that have been processed or stored by Select Harvests until they are sold.

Generally, Select Harvests will pool your Almonds with all other almonds that it sells. By doing so, you will receive the average price that Select Harvests receives for the whole of the almonds sold by it. Alternatively, Almond Management, as your agent, may choose to sell the Almonds outside the pooling arrangements operated by Select Harvests and may direct Select Harvests to sell the Almonds separately. Price and cashflow considerations will determine whether Almond Management directs Select Harvests to sell outside these pool arrangements.

Harvest, processing and sale of your Almonds

Harvest and processing

We expect your Almondlots to start producing commercial quantities of Almonds in the third year after the year of establishment, ie. autumn 2004.

The harvesting program will commence in late February of each year when Select Harvests will test the maturity of the Almonds to determine their readiness for harvesting. Harvesting will take place generally in the months of February to April.

Following harvest, the Almonds will be transported to a modern processing facility owned and operated by Select Harvests, where they will be weighed, tested and processed. The processing facility is divided into two parts. The hulling and cracking plant is located on Select Harvests' main farm at Kyndalyn Park, approximately 36 kilometres from the Liparoo site and the sorting and packing operation is situated close by at Euston, the sister city of Robinvale on the New South Wales side of the Murray River.

After the Almonds are shelled, Select Harvests will dry any kernels (derived from the Almonds) that have an excessive moisture content. All hull and shell generated by the processing of the Almonds will be the property of Select Harvests and it will be responsible for their disposal. Finally, the Almonds will be graded having regard to size, variety and defects, if any. For further information on the harvesting and processing of your Almonds, including a map of the Land and the processing plants, refer to the section of this prospectus titled Project Site and Development.

Sale of your Almonds

The Almondlot Management Agreement requires us to sell your Almonds as your agent. We will endeavour to sell the Almonds so as to maximise returns to Growers. Under the Almondlot Management Agreement, we are appointed as your agent and attorney to enter into any agreement for the sale of the Almonds. We have appointed Almond Management as agent to sell the Almonds, subject to our direction.

The pooling arrangements operated by Select Harvests are also designed to ensure that producers of higher quality almonds benefit from higher prices and returns that may be achieved in respect of the sale of their almonds.

Therefore, Select Harvests will establish sub-pools at the commencement of each season, based on grades that will be marketed separately and for which substantial price differentials will exist. Separate contribution proportions and prices will be calculated for each sub-pool created, and an amount equal to the proceeds of sale less the costs of sale will be paid to Almond Management within 7 days of the end of each month. Then, at end of each quarter, Select Harvests will reconcile the actual contribution proportions made by Almond Management on behalf of Growers to each sub-pool to ensure that Growers ultimately receive all proceeds to which they are entitled.

Distribution of your almond proceeds

As your Almonds will be pooled with the Almonds of all other Growers in the Project, you will be entitled to a proportionate share of the net proceeds paid by Select Harvests to Almond Management, plus any other proceeds of sale generated by Almond Management on your behalf.

As consumer demand and price prospects will determine the timing of sales, we will receive proceeds from the sale of almonds progressively throughout each year. We will distribute net proceeds received within 30 days after the end of each quarter. Prior to distributing proceeds to you, we will deduct your proportionate share of the licence fees and estimated costs of operating your Almondlots for the next year, the management fee of 6% of the annual sale proceeds and any incentive fee due to us. At that time we will have also calculated the actual operating costs incurred by you for the previous year and will adjust your proceeds accordingly.

Key Participants

The Responsible Entity

Timbercorp Securities Limited

We are the Responsible Entity of the 2001 Timbercorp Almond Project. As Responsible Entity we are required to operate the Project and perform the functions conferred on us by the Constitution and the Corporations Law. We have the power to appoint an agent or engage a person to do anything that we are authorised to do in relation to the Project. If we do so, we remain responsible for anything the agent or person has done. It is under this power that we have appointed the Custodian to hold scheme assets, comprising the Subscription Moneys and the Proceeds.

On 2 February 2001, the Project was registered by the ASIC as a managed investment scheme. Our securities dealer's licence enables us to operate the Project and to carry on a securities business in relation to the Project.

Compliance measures

As required by the Corporations Law, we have prepared and implemented a compliance plan for the Project. The Compliance Plan is designed to ensure your protection in light of the particular characteristics of the Project.

The Plan:

- provides an overview of the Project including its key features, documents and parties;
- describes our internal compliance framework and structures, within which the Compliance Plan is intended to operate;
- considers our ongoing obligations under the Constitution and the Corporations Law and identifies the outcomes those obligations are designed to deliver;
- identifies the investment and other risks associated with the Project and the safeguards that we have established to minimise those risks; and
- establishes the structures, processes and systems designed to meet the risks of non-compliance by us in key areas of the Project and to deliver the intended outcomes of the Project.

Within the framework of the Compliance Plan we have developed compliance procedures to meet the outcomes set out in it. We have engaged a registered company auditor to audit our compliance with the plan annually.

Compliance committee

In order to monitor our compliance with the Compliance Plan and other statutory obligations, we have established a compliance committee. The committee will be required to report to our Board any breaches of the Compliance Plan and regularly assess the adequacy of the Compliance Plan. The Compliance Committee will meet regularly following the issue of this prospectus. The committee comprises two external members and one of our representatives. The members of the Compliance Committee are as follows:

George Aivazidis B Com
(our representative)

George Aivazidis is the compliance and contracts manager of the Timbercorp group. From 1991 to 1999 he was a senior officer with the ASIC and prior to that spent six years at the Corporate Affairs Office.

Greg Bush LLB BA
(external member)

Greg Bush is a commercial lawyer with over eight years' experience in advising both small and medium businesses on general corporate and legal issues.

Michael J Walter FCA
(external member)

Michael Walter has over 30 years' experience in advising small and medium businesses across a range of industries on accounting, audit and taxation issues. From 1978 to 1998 he was a partner with

Coopers & Lybrand (later PricewaterhouseCoopers), first joining the firm in 1963. He is a fellow of the Institute of Chartered Accountants and currently practises as a chartered accountant under his own name.

The Directors

Our directors and other staff have extensive experience in forestry, viticulture and other forms of irrigated agriculture. Recently, Punters Corner Pty Ltd, which is associated with Timbercorp's largest shareholder, was awarded Australia's most prestigious wine award, the Jimmy Watson Trophy, for the best one year old red wine.

David W A Muir
Age 52
Non-Executive Chairman

Mr Muir is a co-founder of the Timbercorp group of companies and has eighteen years' experience in the management of plantation forestry and other agricultural activities.

Mr Muir is a member of the Australian Society of Certified Practising Accountants, a Fellow of the Australian Institute of Company Directors and a former president of a regional division of Australian Forest Growers, the principal industry body representing private forest growers.

Robert J Hance
Age 57
Chief Executive Officer

Mr Hance is a co-founder of the Timbercorp group of companies and is the Chief Executive Officer of Timbercorp. He has been in charge of he design and marketing of Timbercorp's primary industries based projects since incorporation.

He has extensive experience in the analysis, design and marketing of primary industries based investment products.

John M Vaughan
Age 59
Executive Director

Mr Vaughan has been a director of Timbercorp Limited since its incorporation in 1992. He is a Fellow of the Australian Society of Certified Practising Accountants. He has worked with several Australian and overseas listed natural resource companies at senior or board level and has extensive experience in project development, treasury and corporate management.

He oversees the group's forestry operations including treefarm operations, harvesting and processing, and resource marketing.

Sol C Rabinowicz
Age 34
Executive Director

Mr Rabinowicz was appointed to the Board of Timbercorp Limited on 1 July 2000. He commenced employment with Timbercorp in 1996 following its ASX listing and has served as both Company Secretary and General Manager – Corporate being responsible for the Company's corporate, legal, finance, IT and administrative functions.

Prior to joining Timbercorp, Mr Rabinowicz was a senior associate in the corporate and financial services division of a Melbourne law firm. He has experience in securities industry and taxation law, having provided both corporate and legal advice to a range of clients, including Timbercorp.

Gary W Liddell
Age 59
Non-Executive Director

Mr Liddell is an Associate of the Institute of Chartered Accountants in Australia and is a partner in the chartered accounting firm, Liddell Weight & Co. He has been the external accountant to the Timbercorp group of companies since the commencement of operations.

Mr Liddell has vast experience in financial management and compliance work and has a detailed knowledge of primary production structures and operations.

Almond Orchard Contractor

Select Harvests Limited

Almond Management has engaged Select Harvests, Australia's leading integrated almond producer, processor and marketer of almonds to provide full farm management services in relation to the Orchard. Select Harvests will undertake day-to-day management of the Orchard and thereafter process the Almonds and market them in a variety of packs and sizes, ranging from 50g retail packs to 1 tonne bags, through established domestic and overseas channels.

Select Harvests' appointment is a significant factor in the offer outlined in this prospectus. It is a public company listed on the Australian Stock Exchange and is responsible for the production of approximately 30% of Australia's total crop of almonds on orchards that cover approximately 2,300 acres of land. The orchards managed by Select Harvests are situated in northwest Victoria along the Murray River, which provides the valuable water resource for growing almonds. These orchards are producing yields and quality in line with world's best practice.

To ensure the quality of its almonds, Select Harvests has invested heavily in recent years in modern harvesting equipment and state-of-the-art processing facilities, which it owns and operates. The processing facilities have the capacity to process the yields anticipated for this Project and enable Select Harvests to control all stages of production to ensure high quality almonds are produced at the most efficient cost.

In 1999/2000, Select Harvests sold 2,250 tonnes of almonds of which 31% were exported, mainly to India and China. Importantly, under this Project, Select Harvests guarantees the sale of the entire crop produced each year by the end of the financial year following the year in which Almonds will be harvested. However, Select Harvests does not guarantee the sale price of the Almonds.

Following the acquisition of Lucky Candy Co. in October 1998, the largest retail packer of almonds in Australia, Select Harvests processes, packages and markets almonds and other nut and dried fruit products through Australian supermarkets under the 'Lucky' brand.

Select Harvests is a financially sound and successful company with reported net assets of $32.8 million as at 30 June 2000. For the year ended 30 June 2000, group operating profit before tax increased by over 16% for a second consecutive year to $7.6 million. This result was achieved despite low almond prices in 2000 due to a record US crop in 1999.

Select Harvest's 2000 almond crop yielded 2,250 tonnes, maintaining the major yield improvement and record crop of 2,280 achieved in 1999 (1998: 1,950 tonnes). The yields are now in line with best practice and have increased by almost 135% in the past 5 years. During the same period, production has increased by over 130%. The increased yields and production reflect a major focus in recent years on improved management and horticultural practices.

As a result of increased yields and improved efficiencies in growing and processing activities, Select Harvests reduced costs of almond production by 4% on a per kilogram produced basis for the 2000 crop, further consolidating the 13% cost reduction achieved in 1999. This places Select Harvests as one of the most efficient producers in the world.

The efficiency gains were assisted by the upgrading of the company's operations in recent years, particularly the modernisation and increased production capacity of its new hulling and shelling facility. Experienced Californian managers were engaged to run its hulling and cracking operation for the 1999 and 2000 seasons and to train its staff. This proved very successful for the company in terms of both efficiency gains and product quality.

Select Harvests has a strong track record as a producer, marketer and exporter of almonds. The yields achieved by the company in 2000 reflect a combination of lower yielding, more mature plantations developed using less efficient techniques and higher yielding, more recent plantations developed with modern growing techniques and best practice farm management.

Almond Land has engaged Select Harvests to oversee the establishment of the infrastructure and other capital works on the Land and to plant the Almond Trees. Its appointment will ensure that when completed, the Orchard will have been developed consistently with proven techniques that have been developed by Select Harvests. We are confident that this factor, together with Select Harvests' proven orchard management record, will maximise almond yields.

Select Harvests' expertise and experience in growing, harvesting, processing and marketing almonds, as well as its established relationships with domestic and overseas almond buyers underpin the commercial viability of the Project.

Land Owner

Almond Land Pty Ltd

Almond Land is also a subsidiary of our parent company, Timbercorp Limited, and has an identical board to that of Almond Management. Almond Land is entitled to become registered as the owner of the Liparoo site and has entered into a contract of sale to purchase the Carina site. Pending settlement of that contract, Almond Land has secured rights of exclusive possession over the Carina site. The Contract of sale is subject to the registration of a plan of subdivision by March 2002. In order to protect Growers' interests, the contract of sale provides that, in the event that the plan of subdivision is not registered by this time, the vendor will grant to Almond Land a 100 year lease over the Carina site. Almond Land will establish and own the entire infrastructure and other capital works necessary to operate the Orchard, including the irrigation equipment and Water Licences, but not the mainline which transports water to the Carina site, which it will lease from Kyndalyn Park Pty Ltd, a wholly owned subsidiary of Select Harvests. It will own the Almond Trees in joint venture with each Grower and will plant the Almond Trees on behalf of Growers. Almond Land will engage Select Harvests as an independent contractor to oversee the performance of these works.

Project Manager

Almond Management Pty Ltd

Almond Management is a subsidiary of our parent company, Timbercorp Limited. The board and key personnel of Almond Management have substantial expertise in the management of almond orchards and other horticultural projects.

The Timbercorp Group

It is appropriate that we provide you with information about our parent company, Timbercorp Limited.

After more than a decade of plantation operations, the Timbercorp group is regarded as one of Australia's leading primary industry investment managers.

The Timbercorp group of companies was established in 1987 to bring together the forestry and viticulture management expertise built up by its founders. In 1991 and 1992, the Timbercorp group began establishing Tasmanian Bluegum plantations with approximately 150 hectares in western Victoria and 840 hectares in the south west of Western Australia.

Timbercorp Limited was incorporated on 21 February 1992 specifically to act as project manager of an annual series of forestry projects called the Timbercorp Eucalypts Projects.

Following a period of substantial growth, Timbercorp listed on the Australian Stock Exchange in May 1996 and currently has a market capitalisation of over $300 million. In July 1998, the company established a tree farming division, Timbercorp Treefarms, in conjunction with a number of leading participants in the hardwood plantation industry. This division expanded Timbercorp's operations and skills into land acquisition, plantation development and maintenance. It now operates with over 55 staff and is one of Australia's largest plantation contractors.

In November 2000, the Timbercorp group launched the 2001 Timbercorp Eucalypts Project, its tenth annual forestry prospectus project since the company's incorporation in 1992, and the 2001 Timbercorp Olive Project, its first prospectus based olive project. To date, Timbercorp has raised in excess of $285 million to establish more than 62,000 hectares of Tasmanian Bluegums on 250 separate properties in Western Australia, western Victoria and eastern South Australia and 362 hectares of olive groves in the Boort district, 120 kilometres northeast of Bendigo in Victoria.

Timbercorp employs over 90 full time staff in the areas of land acquisition, forestry and horticultural operations, marketing, finance and corporate and legal administration.

Some two years ago, Timbercorp decided to expand its activities and as a result has investigated a range of primary production projects. Following a 15 month investigation into the olive industry, the company formed the view that the industry fundamentals were conducive to the establishment of large scale olive projects. As a result of this work, the company, through a subsidiary, successfully established an olive grove of 362 hectares in Boort, Victoria, and in November 2000 we launched our first olive prospectus for a further 500 hectares of olive groves.

Timbercorp has investigated the fundamentals of the almond industry over a number of years and is satisfied that the time is right for the establishment of large scale almond orchards.

As a listed public company, Timbercorp Limited is required to lodge periodic accounts and other relevant information with the Australian Stock Exchange.

This section contains extracts of the company's audited accounts in respect of the financial years ended 30 June 1999 and 30 June 2000. A full set of the company's financial statements including Notes to Accounts is available on request.

Timbercorp Limited

Audited Balance Sheet

as at 30 June	**2000** $A '000	**1999** $A '000
Current Assets		
Cash	5,218	40,851
Receivables	28,216	25,104
Inventories	4,809	1,960
Other	7,850	21,481
Total Current Assets	46,093	89,396
Non-current Assets		
Receivables	154,573	147,500
Investments	291	238
Property, Plant and Equipment	155,760	37,391
Intangibles	6,341	-
Other	769	252
Total Non-Current Assets	317,734	185,381
Total Assets	363,827	274,677
Current Liabilities		
Accounts Payable	41,853	42,639
Borrowings	21,148	457
Provisions	35,099	11,289
Agribusiness Receipts in Advance	40,148	113,299
Other		1,291
Total Current Liabilities	138,248	168,975
Non-current Liabilities		
Accounts Payable	-	533
Borrowings	61,791	12,667
Provisions	6,726	7,422
Agribusiness Receipts in Advance	55,552	58,988
Total Non-current Liabilities	124,069	79,610
Total Liabilities	262,317	248,585
Net Assets	101,509	26,091
Equity		
Issued Capital	41,077	8,209
Retained Profits	59,692	17,882
Equity Attributable to Members of the Parent Equity	100,769	26,091
Outside Equity Interests in Controlled Entities	741	-
Total Equity	101,509	26,091

Audited Profit and Loss Statement

for the year ended 30 June	**2000** $A '000	**1999** $A '000
Operating Profit	85,961	28,220
Income tax attributable to operating profit	30,878	10,197
Operating Profit after Income Tax	55,083	18,023
Retained Profits at the beginning of the Financial Year	17,882	5,282
Total available for appropriation	72,965	23,305
Dividends provided for or paid	13,273	5,422
Retained Profits at the end of the Financial Year	59,692	17,883


TIMBERCORP

Project Site and Development

The land and soils

The Sunraysia region of northwest Victoria is a prime horticultural area with a history of improving yields of high quality almonds. This Project will be conducted on two sites known as the Liparoo site and the Carina site. Almond Land is entitled to become registered as the owner of the Liparoo site and has entered into a contract of sale to purchase the Carina site. The Liparoo site comprises approximately 985 plantable hectares and is located on land adjacent to the Huttah-Robinvale Road, Liparoo approximately 40 kilometres from the town of Robinvale and 125 kilometres southeast of Mildura, in northwest Victoria. The Carina site is an extension of an existing almond orchard and is located approximately 29 kilometres from the town of Robinvale. After allowing for roads, frost prone areas and soil types, up to 139 hectares will be available to be planted to almonds.

The Land has been soil tested and surveyed, not only to determine the most appropriate orchard layout, but also to ensure that the irrigation system design is optimised for the land planted. The tests have shown the Land to be suitable for growing commercial crops of almonds.

Like many nut trees, almonds need deep well drained soils. The Land is gently undulating with generally sandy loam to light sandy clay loam topsoils. It is well drained and requires little clearing. Chemical analysis has ascertained the pH of the soil surface to be within acceptable limits for almond production. The majority of the Land has moderate depth topsoils (40-80 cm). Certain areas will require soil amelioration in order to assist almond tree root growth. Areas with shallow topsoil, high drainage hazards, significant compacted soil layers and high frost risk (typically low lying areas where cold air accumulates) have been excluded from development. For further details regarding the land and soil, refer to the Almond Orchard Expert's Report.

Climate and topography

The Sunraysia region enjoys a Mediterranean semi arid climate with relatively mild winters and long warm to hot dry summers. This is the preferred climate for almond growing. It has a mean annual rainfall of 311.2 millimetres, which resembles the southern end of the San Joaquin valley in California, around Bakersfield, a significant almond-producing region. Rainfall is distributed quite evenly throughout the year with an average rainfall of approximately 20 to 30 millimetres each month of the year. As a result, the incidence of crop loss and disease due to high rainfall is low.

The minimal daily cloud that is characteristic of the area maximises the time available for tree and nut growth. Mean daily temperatures during August, when almonds flower and bees are used to cross-pollinate the crop, range from 4.1 to 17.3 degrees Celsius. During the harvest months of February to April, mean maximum daily temperatures range from 32.1 to 23.5 degrees Celsius, thus allowing the kernel sufficient time to dry in the field before the harvest and processing commence.

Water supply and irrigation

Growing almonds is a high water usage activity and the establishment of a new orchard requires extensive planning in the areas of irrigation design, layout, installation and water monitoring in order to achieve high yields.

At full maturity, almond trees, on average, require 12.5 megalitres of water per hectare to produce the quantity and quality of almonds that are being forecasted for this Project.

Almond Land will progressively acquire, at is own cost, sufficient permanent water licences on the open market to meet the Project's needs. It has secured sufficient Water Licences to irrigate the Orchard for the first two years of the Project on the basis that the Orchard will comprise 500 hectares, and will acquire sufficient water licences two years in advance to meet the irrigation needs of the Orchard.

Water for the Project will be pumped from the Murray River. The Murray River generates water from rainfall on the slopes of the Australian Alps. The northern slopes including the Mount Kosciusko region in New South Wales feeds water to the Murrumbidgee River which enters the Murray River not far from Robinvale. The southern slopes of the Australian Alps located south of the Kosciusko National Park feeds water to the north of the Murray River.

Climatological Summary for Euston Postal Agency - approximately 30km northwest from the Orchard

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	Years of Record
Mean daily maximum temperature (C)	32.5	32.1	28.8	23.5	19.0	15.4	15.2	17.3	20.8	24.3	27.9	31.0	24.0	54.5
Mean daily minimum temperature (C)	15.8	15.7	13.0	8.9	6.1	3.9	3.1	4.1	6.8	9.5	12.3	14.6	9.5	54.5
Mean number of days min. <2 (C)	0.0	0.0	0.0	2.4	6.6	14.0	14.8	13.0	6.0	1.2	0.2	0.0	58.1	5.0
Mean monthly rainfall (mm)	19.7	22.2	21.5	22.2	29.9	34.0	25.8	29.9	29.3	30.5	24.4	21.8	311.2	93.8

The water will be transported from the Murray River to dams located on the Orchard via mainlines. By March 2001, Almond Land will have constructed two dams on the Liparoo site with a combined capacity of 300-megalitres. Once the water is transported to the Orchard, it will be delivered to Growers' Almondlots through a sophisticated drip irrigation system.

The delivery of water to the Orchard is under the control and direction of the Sunraysia Rural Water Authority which is also responsible for the collection and disposal of sub-surface drainage water resulting from irrigation activities.

Water will be applied to the Almond Trees using two poly drip laterals with one lateral on each side of the tree row to allow alternative watering of Non Pareil and pollinator almond varieties. To achieve optimum tree growth and yields, soil moisture needs to be maintained within strict limits. Therefore, the volume of water that will be applied to the almond rows each day will depend on the prevailing climatic conditions, the age of the trees, drainage characteristics and moisture holding capacities of soils and roots at various parts of the Orchard. For this purpose the irrigation blocks on the Orchard have been grouped within uniform soil types.

Almond Land commissioned Agri Hort Developments Pty Ltd, a qualified irrigation expert, to prepare a fully integrated irrigation design, water budget and drainage management plan. These plans and budgets have been reviewed by Select Harvests' engineer to achieve a number of results: First, to ensure that the irrigation system installed on the Orchard conforms with specifications particular to almond growing and operates to maximum efficiency; secondly, to enable us to maximise the quantity and quality of the almond yields and achieve consistent uniform production. For further details on the irrigation requirements of the Orchard, refer to the Almond Orchard Expert's Report.

Selecting the almond tree varieties and establishing the orchard

Almond Trees will be purchased from Select Harvests and largely supplied from its nursery. The trees will be defoliated in May in preparation for planting in June 2001. Under the Tree Supply and Capital Works Agreement, Select Harvests will oversee the installation of the internal irrigation system and other infrastructure works on the Orchard prior to planting. These works will include identifying and organizing the pegging of block layouts, clearing approved vegetation, broadacre weed spraying, ripping of tree rows, marking out tree locations and applying pre-plant fertilizer. Select Harvests will then plant the Almond Trees, tie them to tree stakes and protect them with supporting guards.

Almond trees will be planted on a 7.25 metre by 5.5 metre grid to give a density of approximately 247 trees per hectare. This spacing will allow trees to grow without undue overcrowding and enable machinery to travel down the rows without damaging the crop. Pruning will commence in the first year after planting to promote tree shape that has the potential to achieve early yield projections and consistent quality commercial yields at full maturity.

The layout of the Orchard needs careful planning. Because the almond tree is not self pollinating, different varieties of almond trees that flower at approximately the same time need to be planted to ensure bees carry out cross pollination and a productive orchard is established. Ordinarily, three varieties of almonds are planted, with the main variety being planted every second row. The other two varieties include an early blooming (compared to the main variety) and a later blooming variety. These are planted as alternate pollinator rows to ensure the main variety is adequately pollinated.

The varieties selected for the Project will be Non Pareil, Carmel and Price.

Non Pareil

Non Pareil originated in Suisun, California in 1879. It is the main variety and will be planted across one half of the Orchard. It is the most widely grown almond variety in the world because of its consistently high productivity and high market appeal as kernel and inshell. Non Pareil is the preferred table almond because of its size, shape, light colour, mild taste and ease of hand shelling which minimises kernel damage. The nut has a thin shell often referred to as 'papershell' which gives a high kernel to shell ratio and sells at a premium to all other varieties.

The tree is large and moderately spreading and harvests early. In full bearing it produces well and continues to grow in size. It is relatively resistant to frost damage and is vigorous but easy to shape and train.

Carmel

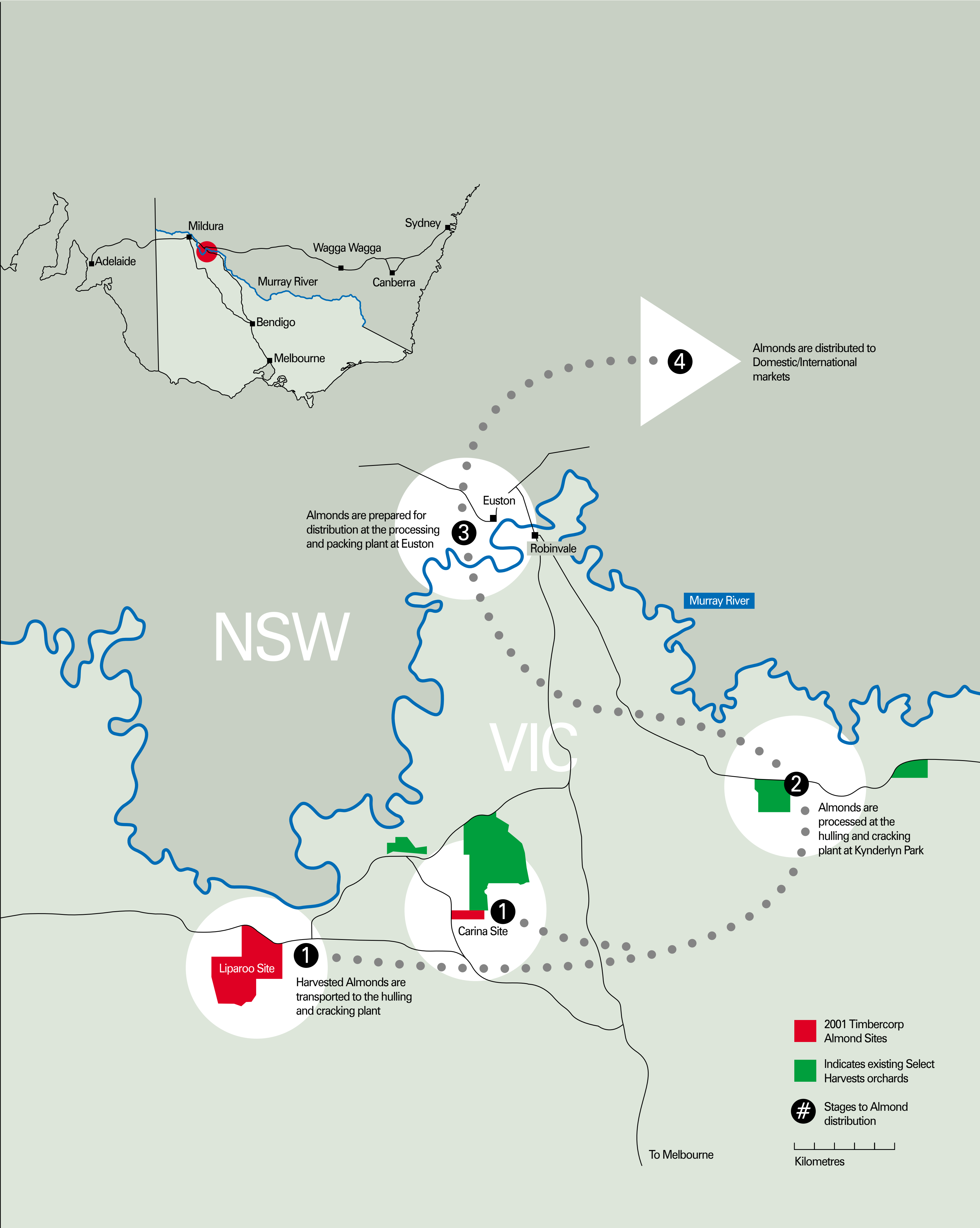
Carmel is a pollinator that is sold as kernel, manufacturing product and to a lesser extent inshell. It is highly productive when young and is second only to Non Pareil in popularity worldwide. Carmel blooms shortly after Non Pareil and matures ready for harvest approximately one week after the conclusion of the Non Pareil harvest, allowing for an efficient harvest program.

The tree is more upright than Non Pareil and is of medium size. It is a strong pollinator of Non Pareil and is highly productive when young but may lose some tree vigour over time. Carmel has a long elongated kernel of medium size and is generally darker than Non Pareil with a stronger flavour. The nut is versatile from a marketing perspective and can be used as a table nut or a manufacturing nut. Shelling damage is usually higher than Non Pareil due to a thicker shell. Approximately one third of the Orchard will be planted with Carmel.

Price

Price is a minor yet significant variety pollinator because it blooms within a day or two of Non Pareil. Price kernel tends to be small than Non Pareil and Carmel and has a similar shape to Non Pareil and is generally lighter in colour than Carmel. It is a versatile nut from a marketing perspective, much the same as Carmel. The crop matures for harvest slightly after Non Pareil but before Carmel, again allowing for an efficient harvest.

The tree generally has good vigour, and is somewhat spreading but more upright than the Non Pareil tree. Price can have a tendency to have a lower bloom density on alternate years and can bear lighter crops in those years. As a pollinator it is secondary to Carmel and is planted at no more than a 1:2 ratio to Carmel. Accordingly, the Price variety will be planted across approximately 17% of the Liparoo site on every sixth row.


Mildura
Sydney
Adelaide
Wagga Wagga
Murray River
Canberra
Bendigo
Melbourne
4
Almonds are distributed to Domestic/International markets
Euston
Almonds are prepared for distribution at the processing and packing plant at Euston
3
Robinvale
Murray River
NSW
VIC
2
Almonds are processed at the hulling and cracking plant at Kynderlyn Park
1
Carina Site
Liparoo Site
1
Harvested Almonds are transported to the hulling and cracking plant
2001 Timbercorp Almond Sites
Indicates existing Select Harvests orchards
#
Stages to Almond distribution
To Melbourne
Kilometres

The Almond crop, yields, harvest and processing

It is forecasted that the Orchard will yield its first commercial crop in the third year after the year of establishment, ie. February/April 2004, and reach full maturity in year seven. At full maturity, it is forecasted that the weighted average yield across the Orchard will be 3.46 metric tonnes per hectare.

The forecasted long term average yields from the first year of commercial crop to full maturity and beyond are illustrated in the table below:

Year ended 30 June	Almond yields (kilograms/Almondlot)	(kilograms/hectare)
2004	95	380
2006	340	1,360
2006	462	1,850
2007	802	3,210
2008 onwards p.a.	865	3,460

Of course, actual yields may vary from year to year.

Following the assessment and testing of Almonds in February each year to determine their maturity and readiness for harvest, the Almonds will be shaken to the ground with the use of mechanical tree shakers. Some Almonds may in fact fall to the ground before this process commences as a result of wind conditions.

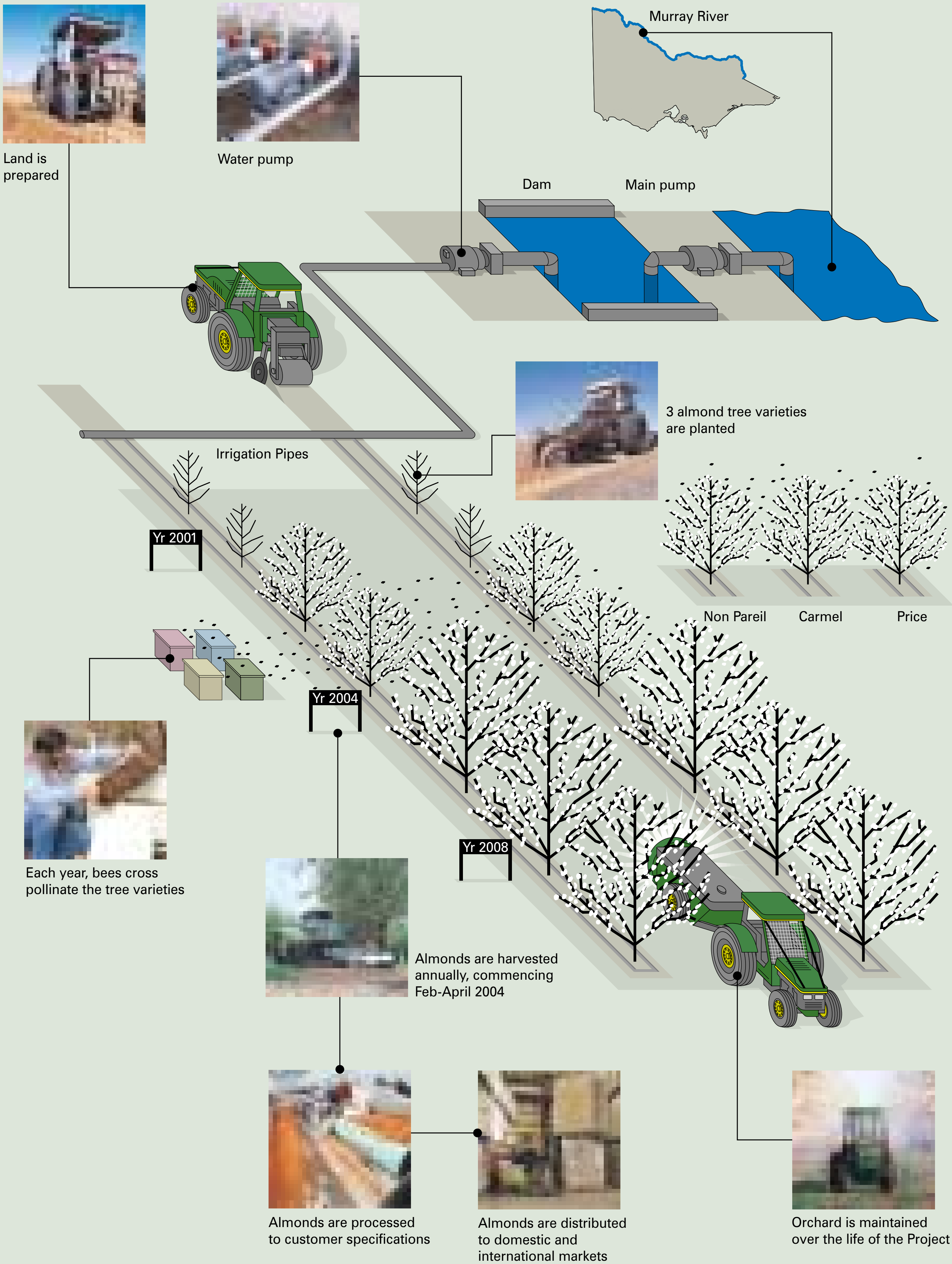
After being shaken onto the ground, the Almonds will be swept into rows ready for pick up. Almond pick up machines will collect the rows of Almonds and transfer them into trailers for removal to stock-piles, where they will be covered prior to being transported to Select Harvests' hulling and cracking plant at Kyndalyn Park.

At the hulling and cracking plant, the harvested Almonds are first put through a pre-cleaner to remove excess dirt, sticks and stones. Then, subject to individual customers' orders and specifications, either the husk is removed to produce inshell, or in addition, the shell is cracked to produce whole kernel. After the Almonds are dried to remove excess moisture content, if necessary, they are graded having regard to size, variety and defects, if any, using United States Department of Agriculture specifications as a guide. Finally, the almonds are put through quality control before being stockpiled in the warehouse.

As required, Almonds will be transferred to Select Harvests' sorting, processing and packaging plant at Euston. All Almonds produced from the Project will be of a high grade variety and will be marketed by Select Harvests through established domestic and export channels in accordance with the selling arrangements described earlier in the section of this prospectus titled How the Project Works.

Detailed below is an indicative timetable for the development of the Orchard:

Stage 1	
- Topographical and soil surveying	Sept/Nov 2000
- Soils amelioration plan	Dec 2000
- Block plan design	Dec 2000 / Jan 2001
- Irrigation design and tender documents	Dec 2000 / Jan 2001
- DNRE - native vegetation application plan	Dec 2000 / Jan 2001
- Dam design plan	Dec 2000 / Feb 2001
Stage 2	
- Finalise irrigation supply and installation contracts	Feb 2001
- Finalise dam construction contracts	Feb 2001
- Survey blocks, rows, bee burns and harvest zones	Jan/Feb 2001
- Soil amelioration and land preparation	Jan/Apr 2001
- Survey irrigation pipelines	Feb/Mar 2001
- Dam construction	Feb/Mar 2001
- Installation of irrigation headworks and dam supply	Mar-May 2001
- Installation of internal irrigation infrastructure	April/June 2001
Stage 3	
- Commence filling dam-water	Mar/April 2001
- Trial irrigation – test drip system	May 2001
- Commence irrigation	May 2001
- Install stakes and treeguards	June 2001
Stage 4	
- Wrench nursery in preparation for planting works	Late May 2001
- Commence and complete planting	June 2001
Stage 5	
Progressive farm practices, including pruning and tree training, weed management, irrigation, fertigation, pest and disease mitigation	June 2001 - Mar 2004
Stage 6	
Mechanical harvesting of first commercial crop	Mar/April 2004


Land is prepared
Water pump
Murray River
Dam
Main pump
Irrigation Pipes
3 almond tree varieties are planted
Non Pareil
Carmel
Price
Yr 2001
Yr 2004
Yr 2008
Each year, bees cross pollinate the tree varieties
Almonds are harvested annually, commencing Feb-April 2004
Almonds are processed to customer specifications
Almonds are distributed to domestic and international markets
Orchard is maintained over the life of the Project

Risk Analysis

The Project is a long-term commercial horticultural project and like any agricultural venture involves risks. Growers should carefully consider the risks detailed below.

We have considered these risks and have developed strategies to reduce the incidence, and minimise the impact, of such risks.

Project specific risks

Almond Trees

Select Harvests will source and plant all of the Almond Trees on the Orchard and will advise Almond Land of the appropriate mix of almond tree varieties. As one of the largest growers of almonds in Australia, Select Harvests' nurseries adopt best horticultural practices to ensure production of superior quality almond trees.

Select Harvests has agreed with Almond Land that it will, at its cost, replace and replant any Almond Tree which fails in the first six months after planting where such failure is caused by Select Harvests.

Yields, pests and diseases

As with any horticultural crop, there are a number of factors that may affect yield including, rainfall, storms, water supply, variations in soil types, pestilence, vermin, disease, frost and wind, as well as poor horticultural practices. While we will make every effort to minimise annual variations in yields and production, yields may vary from tree to tree and from harvest to harvest.

To the extent reasonable, we will arrange appropriate insurance cover to protect the Orchard against the risks of fire and other insurable risks. We will apply disease and pest management practices to control the onset and spread of these risks. The health of the Almond Trees will be constantly monitored and sick trees will be replaced if required.

Water

The irrigation water from the Murray River is suitable for almonds, having particular regard to its salinity. This may change over time.

Irrigation infrastructure

Almond Land will incorporate the most advanced design features in the internal irrigation system, as well as the pipeline, dams, pump and other components of the irrigation infrastructure to be installed on the Land. The substantial capital outlay involved in acquiring this high quality plant and equipment should reduce the possibility of major equipment failure. Regular maintenance and insurance cover will also assist in mitigating this risk.

Water Licences

An adequate supply of water is crucial to the success of the Project. We have secured sufficient Water Licences to irrigate the Orchard for the first two years of the Project on the basis that the Orchard will comprise 500 hectares. Whilst these are permanent rights, unexpected changes in climatic conditions may affect future allocation of water rights. The risk of this occurring is small. In fact, according to records held by the Sunraysia Rural Water Authority, holders of water licences received their full water entitlements in 96 of the past 100 years. In the remaining 4 years, holders of water licences received between 60-80% of their full entitlements. Almond Land's policy for this Project is to purchase sufficient water licences two years in advance to meet the irrigation needs of the Orchard.

Infrastructure and services

The success of the Project will also depend on our continued access to infrastructure, including power, irrigation and transport, and our ability to obtain all necessary regulatory approvals to operate the Orchard and market the almonds. This may be jeopardised as a result of changes in government policy or the law.

Revenue and financial risks

Almond prices

Being the world's major supplier of almonds, the size of the Californian crop will have a significant bearing on global almond prices and Growers' returns from year to year. Prices will fluctuate over the life of the Project.

Almonds in world markets are priced in US$. Therefore, fluctuations in the US$/A$ exchange rate will also influence Growers' returns. Further, Global economic conditions and actions taken by individual world governments and regulatory authorities, particularly the United States, will have an impact on the world price for almonds.

Select Harvests

The risk of not selling the almond crop in any year has been addressed by the Almond Orchard Management Agreement under which Select Harvests guarantees to Almond Management that the entire annual crop of Almonds available for harvest in a particular season will be sold by 30 June in the Financial Year after the year in which the harvest for that season commences.

Other risks

Changes in the law

The success of the Project and the returns achieved by Growers may also be affected by changes in the taxation, regulatory or legal environment, including changes in legislation and the imposition of new levies, imposts or other taxes.

Default by Growers

Our ability and the ability of Almond Land to provide quality services may be affected by Growers' failure to pay annual management and licence fees when due. If a Grower defaults, we may take all appropriate action to ensure that fees are paid when they fall due. Default provisions are contained in the Constitution and the other Project Agreements.

Project Agreements

Anything that affects our ability to meet our obligations under the Almondlot Management Agreement and the ability of Almond Land to meet its obligations under the Licence and Joint Venture Agreement and the Tree Supply and Planting Agreement could also constitute a risk to Growers.

Secondary market

The Project is not intended to be a short-term investment and should be viewed as being one for or a fixed term of approximately 18 years. It is expected that interests issued under this prospectus will be relatively illiquid because there is unlikely to be a formal secondary market for the sale of interests.

We are not under any obligation to buy back the interest of Growers in any Almondlot. We will, however, maintain a register of interested buyers and sellers and make the register available for inspection to Growers free of charge. If you wish to sell your interest in any Almondlot during the life of the Project, you should seek independent professional advice, as there may be legal and taxation implications.

Growers should be mindful of the fact that adverse changes in income tax laws may affect the timing and ability of Growers to claim deductions for payments incurred in the Project. Product Ruling PR 2001/15: 2001 Timbercorp Almond Project constitutes a binding public ruling in respect of the Project, although it may be superseded by a legislative change in tax laws.

The use of appropriate systems and safeguards may mitigate a number of these risks. However, it must be appreciated that many are outside our control.

Consumer demand

While current trends suggest otherwise, there is a risk that local and overseas consumer preference for almonds and almond related products may change during the life of the Project.

Changes in technology

Changes in technology may make other almond orchards more competitive and, therefore, have an impact on forecasted returns. We are committed to using world best management practices and to upgrading these practices, as appropriate, with the best available technology. As Australia's largest producer, processor and marketer of almonds, Select Harvests is focused on leading the market in technology.

Local competition

There is a risk that local competition may develop for the supply of almonds to the domestic and export markets and this could have a material adverse affect on the Project's operating and financial performance.

Risk management

We have prepared a management plan with the assistance of Select Harvests. The plan includes risk mitigation plans that, to the maximum extent possible, will reduce the effect of the risks described above.

The management plan also includes a horticultural plan and an operational plan, including human resources and machinery requirements, and farm programs. Each year a horticultural program will be prepared together with financial and operational budgets.

We will manage the Project at all times in the best interests of Growers and in consultation with Select Harvests personnel to ensure that best horticultural and industry practices are used.

Select Harvests' proven ability to undertake:

- the day to day management of the Orchard;
- the processing of the Almonds at a processing facility in which it has recently invested substantial capital outlay; and
- the marketing of the entire crop of Almonds each year through established domestic and overseas channels,

as well as to assist us in overseeing the establishment of the infrastructure and other capital works on the Land and the planting of the Almond Trees, are considered to be a major benefit to Growers participating in the Project. For details on Select Harvests' expertise refer to the section of this prospectus titled Key Participants.

Taxation Advisor's Report

2001 Timbercorp Almond Project

Advice

1 My advice has been requested in connection with a proposal whereby Timbercorp Securities Limited ("Timbercorp") will, pursuant to a prospectus lodged with the Australian Securities and Investment Commission, invite persons ("Growers") to become involved in an almond project ("the Project") on land at Liparoo and Bannerton in north-west Victoria. A company associated with Timbercorp, called Almond Land Pty Ltd ("the Land Owner") is or will shortly become the registered proprietor of over 500 hectares of land situated at two sites about 125 kilometres south-east of Mildura upon which it will establish almond orchards.

2 Each Grower will enter into three principal agreements:

i) a Licence and Joint Venture Agreement with the Land Owner ("the Licence Agreement");

ii) an Almondlot Management Agreement ("the Management Agreement") with Timbercorp; and

iii) a Tree Supply and Planting Agreement ("the Supply and Planting Agreement") with the Land Owner.

Each of these agreements will operate subject to the terms and conditions of the Constitution for the Project which will be legally enforceable between Timbercorp and each Grower.

3 I have been briefed with final form drafts of each of these agreements.

The Licence Agreement

4 Under the Licence Agreement the Land Owner agrees to establish almond orchards on Almondlots which are separate identifiable areas of land comprising about 0.25 hectares: see cl 2.1. This establishment work includes preparation, installation of irrigation, drainage and other works incidental or ancillary to the establishment of the almond orchards, and is referred to in the Licence Agreement as the Capital Works. The Licence Agreement anticipates that the Capital Works will be completed by 31 May 2001: see cl 2.3.

5 Under the Licence Agreement the Land Owner also grants to the Grower a licence to use and occupy specified Almondlots (in joint venture with the Land Owner) for the purpose of growing and cultivating almond trees for the production of almonds for commercial gain. The Licence Agreement continues until 30 June 2019 or the earlier termination of the Joint Venturers' Participating Interest in the Project: see cl 4.1.

6 The licence fee payable by each Grower will be:

- $774.55 per Almondlot (exclusive of GST) payable on the Commencement Date in respect of the period from commencement to 30 June 2001; and
- $775 per Almondlot (exclusive of GST and subject to CPI increases in respect of the year ended 30 June 2004 and later years) for each subsequent year commencing on 1 July, which amount is payable on 30 September in each such year during the life of the Project.

7 The Licence Agreement is subject to and conditional on the Land Owner and each Grower as joint venturers entering into a Management Agreement with Timbercorp and also upon each Grower entering into a Tree Supply and Planting Agreement with the Land Owner: cl 6. It also provides that the Grower will be entitled to 90% of the Joint Venture Assets and will be entitled to 90% of the almonds and the proceeds of sale: cl 11. The Grower will also be responsible for 90% of the management expenses and tree supply and planting expenses: cl 11.5(b).

The Management Agreement

8 Under cl 4 of the Management Agreement each Grower together with the Land Owner (as joint venturers and referred to therein jointly as the Grower) engage Timbercorp as manager to generally manage and administer the Project and in particular to carry out the activities set out in cl 5.2 of the Management Agreement.

9 The almonds from each Grower's Almondlots will be harvested by the manager and pooled with almonds from other Growers' Almondlots. The manager will process the almonds and then sell the Product. The Growers will be entitled to the almonds and the processed Product in proportion to each Grower's participating interest in the Project.

10 Although many of the services under the Management Agreement will be carried out once the Capital Works are completed by or on behalf of the Land Owner, there will also be services provided before this time. For example, the manager is required to oversee the establishment of orchards by the Land Owner to ensure that such work is carried out in accordance with good horticultural and environmental practices.

11 The management fee payable to Timbercorp by each Grower and the Land Owner as joint venturers will be:

- $4,644.44 (excluding GST) per Almondlot payable on or before the Commencement Date in respect of services to be provided in the period from commencement until 30 June 2001;
- $1,527.78 (excluding GST) per Almondlot payable on 30 September 2001 and 2002 in respect of each of the next two financial years;
- ongoing fees as set out in the Management Agreement: cl 11.1(d).

The Grower is responsible for 90% of these fees.

12 Timbercorp will also be entitled to an additional management fee out of the proceeds payable to the Grower: see cl 11.2.

13 I am instructed, and assume for the purpose of this advice, that the management fees payable in respect of each period are commercially reasonable having regard to the substantial planning and supervision required, the expertise of Timbercorp, and the critical nature of the work to be done in the period immediately following the planting of the almond trees.

14 Under cl 7.2 of the Management Agreement the Grower authorises Timbercorp to sell its share of the crop and/or the Product, and Timbercorp must account to the Grower in respect of the Grower's Product.

Supply and Planting Agreement

15 Under the Supply and Planting Agreement the Land Owner agrees to sell to the Land Owner and each Grower (as joint venturers) and they agree to purchase, the number of almond trees as Timbercorp specifies are to be planted on the joint venturers' Almondlots. The Grower also engages the Land Owner to plant the trees and maintain them until planted.

16 The Grower and the Land Owner, as joint venturers, are required to pay a fee of $1,111.11 (exclusive of GST) per Almondlot, which fee is payable by two equal instalments, the first of which is payable on commencement and the second payable on 30 September 2001. The Grower is responsible for 90% of this fee.

Loans

17 I understand that Growers may finance part of the fees payable under the Licence Agreement and Management Agreement and the Supply and Planting Agreement by a loan from Timbercorp Finance Pty Ltd or other financiers. I understand that such a loan will be fully recourse and negotiated on arm's length terms.

Product Ruling

18 The Commissioner of Taxation has recently issued a Product Ruling in respect of the Project (PR2001/15) which, subject to the terms on which the ruling was issued and subject to the qualification in paragraph 37 hereof, he confirms that the various amounts referred to in my advice are deductible.

Advice

19 I have assumed that each of the agreements will be entered into in the form or substantially in the form in which they have been submitted to me, and that all payments will be made in accordance with the terms of the agreements.

20 In my opinion the payments to which the Growers will become entitled in respect of the proceeds of sale of almonds whether processed or not, will constitute assessable income under s 6-5 of the Income Tax Assessment Act 1997 ("the 1997 Act"). Each of the payments made by the Growers under the Management Agreement and the Licence Agreement will be a

loss or outgoing incurred in gaining or producing the assessable income to be derived pursuant to the sale of the almonds. In my opinion these payments are not of a capital, private or domestic nature so as to be denied deductibility under s 8-1(2) of the 1997 Act. Accordingly, I believe they will be deductible for income tax purposes under paragraph (a) of s 8-1(1) of the 1997 Act. Depending on whether each Grower can be said to be carrying on a relevant business the payments may also be deductible under paragraph (b) of s 8-1(1) of the 1997 Act. The payments made under the Supply and Planting Agreement will however be of a capital nature.

21 Recent legislative amendments have an important effect on when the Licence Fee and Management Fees will be allowed as a deduction. The New Business Tax System (Integrity and Other Measures) Act 1999 has introduced amendments to the pre-payment rules in s 82KZM of the Income Tax Assessment Act 1936 ("the 1936 Act") which apply to pre-payments made on or after 21 September 1999 by a taxpayer who is not a small business taxpayer. This term is defined in s 960-335 of the 1997 Act as a taxpayer with an average or recalculated turnover of less than $1,000,000 per year. In the context of the agreements contemplated by the prospectus the consequence of s 82KZM as it applies to small business taxpayers or the amendments as they apply to taxpayers who are not small business taxpayers have largely been superseded by the New Business Tax System (Integrity Measures) Act 2000. This Act has introduced ss 82KZME and 82KZMF into the 1936 Act. The effect of these sections will be that a deduction for the management fee and rent will be allowable on a pro rata basis in accordance with s.82KZMF which provides as follows:

"1) If this section applies to expenditure incurred by a taxpayer in a year of income:

a) the taxpayer cannot deduct all of the expenditure for the expenditure year; and

b) instead, the taxpayer can deduct, for each year of income during which part of the eligible service period for the expenditure occurs, an amount worked out using this formula:

$$\text{Expenditure} \times \frac{\text{Number of days of eligible service period in the year of income}}{\text{Total number of days of eligible service period}}$$

2) This section has effect:

a) despite section 8-1 of the Income Tax Assessment Act 1997; and

b) subject to Division 245 of Schedule 2C to this Act.

3) If this section applies to expenditure incurred by a taxpayer, sections 82KZMB and 82KZMC do not apply to it."

22 The New Business Tax System (Integrity Measures) Act 2000 also contains provisions which are intended to defer the immediate deductibility of what are described as "non-commercial business activities". These provisions will apply to the income year ending 30 June 2001 and subsequent years. If the provisions apply, losses from a relevant non-commercial business activity will be carried forward and will be deductible against future income from that activity. The legislation provides that the relevant provisions (contained in s 35-10 of the 1997 Act) deferring deductibility will not apply in certain circumstances. For present purposes the most relevant circumstance is the discretion given to the Commissioner in s 35-55 of the 1997 Act. It provides as follows:

"1) The Commissioner may decide that the rule in section 35-10 does not apply to a business activity for one or more income years if the Commissioner is satisfied that is would be unreasonable to apply that rule because:

a) the business activity was or will be affected in that or those income years by special circumstances outside the control of the operators of the business activity, including drought, flood, bushfire or some other natural disaster; or

Note: This paragraph is intended to provide for a case where a business activity would have satisfied one of the tests if it were not for the special circumstances.

b) the business activity has started to be carried on and:

i) because of its nature, it has not yet satisfied one of the tests set out in section 35-30, 35-35, 35-40 or 35-45; and

ii) there is an objective expectation, based on evidence from independent sources (where available) that, within a period that is commercially viable for the industry concerned, the activity will either meet one of those tests or will produce assessable income for an income year greater than the deductions attributable to it for that year (apart from the operation of subsection 35-10 (2)).

Note: This paragraph is intended to cover a business activity that has a lead time between the commencement of the activity and the production of any assessable income. For example, an activity involving the planting of hardwood trees for harvest, where many years would pass before the activity could reasonably be expected to produce income.

2) The Commissioner must not exercise the discretion under paragraph (1)(b) for a business activity at a time after the earlier of:

a) the time at which it would be reasonable to expect the activity to first produce assessable income for an income year greater than the deductions attributable to it for that year (apart from the operation of subsection 35-10(2)); or

b) the time at which it would be reasonable to expect the activity to meet one of the tests set out in section 35-30, 35-35, 35-40 or 35-45."

23 While the matter is one of discretion, it would appear that the intention of this provision is to allow deductions in cases such as the present. In my view, assuming the project will be commercially viable in a reasonable period or where there is at least an objective and reasonable expectation that it will be viable in a reasonable period, it would be reasonable to expect that the Commissioner will exercise his discretion favourably so as to allow the deductions against assessable income from other sources. The Commissioner has in his Product Ruling for this Project (PR 2001/15) said that the rule in s. 35-10 of the 1997 Act, which might otherwise apply to defer deductibility, does not apply, provided the Project is carried out in the manner described in the Ruling: see para 71.

24 The decisions of the Federal Court in FC of T v Lau (1984) 84 ATC 4929 and FC of T v Emmakell Pty Ltd (1990) 90 ATC 4319 each involved cases where the material facts were substantially similar to the present proposal save that in each case there were prepayments of fees for services to be provided over a period of time extending well beyond the relevant tax year. In each case the Full Court held that prepayments made under management agreements and leases were deductible under s 51(1) of the 1936 Act. The terms of s 51(1) of the 1936 Act are materially the same as s 8-1 of the 1997 Act. As presently advised, I see no basis for distinguishing the facts in these cases from the present proposal, save that these cases involved payments for services to be provided in later years. Even if it may be argued that the Growers may not have commenced to carry on a relevant business at the time they make the first payment under the Licence Agreement and Management Agreement, the decision in FC of T v Emmakell Pty Ltd makes it clear that in such circumstances a deduction may still be allowable, and was in fact allowed in that case, under the first limb of s 51(1) of the Act, notwithstanding that no business had at the relevant time commenced. This view was endorsed by the Full Court of the Federal Court in FC of T v Brand (1995) 95 ATC 4633 where the Court accepted that a prepayment of a licence fee to use certain ponds for prawn farming was deductible under the first limb of s 51(1) notwithstanding that the ponds had not then been constructed and no business or income producing activity had yet commenced.

25 The Full Court in Brand's case accepted that the decisions in Lau's case and Emmakell's case were correct. It emphasised that, although it is necessary for an outgoing to be "incidental and relevant" to the end of gaining or producing assessable income, there was no requirement that there had to be any contemporaneity between the payment and the production of assessable income; see for example FC of T v Osborne (1990) 90 ATC 4889 where a delay of at least six years was anticipated between incurring the expenditure and the derivation of the expected income. In my opinion the expenditure incurred in this case is directly relevant and incidental to the derivation of assessable income, albeit in the future. The principle that there is no requirement of contemporaneity between the expenditure and the production of assessable income was recently confirmed by the High Court in Steele v F C of T (1999) 99 ATC 4242.

26 In my view no part of the Management Fee or Licence Fee is to be denied deductibility under s. 8-1 on the basis that they are outgoings of capital. In determining whether an outgoing is of a capital or revenue nature one needs to ascertain what the payment was calculated to effect from a practical or business point of view. The character of the advantage sought by the Grower is the chief, if not the critical factor in determining the character of the payment under s. 8-1 of the 1997 Act; see G.P. International Pipecoaters Pty Ltd v FC of T (1989-90) 170 CLR 124 at p. 137. In the present case the advantages sought by the payment of the Management Fee relates to the management and maintenance of the Almondlot. In my opinion these are advantages of a revenue character and not a capital character. The Licence Fee also has a revenue character.

27 In my view the payment of the Licence Fee and Management Fee cannot be properly regarded as "an investment" of a capital nature as in Clowes v. F C of T (1953-4) 91 CLR 209. The distinguishing feature in that case was that "the planting and the logging and disposal of timber [were] the operations of the company conducted on its own behalf and not on behalf of the lot-holders": per Dixon J. at 218. In the present case Timbercorp carries out the relevant management functions on behalf of each Grower, as was the case in Emmakell and Lau.

28 In forming the above opinion I have assumed that the parties to the agreements will intend to be bound by the terms thereof, these terms will be performed, that the agreements are not shams, and that fees charged are not excessive bearing in mind what the Grower might be expected to pay someone else for providing the relevant services on his or her Almondlot for the relevant period to which the fees relate.

29 In Fletcher & Ors v FC of T (1991) 91 ATC 4950, the High Court reaffirmed the principle that amounts paid could be deductible under section 51(1) of the Act notwithstanding that the relevant assessable income was not expected to be derived until a future year. However, the court also held that if the taxpayer did not intend to derive the assessable income in the future the expenditure would not be incurred for the purpose of producing assessable income but for some other purpose, and would not be deductible under s 51(1) of the Act. On the basis of the financial projections in the prospectus, it would appear there is a reasonable expectation and intention that income in excess of the outgoings will be produced.

30 Subdivision D of Division 3 or Part III of the 1936 Act and in particular, section 82KK of the Act, also provide that in certain circumstances payments made to an associate of the taxpayer will not be deductible until the year in which the service under the agreement is provided. The term associate is widely defined in section 82KH of the Act.

31 In the present case the relevant fees are payable by the Growers to Timbercorp and the Land Owner. These entities will not be associates of a Grower unless the Grower is directly or indirectly able to control Timbercorp either at the level of the board of directors or through any shareholding. None of the Growers will, as I understand it, be able to control Timbercorp and the Land Owner and accordingly section 82KK should have no application.

32 That leaves me to consider the specific anti-avoidance provisions in ss 82KH and 82KL and the general anti-avoidance provisions in Part IVA of the 1936 Act. Section 82KL allows the Commissioner to disallow a tax benefit where the value of any additional benefit and the expected tax saving is equal to or greater than the amount of eligible relevant expenditure. Eligible relevant expenditure is defined in section 82KH(1) and includes:

"e) a loss or outgoing incurred by the taxpayer in respect of rent to the extent to which a deduction would, apart from section 82KL, be allowable to the taxpayer under section 8-1 of the Income Tax Assessment Act 1997 in respect of the loss or outgoing;

....

w) a loss or outgoing (other than a loss or outgoing referred to in subsection 52A(1) or to which a preceding paragraph of this definition applies) incurred by the taxpayer to the extent to which a deduction would, apart from section 82KL, be allowable to the taxpayer under section 8-1 of the Income Tax Assessment Act 1997 in respect of the loss or outgoing."

In Lau's case the Full Court of the Federal Court rejected an argument that there was any relevant additional benefit other than the benefit of having the trees grown and sold. In my opinion the same applies in the present case and in my view section 82KL will not apply in this case.

33 Part IVA of the 1936 Act will only apply if having regard to the 8 matters set out in section 177D(b) of the 1936 Act it can be objectively concluded that the dominant purpose of one of the parties to a scheme was to obtain a tax benefit. The relevant tax benefit would be the amount claimed by a Grower as a deduction in the relevant year of income; see section 177C(1)(b) of the 1936 Act. In my view, looked at objectively, it could not reasonably be said that the dominant purpose of entering into the relevant agreements was to obtain a tax benefit. The Project as it appears from the prospectus is, or will be, a real and professionally managed almond project.

34 Objectively speaking and subject to a Grower not having a contrary intention, it seems to me that the arrangements will be entered into by the Grower for the dominant purpose of growing and selling almond product to obtain an overall pre-tax profit. In a case such as this where the Licence Fee and Management Fee are otherwise deductible under s 8-1 and the specific anti-avoidance provisions of section 82KL have no application, it is difficult to see how Part IVA could in practical terms apply.

35 The decision of the High Court in FC of T v Spotless Services Ltd (1996) 96 ATC 5201, although apparently giving a broad interpretation to Part IVA, turned to a very large extent on the peculiar facts of the case and the circumstance that the scheme in that case was identified as "the particular means adopted by the taxpayers to obtain the maximum after tax return on the moneys invested" when an alternative and more conventional means of investment would have yielded a higher rate of interest. In my opinion, Part IVA will not apply to deny as deductions the Licence Fee and Management Fee paid by Growers.

Supply and Planting Costs

36 Under the Supply and Planting Agreement the Grower and the Land Owner, as joint venturers, are required to pay $1,111.11 (exclusive of GST) per Almondlot for the purchase and planting of the almond trees. Each Grower will obtain under the Supply and Planting Agreement and the Joint Venture Agreement, a 90% interest in the trees which will be planted on their Almondlot. As I have indicated, the cost of purchasing the trees and in my opinion also the cost of planting these trees is likely to be on capital account. However, s 387-165 of the 1997 Act allows capital expenditure attributable to the establishment of a horticultural plant in Australia for use in a horticultural business to be deductible over the effective life of the plant. In this case the cap expenditure is deductible at the rate of 13% per annum as the trees in this case have an effective life of between 13 and 30 years: see s 387-185.

37 The first period in which the amount can be claimed as a deduction is referred to as the starting time is in s 387-175 of the 1997 Act. This is effectively defined as when the horticultural plant is "first used (or held ready for use) for commercial horticulture". The Commissioner of Taxation takes the view that this period commences when the plant first produces fruit. In my opinion this is incorrect. I am of the view that the trees are first used for commercial horticulture once they are planted.

Capital Gains Tax

38 Subject to the provisions of the Constitution, Growers are entitled to assign their respective rights under the various agreements. These rights are assets for Capital Gains Tax ("CGT") purposes and an assignment of these rights will usually give rise to a CGT Event which may give rise to an assessable capital gain. A capital gain will accrue to a taxpayer on the occurrence of a CGT Event when the capital proceeds, i.e. the amount received for the transfer of the rights, exceeds the cost base of the rights. In determining the cost base of the rights, any amounts paid by a Grower by way of Licence Fees and Management Fees are disregarded. This is because these fees are on revenue account and therefore fully deductible. No capital amount will be paid by a Grower for the acquisition of the rights under the Management Agreement or Licence Agreement and accordingly there will be no or a very low cost base attaching to the rights. As such, for most Growers an assessable capital gain will accrue, approximately equal to the amount received for the assignment of the rights.

39 On termination of the Project, Growers are required to sell their 90% interest in the almond trees to the Land Owner for a fixed price of $2000 (exclusive of GST) per Almondlot. The almond trees are assets for CGT purposes and their sale will give rise to an assessable capital gain. In determining the cost base of the almond trees, any amounts claimed by a Grower as a capital write-off under section 387-165 of the 1997 Act must be deducted from the cost to the Grower of acquiring the almond trees and having them planted under the Supply and Planting Agreement. By the termination of the Project, the Grower will have become entitled to claim capital write offs in respect of the entire acquisition and planting costs and accordingly, the cost base of the almond trees will be reduced to nil. Hence for Growers who fully claim the capital write offs, an assessable capital gain will, subject to the 50% discount available to the

individuals and trustees, under Division 115 of the 1997 Act and any small business relief which may be available, accrue at the rate of $2,000 per Almondlot.

40 A New Tax System (Integrity and Other Measures) Act 1999 amended the Capital Gains Tax provisions in Part 3-1 of the 1997 Act. The amendments "freeze" indexation of the cost base of an asset as at 1 October 1999 and provide for a 50% capital gains tax concession for individuals who dispose of assets and a 33% concession for superannuation funds. The effect of these amendments is that an individual Grower who assigns his rights will be taxed on only 50% of any assessable capital gain provided the rights have been held for a minimum of 12 months prior to assignment.

41 Furthermore, the disposal of the rights may also be eligible for the Small Business Relief of a further 50% reduction of any remaining assessable capital gain as provided for in Division 152 of the 1997 Act. Any Small Business Relief is in addition to the capital gains tax discount of 50% that an individual Grower may receive. As the Small Business Relief provisions are complex and their application varies depending on individual circumstances, a Grower must seek independent taxation advice in order to determine whether they are eligible for any Small Business Relief.

42 If the contracts are entered into by Growers for the purpose of transferring them to third parties, the proceeds of sale may be assessable in full under s. 6-5 of the 1997 Act.

43 The relevant assets of the Grower being the rights under the Licence and Management Agreements will generally have a cost base of the non-deductible incidental costs incurred by the Grower. When the Project is formally completed and terminated and the agreements expire a CGT Event C2 occurs. The effect of CGT Event C2 which occurs on cancellation, surrender or similar ending is detailed in s. 104-25 of the 1997 Act.

44 Where the agreements expire, the market value substitution rule in sub-s 116-30(1) of the 1997 Act does not apply and so a capital loss may arise to the extent of the amount of the Grower’s reduced cost base of these assets: s. 104-25 and s. 102-22 of the 1997 Act.

45 It is essential that any Grower proposing to assign his interest under the agreements obtain advice relating to their individual taxation circumstances. I also stress that if Growers do not have an intention to remain in the Project for its duration they may not be entitled to a deduction for the management fees and licence fees as they may not have the requisite intention of deriving assessable income. Moreover the Commissioner’s Product Ruling in relation to the Project will not apply to such taxpayers: see paras 7 and 8.

Good and Services Tax ("GST")

46 The Licence Fee, Management Fee and the tree purchase and planting costs will be consideration for taxable supplies made by the Land Owner and Timbercorp which will incur a liability for GST of 1/10th of the GST exclusive price, and which Growers are liable to pay. I assume that the Land Owner and Timbercorp will provide each Grower with what is called a tax invoice for such supplies. In my opinion the taxable supplies will be made to each Grower for a creditable purpose under s 11-5 of the A New Tax System (Goods and Services Tax) Act 1999. If a Grower is registered or is required to be registered for GST purposes, the Grower will be entitled to a credit for the GST paid which can either be set off against other GST liabilities or will be repaid to the Grower. If a Grower is entitled to such input credits, ss 27-5 and 27-30 of the 1997 Act apply to deny tax deductions of the input credits under s 8-1 of the 1997 Act.

Conclusion

47 This opinion is provided for Timbercorp and although it is to be included in the prospectus for the Project, intending Growers should consult with their own professional advisers for further advice based on their own particular circumstances. This opinion is intended as a general guide only. It is based on legislation currently in force, instructions and assumptions set out herein. The Grower should therefore seek and obtain appropriate independent professional advice prior to participating in the Project.

JOHN W de WIJN

OWEN DIXON CHAMBERS WEST

26 FEBRUARY 2001

Product Ruling

Product Ruling PR 2001/15

Income tax: 2001 Timbercorp Almond Project

No guarantee of commercial success

The Australian Taxation Office (ATO) does not sanction or guarantee this product as an investment. Further, we give no assurance that the product is commercially viable, that charges are reasonable, appropriate or represent industry norms, or that projected returns will be achieved or are reasonably based.

Potential investors must form their own view about the commercial and financial viability of the product. This will involve a consideration of important issues such as whether projected returns are realistic, the 'track record' of the management, the level of fees in comparison to similar products, how the investment fits an existing portfolio, etc. We recommend a financial (or other) adviser be consulted for such information.

This Product Ruling provides certainty for potential investors by confirming that the tax benefits set out below in the Ruling part of this document are available, provided that the arrangement is carried out in accordance with the information we have been given, and have described below in the Arrangement part of this document.

If the arrangement is not carried out as described below, investors lose the protection of this Product Ruling. Potential investors may wish to seek assurances from the promoter that the arrangement will be carried out as described in this Product Ruling.

Potential investors should be aware that the ATO will be undertaking review activities to confirm the arrangement has been implemented as described below and to ensure that the participants in the arrangement include in their income tax returns income derived in those future years.

Terms of Use of this Product Ruling

This Product Ruling has been given on the basis that the person(s) who applied for the Ruling, and their associates, will abide by strict terms of use. Any failure to comply with the terms of use may lead to the withdrawal of this Ruling.

What this Product Ruling is about

1 This Ruling sets out the Commissioner's opinion on the way in which the 'tax laws' identified below apply to the defined class of persons, who take part in the arrangement to which this Ruling relates. In this Ruling this arrangement is sometimes referred to as the 2001 Timbercorp Almond Project, or just simply as 'the Project'.

Tax law(s)

2 The tax law(s) dealt with in this Ruling are:

- section 6-5 of the Income Tax Assessment Act 1997 ('ITAA1997');
- section 8-1 (ITAA 1997);
- section 17-5 (ITAA 1997);
- Division 27 (ITAA 1997);
- Division 35 (ITAA 1997);
- Division 387-C (ITAA 1997)
- section 82KL of the Income Tax Assessment Act 1936 (ITAA 1936);
- Section 82KZL (ITAA 1936);
- section 82KZM (ITAA 1936);
- sections 82KZMB to 82KZMD (ITAA 1936);
- sections 82KZME and 82KZMF (ITAA 1936); and
- Part IVA (ITAA 1936).

Goods and Services Tax

3 In this Ruling all fees and expenditure referred to include Goods and Services Tax (GST) where applicable. In order for an entity (referred to in this Ruling as a Grower) to be entitled to claim input tax credits for the GST included in its expenditure, it must be registered, or required to be registered, for GST and hold a valid tax invoice.

Business Tax Reform

4 The Government is currently evaluating further changes to the tax system in response to the Ralph Review of Business Taxation and continuing business tax reform is expected to be implemented over a number of years. Although this Ruling deals with the laws enacted at the time it was issued, future tax changes may affect the operation of those laws and, in particular, the tax deductions that are allowable. Where tax laws change, those changes will take precedence over the application of this Ruling, and to that extent, this Ruling will be superseded.

5 Taxpayers who are considering investing in the Project are advised to confirm with their taxation adviser that changes in the law have not affected this Product Ruling since it was issued.

Note to promoters and advisers

6 Product Rulings were introduced for the purpose of providing certainty about tax consequences for investors in projects such as this. In keeping with that intention, the Tax Office suggests that promoters and advisers ensure that potential investors are fully informed of any changes in tax laws that take place after the Ruling is issued. Such action should minimise suggestions that potential investors have been negligently or otherwise misled.

Class of persons

7 The class of persons to whom this Ruling applies is those who enter into the arrangement described below on or after the date this Ruling is made. They will have a purpose of staying in the arrangement until it is completed (i.e., being a party to the relevant agreements until their term expires), and deriving assessable income from this involvement as set out in the description of the arrangement. In this Ruling these persons are referred to as 'Growers'.

8 The class of persons to whom this Ruling applies does not include persons who intend to terminate their involvement in the arrangement prior to its completion, or who otherwise do not intend to derive assessable income from the it.

Qualifications

9 The Commissioner rules on the precise arrangement identified in the Ruling.

10 If the arrangement described in this Ruling is materially different from the arrangement that is actually carried out:

- the Ruling has no binding effect on the Commissioner, as the arrangement entered into is not the arrangement ruled upon; and
- the Ruling will be withdrawn or modified.

Date of effect

12 This Ruling applies prospectively from 21 February 2001, the date this Ruling is made. However, the Ruling does not apply to taxpayers to the extent that it conflicts with the terms of settlement of a dispute agreed to before the date of issue of the Ruling (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

13 If a taxpayer has a more favourable private ruling (which is legally binding), the taxpayer can rely on the private ruling if the income year to which the private ruling relates has ended, or has commenced but not yet ended. However, if the arrangement covered by the private ruling has not begun to be carried out, and the income year to which it relates has not yet commenced, this Ruling applies to the taxpayer to the extent of the inconsistency only (see Taxation Determination TD 93/34).

Withdrawal

14 This Product Ruling is withdrawn and ceases to have effect after 30 June 2003. The Ruling continues to apply, in respect of the tax law(s) ruled upon, to all persons within the specified class who enter into the specified arrangement during the term of the Ruling. Thus, the Ruling continues to apply to those persons, even following its withdrawal, who entered into the specified arrangement prior to withdrawal of the Ruling. This is subject to there being no change in the arrangement or in the persons' involvement in the arrangement.

Arrangement

15 The arrangement that is the subject of this Ruling is described below. This description incorporates the following documents:

- application for Product Ruling dated 16 November 2000;
- draft **Prospectus** prepared for Timbercorp Securities Ltd ACN 092 311 469 ('TSL', the Responsible Entity) received 16 November 2000;
- draft **Constitution** of the 2001 Timbercorp Almond Project dated 13 November 2000;
- draft **Almondlot Management Agreement** (the 'Almondlot Management Agreement') between Timbercorp Securities Limited (the 'Responsible Entity') and each Grower, dated 13 November 2000;
- draft Management Agreement between Timbercorp Securities Limited and Almond Management Pty Ltd , dated 13 November 2000 ('Management Agreement');
- draft Almond Orchard Management Agreement between Almond Management Pty Ltd, Select Harvests Limited, Timbercorp Securities Limited, Timbercorp Limited, Almond Investments Australia Pty Ltd and Almond Land Pty Ltd (the 'Almond Orchard Management Agreement'), dated 10 November 2000;
- draft **Licence and Joint Venture Agreement** (the 'Licence and Joint Venture Agreement') between Almond Land Pty Ltd, Timbercorp Securities Limited and each Grower, dated 13 November 2000;
- draft **Tree Supply and Planting Agreement** (the 'Tree Supply and Planting Agreement') between Almond Land Pty Ltd and each Grower, dated 13 November 2000;
- draft Tree Supply and Capital Works Agreement between Almond Land Pty Ltd and Select Harvests Limited ('the Tree Supply and Capital Works Agreement'), dated 10 November 2000;
- draft Custody Agreement between Permanent Trustee Company Limited and Timbercorp Securities Limited, dated 13 November 2000;
- Correspondence from the applicant dated 21 November 2000, 8 January 2001, 9 January 2001, 12 January 2001, 15 January 2001, 17 January 2001 and 24 January 2001.

Note: certain information has been provided on a commercial-in-confidence basis and will not be disclosed or released under Freedom of Information legislation.

16 The documents highlighted are those Growers enter into or become a party to. There are no other agreements, whether formal or informal, and whether or not legally enforceable, which a Grower, or any associate of a Grower, will be a party to, which are part of the arrangements to which this Ruling applies. The effect of these agreements is summarised as follows.

Overview

17 The arrangement is the 2001 Timbercorp Almond Project.

Location

Liparoo and Bannerton, north west Victoria

Type of business each participant is carrying on

Cultivating almond trees on their designated 0.25 hectare almond orchards and harvesting the almonds for processing and sale.

Area under cultivation

Up to 500 hectares, divided into 2000 'almond orchards' of 0.25 hectares each. Option to accept oversubscriptions and cultivate additional land.

Minimum subscription

No minimum subscription

Number of almond trees

An average of 247 trees per hectare or 62 trees per almond orchard.

Minimum number of almond orchards per Grower

Two, although the promoter reserves the right in its absolute discretion to accept applications for one.

Expected production

First harvest expected in the year ending June 2004 (year 3 after planting). Expected fruit yield is between 0.38 tonnes/hectare in year 3 after planting and 3.46 tonnes/hectare from year 8.

The term of investment in years

Approximately 18 years commencing on acceptance of a Grower's application and ending on 30 June 2019.

Subscription amount per almond orchard (0.25 hectares)

$6000 by 31 May 2001 comprising management fee of $4,598, licence fee of $852 and $550, being 50% of the cost of purchasing and planting almond trees.

Ongoing fees per almond orchard (0.25 hectares)

- $550, being 50% of the cost of purchasing and planting almond trees, payable on 30 September 2001.
- Management fees of $1512.50 for each of the years ended 30 June 2002 and 30 June 2003.
- Licence Fees of $852.50 fixed for the years ended 30 June 2002 and 2003 and indexed for CPI each year thereafter.
- From the year ending 30 June 2004, Growers will be required to pay management fees that will be estimated by the Responsible Entity and adjusted once the actual costs of managing the Grower's almondlots are determined.
- From the financial year ending 30 June 2004, each Grower will pay its proportion (90%) of the following additional annual fees:
  a) a management fee equal to 6% of annual proceeds from the sale of almonds; and
  b) a bonus, being 25% of so much of the annual proceeds (after deducting the fee referred to in paragraph (a) above) payable to a Grower in a financial year as exceeds the proceeds estimated in the prospectus, less any allowance for inflation arriving at such estimate, but indexed from the date of the Almondlot Management Agreement. This fee will be calculated on a 2 year rolling basis to allow for variations in yields from year to year.

18 The 2001 Timbercorp Almond Project will be registered as a managed investment scheme under the Corporations Law. Under the Licence and Joint Venture Agreement, the land owner, Almond Land, will agree to establish all infrastructure and other capital works necessary to operate a commercial almond orchard on the land. Under this agreement each Grower will be given a right to use and occupy a minimum of two 0.25 hectare allotments of land ('almondlots') for a period of approximately 18 years for the purpose of cultivating the orchard for the production of almonds for processing and sale. The Responsible Entity has the discretion to accept an application for less than 2 almondlots.

19 Each Grower will also enter into a joint venture arrangement with Almond Land (on a 90%:10% basis) in respect of the cultivation and management of their almondlots. As a result, each Grower will be responsible for 90% of all management costs associated with the cultivation and management of their almondlots and will be entitled to 90% of all produce. Growers entering into the Project will also enter into a Tree Supply and Planting Agreement with Almond Land. Under this agreement, Almond Land will sell to each applicant an interest in the almond trees equal to the joint venture interest of the Grower under the Licence and Joint Venture Agreement (i.e., 90%). The Grower will then engage Almond Land to plant the trees on the Grower's almondlots. At the end of the Project, Almond Land will purchase the Grower's interest in the almond trees for a fixed

price of $2,200 per almondlot. Almond Land will engage Select Harvests Limited under the Tree Supply and Capital Works Agreement to establish the infrastructure and other capital works on the land and plant the almond trees.

20 Growers (in joint venture with Almond Land) will enter into the Almondlot Management Agreement with the Responsible Entity, to perform services in relation to the cultivation and management of their almondlots. Under this agreement, the Responsible Entity will also harvest the almonds, procure the processing of almonds and sell the almonds on behalf of the joint venture growers (at market prices) who will be entitled to the proceeds in their respective proportions. Almond Management Pty Ltd ('Almond Management'), to whom the Responsible Entity will delegate its managerial responsibilities, has engaged Select Harvests Limited, to undertake the day to day management of the orchard, harvest and process the almonds and sell the almonds through its established domestic and overseas channels.

21 Generally, Select Harvests Limited will pool the Growers' almonds with all other almonds sold by it. Each Grower will receive the same pooled average price as Select Harvests Limited receives. Accordingly, each Grower will receive a pro rata share of the net sale proceeds less his or her annual costs. There are provisions in the agreement that enable Almond Management, as agent of Growers, to choose to sell the Growers' almonds outside the pooling arrangements operated by Select Harvests Limited and to direct Select Harvests Limited to sell the almonds separately. Select Harvests Limited guarantees to Almond Management that the entire annual crop of almonds available for harvest in a particular season will be sold by 30 June in the financial year after the year in which the harvest for that season commences. However, Select Harvest Limited does not guarantee the sale price of the almonds.

Licence and Joint Venture Agreement

22 Under the Licence and Joint Venture Agreement, Almond Land will establish almond orchards by 31 May 2001 including construction of necessary infrastructure and carrying out capital works but not including the planting of almond trees. This will be done on almondlots which are separate identifiable areas of land comprising allotments of 0.25 hectares.

23 In return for paying an annual licence fee, each applicant Grower obtains a non-exclusive licence to use and occupy almondlots (in joint venture with Almond Land). Under the terms of the agreement, a Grower may only use the land for the purpose of cultivating and harvesting almonds for processing and sale.

24 At the expiration of the term, each Grower must return the almondlots to Almond Land in good condition but is not required to remove the almond trees or restore the almondlots to their original condition. Almond Land will purchase the Grower's interest in the almond trees planted on each almondlot licenced to the Grower at the rate of $2,200 per almondlot.

25 The agreement provides that Almond Land and each Grower will enter into the Almondlot Management Agreement as joint venturers. It provides that the Grower will be entitled to 90% of the joint venture assets and will be entitled to 90% of the almonds and of the proceeds of sale. The Grower will also be responsible for 90% of the management fees.

Tree Supply and Planting Agreement

26 Under the Tree Supply and Planting Agreement, Almond Land, as vendor, will sell to each Grower an interest in the almond trees equal to the joint venture interest of the Grower under the Licence and Joint Venture Agreement (i.e., 90%). Almond Land will then plant the trees on the Grower's almondlots. The Grower will pay $1,100 for a 90% interest in the trees, 50% on application and the balance on 30 September 2001.

Almondlot Management Agreement

27 Under the Almondlot Management Agreement, each Grower (in joint venture with Almond Land) engages the Responsible Entity to manage and cultivate the orchard on behalf of the Grower in accordance with the management plan, harvest the almonds, procure the processing of the almonds and market the almonds for the duration of the term. The Responsible Entity is required to perform the services listed in a proper and efficient manner in accordance with good horticultural and environmental practices.

28 The Responsible Entity is also required to oversee the establishment of the infrastructure and capital works on the land by Almond Land to ensure that the work is carried out in accordance with good horticultural and environmental practices.

29 The Responsible Entity will endeavour to arrange insurance on the Growers' behalf. Where this is available, Growers are required to insure their almondlots against damage or destruction by fire and other insurable risks. The Responsible Entity will arrange payment of insurance premiums to the appropriate insurers.

30 The almonds from the orchard will be pooled with almonds from other Grower's almondlots and Growers will be entitled to their pro rata proportion of the almonds produced.

Fees

31 Under the terms of the Licence and Joint Venture Agreement the Almondlot Management Agreement and the Tree Supply and Planting Agreement, a Grower will make the following payments per almondlot:

- the initial management fee of $4598 payable on application;
- management fees of $1,512.50 per almondlot for the year ending 30 June 2002 payable on 30 September 2001 (but not before 1 July 2001) and $1,512.50 for the year ending 30 June 2003 on 30 September 2002 (but not before 1 July 2002);
- from the financial year ending 30 June 2004, ongoing management fees that will be estimated, in the first instance, by the Responsible Entity and adjusted once the actual costs of managing the Grower's almondlots are determined, payable on 30 September each year;
- licence fees of $852.00 per almondlot payable on application, $852.50 on 30 September 2001 (but not before 1 July 2001) and on 30 September 2002 (but not before 1 July 2002) and thereafter (from year 4) indexed to CPI (using 2003 as the base year) on 30 September (but not before 1 July) of each subsequent year;
- two instalments of $550 each for the cost of purchasing and planting almond trees on each almondlot, the first instalment payable on application and the second on 30 September 2001;
- from the financial year ending 30 June 2004, a management fee of 6% of proceeds of sale;
- from the financial year ending 30 June 2004, an incentive fee, being the Grower's proportion (i.e., 90%) of 25% of so much of the proceeds of sale (after deducting the fee referred to in the previous dot point) payable to a Grower in a financial year as exceeds the proceeds estimated in the prospectus, less any allowance for inflation arriving at such estimate, but indexed from the date of the Almondlot Management Agreement. This fee will be calculated on a 2 year rolling basis to allow for variations in yields from year to year.

32 The Manager will only provide services following the execution of the Licence and Joint Venture Agreement, the Almondlot Management Agreement and the Tree Supply and Planting Agreement.

33 Applications will not be accepted after 31 May 2001. The subscription moneys payable on application are payable in respect of services to be wholly provided by 30 June 2001. The fees payable on 30 September 2001 and 30 September 2002 are payable in respect of services to be wholly provided by 30 June 2002 and 30 June 2003 respectively.

Finance

34 Growers can either fund their investment in the Project themselves, borrow from an independent lender, or may elect to use proposed financing packages through Timbercorp Finance Pty Ltd. All interest payments will be made in arrears.

35 The provision of finance involves full recourse loans and the finance provider will pursue legal action against defaulting borrowers.

36 This Ruling does not apply if a Grower enters into a finance agreement that includes any of the following features:

- there are split loan features of a type referred to in Taxation Ruling TR 98/22;
- entities associated with the Project are involved in the provision of finance for the Project;

- there are indemnity arrangements or other collateral agreements in relation to the loan designed to limit the borrower's risk;
- additional benefits will be granted to the borrowers for the purpose of section 82KL or the funding arrangements transform the Project into a 'scheme' to which Part IVA may apply;
- the loan or rate of interest is non-arm's length;
- repayments of the principal and interest are linked to the derivation of income from the Project;
- the funds borrowed, or any part of them, will not be available for the conduct of the Project but will be transferred (by any mechanism) back to the lender or any associate;
- lenders do not have the capacity under the loan agreement, or a genuine intention, to take legal action against defaulting borrowers; or
- entities associated with the Project, other than Timbercorp Finance Pty Ltd, are involved or become involved in the provision of finance to Growers for the Project.

Ruling

Assessable Income

37 A Grower's share of the gross sale proceeds from the sale of the product of the joint venture Project, less any GST payable on those proceeds, will be assessable income under section 6-5 of ITAA 1997. Section 17-5 ITAA 1997 excludes from assessable income an amount relating to GST payable on a taxable supply. Please note that the term 'joint venture' is used in this Product Ruling in a general accounting and legal sense, and not as a reference to entities that are entitled to apply to the Commissioner to be treated as an approved GST joint venture within the meaning of Division 51 of A New Tax System (Goods and Services Tax) Act 1999.

Deductions where a Grower is not registered nor required to be registered for GST

38 A Grower may claim the deductions in the following Table, where the Grower:

- participates in the project by 30 June 2001 to carry on the business of growing almonds for processing and sale;
- incurs the fees shown in paragraph 31; and
- is not registered nor required to be registered for GST.

Fee Type	ITAA 1997 Section	Year 1 deductions	Year 2 deductions	Year 3 deductions
Management Fee	8-1	$4,598 See note (i) below	$1,512.50 See note (i) below	$1,512.50 See note (i) below
Licence Fee	8-1	$852 See note (i) below	$852.50 See note (i) below	$852.50 See note (i) below
Interest	8-1	As incurred See note (ii) below	As incurred See note (ii) below	As incurred See note (ii) below

Notes:

i) Where a Grower incurs the management and licence fees as required by the Almondlot Management Agreement and the Licence and Joint Venture Agreement those fees are deductible in full in the year incurred. However, if a Grower chooses to prepay fees for the doing of things (e.g., the provision of management services) that will not be wholly done in the same income year as the fees are incurred, then the prepayments rules of the ITAA may apply to apportion those fees. In such cases, the tax deduction for the prepaid fee MUST be determined using the formula shown in paragraphs 75 to 82 unless the expenditure is 'excluded expenditure'. 'Excluded expenditure', being expenditure of less than $1,000, is an 'exception' to any prepayment rules that apply and is deductible in full in the year in which it is incurred.

ii) The deductibility or otherwise of interest arising from agreements entered into with financiers other than Timbercorp Finance Pty Ltd is outside the scope of this Ruling. However, all Growers who finance their participation in the Project other than with Timbercorp Finance Pty Ltd should read carefully the discussion of the prepayment rules in paragraphs 57 to 59 below, as those rules may be applicable if interest is prepaid.

Tax deductions for capital expenses

39 A Grower who participates in the Project will also be entitled to the following tax deductions:

Fee Type	ITAA 1997 Section	Year 1 deductions	Year 2 deductions	Year 3 deductions
Establishing Horticultural Plants	387-165	Nil See note (iii) below	Nil See note (iii) below	Nil See note (iii) below

Note:

(iii) A deduction is allowable under section 387-165 for capital expenditure incurred for the acquisition and establishment of the almond trees for use in a horticultural business. The deduction is allowable when the almond trees, as horticultural plants, enter their first commercial season. If the almond trees have an 'effective life' for the purposes of section 387-185 of greater than '13 but fewer than 30 years', this results in a write-off rate of rate of 13% prime cost. The Project's manager will inform Growers of when the almond trees enter their first commercial season.

Deductions where a Grower is registered or is required to be registered

40 Where a Grower who is registered or required to be registered for GST:

participates in the project by 30 June 2001 to carry on the business of growing almonds for processing and sale;

- incurs the fees shown in paragraph 31; and
- is entitled to an input tax credit for the fees,

then the deductions shown in the Tables above will exclude any amounts of input tax credit (Division 27 of the ITAA). See Example 1 at paragraph 92.

Division 35 – Losses from non-commercial business activities

Section 35-55 – Commissioner's discretion

41 For a Grower who is an individual and who enters the Project during the year ended 30 June 2001 the rule in section 35-10 may apply to the business activity comprised by their involvement in this Project. Under paragraph 35-55(1)(b) the Commissioner will decide for the income years ending 30 June 2001 to 30 June 2005 that the rule in section 35-10 does not apply to this activity provided that the Project is carried out in the manner described in this Ruling.

42 This exercise of the discretion in subsection 35-55(1) will not be required where, for any year in question:

- a Grower's business activity satisfies one of the objective tests in sections 35-30, 35-35, 35-40 or 35-45; or
- the 'Exception' in subsection 35-10(4) applies (see paragraph 67 in the Explanations part of this Ruling, below).

43 Where either the Grower's business activity satisfies one of the objective tests, the discretion in subsection 35-55(1) is exercised, or the 'Exception' in subsection 35-10(4) applies, section 35-10 will not apply. This means that a Grower will not be required to defer any excess of deductions attributable to their business activity in excess of any assessable income from that activity, i.e., any 'loss' from that activity, to a later year. Instead, this 'loss' can be offset against other assessable income for the year in which it arises.

44 Growers are reminded of the important statement made on Page 1 of this Product Ruling. Therefore, Growers should not see the Commissioner's decision to exercise the discretion in sub-section 35-55(1) as an indication that the Tax Office sanctions or guarantees the Project or the product to be a commercially viable investment. An assessment of the Project or the product from this perspective has not been made.

Sections 82KZM, 82KZMB – 82KZMD, 82KZME – 82KZMF, 82KL and Part IVA

45 For a Grower who invests in the Project and incurs expenditure as required by the Almondlot Management Agreement and the Licence and Joint Venture Agreement the following provisions of the ITAA 1936 have application as indicated:

- expenditure by the Grower does not fall within the scope of section 82KZM (but see paragraphs 75 to 82);
- expenditure by the Grower does not fall within the scope of sections 82KZMB-82KZMD (but see paragraphs 75 to 82);
- expenditure by the Grower does not fall within the scope of sections 82KZME-82KZMF (but see paragraphs 75 to 82);
- section 82KL does not apply to deny the deductions otherwise allowable; and
- the relevant provisions in Part IVA will not be applied to cancel a tax benefit obtained under a tax law dealt with in this Ruling.

Explanations

Section 8-1

46 Consideration of whether management fees and licence fees are deductible under section 8-1, begins with the first limb of the section. This view proceeds on the following basis:

- the outgoings in question must have a sufficient connection with the operations or activities that directly gain or produce the taxpayer's assessable income;
- the outgoings are not deductible under the second limb if they are incurred when the business has not commenced; and
- where all that happens in a year of income is a taxpayer contractually commits themselves to a venture that may not turn out to be a business, there can be doubt about whether the relevant business has commenced, and, hence, whether the second limb applies. However, that does not preclude the application of the first limb and determining whether the outgoings in question have a sufficient connection with activities to produce assessable income.

Is the Grower carrying on a business?

47 An almond growing scheme can constitute the carrying on of a business. Where there is a business, or a future business, the gross sale proceeds from the sale of almonds from the scheme will constitute gross assessable income in their own right. The generation of 'business income' from such a business, or future business, provides the backdrop against which to judge whether the outgoings in question have the requisite connection with the operations that more directly gain or produce this income. These operations will be the tending, maintaining and harvesting of the almond trees and the processing and marketing of the almonds. Generally, a Grower will be carrying on a business of growing almonds where:

- the Grower has an identifiable interest in specific growing trees coupled with a right to harvest and sell the almonds produced from the trees;
- the almond growing activities are carried out on the Grower's behalf; and
- the weight and influence of the general indicators of a business, as used by the Courts, point to the carrying on of a business.

48 For this Project, Growers have rights under the Licence and Joint Venture Agreement in the form of a licence to use and occupy an identifiable area of land ('almondlot') consistent with the intention to carry on a business of almond growing. Under the Almondlot Management Agreement, Growers appoint the Responsible Entity, as manager, to provide services including cultivating and harvesting the almonds, procuring the processing of almonds and marketing the almonds. Growers are considered to have control of their operations.

49 The Licence and Joint Venture Agreement provides Growers with more than a chattel interest in the almond trees. The Project documentation contemplates Growers will have an ongoing interest in the trees.

50 Growers have the right to use the land in question for almond growing purposes and to have the Project Manager come onto the land to carry out its obligations under Almondlot Management Agreement. The Growers' degree of control over the Project Manager as evidenced by the Almondlot Management Agreement, and supplemented by the Corporations Law, is sufficient. Under the Project, Growers are entitled to receive regular progress reports on the Project Manager's activities. Growers are able to terminate arrangements with the Project Manager in certain instances, such as cases of default or neglect. The almond growing activities described in the Almondlot Management Agreement are carried out on the Growers' behalf.

51 The general indicators of a business, as used by the Courts, are described in Taxation Ruling TR 97/11. Positive findings can be made from the arrangement's description for all the indicators. Growers to whom this Ruling applies intend to derive assessable income from the Project. This intention is related to projections contained in the Prospectus that suggest the Project should return a 'before-tax' profit to the Growers, i.e., a 'profit' in cash terms that does not depend, in its calculation, on the fees in question being allowed as a deduction.

52 Growers will engage the professional services of a manager with appropriate credentials. There is a means to identify which trees Growers have an interest in. These services are based on accepted horticultural practices and are of the type ordinarily found in horticultural ventures that would commonly be said to be businesses.

53 Growers have a continuing interest in their almondlots from the commencement of the arrangements. The almond growing activities, and hence the fees associated with their procurement, are consistent with an intention to commence regular activities that have an 'air of permanence' about them. The Growers' almond growing activities will constitute the carrying on of a business.

54 The licence fees and management fees associated with the almond growing activities will relate to the gaining of income from this business, and hence have a sufficient connection to the operations by which income (from the regular sale of almonds) is to be gained from this business. They will thus be deductible under the first limb of section 8-1. Further, no 'non-income producing' purpose in incurring the fees is identifiable from the arrangement. The fees appears to be reasonable. There is no capital component of the management fee. The tests of deductibility under the first limb of section 8-1 are met. The exclusions do not apply.

Interest Deductibility

(i) Growers who use Timbercorp Finance Pty Ltd as the finance provider

55 Some Growers may finance their participation in the Project through a loan facility with Timbercorp Finance Pty Ltd. Whether the resulting interest costs are deductible under section 8-1 depends on the same reasoning as that applied to the deductibility of licence and management fees.

56 The interest incurred for the year ended 30 June 2001 and in subsequent years of income will be in respect of a loan to finance the Project business operations of cultivating and managing almond orchards for the production of almonds and is therefore, directly connected with the gaining of 'business income' from the Project. Such interest will, therefore, have a sufficient connection with the gaining of assessable income to be deductible under section 8-1.

(ii) Growers who DO NOT use Timbercorp Finance Pty Ltd as the finance provider

57 The deductibility of interest incurred by Growers who finance their participation in the Project through a loan facility with a bank or financier other than Timbercorp Finance Pty Ltd is outside the scope of this Ruling. Product Rulings only deal with arrangements where all details and documentation have been provided to, and examined by, the Tax Office.

58 While the terms of any finance agreement entered into between relevant Growers and such financiers are subject to commercial negotiation, those agreements may require interest to be prepaid for a period that is wholly or partly outside the income year in which the interest is incurred. Unless such prepaid interest is 'excluded expenditure' any tax deduction that may be allowable will be subject to the relevant prepayments provisions of the ITAA. 'Excluded expenditure' is an amount of expenditure of less than $1,000.

59 The prepayments provisions are discussed in detail at paragraphs 75 to 82 of this Ruling. However, in broad terms, where interest is prepaid and the period to which the interest relates is wholly or partly outside the income

year in which it is incurred, then any tax deduction that is allowable must be determined using the following formula;

$$\text{Interest} \times \frac{\text{Number of days of eligible service period in the year of income}}{\text{Total number of days of eligible service period}}$$

In the formula, the 'eligible service period' means, generally, the period to which the interest relates.

Expenditure of a capital nature

60 Any part of the expenditure of a Grower entering into an almond growing business that is attributable to acquiring an asset or advantage of an enduring kind is generally capital or capital in nature and will not be an allowable deduction under section 8-1. In this Project, the costs of the establishment of horticultural plants are considered to be capital in nature. The fees for these expenditures are not deductible under section 8-1. However, this expenditure falls for consideration under specific write-off provisions of the ITAA 1997.

Subdivision 387-C: horticultural provisions

61 Section 387-165 allows capital expenditure on establishing horticultural plants owned and used, or held ready for use, in Australia in a business of horticulture to be written off for tax purposes. A lessee or licensee of land carrying on a business of horticulture is taken to own the plants growing on that land rather than the actual owner of the land (section 387-210).

62 Under this Subdivision, if the effective life of the plant is less than three years, the expenditure can be written off in full. If the effective life of the plant is more than three years, an annual deduction is allowable on a prime cost basis during the plant's maximum write-off period. The period starts from the time the plant enters its first commercial season. The write-off rate is detailed in section 387-185. For a plant, such as the almond trees in this Project, with an effective life of 13 to 30 years, that rate is 13%.

Alternative view

63 The applicant has indicated disagreement with the ATO view that the almond trees do not commence to be used for the purpose of producing assessable income in a horticultural business until their first commercial season, and has submitted an alternative view that the almond trees commence to be so used immediately after their planting.

Division 35 - Losses from non-commercial business activities

64 Under the rule in subsection 35-10(2), a deduction for a loss incurred by an individual (including an individual in a general law partnership) from certain business activities will not be allowable in an income year unless:

- the 'Exception' in subsection 35-10(4) applies;
- one of four objective tests in sections 35-30, 35-35, 35-40 or 35-45 is met; or
- if one of the objective tests is not satisfied, the Commissioner exercises the discretion in section 35-55.

65 Generally, a loss in this context is, for the income year in question, the excess of an individual taxpayer's allowable deductions attributable to the business activity over that taxpayer's assessable income from the business activity.

66 Under the loss deferral rule in subsection 35-10(2) the relevant loss is not able to be taken into account in the calculation of taxable income in the year that loss arose. Instead, in a later year it may be offset against any income from the same or similar business activity, or, if one of the objective tests is passed, or the Commissioner's discretion exercised, against other income.

67 For the purposes of applying the objective tests, subsection 35-10(3) allows taxpayers to group business activities 'of a similar kind'. Under subsection 35-10(4), there is an 'Exception' to the general rule in subsection 35-10(2) where the loss is from a primary production business activity and the individual taxpayer has other assessable income for the income year from sources not related to that activity of less than $40,000 (excluding any net capital gain). As both subsections relate to the individual circumstances of Growers who participate in the Project they are beyond the scope of this Product Ruling and are not considered further.

68 In broad terms, the objective tests require:

a) at least $20,000 of assessable income in that year from the business activity (section 35-30);

b) the business activity results in a taxation profit in 3 of the past 5 income years (including the current year) (section 35-35);

c) at least $500,000 of real property is used on a continuing basis in carrying on the business activity in that year (section 35-40); or

d) at least $100,000 of certain other assets are used on a continuing basis in carrying on the business activity in that year (section 35-45).

69 A Grower who participates in the Project will be carrying on a business activity that is subject to these provisions. Information provided with the application for this Product Ruling indicates that a Grower who acquires the minimum investment in the Project is unlikely to pass one of the objective tests or produce a taxation profit until the income year ended 30 June 2007. Growers who acquire more than the minimum investment in the Project may however, pass one of the tests in an earlier income year.

70 Therefore, prior to this time, unless the Commissioner exercises an arm of the discretion under paragraphs 35-55(1)(a) or (b), the rule in subsection 35-10(2) will apply to defer to a future income year any loss that arises from the Grower's participation in the Project.

71 The first arm of the discretion in subsection 35-55(1) relates to 'special circumstances' applicable to the business activity, and has no relevance for the purposes of this Product Ruling. However, for an individual Grower who acquires an interest(s) in the Project, the Commissioner will decide that it would be unreasonable not to exercise the second arm of the discretion in subsection 35-55(1) until the year ended 30 June 2005.

72 The second arm of the discretion in in subsection 35-55(1) may be exercised by the Commissioner where:

i) the business activity has started to be carried on; and

ii) there is an objective expectation that the business activity of an individual taxpayer will either pass one of the objective tests or produce a taxation profit within a period that is commercially viable for the industry concerned.

73 This Product Ruling is issued on a prospective basis (i.e., before an individual Grower's business activity starts to be carried on). Therefore, if the Project fails to be carried on during the income years specified above (see paragraph 41), in the manner described in the Arrangement (see paragraphs 15 to 36), the Commissioner's discretion will not have been exercised, because one of the key conditions in sub-section 35-55(1) will not have been satisfied.

74 In deciding that the second arm of the discretion in paragraph 35-55(1)(b) will be exercised on this conditional basis, the Commissioner has relied upon independent, objective, and generally available information relating to the almond industry which substantially supports cash flow projections and other claims, including prices and costs, in the Product Ruling application submitted by the Responsible Entity.

Prepayments provisions – sections 82KZM, 82KZMB – 82KZMD, and 82KZME – 82KZMF

75 The prepayments provisions of the ITAA operate to spread over more than one income year, a deduction for prepaid expenditure that would otherwise be immediately deductible, in full, under section 8-1. These provisions apply to certain expenditure incurred under an agreement in return for the doing of a thing under the agreement (e.g., the performance of management services) that is not wholly done within the same year of income as the year in which the expenditure is incurred.

76 In this Project, the application fee of $6,000 per almondlot will be incurred on execution of the Almondlot Management Agreement, the Licence and Joint Venture Agreement and the Tree Supply and Planting Agreement. The fees charged under the Almondlot Management Agreement and the Licence and Joint Venture Agreement are charged for providing services to a Grower by 30 June of the year of execution of the Agreements. In particular, the Application Fee is expressly stated to be for a number of specified services. No explicit conclusion can be drawn from the description of the arrangement that the Application Fee has been inflated to result in reduced fees being payable for subsequent years.

77 There is also no evidence that might suggest the services covered by the fee could not be provided within the same year of income as the expenditure in question is incurred. Thus, for the purposes of this Ruling, it can be accepted that no part of the initial fee is for the Manager doing 'things' that are not to be wholly done within the year of income of the fee being incurred. On this basis, provided a Grower incurs expenditure as required by the agreements as set out in paragraph 31, then the basic precondition for the operation of the prepayment provisions is not satisfied and fees will be deductible in the year in which they are incurred.

Growers who choose to pay fees for a period in excess of that required by the Project's agreements

78 Although not required under either the Almondlot Management Agreement or the Licence and Joint Venture Agreement, a Grower participating in the Project may choose to prepay fees for a number of years. Where this occurs, contrary to the conclusion reached in paragraph 77 above, the prepayments provisions of the ITAA will operate to apportion the expenditure and allow an income tax deduction over the period that the prepaid benefits are provided.

79 The amount and timing of tax deductions for any prepaid fees otherwise deductible under section 8-1 will depend upon when the respective amounts are incurred and what the 'eligible service period' is, as defined in subsection 82KZL(1), in relation to these amounts. The 'eligible service period' means generally, the period over which the services are to be provided. The relevant provision of the ITAA will depend on a number of factors including the amount and timing of the prepayment and whether the Grower is a 'small business taxpayer'.

80 Where a Grower participating in this Project incurs expenditure in respect of an eligible service period that ends 13 months or less from the time the expenditure was incurred, but also in respect of the doing of a thing not to be wholly done within the income year in which that expenditure has been incurred, and the other tests in section 82KZME are met, then section 82KZMF will apply in the manner set out in the formula below.

$$\text{Expenditure} \times \frac{\text{Number of days of eligible service period in the year of income}}{\text{Total number of days of eligible service period}}$$

81 Where a Grower participating in this Project incurs expenditure in respect of a period that ends more than 13 months after that expenditure has been incurred, then section 82KZM will apply if the Grower is a 'small business taxpayer' or section 82KZMD if the Grower is not a 'small business taxpayer'. For a 'small business taxpayer' (see paragraphs 83 to 85) the amount and timing of the allowable deductions will then be calculated using the formula in subsection 82KZM(1) and for non-small business taxpayers using the formula in subsection 82KZMD(2). Both formulae are the same or effectively the same as that shown in paragraph 80 above, concerning section 82KZMF.

82 A prepaid management fee and/or a prepaid licence fee of less than $1,000 incurred in an expenditure year is 'excluded expenditure' as defined in subsection 82KZL(1). Subsections 82KZM(1), 82KZME(7) and 82KZMA(4) all provide that 'excluded expenditure' is an exception to the prepayment rules discussed above. Therefore, a prepaid fee of less than $1,000 is deductible in full in the year in which it is incurred. However, where a Grower acquires more than one interest in the Project and the quantum of a prepaid fee is $1,000 or more, then the amount and timing of the deduction allowable must be determined using the formula shown above.

Small business taxpayers

83 A 'small business taxpayer' is defined in section 960-335 of the ITAA 1997 as a taxpayer who is carrying on a business and either their 'average turnover' for the year is less than $1,000,000 or their turnover recalculated under section 960-350 is less than $1,000,000.

84 'Average turnover' is determined under section 960-340 by reference to the average of the taxpayer's 'group turnover'. The group turnover is the sum of the 'value of business supplies' made by the taxpayer and entities connected with the taxpayer during the year (section 960-345).

85 Whether a Grower is a 'small business taxpayer' depends upon the circumstances of each Grower and is beyond the scope of this Product Ruling. It is the responsibility of each Grower to determine whether or not they are within the definition of a 'small business taxpayer'.

Section 82KL - recouped expenditure

86 Section 82KL is a specific anti-avoidance provision that operates to deny an otherwise allowable deduction for certain expenditure incurred, but effectively recouped, by the taxpayer. Under subsection 82KL(1), a deduction for certain expenditure is disallowed where the sum of the 'additional benefit' plus the 'expected tax saving' in relation to that expenditure equals or exceeds the 'eligible relevant expenditure'.

87 'Additional benefit' (see the definition of 'additional benefit' at subsection 82KH(1) and paragraph 82KH(1F)(b)) is, broadly speaking, a benefit that is additional to the benefit for which the expenditure is ostensibly incurred. The 'expected tax saving' is essentially the tax saved if a deduction is allowed for the relevant expenditure.

88 Section 82KL's operation depends, among other things, on the identification of a certain quantum of 'additional benefits'. Here, there may be a loan provided to the Grower. The loan will be provided on a full recourse basis, and on commercial terms. Insufficient 'additional benefits' will be provided in respect of this Project to trigger the application of section 82KL. It will not apply to deny the deductions otherwise allowable under section 8-1.

Part IVA - general tax avoidance provisions

89 For Part IVA to apply there must be a 'scheme' (section 177A), a 'tax benefit' (section 177C) and a dominant purpose of entering into the scheme to obtain a tax benefit (section 177D).

90 The 2001 Timbercorp Almond Project will be a 'scheme'. A Grower will obtain a 'tax benefit' from entering into the scheme, in the form of tax deductions for the amounts detailed at paragraphs 38 and 39 that would not have been obtained but for the scheme. However, it is not possible to conclude the scheme will be entered into or carried out with the dominant purpose of obtaining this tax benefit.

91 Growers to whom this Ruling applies intend to stay in the scheme for its full term and derive assessable income from the harvesting and sale of almonds from the almond trees. There are no facts that would suggest that Growers have the opportunity of obtaining a tax advantage other than the tax advantages identified in this Ruling. There is no non-recourse financing or round robin characteristics, and no indication that the parties are not dealing with each other at arm's length or, if any parties are not at arm's length, that any adverse tax consequences result. Further, having regard to the factors to be considered under paragraph 177D(b) it cannot be concluded, on the information available, that participants will enter into the scheme for the dominant purpose of obtaining a tax benefit.

Example

Example 1 – Entitlement to 'input tax credit'

92 Margaret, who is registered for GST, invests in the Green Circle Bluegums Project. The management fees are payable on 1 July each year for management services to be provided over the following 12 months. On 1 July 2000 Margaret pays her first year's management fees of $5,500 and is eligible to claim a tax deduction for the fees in the income year ended 30 June 2001. The extent of her deduction for the management fees however, is reduced by the amount of any 'input tax credit' to which she is entitled. The Project Manager provides Margaret with a 'tax invoice' showing its ABN and the price of the taxable supply for management services as $5,500. Using the details shown on the valid tax invoice, Margaret calculates her input tax credit as:

1/11 x $5,500 = $500

Therefore, the tax deduction for management fees that she can claim in her income tax return for the year ended 30 June 2001 is $5,000 ($5,500 less $500).

Commissioner of Taxation
21 February 2001

Previous draft
Not previously issued in draft form

Related Rulings/Determinations
TR 92/1; TR 92/20; TD 93/34; TR 97/11;
TR 97/16; TR 98/22; PR 1999/95;

Subject references
- carrying on a business
- commencement of business
- fee expenses
- interest expenses
- management fees expenses
- producing assessable income
- product rulings
- public rulings
- schemes and shams
- taxation administration
- tax avoidance

Legislative references
- ITAA 1936 82KH(1)
- ITAA 1936 82KH(1F)(b)
- ITAA 1936 82KL
- ITAA 1936 82KL(1)
- ITAA 1936 82KZL
- ITAA 1936 82KZL(1)
- ITAA 1936 82KZM
- ITAA 1936 82KZM(1)
- ITAA 1936 82 KZMA(4)
- ITAA 1936 82KZMB
- ITAA 1936 82KZMC
- ITAA 1936 82KZMD
- ITAA 1936 82KZMD(2)
- ITAA 1936 82KZME
- ITAA 1936 82KZME(4)
- ITAA 1936 82KZME(7)
- ITAA 1936 82KZMF
- ITAA 1936 82KZMF(1)
- ITAA 1936 Pt IVA
- ITAA 1936 177A
- ITAA 1936 177C
- ITAA 1936 177D
- ITAA 1936 177D(b)
- ITAA 1936 318
- ITAA 1997 6-5
- ITAA 1997 8-1
- ITAA 1997 17-5
- ITAA 1997 Div 27
- ITAA 1997 27-5
- ITAA 1997 27-30
- ITAA 1997 Div 35
- ITAA 1997 35-10
- ITAA 1997 35-10(2)
- ITAA 1997 35-10(3)
- ITAA 1997 35-10(4)
- ITAA 1997 35-30
- ITAA 1997 35-35
- ITAA 1997 35-40
- ITAA 1997 35-45
- ITAA 1997 35-55
- ITAA 1997 35-55(1)
- ITAA 1997 35-55(1)(a)
- ITAA 1997 35-55(1)(b)
- ITAA 1997 Subdiv 387-C
- ITAA 1997 387-165
- ITAA 1997 387-185
- ITAA 1997 387-210
- ITAA 1997 960-335
- ITAA 1997 960-340
- ITAA 1997 960-345
- ITAA 1997 960-350
- ANTS(GST)A 99 Div 51

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Almond Orchard Expert's Report

Almond Orchard Expert's Report

Prepared for the 2001 Timbercorp Almond Project

By Graham Johns [Roseworthy Diploma Agriculture, South Australia]
Horticultural Development Services Pty. Ltd.

2nd February 2001

Introduction

This report has been commissioned by Timbercorp Securities Limited and has been prepared by Mr. Graham Johns from Horticultural Development Services Pty. Ltd.. The report is to be included in the 2001 Timbercorp Almond Project Prospectus for the cultivation and management of up to 500 hectares of almond orchards (ie. 2000 x 0.25 hectare almond lots) with an option to accept oversubscriptions near the town of Robinvale in Northern Victoria ('Project').

Graham Johns, (Roseworthy Diploma Agriculture, Roseworthy South Australia), has had extensive experience in the Australian and International Almond industries, with almost twenty years of continuous involvement. As a result he is very familiar with all aspects of almond development, production, management, processing and marketing. Currently Mr. Johns is a member of the Australian Almond Industries Research And Development Committee. Mr. Johns was invited to participate in the Australian Almond Industry Strategic Planning And Review Forum held in Adelaide South Australia in November 2000. The Forum brought together leaders in the Australian Almond Industry from the key segments including, research, production, processing and marketing to identify detailed development strategies for each segment over the next five years.

This report has been prepared, based on information supplied to Horticultural Development Services Pty. Ltd. by representatives of Timbercorp Securities Limited, various government and regulatory authorities, companies and individuals associated with the Project and on site inspections.

The evaluation of the 2001 Timbercorp Almond Project has been made after consideration of:

1. Site maps locating the properties on which the development is proposed.
2. Soil Survey Irrigation And Drainage Management Plans produced by Yandilla Park Services.
3. Climatic data from the Mildura Bureau of Meteorology for Mildura approximately 110 km from the Almond Project and the Euston Postal Agency approximately 30 km North West of the Almond Project.
4. Water quality data from the Sunraysia Rural Water Authority.
5. An irrigation system design prepared by AgriHort Developments Pty. Ltd. and a questionnaire prepared by Horticultural Development Services Pty. Ltd. and completed by Agri-Hort Developments Pty. Ltd.
6. A development questionnaire prepared by Horticultural Development Services Pty. Ltd. and completed by Kyndalyn Park Pty. Ltd. (a wholly owned subsidiary of Select Harvests Limited).
7. A new development, forecasted water budget, showing annual consumption of water by almonds in mega litres per hectare, from year one to year six of the development, produced by Select Harvests Limited.
8. Estimated almond yields during the development of the orchard and mature yields supplied by Timbercorp Securities Limited and supporting documentation.
9. A cash flow projection of the 2001 Timbercorp Almond Project.
10. A report by Timbercorp Securities Limited titled "Soil Amelioration Decision Analysis For Almond Australia Development At Wemen" detailing the criteria used to determine irrigation block design by soil type and amelioration proposed.
11. A compound growth rate report on almond prices prepared by BIS Shrapnel Level 8, 181 Miller St North Sydney and an Almond Pricing Review prepared by Jorgenson Waring Foods.

Horticultural Development Services Pty. Ltd. would be prepared to consult to the project if required. A fixed fee for the preparation of this report was agreed in advance.

General description of the almond orchard development

Two sites have been secured for the Project. These are known as the Liparoo site and the Carina site. The Liparoo site comprises approximately 1,000 plantable hectares and the Carina site comprises approximately 139 plantable hectares. The Carina site is an extension of an existing almond development.

The Liparoo site is situated on land approximately 40 km from Robinvale and the Carina site is situated on land approximately 29 km from Robinvale. Robinvale is a township of approximately 2,000 people in the northwest corner of Victoria. The Liparoo site is supplied with an existing fifteen inch mainline from the Murray River. The river pump supplying the Liparoo site mainline will be upgraded to supply sufficient water for the first year of the development. A high quality bituminised road, the Murray Valley Highway, abuts the northern boundary of the property. Three-phase power also borders the property frontage along the highway. The Carina site is supplied by an existing mainline, which will be boosted by the installation of two additional mainlines, one to be installed in 2002 and another proposed for installation in 2003. The additional mainlines will enable sufficient water to be pumped to the Carina site to meet its future demands. The Carina site has access to the north through existing almond orchards and to the west from a gravel country road.

The topography of the Liparoo site is generally elevated and characterised by gently rolling hills with parallel east-west running sand dunes scattered across the property. The highest elevation occurs in the southwestern portion of the surveyed area with contours generally falling toward the Murray River and the northern boundary, with the lowest lying area occurring in the northeast corner of the property. The topography of this site is very suitable for almond production. The Carina site topography is also suitable for almond production and is characterised by east-west parallel sand dunes scattered across the surveyed area. The highest elevation on the Carina site occurs in the northeast corner of the block and elevations generally slope down towards the west and northwest area with scattered depressions predominantly located in the southern portion of the surveyed area. The elevated deeper soils are suitable for development at the Carina site however the lower shallower soil type areas are not suitable for development and have been excluded from planting.

The size of the Project will allow for excellent economies of scale to be employed in the management of the orchards, which should minimise the unit costs of production. In addition, the proposed orchards are within approximately 45 km of state of the art almond cracking and packing facilities owned and operated by Select Harvests Limited. The close proximity to these facilities will minimise the transport and double handling costs of field weight product during harvest to the cracker and processed kernel to the packing shed. These facilities are ISO 9002 and HACCP accredited.

Almond production has provided consistent profits to commercial and efficient producers in the industry over many years and has not been subject in the past to boom and bust economic fluctuations. The almond industry is undergoing rapid expansion at present.

Climate evaluation

The major almond growing areas in the southern and northern hemispheres of the world are located between 35˚ and 40˚ latitude. At approximately 34º 50′ S latitude the Liparoo site and the Carina site are well positioned for almond production. The area is a mediterranean semi arid climate, with a mean annual rainfall of 311.2mm (12.25"), which most closely resembles the southern end of the San Joaquin valley in Califonia around Bakersfield, which is one of the largest almond growing areas in the world.

Rainfall is distributed quite evenly throughout the year with approximately 20 to 30mm falling each month of the year. This is important as at critical periods of the year crop losses can occur with high rainfall. Minimal rainfall is required in August during flowering, when pollination of the crop occurs, from mid January when hull split starts to prevent the occurrence of Hull Rot and from late February to late April during the harvest period. With average rainfall in these periods below 29.9mm, there is minimal risk of rain having a significant economic impact on the almond crop in most years. It is possible that when the highest monthly rainfall is received in these critical months, that some crop loss could occur, however there are management practices, which can mitigate any potential losses in high rainfall situations. Select Harvests Limited is aware of such practices and does employ them. In recent history when large rainfall events have occurred during critical times of the crop cycle, these events have not resulted in significant economic losses. Select Harvests Limited will need to ensure it maintains a modern fleet of harvest equipment of sufficient size when the trees are producing, to minimise the risk of crop loss in years of early and high rainfall.

During August when almonds flower, bees are used to cross-pollinate the crop. Bee flight as well as the physiological processes of dehiscence (pollen shedding), pollen germination and pollen tube growth, all have minimum, maximum and optimum temperature ranges to occur. All these processes are critical to good nut set. With a mean daily maximum temperature for August of 17.3°C the temperature during August is high enough to allow all these processes to occur within the optimal range. During harvest drying temperatures in excess of 20°C are required. This is to allow the kernel to dry in the field to not more than 6.5% prior to being harvested. Mean daily maximum temperatures for the months of harvest, which are February, March and April, are, 32.1°C, 28.8°C and 23.5°C respectively. These temperatures ensure that there will be sufficient drying time available during the harvest period at the proposed sites. Should rain at harvest become a risk to full nut recovery, continuous dryers can be installed ahead of the cracking plant to dry field weight product prior to cracking. Select Harvests Limited is currently managing an area of 1,412 hectares of almond orchards of various ages. When the almond orchards proposed for development in this Project (up to a maximum of 1,130 hectares) are planted, the area under management by Select Harvests Limited will be approximately 2,542 hectares.

Bee flight is restricted when wind speed below tree level is above 24 km/hour. Mildura weather data suggests that wind speed during the month of August would be lower than at any other time of the year with the exception of the months of April and May. Crop pollination due to reduced bee flight is not likely to be effected by wind speed in the Robinvale district.

Winds can gust to significant speeds in the spring period of between 100 and 139 km/hour. High winds at this time of the year can bend and break soft rapidly growing wood in the first two to three years of tree growth. The integrity of new wood needs to be managed carefully through pruning and fertiliser management, to avoid the need to tie the trees. Tying trees in response to wind damage is not a practical solution on large developments. Healthy mature almond trees and nuts are not affected to any degree by high winds. Select Harvests Limited is aware of the potential for wind damage in young trees and would adopt appropriate practices to minimise any damage by wind in young orchards.

Frost and hail damage pose the most serious risk of all climatic factors to profitability at the location chosen for this almond development. Frosts are most likely and more severe in low-lying areas where cold air accumulates. Areas, which have been assessed as high frost risk in the development, have been excluded. The critical period for frost risk is from August to late October. During this period the mean number of days in which temperatures are below 2 degrees Celsius (and nuts are possibly at risk of frost damage if the temperature is less than or equal to zero) for Euston is 6.7 days. These frosts can vary in severity. In the last five years there has been one year in which significant frost damaged was incurred by almond trees in the Robinvale district. This damage was confined to the low lying areas of orchards, where in past years the almonds had been planted fence line to fence line, with no consideration to the impact of frost on production. There could be some years during the life of the development when the occurrence of frosts will reduce yield in that year, however frosts are not likely to be economically significant in most years and therefore over the life of the development. Frost tends to affect the nut and not the tree.

Hail damage in the region is less prevalent than frost damage, but significant damage to an almond crop can be incurred if the hail is large. As with frosts, hail affects the nut rather than the tree. The crop is at risk of hail damage during the same months it is at risk from frost damage. During this period however the mean number of days at Mildura in which hail occurs is 0.4 days. Hail in the district tends to fall in bands rather than blanket coverage, which means that when infrequent hail events do occur only isolated damage results. There is a reasonable probability that damage to orchards would be localised rather than general. From local knowledge it has been determined that in the last twenty years there has only been one incidence of severe hail damage in the Robinvale district, which occurred in late October 1999. On this occasion an almond orchard close to the proposed development, which is 174 hectares in area, incurred significant crop loss on approximately 40 ha; no losses were experienced on the remaining plantations of 591 hectares of almonds in the district owned by the same operator.

Soil suitability evaluation

Almonds are most productive on loam textured, deep, uniform soils. Loam soils are preferable to sandy soils because they are inherently more fertile and retain more moisture, allowing for more manageable irrigation. They are also preferable to clay loam or clay soils because drainage and aeration are much better in loam soils than in finer textured soils. Most orchards do not have uniform soils and the Liparoo and Carina sites are therefore not unusual in that the properties have been separated into five and four soil units respectively.

Liparoo site

Topsoil textures range from sand to sandy clay loam across the property. Dune formations on the property have deep sand and sandy loam profiles in them. Swales and shallower soil types scattered across the property with 20 to 40 cm of topsoil, which is common in the area, consist of heavier textured light sandy clay, to, clay loam soils. The most predominant carbonate (limestone) layers found were Class 1 and Class 111A. Class 1 carbonates are fine soil carbonate in clay with few if any calcrete fragments present. Class 111A carbonates are compact mixtures of loamy sand to light sandy clay loam with fine soil carbonate. Class 1 carbonates are classified as restrictive to root growth and usually indicate poor drainage and therefore have been excluded from development. Class 111A carbonates present only slight restrictions to drainage and almond root growth, provided they have at least 55cm of topsoil above them. An inspection of almond root growth into carbonate layers at Kyndalyn Park Pty. Ltd. in existing orchards, concluded that almond roots were growing into all classes of carbonate and almond performance cannot be characterised by carbonate layer classifications; while encouraging, these conclusions were not made based on scientific trials and therefore can only be considered as anecdotal.

The shallow Class 1 carbonate soils in the low lying areas and the occurrence of Blanchetown Clay in the depressions represent the major drainage hazards. Compacted soil layers have been identified on approximately twenty percent of the area of the property, with most of these layers occurring at a depth of less than 80 cm. The compacted soil layers could restrict root development and as they are so close to the surface this is significant. These restrictive layers will be ripped to ensure root development can occur without impediment. Over watering the more elevated areas could result in lower lying areas collecting water and becoming water logged. Based on these findings, 8% of the available area for planting has been excluded, 22% requires other amelioration prior to planting besides ripping. The remaining 70% can be planted if cultivated according to specific recommendations. Trenching and mixing of soil on the contour around the mid slopes in the south west corner of the property has been recommended, to intercept excess water from the higher land before it reaches the lower areas; it is important to realise this water may not be surplus irrigation water, but catchment water from winter rains. All tree rows will be cultivated to a depth of 40 cm. Twenty percent of the property will be ripped using a multi tyne ripper between 60 and 100 cm.

Chemical analysis has indicated that the pH of the soil surface is generally moderately acidic (pH 6.4) to moderately alkaline (pH 7.7). These pH values are within acceptable limits for almond production. As high amounts of nitrogenous fertiliser will be used to grow the almonds, it has been recommended that annual soil tests be done across all soil types on the property, to ensure the soils are not acidifying with time. Boron levels where they were assessed to be high within the planting area have been marked on the "Irrigation Management Units Plan". Most of the high boron sites are in the recommended planting exclusion areas.

In the soil types recommended for planting, the soil moisture holding capacities in the predicted root zone for almonds ranges from medium (30mm to 60mm) to high (> 60mm). This means these soils will provide in moderately hot weather probably between three and five days of soil water reserves, which is sufficient to allow efficient irrigation scheduling to be done. Irrigation blocks have been designed as close as is practical to group soils with similar moisture holding capacity, to ensure management can irrigate the orchard efficiently and professionally. Where soil changes do occur in the irrigation blocks, compensation has been made in the irrigation design.

Soil salinity levels in recommended planting areas, in the potential root zones of the almond trees, are within acceptable limits and should not significantly affect the development.

Overall, the soils in the recommended areas for planting, with the appropriate amelioration are suitable for growing commercial crops of almonds.

Carina site

There are a number of similarities between the Carina site and the Liparoo site. The major difference between the sites is the total area of land available for planting. At the Carina site it has been recommended that 51.6% of the area be planted compared with the Liparoo site at 89%. The reason for this difference is that the Carina site has a higher incidence of shallow topsoils, that is less than 40cm. Topsoils this shallow have insufficient depth over Class 1 and Class 111A carbonate and clay layers for satisfactory almond growth and have therefore been excluded from development. Overall, the soils in the recommended areas for planting, with the appropriate amelioration are suitable for growing commercial crops of almonds.

Water supply

Water to the Project will be supplied from the Murray River. At the Liparoo site the mainline length will be up to 5 kilometres from the river pump at the furthest point. At the Carina site water will be supplied through a series of mainlines approximately 7 km from the river. The distance water is being pumped is reasonable given the size of the Liparoo development and the fact that the Carina site is an extension of an existing almond orchard development of approximately 772 hectares. A review of the almond water budget developed by the orchard manager Select Harvests Limited. from year 1 through to year 6, appears appropriate with approximately 3.0 mega litres per hectare budgeted in year 1 through to 12.50 mega litres per hectare from year 6 onwards. Periods of hot weather could affect the water budget, which would mean additional water would need to be purchased or temporarily leased during a season.

The water supply salinity in the area of the developments is well below any reading that would be detrimental to almonds. At the town of Euston, which is immediately downstream of Robinvale, the EC (Micro Siemens per centimetre) concentration of the Murray River ranges between 150EC (96ppm) and 300EC (192ppm) at varying times of the year.

Orchard establishment and operational review

Orchard geometry and varieties

The varieties selected for the Project are Non Pareil, Carmel and Price. Non Pareil represents 50% of the orchard, while Carmel and Price are termed pollinators, occupying 33% and 17% respectively of the orchard. All three varieties pollinate one another. Non Pareil is the most widely grown almond variety in the world because of its consistently high productivity and high market demand as kernel and inshell. Carmel is the second most popular variety worldwide at present with significant areas planted. Carmel is sold as kernel, manufacturing product and to a lesser extent inshell. Price is a minor pollinator but within this group is significant. The orchard development will be planted 1:1, pollinator to main variety, which is the acknowledged industry standard when planting an almond orchard. Carmel will be planted every other row alternating with Non Pareil, except for every sixth row, which will be Price.

Trees will be planted 7.25m between the rows and 5.5m down the row. This spacing will allow orchard machinery to travel down the rows without damaging the crop. This planting pattern gives approximately 247 trees per hectare, which is a reasonable compromise between having sufficient tree density in the orchard to achieve early yields, while ensuring there is enough space for individual trees to grow without overcrowding.

Carmel is a good polleniser for Non Pareil and is highly productive when young, but its yields may decline along with tree vigour over time. Price blooms within a day of Non Pareil and therefore is a good polleniser, however it has a tendency toward significant biennial bearing if not properly managed. The close blooming dates of Non Pareil, Carmel and Price and proximity of all varieties in the orchard will ensure the best opportunity for good pollination and nut set each year. Our understanding is that Select Harvests Limited has the technical knowledge and skills to appropriately manage these situations.

Price can be harvested within fourteen days of Non Pareil and Carmel harvests within twenty one days of Non Pareil. This spread of harvest dates assists with the orderly progress of harvest and reduces the likelihood of different varieties being mixed in the orchard during harvest. Providing harvest progresses efficiently, Carmel, the latest harvesting variety would be harvested by mid April each year, minimising the risk of crop losses due to opening rainfall events.

The choice of varieties is commercially sound from a marketing and production perspective. Many new American varieties have been released from quarantine in 2000 such as: Wood Colony, Livingston, Butte, Padre, Sonora and Monterey, which still have to be commercially evaluated in Australia.

Irrigation system and fertigation design

The orchard will be irrigated with a drip system. Drip systems are very efficient in the way they apply water, which reduces the initial capital investment for installation and water purchases and the level of recurring pumping costs during the economic life of the orchard. The disadvantage of drip irrigation systems is that they only wet a percentage of the available soil volume that roots could occupy and therefore the tree has limited reserves of soil moisture. Therefore the system needs to be able to monitor soil moisture accurately and allow management to be able to apply water and fertiliser in a precise and timely manner. We have been given to understand that this will be done through the installation of constant data logging capacitance probes, radio linked to a personal computer. To achieve optimum tree growth rates and yields, soil moisture needs to be maintained within strict limits. Constant data logging monitoring systems allow regular readings to be taken throughout the day, at various depths in the root zone. Response time to soil moisture deficits can be fast with this equipment. The weather station to be established on site will enable with time even more accurate irrigation scheduling and possibly more precisely timed cultural practices, such as overhead spraying. The timing and scheduling of irrigations will be done by using programmable controllers.

Water will be applied to the trees predominantly using two poly drip laterals with one lateral on each side of the tree row. Dripper outputs will vary from 1.6 litres per hour to 2.3 litres per hour and the drippers will be spaced from 0.4m to 0.75m along the lateral. This range of dripper outputs and spacings allows the system to apply water according to soil infiltration rates, drainage characteristics and moisture holding capacity. In addition, together with the use of two dripper lines per row, these system design parameters will enable a sufficiently large wetted soil volume to be maintained around each tree, to meet the daily water requirements of the tree. Primary and secondary filtration maintenance and regular system flushing will have to be maintained to ensure dripper outputs do not decrease with time, especially in areas where 1.6 litres per hour drippers are used. Lateral pressure will be maintained at a minimum of 14 psi across the orchard, which will be adequate to maintain dripper outputs and should be sufficient to enable adequate flushing volumes to clean the laterals.

The design application rate for the system is a maximum of 10.8mm/day. The average maximum Mean Daily Pan Evaporation for the area is 10.4mm/day. Trees experiencing very high temperatures, for example in the upper thirties or forties, could extract at least 15mm/day of water from the soil, especially if the prevailing winds at the time are strong. With soil moisture reserves in the root zone of at least 30mm in areas recommended for planting, a buffer of at least two days exits before moisture stress develops in the trees. Some modern irrigation systems are designed to be able to apply 12mm/day as a minimum application rate, which gives a little more control in hot weather. However providing irrigation cycling is well managed, the system designed should ensure no trees would be subject to economic losses caused by moisture stress, other than during prolonged days of extreme evapotranspiration. The irrigation dam has been designed to hold two and a half days supply to the orchard. This would provide sufficient time to allow emergency repairs to the irrigation system to be done, in the event that the water supply was totally stopped (e.g. a burst main line, pump or motor failure). To ensure repairs could be completed in this time frame, it would be prudent to have contingency plans in place (i.e. spare main line pipe, joiners, dam and river motors and pumps etc.).

Fertigation of large areas of drip irrigated orchards needs to be done efficiently, accurately and evenly across the orchard. This will help ensure trees grow evenly and the labour costs associated with fertigation are minimised. To achieve this the orchard at the Liparoo site, will be fertigated in approximately 180 hectare blocks using dedicated fertigation stations, each with its own fertiliser mixing tanks and pumps. Fertiliser will be injected into the 180 hectare blocks on a proportional basis and not slug dosed. The fertigation injection system described above is likely to give management a satisfactory level of fertiliser application control across the orchard.

The average irrigation block is 12 hectares in area, which given the area to be managed is a reasonable compromise between keeping the number of irrigation valves in the orchard to within manageable limits, while still maintaining block units of manageable size. Each irrigation block can water Non Pareil and pollinating varieties separately, which is very important in the management of tree health during harvest. The irrigation blocks have been grouped within uniform soil types according to their different infiltration rates, water holding capacities and drainage characteristics. Where small areas of difference in soil types cannot be excluded in irrigation blocks, compensation has been made in the irrigation design to take account of these differences within practical limits.

Orchard yields

In the 2000 Select Harvests Limited Annual Report, the orchard manager Select Harvests Limited, reported that total production from its orchards was 2,250 tonnes, slightly down from its record 1999 harvest of 2,280 tonnes but well above the 1998 crop reported of 1,950 tonnes. After adjusting for non bearing and low bearing orchards due to old age, we believe these production figures represent 1.29 metric tonnes per acre in 2000 and 1.30 metric tonnes per acre in 1999. The maximum yield projected for the Project is 3,458 kg per hectare (1.4 metric tonnes per acre) in year seven. Given the orchard manager's recent performances, which included approximately 93 hectares of low yielding trees, of around 3.2 tonnes per hectare, it seems reasonable to assume that over the next seven years production could be increased by 8% to the projected yield of 3.458 metric tonnes per hectare or higher.

The early yields indicated for the Project, have not previously been achieved by the orchard manager in their young orchards. The experience gained by the orchard manager since these young orchards were planted, the very high quality irrigation system being installed and the detailed soil amelioration being done in this Project, will all significantly contribute to the attainment of projected early yields. In addition, if a strong and well grown nursery tree is planted early into the orchard, the yields projected each year up to and including mature yield have reasonable prospects of being achieved. The production figures presented in the Projected Proceeds And Returns section of the 2001 Timbercorp Almond Prospectus, reflect long term averages, which will be subject to annual fluctuations due to climatic factors and the effects of biennial bearing.

In December 2000 the Australian Almond Growers Association approved in principle an Almond Best Practice Management Demonstration Trial. The trial aims to develop data, which will provide the basis for the management and economic modelling for optimum economic performance in Australian almond orchards in six years time. To achieve this, crop and tree development during critical stages of the growth cycle will be analysed against various replicated inputs of nutrients, irrigation and pruning. The trial is planned to be run over 5 to 6 years. Assuming the outcomes of the trial are favourable, it could be expected the trial will assist in achieving future almond yield and profitability targets within the time frame stipulated by the Timbercorp Almond Project Prospectus.

One factor, which will have a significant influence upon the achievement of the early yield forecasts in the Project, is weed control. It will be necessary that a policy of zero weed tolerance be in place during the first few years of tree growth. Just a few weeds near a tree rob the young tree of essential water and nutrients and severely inhibit young tree growth rates. If the tree makes insufficient growth in the first few years in the orchard, the achievement of early forecast Project yields would be unlikely. The management team at Select Harvests is aware of the capability of weeds to reduce early tree growth and the subsequent impact on yields and has the knowledge to take appropriate measures to control orchard weed populations.

Orchard management

The orchard manager Select Harvests Limited, has currently approximately 1,413 hectares of almonds under management of which approximately 648 hectares are three and a half years old or less. Over the last five years Select Harvests Limited's Horticultural Division has established an ability to perform consistently to world-class industry standards in almond production. As such the orchard manager Select Harvests Limited brings considerable experience to the operational and technical management of the Project.

The irrigation contractors to be used in the Project had not been determined at the time of writing this report, pending completion of the tendering process. It would be expected that irrigation tenders would be given to suitably experience operators and that they would have the irrigation system installed and operating ahead of the planting program. Planting should commence on the first of June and be completed in sufficient time to allow the early establishment of the trees.

Resourcing the new development with suitably qualified personnel will need to happen progressively using internal expertise to train staff. In addition it would be prudent to support internal training programs with sufficient external professional advice. This approach to ensuring adequate and appropriate human resources are engaged in the Project will be needed to ensure a high standard of operational performance.

Marketing

Almonds are a product in demand in many countries of the world. They are used in a very broad range of foods, which include: whole kernel for table consumption, confectionery, flavoured, cooking, baking, cereal, biscuits, oil, cosmetics, icecream, snacks and decoration. Extensive research exploring the health benefits of almonds is being conducted, with the intention of adding scientific validity to the notion that almonds are a healthy food. For example research has found that almonds are high in vitamin E content, cholesterol free and they contain "good fats" which can have positive and protective effects.

The American industry, because of its size, determines the world price and internally the American price is set by annual production. In years when the Californian crop is large, the price falls and when the crop is small the price rises. While the demand over decades for almonds has been consistent, the price paid for the product can move considerably between seasons and deviate from long term trend lines for long periods of time, subject to world supply and demand. Although price swings occur between years, over a period of time there has been in Australia a consistent trend upwards in prices. The prices quoted therefore in the Prospectus will be subject to these external forces, which are outside of the control of the project managers.

The average price received for the crop will also depend on: premiums and discounts, the outturn from an orchard by variety, size and grade, prevailing exchange rates, transport costs, import duty and the proportion of the crop sold domestically and exported. BIS Shrapnel have confirmed from eighteen years of actual historical prices, that there is a long run upward trend in almond prices. This trend has been estimated by BIS Shrapnel to have a compound annual growth rate somewhere between 2.05% and 2.23%, providing there are no structural changes in the market place in the future.

The price of $8.00 per kilogram of kernel assumed in the table, Projected Proceeds And Returns in the Prospectus, has been calculated using the historical almond price trend line confirmed by BIS Shrapnel. A specific variety, grade and size of almond deemed to be a valid reference point for analysis was Non Pareil SSR 23/27. The trendline price for this designated relevant almond grade in October 2000 was US$2.08 /lb FAS Californian port. Using a mean average exchange rate of AUS$1.00 = US$0.6250, applying an Australian import duty of 5% and adding transport costs from California to Australia of $0.30/kg, the computed selling price for almonds was determined to be AU$8.00/kg when a price of US$2.08/lb was used. The logic of this approach to determining future almond prices appears sound. The actual price from one year to the next may be quite different to the trendline price assumption, (ie. above or below), depending on the interaction of all of the parameters mentioned in the preceding discussion. Annual price increments in the Projected Proceeds And Returns have been derived by applying a 2.0% compounded rate to the previous year's price, commencing at $8,000 per metric tonne from 30/6/01.

Risks

In the Robinvale district there are a number of very large mature almond orchards, which are high yielding. The location for the Project therefore has been well selected and has the potential to do very well. The soil analysis has identified areas to be planted and excluded which has minimised the risk of tree and production losses associated with poor soil types. The professionally designed irrigation system will ensure the trees can be supplied with sufficient water to produce commercial yields under most climatic conditions. The decision to contract Select Harvests Limited to be the orchard manager and marketer for the Project, brings considerable experience and expertise to areas of the Project that will be critical to its success. While local climatic conditions and overseas price fluctuations could have an impact on the profitability of the Project from one year to the next, it is not envisaged that these factors will have an extreme impact over the life of the Project. A focus on internal training, ensuring a planned approach to human resourcing is adopted and the engagement of appropriate external expertise at regular intervals, will be valuable in assisting the orchard manager to realise Project targets.

Report summary

The Australian almond industry is in a growth phase of its development. This growth is underpinned by the success of the leadership within the industry in the research, production, processing and marketing segments. The Liparoo and Carina orchard locations are climatically well suited to almond production. The water supply to the orchards is secure and of high quality. Soils have been evaluated for their suitability and any unsuitable areas have been excluded from planting. Areas, which require amelioration prior to planting, will be treated as per the soil survey recommendations. An irrigation system required for high and efficient almond production will be installed. The topography of the sites has been reviewed to exclude high frost risk areas. Varieties selected represent a good balance between horticultural and marketing requirements, which have the potential to produce world-class yields of high quality kernel. Consistent demand has existed for almonds nationally and internationally for many years and given the health benefits of almonds and the diversified range of uses for the product, it appears reasonable to assume this situation will continue into the foreseeable future. Fluctuations in returns in response to world supply can be expected, however the trend for almond prices with time is upward. Production will vary from long term Prospectus projections with the occurrence of biennial crops and climatic events. It would be anticipated that with the experience and high quality management being engaged, the Timbercorp 2001 Almond Project has excellent prospects of success.

Horticultural Development Services Pty. Ltd.

Graham Johns

Lawyers' Report

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2 March 2001

The Directors

Timbercorp Securities Limited

Level 5, 95 Queen Street

Melbourne Victoria 3000

Dear Sirs,

2001 TIMBERCORP ALMOND PROJECT

This letter has been prepared for inclusion in a prospectus to be issued by Timbercorp Securities Limited for the offer to cultivate and manage up to 500 hectares of almond orchards, with an option to accept oversubscriptions.

In our opinion the summaries of the Constitution and agreements contained in the section of the prospectus titled "Summary of Significant Documents" are not false or misleading, do not have a material omission and contain a representation of the Constitution and the other agreements that is fair and accurate.

Yours faithfully

Norm Taylor

N M Taylor Lawyers

Summary of Significant Documents

Introduction

Terms or expressions used in this section that are capitalised and are not defined elsewhere in this prospectus have the same meaning as in the relevant document unless the context implies the contrary.

The Constitution

The 2001 Timbercorp Almond Project has been registered as a managed investment scheme under the Corporations Law. The Constitution establishing the Project is between us as Responsible Entity and each several Grower. The Constitution is a legally enforceable deed.

Important features of the Constitution and of the Corporations Law now follow. Figures in square brackets are references to clause numbers in the Constitution.

1 Appointment of Responsible Entity as agent, attorney and representative

Under the Constitution, each Grower (either alone or jointly with or in association with one or more other persons) appoints the Responsible Entity as its agent, attorney and representative. The Responsible Entity's powers and responsibilities include:

1.1 to receive and hold the Application Moneys;

1.2 to invest the moneys in the Agency Account in any Authorised Investment;

1.3 to use the Application Moneys of a Grower in discharging the Grower's obligations under the Agreements or under the Constitution;

1.4 to prepare reports and accounts in relation to the Orchard Services and in relation to the processing of Crop and the sale of Product or Crop;

1.5 to monitor the performance of all parties to the Project Documents;

1.6 to exercise all rights and powers of the Grower under any Agreement;

1.7 to execute any deed, agreement, certificate or other document and to do all other things necessary or desirable in furtherance of the powers granted to the Responsible Entity;

1.8 generally to enter, make or engage in transactions, undertakings, activities and arrangements of every kind and nature which a natural person of full age and capacity could enter, make or engage in and which constitute or are a part of or relate to or are incidental to the Orchard Services on behalf of a Grower;

1.9 to appoint auditors to audit and/or monitor the accounting records and other records of the Responsible Entity and any party to a Project Document in relation to the Crop and Product from the Project; and

1.10 subject to there being adequate moneys in respect of any costs or expenses (or indemnities satisfactory to the Responsible Entity instead of them), to make claims and to bring legal or arbitration or alternative dispute resolution proceedings and to defend or compromise any claim or legal or arbitral proceedings arising out of the interest of the Grower and relating to any Agreement. [11]

In particular, the Grower authorises the Responsible Entity:

- to store its Participating Interest in the Crop;
- to procure the processing of its Participating Interest in the Crop;
- to enter into any processing agreement as agent and attorney for the Grower; and
- as its agent and attorney, to sell its Participating Interest in the Product or Crop using its reasonable endeavours to seek to maximise returns. [13.3 and 13.4]

Prior to the sale of the Product or Crop, the Responsible Entity may gather in all of the Growers' Product or Crop it may store, market and sell the Product or Crop gathered in without having regard to the quantity or quality of the particular Product or Crop from the particular Almondlots. [13.4]

2 Rights of Growers

2.1 Limitation of Liability

Except as provided by any express indemnity given by any Grower to the Responsible Entity, the entire liability of each Grower is limited to the balance of the Application Money and the Grower's Participating Interest in the Proceeds and no Grower has any liability to make any further contribution to the Project or payment to the Responsible Entity in respect of the Project, other than the fees payable under the Almondlot Management Agreement, Licence and Joint Venture Agreement and Tree Supply and Planting Agreement. [24.1] It is not, however, possible to give an absolute assurance that each Grower will be protected from all liability to third parties.

2.2 Information

Each Grower has the right to inspect and copy any document or other information relevant to the activities of the Responsible Entity on its behalf (except for information which is confidential because its disclosure could in the reasonable opinion of the Responsible Entity assist competitors or otherwise prejudice the interests of all Growers), provided that on each occasion on which a Grower seeks to exercise such right the Grower will sign a suitable undertaking to keep confidential the document or other information. [19.1(a)]

2.3 Opinions

Each Grower has the right to express opinions and to give recommendations relating to any matters the subject of the Licence and Joint Venture Agreement, Almondlot Management Agreement and Tree Supply and Planting Agreement and the Responsible Entity will give due consideration to any such opinions or recommendations received in writing. [19.1(b)]

2.4 Right to Remove Responsible Entity and Auditors

Growers may take action under Part 2G.4 of the Corporations Law for the calling of a meeting of Growers to consider and vote on an extraordinary resolution that Timbercorp Securities should be removed as responsible entity of the Project. The resolution to remove Timbercorp Securities must be decided on a poll and will be passed if at least 50% of the votes cast by Growers entitled to vote on the resolution vote in favour of it. [section 601FM and Part 2G.4 of the Corporations Law].

2.5 Right to Extend Project

The Project may be extended for additional periods not exceeding three (3) years each, as Growers may by Special Resolution agree. [26.2]

2.6 Right to Terminate Project

A meeting of Growers may by Special Resolution terminate the Project at any time by agreement. [26.4]

3 Almondlots

3.1 Rights of Growers Differ

Each Grower has rights to a particular Almondlot and in that regard the rights of that Grower differ from the rights of any other Grower.

3.2 Almondlot Statements

Almondlot Statements will be sent by the Responsible Entity to Growers not more than 2 months after the Almondlots are issued and also when next accounting to the Grower after any change in the holding of the Grower. [10.1]

3.3 Transfer or Assignment

No Grower may transfer or otherwise dispose of its Almondlots unless the Grower transfers or disposes of the Almondlots individually to the one legal person (including joint owners), except where the Grower disposes of no less than two Almondlots and continues to hold no less than two Almondlots after the disposal. Otherwise, Growers may assign their Almondlots subject to a deed of assignment (set out in the Constitution) being delivered to the Responsible Entity [20.1, 21.1].

4 Provisions Relating to the Receipt of Applications and the Flow of Money

4.1 Application Moneys and Interest on those Moneys

The Responsible Entity holds all Application Money and any income earned on it as bare trustee for Applicants until Minimum Subscription (if any) is reached. The moneys are held in a special Trust Account kept solely for the purpose and may be pooled with moneys of other Applicants. [4.1, 4.2, 4.3]

On an Applicant becoming a Grower, any interest earned from money in the special Trust Account will be paid to the Responsible Entity as part of its fees. [4.4]

On any refusal by the Responsible Entity of any Application, the Responsible Entity must repay to the Applicant the moneys paid by the Applicant to the extent refused with interest, if any, and without any deduction except for bank fees and government charges. [7.3]

If Minimum Subscription is not reached by the date specified in the Prospectus, the Responsible Entity must within 7 days repay to each Applicant the moneys paid by the Applicant with any interest earned in relation to them and without deduction except for bank fees and government charges. [8.2] It should be noted that there is no Minimum Subscription specified in this prospectus.

If Application Money is not released in payment of fees under the Licence and Joint Venture Agreement, Almondlot Management Agreement or Tree Supply and Planting Agreement within 13 months after the date of issue of the Prospectus, then the Responsible Entity must, within 28 days, refund to the Grower the whole of the Application Money paid, with interest and without deduction except for bank fees and government charges. [9.3.2]

4.2 Application Procedure

Every Applicant must deliver to the Responsible Entity an Application and Power of Attorney Form signed by the Applicant appointing the Custodian or the Responsible Entity to be the Applicant's attorney to enter into the Agreements and, subject to the following paragraph, a cheque as required by the Prospectus in payment of the Application Money. [6.3]

If an amount is shown in an Application against the words "LESS amount subject to finance" (if those words appear in the Application), the Application will only be accepted by the Responsible Entity on condition that a person (which person may include the Responsible Entity) agrees to lend that amount to the Applicant. The Responsible Entity does not warrant, undertake, covenant or agree that such finance will be provided or procured. [6.5]

The Responsible Entity may in its absolute discretion, within fifteen Business Days after receipt of an Application, notify an Applicant that its Application has been refused, wholly or partly without giving reasons for the refusal. On repayment of the Application Moneys, the Applicant will cease to be an Applicant under the Constitution. [7.1, 7.2, 7.4]

On an Application being accepted in whole or in part, and Minimum Subscription being reached, the Applicant will become a Grower. [8.1] An Application received and not refused is deemed to be accepted immediately on receipt, subject to the Application Money being paid and Minimum Subscription being reached. [8.4]

On acceptance of an Application, the Responsible Entity will prepare the Licence and Joint Venture Agreement, Almondlot Management Agreement and Tree Supply and Planting Agreement in accordance with the details on the Application which will commence from such date as is determined by the Responsible Entity. [9.1]

4.3 Allotment of Almondlots and Entry into Agreements

At the times specified in the Prospectus, the Responsible Entity must:

a) immediately allocate Almondlots to the Grower and within 21 days thereafter enter the Grower's details in the Register; and

b) either itself or procure the Custodian to enter into the Licence and Joint Venture Agreement, Almondlot Management Agreement and Tree Supply and Planting Agreement and any other ancillary or related documents. [8.7]

4.4 Release of Application Money

Before release of the Application Money, the Responsible Entity must be reasonably satisfied that:

a) the Licence and Joint Venture Agreement, Almondlot Management Agreement and Tree Supply and Planting Agreement are in the form required by the Constitution and have been duly entered into by all parties;

b) the Land Owner has the capacity to grant the Licence and that all necessary consents to the grant of the Licence and entry into the Agreements;

c) the property the subject of the Licence and Joint Venture Agreement is not subject to any encumbrance or restriction which detrimentally affects the interests of the Applicant and which is not disclosed in the Prospectus;

d) any other matter required to be attended to, which is necessary for the creation of the Licence and the effective vesting in the Grower of its Agreements, whether by reason of the Constitution or otherwise, has been attended to; and

e) there are no outstanding material breaches of any of the provisions of the Constitution which are detrimental to the interests of the Growers whose Application Money is to be allocated. [9.2]

Within two Business Days of the Responsible Entity being satisfied of the above matters, it must release the Application Money and apply it in payment of the fees payable under the Agreements. [9.3.1]

4.5 Contribution of Further Moneys

Each Grower is required to contribute further moneys to the Responsible Entity on the dates, in the amounts and in the manner set out in the Licence and Joint Venture Agreement, Almondlot Management Agreement and Tree Supply and Planting Agreement. The Responsible Entity will give to each Grower at least one month's prior written notice as to the amount due. [17.1]

4.6 Payment of Expenses

Subject to the Responsible Entity's right under the Almondlot Management Agreement to a management fee for the estimated costs of operating the Almondlots, the Responsible Entity will be responsible for payment of all expenses relating to the operation and administration of the Project up to the Harvest stage. [14.3]

4.7 Agency Account

The Responsible Entity must keep one or more Agency Accounts for the purpose of recording Proceeds and other moneys held for a Grower, other than Application Money and interest thereon. [12.1] The Agency Account may be interest bearing and any such interest will be treated as Proceeds. [12.3] Moneys held for any of the Growers may be pooled in one or more bank accounts with moneys held for other Growers. [12.4] The Responsible Entity must as the agent for each of the Growers pay moneys pursuant to any obligations on the part of the Grower under the Constitution or under the provisions of the Agreements. [15.1] Expenditure will be shared between all of the Growers such that each Grower pays the Participating Interest (ie. its pro rata share) of the aggregate expenditure. [15.2]

4.8 Authorised Investments

The Responsible Entity may apply moneys standing in any Agency Account to acquire Authorised Investments. [16.1] Any interest or other income earned from Authorised Investments will be paid to the Responsible Entity as fees. [16.3] Authorised Investments are defined as money, interest bearing deposits at call or for a term not exceeding three months with or without security with any Financial Institution, negotiable certificates of deposit issued by or bills of exchange drawn, accepted or endorsed by any Bank and deposits in the short term money market. [1.1 Definition "Authorised Investments"]

4.9 Payment into Agency Account

The Responsible Entity must pay into the Agency Account proceeds from the sale of Product or Crop attributable to the Growers' Almondlots, proceeds of any insurance policy to which the Growers are entitled to benefit and any other amount properly related to the proceeds from the Growers' Almondlots. [13.6]

4.10 Grower's Entitlement

A Grower is entitled to the money in Agency Account which represents its Participating Interest in the gross income from the sale of the Product or the Crop, as applicable, for a particular Production Period less –

- any fees payable under the Grower's Almondlot Management Agreement;
- any fees payable under the Grower's Licence and Joint Venture Agreement;
- any amounts payable under the Grower's Tree Supply and Planting Agreement; and
- any other amounts payable by the Grower under the Constitution and the Agreements.

If, in any Financial Year in which there is a Production Period, there is insufficient money to make all the required payments, then the above deductions must be made in the priority in which they are listed and the unpaid portion of the payments will be accrued until such time as the Grower's Participating Interest in the gross income from the sale of Product or Crop is sufficient to pay the amount in full. [13.7]

The surplus available to each Grower after all deductions are made by the Responsible Entity must be paid by the Responsible Entity to the relevant Grower. The payment must be made within five (5) months after 30 June each year in which there is a Production Period. [13.7]

Where a fee or other amount payable, as described above, has accrued and remains outstanding at the termination of the Project, the Responsible Entity may set off against moneys payable to the Grower for the purchase of a Grower's Almond Trees by the Responsible Entity in accordance with the provisions of the Licence and Joint Venture Agreement, the amount of such fee or other amount.

5 Meetings

Under the Constitution, the Responsible Entity may at any time convene a meeting of Growers and must do so when required to do so by the Corporations Law. [22.1]

Meetings will be convened by Growers in accordance with Part 2G.4 of the Corporations Law.

Meetings of Growers must be called and convened in accordance with the Corporations Law, except that:

a) in relation to section 252R of the Corporations Law, no business will be transacted at any meetings of Growers unless a quorum is present when the meeting proceeds to business. The quorum necessary for a meeting at which an Ordinary Resolution is to be proposed is five persons holding or representing by proxy at least ten per cent of the aggregate number of Almondlots issued to the Growers concerned, and for a meeting at which a Special Resolution is to be proposed, is five persons holding or representing by proxy at least twenty-five per cent of the aggregate number of Almondlots issued to the Growers concerned,

b) in relation to section 252R(3) of the Corporations Law, if an individual is attending a meeting both as a Grower and as a proxy or body corporate representative, the Responsible Entity may, in determining whether a quorum is present, count the individual more than once,

c) in relation to section 252R(3) of the Corporations Law, a proxy is entitled to speak and vote for a Grower (to the extent allowed by the appointment) even if the Grower is present at the meeting (but only so long as the Grower does not speak or vote, as the case may be),

d) in relation to section 252Z(5) of the Corporations Law, the Responsible Entity may determine, in relation to a particular meeting or generally, that proxy documents may be received up to any shorter period before the meeting,

e) in relation to section 253K(2) of the Corporations Law, a poll cannot be demanded on any resolution concerning the election of the chair of a meeting or the adjournment of a meeting,

f) in relation to section 253L(2) of the Corporations Law, at a meeting of Growers, a poll may be demanded by at least one Grower concerned holding or representing by proxy at least ten per cent of the aggregate number of Almondlots for the time being on issue to the Growers concerned and entitling the holders to vote on the resolution or the chair. [22.2]

6 Liabilities and Indemnities

6.1 Liability of the Responsible Entity

To the extent permitted by the Corporations Law, the Responsible Entity is not liable for any loss or damage to any person (including any Grower) arising out of any matter unless, in respect of that matter, it acted both otherwise than in accordance with the Constitution and its duties, and without a belief held in good faith that it was acting in accordance with the Constitution and its duties. [23.1]

In particular, the Responsible Entity is not liable for any loss or damage to any person arising out of any matter where, in respect of that matter, to the extent permitted by the Corporations Law, it relied in good faith on the services of, or information or advice from, or purporting to be from, any person appointed by the Responsible Entity, it acted as required by Law, it relied in good faith upon any signature, marking or document, or it followed a direction given to it by a resolution passed at a duly convened meeting of Growers. [23.1]

The Responsible Entity may decide how and when to exercise its powers in its absolute discretion. [23.1]

6.2 Indemnity of Responsible Entity

In addition to any indemnity under any Law, the Responsible Entity has a right of indemnity out of the Agency Account on a full indemnity basis in respect of a matter unless, in respect of that matter, the Responsible Entity has acted negligently, fraudulently or in breach of its duties.

Such right of indemnity in respect of a matter ("Indemnified Matter") will not be lost or impaired by reason of a separate matter (whether before or after the Indemnified Matter) in breach of the Constitution.

The right of indemnity continues to be available after the Responsible Entity retires or is removed as responsible entity. The Responsible Entity may pay out of the Agency Account any amount for which it is entitled to be indemnified. [23.2]

6.3 Liability and Indemnity of Growers (refer also paragraph 2.1)

The Responsible Entity indemnifies each Grower against all debts and liabilities which may be incurred by the Grower at any time in relation to the Project or otherwise in any way as a result of or arising out of any act, default or omission of the Responsible Entity. [24.2]

Despite any other provision of the Constitution or provisions deemed to be included in the Constitution, no Grower will, by reason of the Constitution or by reason of the relationship created under the Constitution with the Responsible Entity be under any obligation personally to indemnify the Responsible Entity in the event of there being any deficiency in relation to the Project except, in respect of the Almondlots, out of any Application Money of the Grower or other moneys held in the Agency Account in relation to the Grower, or the payments required under the Agreements. [24.3]

7 Termination of Agreements

If any Agreement is terminated for whatever reason, including failure to pay any further moneys, the parties acknowledge that the Responsible Entity has rights in respect of all Almondlots including rights of access to control pests, weeds, undergrowth or similar alien material, rights to continue to fertilise and irrigate the Almondlots and rights to enter the Almondlots to inspect their condition and the condition of the plant life growing on the Almondlots. [18.3]

If a Grower ceases to participate in the Project due to a breach of any of the Agreements or the Constitution, the Responsible Entity may exercise any of the following rights:

- sue the Grower for any amount or amounts due; [18.4(b)]
- sell the Grower's Almondlots by public auction and apply the proceeds first in payment of fees owing by the Grower to the Responsible Entity and then treat any residue as Proceeds; [18.4]
- pay out of its own funds such fees, expenses, rent, costs or other amounts as may be due by the Grower, and be reimbursed out of the Agency Account in the amount of such fees plus the rate of interest fixed under section 2 of the Penalty Interest Rates Act 1983 (Victoria) from the time of such payment until the date of reimbursement. [18.5]

8 Accounts and Audit

The Responsible Entity will keep such accounting records as correctly record and explain the transactions and financial position of its securities business in relation to the Project in such a way as will enable true and fair profit and loss accounts and balance sheets to be prepared and conveniently and properly audited. The accounts will be lodged in accordance with the requirements of the Corporations Law.

The Responsible Entity has appointed Deloitte Touche Tohmatsu to be the Auditor of the Project to audit its accounts. The Responsible Entity, with the consent of the Commission, may remove the Auditor. The Auditor's fees are payable by Responsible Entity.

9 Complaints Procedure

The Responsible Entity is a member of Financial Industries Complaints Services Limited. The Responsible Entity must appoint an internal complaints officer with authority to review any complaints from Growers in relation to the Project or to the Responsible Entity. His roles and responsibilities include receiving and processing complaints from Growers, reviewing and considering complaints in a timely manner and communicating directly with Growers in relation to complaints. He must also:

a) make readily available to Growers information on how, when, where and to whom to make complaints and any documented policies and procedures for the resolution of complaints;

b) periodically develop and review the Responsible Entity's policies and procedures for the resolution of complaints, in accordance with Australian Standard AS 4269:1995, Complaints Handling; and

c) provide information relating to the Responsible Entity's complaints handling procedures to employees of the Responsible Entity. [25.2]

The Constitution sets out detailed procedures that apply to the receipt and processing of complaints. [25.3] If a complaint is not resolved within 45 days following the Lodgement Date, the Complaints Officer must inform the complainant of the reasons for the delay. No later than 90 days following the Lodgement Date, the Complaints Officer must notify the complainant of the decision of the Responsible Entity, the reasons for the decision, available remedies and further avenues available. [25.4]

If the complainant is dissatisfied with the decision of the Responsible Entity in relation to the complaint, the complainant may refer the complaint to the external complaints resolution scheme for determination. Subject to any right of appeal, the complainant and the Responsible Entity agree to accept the determination of the external complaints resolution scheme as final and binding. If the Responsible Entity is not a member of an external complaints resolution scheme approved by the Commission, the complainant may take any appropriate lawful action. [25.5, 25.6.2]

10 Termination of the Project

The Project terminates on the completion by the parties of their obligations under the Constitution and the Agreements. [26.1]

On the termination of the Project, the Responsible Entity must realise all assets for the time being in relation to the Project after paying all proper outgoings and allowing for contingencies. The Responsible Entity must prepare final accounts of the Project and cause the Auditor to audit and report on those accounts. The balance obtained after the sale of all assets must be distributed by the Responsible Entity, as if the balance represented Proceeds payable under the Project Documents, but if the aggregate amount to be distributed is less than $1,000, Indexed from 30 June 2001, then at the discretion of the Responsible Entity, the amount will be either distributed to Growers or donated to the Salvation Army of Victoria. [26.5]

On so distributing, the Responsible Entity must forward to the Grower a final statement setting out the details of the sale, calling in and conversion of the assets and the balance obtained in relation to the Project and the distribution and all payments otherwise made or allowed for, at which time the Responsible Entity will be released from all further duties and obligations incurred under the Constitution in relation to the Grower without prejudice to any liability of the Responsible Entity previously incurred under the Constitution to the Grower for any breach of its duties imposed by Law or otherwise. [26.6]

Each of the Growers will be released from all further duties and obligations incurred under the Constitution in relation to the Project, without prejudice to any liability of the Growers incurred under the Constitution to any party to the Constitution for any breach of its duties imposed by Law or otherwise. [26.7]

11 Modification of the Constitution

The Corporations Law provides for the Constitution to be modified either by a special resolution of Growers or by the Responsible Entity if it reasonably considers that the proposed change to the Constitution does not adversely affect the interests of Growers.

Summary of the Custody Agreement

We have elected to appoint Permanent Trustee Company Limited as custodian in relation to the Project under the terms of the Custody Agreement summarised below.

Important features of the Custody Agreement follow.

1 Appointment as Custodian

Timbercorp Securities appoints Permanent as custodian to:

a) receive and hold the Scheme Assets and all income accruing in respect of them and any document of title to them in safe custody;

b) if directed by Timbercorp Securities and if duly appointed as attorney for and on behalf of the Growers, execute as attorney for and on behalf of the Growers, such of the Scheme Agreements as are entered into by the Growers; and

c) retain in safe custody executed copies of the Scheme Agreements.

"Scheme Assets" is defined as Application Moneys, until they are expended, and Proceeds, until they are distributed, in accordance with the Constitution.

2 Powers of the Custodian

The Custodian's powers include the following powers:

a) to establish bank accounts in Timbercorp Securities' name designating the Scheme Assets and to operate on the account in accordance with instructions from Timbercorp Securities;

b) to execute or make on behalf of Timbercorp Securities any certificates, declarations or affidavits which are required to receive into or transfer out of its custody any Scheme Assets;

c) to appoint or engage, at Timbercorp Securities' expense, professional advisers; or

d) to comply with any obligations imposed on it by law or do any other things which it considers necessary, desirable, incidental to or in furtherance of the above matters.

Subject to the agreement, the Custodian has absolute discretion as to the exercise of all powers, authorities and discretions vested in it under the agreement.

3 Duties of the Custodian

Timbercorp Securities is responsible for making all decisions in relation to the Scheme Assets and properly communicating to the Custodian instructions in relation to the Scheme Assets. Subject to the agreement, Permanent must act on Timbercorp Securities' instructions in relation to any Scheme Asset. If Permanent does not have any instructions, Permanent is required, subject to the agreement, not to make any payment or take any other action in relation to any matter concerning any Scheme Assets.

To the extent required by the Corporations Law, as modified by any relief granted by ASIC, the Custodian must ensure that the Scheme Assets are clearly identified as property of the Project and held separately from the Custodian's own assets, the assets of any other scheme or any other assets held by the Custodian in any other capacity whatsoever. The Custodian must notify Timbercorp Securities in writing immediately if the Custodian becomes aware that it no longer satisfies the requirements of ASIC Policy Statement 133.

4 Acting on Instructions

The Custodian is authorised to act, or to cause any other person to act, on any instructions given to it in accordance with the Custody Agreement by any of Timbercorp Securities' Authorised Persons. This includes instructions provided by electronic means or procedures agreed between Timbercorp Securities and the Custodian. The Custodian is not liable for acting on any instructions which appear to it to have been properly and regularly signed, transmitted electronically or given, nor is it liable for acting on any instructions which contain any error or ambiguity.

5 Books and Records

The Custodian must properly maintain adequate books and records relating to the Scheme Assets in accordance with generally accepted accounting principles. It must provide Timbercorp Securities and its auditor with certain information as provided in the Agreement.

6 Fees and Expenses

Timbercorp Securities agrees to pay the Custodian an initial fee of $20,000 for processing up to 1,500 Growers and a further amount of $1,000 per each additional 100 Growers, an ongong annual fee of $3,000, (indexed) and a termination fee equivalent to the greater of 0.1% of total net Proceeds paid to all Growers or $50,000 (together with any GST levied in respect of those amounts). The Custodian is also entitled to recover from Timbercorp Securities the amount of all Taxes and bank charges, and all other liabilities, costs, charges and expenses which it suffers or incurs in connection with the performance of its duties and the exercise of its powers under the Custody Agreement including, without limitation, settlement, delivery, registration and transactions charges and foreign currency costs and charges.

7 Termination

The Custody Agreement continues for the term of the Project. A party may terminate the Custody Agreement by notice to the other party if:

a) a receiver or a receiver and manager is appointed to the undertaking of the other party either in relation to the capacity in which it acts under the agreement or where such receiver or receiver and manager is reasonably likely to affect materially such other party's performance under the agreement;

b) the other party goes into liquidation, is subject to a scheme of compromise or arrangement with its creditors or has an administrator appointed to its affairs;

c) the other party ceases to carry on business in relation to the Project in the case of Timbercorp Securities and in relation to custodial services in the case of the Custodian;

d) the other party materially breaches any provision of the agreement or fails to observe or perform any representation, warranty, indemnity or undertaking pursuant to the agreement in a material respect, subject to a 14 day period to remedy the default; or

e) the other party sells or transfers or makes any agreement for the sale or transfer of its principal business and undertaking.

The Custodian may terminate the agreement if ASIC or a Court having jurisdiction makes a written order vesting any property of Timbercorp Securities in relation to the Project in ASIC or some body other than Timbercorp Securities.

Summary of the Licence and Joint Venture Agreement

1 Parties

The Licence and Joint Venture Agreement will be between Almond Land Pty Ltd ("the Landowner"), Timbercorp Securities Limited ("the Responsible Entity") and each several Grower ("the Grower").

2 Joint Venture

Under the Agreement, the Grower and the Landowner associate themselves as joint venturers for the purposes of engaging in a primary production business of developing and cultivating an Almond Orchard and producing and processing Almonds for commercial gain. The Grower is entitled to a Prescribed Proportion of the Joint Venture Assets of 90% and the Landowner is entitled to a Prescribed Proportion of the Joint Venture Assets of 10%.

3 Grant of Licence

Under the Agreement, the Landowner grants to the Grower a licence to use and occupy the JV Almondlots (in joint venture with the Landowner) for the purpose of growing and cultivating Almond Trees on, and managing, the JV Almondlots for the production of Almonds for commercial gain.

4 Establishment of Orchard

The Landowner agrees with the Grower that it must, at its own cost, establish, or procure the establishment of, the Almondlots on the Land in accordance with good horticultural and environmental practices, construct necessary infrastructure and carry out capital works. For this purpose, as soon as practicable after the commencement of the Agreement, the Landowner must:

a) identify the relevant parts of the Land which are suitable for growing almonds based on soil types, soil depths and contours;

b) organise various soil surveys, including reconnaissance surveys, detailed soil surveys and contour plans;

c) organise block layout in relation to the Almondlots, organise the pegging of those blocks and prepare the Land for planting;

d) cause the preparation of the Irrigation and Drainage Plan and carry out all works necessary to construct and install the Internal Irrigation Equipment, the Internal Irrigation System and the Irrigation Infrastructure;

e) carry out drainage work and work to help prevent soil erosion on all Land;

f) prepare the Orchard for planting, including clearing any vegetation or trees from the Orchard, broadacre weed spraying, disc ploughing, ripping and mounding of tree rows, preplant fertiliser spreading and discing, x-planning tree rows and marking out tree location; and

g) provide any other capital works, services or things which, in the reasonable opinion of the Landowner, are incidental or ancillary to the effective establishment and provision of the works referred to in paragraphs (a) – (f) above.

The Landowner will use its best endeavours to complete the Capital Works by 31 May 2001 or such later date as may be agreed between the Landowner and the Grower. The Landowner will not be liable for any loss or damage incurred by the Grower arising from any delay in so doing caused for any reason other than the negligence of the Landowner, its officers, employees or agents.

The Grower acknowledges that the Capital Works on the Grower's Almondlots, and the Water Licences attributed to the Project, are, and will at all times remain, the property of the Landowner.

5 Water Licences

The Landowner must do all things necessary to ensure that its rights under the Water Licences are fully exploited to maximise the use and enjoyment of them by the Grower. It must also take all steps to avoid interfering with the supply of water to the Grower's Almondlots and to avoid any actions that would prejudice the Grower's rights under the Agreement.

Furthermore, the Landowner must purchase and maintain the Water Licences during the Project and purchase any additional water rights on a temporary or permanent basis that may be required from time to time in order to irrigate the Almondlots.

6 Term

Unless terminated earlier by the Grower, the Landowner or the Responsible Entity (see below), the term of the Agreement will be from the Commencement Date until the earlier of:

- 30 June 2019;
- the termination of the Joint Venturer's Participating Interest in the Project; and
- the termination of the Project.

At the expiration of the term, the Grower must return the JV Almondlots to the Landowner in good condition, but the Grower is not required to remove Almond Trees or restore the JV Almondlots to their original condition. Any structures or plant and equipment of any description which belong to the Joint Venture must be removed from the JV Almondlots within 30 days after the end of the Agreement and if the parties do not comply with this requirement, all structures and plant and equipment remaining on the JV Almondlots at the time will become the absolute property of the Landowner. The Landowner has no obligation to pay the Grower any compensation.

The Grower may terminate the Agreement:

- immediately, if either the Landowner or the Responsible Entity goes into liquidation or a Controller or Administrator is appointed in relation to the undertaking of the Landowner or the Responsible Entity or any party of its undertaking;
- immediately, if either the Landowner or the Responsible Entity ceases to carry on business;
- immediately, if either the Landowner or the Responsible Entity fails or neglects to pay any moneys due to any Grower, or is in default of any material obligation under the Agreement and such default continues for a period of 3 months after receipt by the Landowner or the Responsible Entity of written notice from the Grower specifying the default and requesting that the default be remedied;
- by giving four months' written notice to the Landowner, if the whole or a substantial part of the JV Almondlots is damaged or destroyed whether by fire or any other cause whatsoever, or if an independent horticultural consultant commissioned by the Grower reasonably determines that the whole or a substantial part of the JV Almondlots is no longer commercially

viable (termination in these cases taking effect on and from the 30 June next following the expiration of the notice period);

- in relation to only part of the JV Almondots, by giving four months' written notice to the Landowner, if that part of the JV Almondlots is damaged or destroyed whether by fire or any other cause whatsoever, or an independent horticultural consultant commissioned by the Grower reasonably determines that part of the JV Almondlots is no longer commercially viable (termination in these circumstances taking effect on and from the 30 June next following the expiration of the notice period).

The Landowner or the Responsible Entity may terminate the Agreement, with immediate effect, if the Grower fails to make a payment within the time required under the Agreement, or commits a material breach of the Agreement, and fails to remedy the breach or make reasonable compensation in money within 30 days after the Landowner or the Responsible Entity has served a written notice on the Grower requiring the Grower to remedy the breach. If the Landowner terminates the Agreement in this manner, the Grower will lose all its rights and interest as a participant in the Project.

The Agreement will also immediately terminate if the Almondlot Management Agreement or Tree Supply and Planting Agreement is terminated for any reason.

Termination of the Agreement by the Grower or Landowner in these circumstances is without prejudice to any rights and obligations which may have accrued prior to the date of termination and does not affect the rights or obligations of the parties in respect of any JV Almondlots or part of any JV Almondlot which continues to be subject to the Agreement.

7 Grower's Obligation to Sell Almond Trees

At the end of the Agreement, the Grower must transfer to the Landowner or its nominee all of its rights, title and interest in the Almond Trees free of all Encumbrances for a fixed price of $2,000 per Almondlot and the Landowner must purchase, or must procure that its nominee purchases, the Almond Trees from the Grower, at that price.

The Grower agrees that, during the term of the Agreement, it must not create, or attempt to create, any Encumbrance over the Almond Trees, or dispose of, or attempt to dispose of, its interest in the Almond Trees.

8 Government Approvals

The Responsible Entity must maintain for the term of the project all local, State and Commonwealth government approvals, licences or permits required for the establishment and ownership of all the JV Almondlots.

9 Condition Precedent

The Agreement is subject to and conditional on the Joint Venturers entering into the Almondlot Management Agreement and the Tree Supply and Planting Agreement, prior to or on the Commencement Date.

10 Licence Fees and Expenses

The initial licence fee payable to the Landowner for the period from the Commencement Date until 30 June 2001 is $774.55 per JV Almondlot.

Thereafter, the Grower must pay an annual licence fee of $775 per JV Almondlot on 30 September 2001, 30 September 2002 and 30 September of each subsequent year during the life of the Project.

The licence fee will be reviewed on 30 September 2003 and each anniversary thereafter during the term. The licence fee payable on and from the review date is the greater of:

- the licence fee payable immediately prior to the relevant review date; and
- the amount calculated in accordance with a formula based on annual increases in CPI.

The Agreement provides that fees payable to the Landowner can be increased to cover the GST.

If the Grower fails or neglects to pay the licence fee or its Prescribed Proportion of any amount due by the Joint Venturers under the Almondlot Management Agreement or Tree Supply and Planting Agreement by the due date, the Landowner may, after giving the Grower 30 days' prior written notice, terminate the Licence and Joint Venture Agreement and:

- pay on behalf of the Grower, from its own funds, any such expense owing by the Grower and the Landowner will be entitled to be reimbursed out of any Proceeds of the Grower the amount of such payment together with interest at a rate of 3% above the Commonwealth Bank Limited's prime overdraft lending rate, calculated from the date that the payment fell due until the Landowner has been reimbursed in full; or
- deal with the Grower's interest in accordance with clause 18.4 of the Constitution.

11 The Grower's Obligations

The Grower agrees at the Grower's expense to:

- use the JV Almondlots solely for the purpose of the Joint Venture Operations;
- comply with good horticultural and environmental practices;
- comply with all laws and regulations relating to the use and occupancy of the JV Almondlots;
- maintain the JV Almondlots in accordance with good horticultural practices including, without limitation, using soil management technique methods to reduce erosion and maintain soil quality;
- permit the Land Owner and its employees, agents or contractors to enter upon the JV Almondlots from time to time with or without equipment for the purposes of observing the state of the JV Almondlots and provide to the Landowner sufficient rights of access to the Almond Trees in order for the Landowner to perform its duties and obligations;
- permit the Responsible Entity and its employees, agents or contractors to enter on the JV Almondlots for the purposes of performing its obligations under the Almondlot Management Agreement;
- comply or procure compliance with the provisions of the Almondlot Management Agreement; and
- give such rights to occupiers of other Almondlots adjoining the JV Almondlots as are necessary for their proper use and enjoyment of their land, but such rights are limited to the unimpeded use of any existing access roads, pathways or fire-breaks on or about the JV Almondlots.

12 The Landowner's Obligations

The Landowner must:

- duly and punctually pay or cause to be paid all rates, taxes and other charges levied by any government or competent authority in respect of all Almondlots; and
- comply with all laws and regulations relating to the use and occupancy of any neighbouring land occupied by the Landowner or other persons.

13 Terms of Joint Venture

Subject to the terms and conditions of the Almondlot Management Agreement, each of the Grower and the Landowner:

- is entitled to its Prescribed Proportion of the Almonds and the Proceeds;
- must contribute to the Responsible Entity in proportion to its Prescribed Proportion of the management expenses; and
- indemnifies the other against any losses or liability exceeding its Prescribed Proportion by reason of any joint liability incurred, or joint loss sustained, in connection with any contract or arrangement entered into by the Joint Venture.

The Joint Venture commences on the date of the Licence and Joint Venture Agreement and, unless terminated earlier as set out above, terminates on the termination of that Agreement.

On termination of the Joint Venture, the Joint Venture Assets must be distributed to, or be held for the benefit of, the Growers in their Prescribed Proportions, or be sold. In the event that they are sold, the net proceeds of sale must be divided amongst the Growers on a pro rata basis in accordance with their Prescribed Proportions.

14 Assignment

The Landowner or the Responsible Entity may assign its rights and interests under the Agreement, provided that the Landowner or Responsible Entity enters into a deed with the assignee containing a covenant in favour of the Grower to observe and perform all of the covenants contained or implied in the Agreement and required to be observed or performed by the Landowner or the Responsible Entity. This requirement also applies where the Landowner sells the Land.

Subject to the requirements of the Constitution, the Grower may only assign its rights under the Agreement if the Grower first obtains a deed of covenant signed by the proposed assignee in favour of the Landowner stating that the assignee will at all times during the term of the Agreement observe and perform all of the terms and conditions of the Agreement, the Constitution, the Almondlot Management Agreement and the Tree Supply and Planting Agreement applying to the Grower. Once the Grower has assigned its interest under the Agreement, it ceases to remain liable under the Agreement in respect of any act done or omitted to be done after the assignment is effected.

15 Limitation of Liability of Grower

Subject to the terms of the Agreement, the Grower will not be obliged to incur any liability under the Agreement in excess of the annual licence fee, its Participating Interest of the fees and expenses payable under the Almondot Management Agreement, the Tree Supply and Planting Agreement and the Proceeds.

16 Proper Law

The Agreement is governed by the laws of Victoria. The rights and obligations of the parties under the Agreement are subject to the terms and conditions of the Constitution.

Summary of the Tree Supply and Planting Agreement

1 Parties

The Tree Supply and Planting Agreement will be between Almond Land Pty Ltd ("the Landowner") and each several Grower ("the Grower").

2 Purchase of Almond Trees

Under the Agreement, the Landowner agrees to sell to the Joint Venturers the number of Almond Trees that the Responsible Entity specifies are to be planted on the Joint Venturers' Almondlots. Title to the Almond Trees will pass to the Joint Venturers free from all Encumbrances on the date on which the Responsible Entity accepts the Grower's application to become a Grower in the Project.

The Landowner warrants that:

- the Almond Trees will be of a minimum height of 3 feet on delivery of the Almond Trees to the Grower immediately prior to planting; and
- at the time title to the Almond Trees passes to the Joint Venturers, the Almond Trees will be fit for horticultural purposes, healthy, free of disease, infections and pests, to the extent that can be ascertained from a visual inspection of the Almond Trees.

The Landowner has not made and will not make any representation or warranty in relation to the absence or lack of presence of any viral/viroid infection, phytoplasmal infection, bacterial infection, fungal infection or any other pest or disease in relation to the Almond Trees or the ultimate performance of the Almond Trees after they are planted on the Land.

The Joint Venturers acknowledge that the purchase of the Almond Trees is subject to the Grower's obligation, under the Licence and Joint Venture Agreement, to sell its Prescribed Proportion of the Almond Trees to the Landowner upon the termination of the Project, free from all Encumbrances.

3 Planting Works

The Grower engages the Landowner as an independent contractor to carry out the following activities:

- until the Almond Trees are planted, maintain the Almond Trees separately and clearly labelled;
- arrange delivery of the Almond Trees to the Land and plant the Almond Trees on the Land in a manner consistent with Best Horticultural Practice;
- immediately prior to planting the Almond Trees on the Land, use its reasonable endeavours to eradicate, as far as reasonably possible, any pests and competitive weeds which may affect the growth or yield of the Almond Trees;
- erect stakes approximately 1.5 metres in height in accordance with Best Horticultural Practices; and
- generally establish the Almond Trees in a proper and skilful manner.

The Landowner must ensure that it has available sufficient labour and equipment to enable planting of all the Almond Trees by 30 June 2001, subject to planting taking place in appropriate climatic and horticultural conditions. The Landowner must use its best endeavours to complete the works in a timely manner.

The Landowner must, at its cost, replace and replant any Almond Trees which fail in the first six months after planting, where such failure is due to any breach or default by the Landowner under the Agreement or caused by the Landowner. This does not apply to those Almond Trees that fail due to an event of Force Majeure.

4 Fees

In consideration for the purchase of the Almond Trees on each of the Grower's Almondlots, and the Planting Works to be performed by the Landowner, the Grower will pay to the Landowner a fee of $1,111.11 per Almondlot licensed to the Grower. This fee is payable as follows:

- by one instalment of $555.56, payable by the Grower upon submitting an application to participate in the Project; and
- the balance on 30 September 2001.

It should be noted that the Grower, as a joint venturer with the Landowner, will be required to pay 90% of these costs.

5 Term

Unless terminated earlier by the Grower or the Landowner (see below), the Agreement will terminate on the earlier of:

- the date on which the last of the services under the Agreement are completed;
- termination of the Grower's Participating Interest in the Project; and
- termination of the Project.

The Grower may terminate the Agreement immediately if the Landowner:

- goes into liquidation or a Controller or Administrator is appointed in relation to the undertaking of the Landowner or the Responsible Entity or any party of its undertaking;
- ceases to carry on business; or
- fails or neglects to pay any moneys due to any Grower, or is default of any material obligation under the Agreement and such default continues for a period of 3 months after receipt by the Landowner or the Responsible Entity of written notice from the Grower specifying the default and requesting that the default be remedied.

The Landowner may terminate the Agreement, with immediate effect, if the Grower fails to make a payment within the time required under the Agreement, or commits a material breach of the Agreement and fails to remedy the breach or make reasonable compensation in money within 30 days after the Landowner has served a written notice on the Grower requiring the Grower to remedy the breach.

If the Agreement is terminated by the Landowner:

- the Grower loses all rights as a participant in the Project;
- the Grower remains liable for payment of all fees in respect of work done by the Landowner; and
- the procedure for the consequence of termination as set out in the Constitution must be followed.

If the Agreement is terminated by the Landowner as a consequence of a Grower failing to make the second instalment of fees to the Landowner 30 September 2001, the parties agree that title to the Almond Trees will revert to the Landowner, free from all Encumbrances, on the date of such termination.

The Agreement will also immediately terminate if the Licence and Joint Venture Agreement or Almondlot Management Agreement is terminated for any reason.

Termination of the Agreement by the Grower or Landowner in these circumstances is without prejudice to any rights and obligations which may have accrued prior to the date of termination.

6 Excuses for Non-Performance

Neither party will have any obligation to observe or comply with the terms of the Agreement to the extent that the observance of, or compliance with, those terms is prevented by Force Majeure.

Force Majeure means an act of God, war declared or undeclared, blockage, disturbance, lightning, fire, drought, earthquake, storm, flood, explosion, government or quasi-government restraint, exploration, prohibition, intervention, embargo, unavailability or delay in availability of equipment or transport, inability or delay in obtaining governmental or quasi-governmental approvals, consents, permits, licences, authorities or allocations, or any other cause which is not reasonably within the control of the person relying on the force majeure.

Force Majeure does not include any events or circumstances caused by a lack of or unavailability of funds or as a result of any event or chain of events brought about by the action or inaction of a party relying on the force majeure.

A Party's failure to observe or comply with the terms of the Agreement will not give rise to any liability to the other party for any direct or indirect consequential or special loss of any kind to the extent that the failure to comply with those terms is attributed to Force Majeure.

7 Assignment and Encumbrances

The Landowner may assign its rights and interests under the Agreement provided that the Landowner or Responsible Entity enters into a deed with the assignee containing a covenant in favour of the Grower to observe and perform all of the covenants contained or implied in the Agreement, the Constitution, the Licence and Joint Venture Agreement and the Almondlot Management Agreement.

Subject to the requirements of the Constitution, the Grower may only assign its rights under the Agreement if the Grower first obtains a deed of covenant signed by the proposed assignee in favour of the Landowner stating that the assignee will at all times during the term of the Agreement observe and perform all of the terms and conditions of the Agreement, the Constitution, the Licence and Joint Venture Agreement and the Almondlot Management Agreement applying to the Grower. Once the Grower has assigned its interest under the Agreement, it ceases to remain liable under the Agreement in respect of any act done or omitted to be done after the assignment is effected.

The Grower must not create an Encumbrance over the Almond Trees at any time during the life of the Project.

8 Liability and Indemnity

A Grower is not obliged to incur any liability under the Agreement in excess of the fees payable by the Grower under the Agreement, the Constitution, the Licence and Joint Venture Agreement and the Almondlot Management Agreement.

The Landowner will indemnify and keep indemnified the Grower against any liability, demand, loss, costs, charges and expenses which may be suffered or incurred by the Grower as a result of any breach of the Landowner's obligations under the Agreement or any neglect or fraud on its part or any of its employees, contractors or agents.

9 Proper Law

The Agreement is governed by the laws of Victoria.

Summary of the Almondlot Management Agreement

1 Parties

The Almondlot Management Agreement will be between each several Grower (together with the Landowner as joint venturers, collectively referred to in this section as "the Grower") and Timbercorp Securities Limited ("the Responsible Entity").

2 Appointment of Project Manager

The Grower engages the Responsible Entity, as an independent contractor, generally to manage and administer the Project, manage, direct and conduct the Project Operations on behalf of the Grower, perform the Orchard Services and provide all necessary administrative, supervisory and consulting services.

The Responsible Entity must use reasonable endeavours to perform all its functions, exercise its powers under the Agreement and conduct the Project Operations:

- in a commercially reasonable manner;
- honestly;
- generally in accordance with good horticultural management and environmental practices which are generally recognised and adopted in Australia and are known and acceptable to the Responsible Entity and suitable for use on the Orchard; and
- in the best interests of all the Growers and not in the interests of the Responsible Entity if those interests are not the same as those of the Growers.

3 Orchard Management

The Responsible Entity must cultivate and manage the Orchard in accordance with the Management Plan and good horticultural and environmental practices.

The Responsible Entity must commence to carry out the Orchard Services on behalf of the Grower on the Commencement Date of the Agreement. The Orchard Services to be provided by the Responsible Entity include:

- pruning the Almond Trees by mechanical or other methods;
- as permitted by law, eradicating vermin which has caused or may cause damage to the Almond Trees or the Grower's Almondlots and putting in place measures to control such vermin;
- providing the Orchard with necessary irrigation water made available by the Landowner through Water Licences, operating the irrigation system licensed to Growers on the Grower's Almondlots at various times in order to irrigate the Grower's Almondlots;

  at the Responsible Entity's discretion, conducting tests to ascertain the availability of nutrients in the soil on the Grower's Almondlots and, based on the results, taking whatever action is required to maintain the growth rate and productivity of the Almond Trees;
- fertilising the Grower's Almondlots as required, in accordance with good horticultural practices, to maintain satisfactory rates of growth and productivity of the Almond Trees;
- in the Responsible Entity's absolute discretion and without need for the Grower's consent, destroying any of the Almond Trees or Almonds which have contracted an exotic, noxious or incurable disease;
- keeping the improvements on the Grower's Almondlots in good and substantial repair;
- maintaining fire breaks in accordance with regulatory and insurance requirements and good horticultural practices;
- maintaining the Grower's Almondlots in accordance with good horticultural practices including using soil management technique methods to reduce erosion and maintain soil quality;
- as far as reasonably possible, keeping the Grower's Almondlots free from competitive weeds or other vegetation which may affect the growth or yield of the Almond Trees;
- protecting the Almond Trees from insect infestation, disease and competition from competing growth using good horticultural practices, including applying herbicides or pesticides to the Grower's Almondlots and spraying under the Almond Trees as permitted by law;
- keeping proper and accurate records of all fertilisers, nutrients and other chemicals applied to the Grower's Almondlots or Almond Trees;
- regularly inspecting and repairing all stakes, fences and irrigation equipment on the Grower's Almondlots;
- inspecting and, where appropriate, tying the Almond Trees to stakes and attaching Almond Trees to trellising in accordance with good horticultural practices;

- replanting any of the Almond Trees in need of replacement in accordance with the terms of any agreement made with suppliers of the Almond Trees;
- on behalf of the Grower, overseeing the establishment of the Grower's Almondlots and construction of the Capital Works by the Landowner and planting of the Grower's Almond Trees in accordance with good horticultural and environmental practices and in accordance with the Landowner's obligations under the Licence and Joint Venture Agreement and the Tree Supply and Planting Agreement;
- complying with the Grower's licence obligations under the Licence and Joint Venture Agreement (except for those relating to payment of fees);
- not discriminating between Growers in the supply of water under the Water Licences;
- each Financial Year commencing the Financial Year ending 30 June 2001, preparing, or arranging for the preparation of, the Management Plan for the Project, including a horticultural plan for the Orchard, horticultural program, operational plan and financial and operational budgets in relation to those horticultural matters, reviewing the Management Plan and, if necessary, making amendments to it;
- providing any other service or thing which, in the reasonable opinion of the Responsible Entity, is incidental or ancillary to the ongoing management of the Grower's Almondlots; and
- complying with all laws and regulations relating to the use and occupancy of the Grower's Almondlots.

The Responsible Entity must give the Landowner a copy of any notice (other than rates notices) which it receives from any Government Agency with respect to the Grower's Almondlots or the Orchard within seven days after receipt of the notice.

4 Harvesting

Each year during the Term, the Responsible Entity will, in accordance with good horticultural practices, test the maturity of the Almonds to determine whether the Almond Trees are ready for harvesting and, having done so, harvest the mature Almond Trees.

Harvesting must be done by the Responsible Entity in accordance with good horticultural practices by any method (including machine harvesting) deemed appropriate by the Responsible Entity.

The Responsible Entity will promptly deliver all harvested Almonds to a delivery point or points to enable the Almonds to be processed or sold. Until the harvested Almonds are delivered, the Responsible Entity will store them in an appropriate manner to minimise the deterioration of the Almonds' quality. The Almonds may be stored on the Orchard or any other premises whether or not owned or operated by the Responsible Entity.

5 Processing and Sale

The Responsible Entity will procure the processing of the Crop into Product and will enter into a Project Document as agent and attorney for the Grower.

The Responsible Entity will:

- sell the Product, using its reasonable endeavours to seek to maximise returns, on such terms and conditions as the Responsible Entity determines in its absolute discretion and, for this purpose, will enter into an agreement for sale of the Product as agent and attorney for the Grower; and
- in the event that the Responsible Entity determines that any part of the Crop should not be processed into Product, put such Crop to commercial use, using its reasonable endeavours to seek to maximise returns, on such terms and conditions as the Responsible Entity in its absolute discretion determines and, for this purpose, will enter into any agreement as agent and attorney for the Grower.

The Grower acknowledges and agrees with the Responsible Entity that the Responsible Entity can call for a first and paramount lien at any time in respect of the Grower's Participating Interest in the Almonds until such time as any outstanding fees or expenses due and payable to the Responsible Entity under the Agreement have been paid.

6 Administrative Services

The Responsible Entity agrees to provide the following administrative services throughout the term of the Agreement:

- prepare reports to Growers on the allocation and location of Growers' Almondlots;
- prepare reports to Growers detailing the work to be done on each Grower's Almondlot;
- prepare the reports to Growers described in the Almondlot Management Agreement
- prepare a statement to the Grower to assist with income tax preparation;
- record the Grower's transactions and make payments on behalf of the Grower;
- general administrative management of the Project;
- review the sales and marketing plan for the Project; and
- co-ordinate visits of Growers to inspect their Almondlots.

7 Access to Orchard

The Responsible Entity and its invitees will be entitled to such access to the Grower's Almondlots as is necessary or desirable to perform the Responsible Entity's obligations under the Agreement.

The Responsible Entity may remove from the Grower's Almondlots such plant and equipment, implements, furniture and other items brought onto the Grower's Almondlots within one month after the termination of the Agreement and may enter the Grower's Almondlots for the purpose of removing such items.

The Responsible Entity is entitled (but has no obligation) to construct and maintain roads and tracks on the Grower's Almondlots primarily and principally to provide access to and from the Orchard from a public road for the cultivation, maintenance and tending of the Almond Trees and the Almonds, harvesting of the Almonds and removal of the Almonds.

Provided the Grower first gives the Responsible Entity 7 days' prior written notice, the Responsible Entity must permit the Grower or its duly authorised representatives to have access, at the Grower's expense and risk, at all reasonable times to the Grower's Almondlots and the facilities located on them.

8 Responsible Entity's Fees

The Responsible Entity will be paid the following management fees and charges in respect of all services provided under the agreement in the periods set out below:

- in respect of the services to be provided in the period commencing on the Commencement Date and ending on 30 June 2001, an amount of $4,644.44 per Almondlot payable in advance on or before the Commencement Date;
- in respect of the services to be provided in the period commencing on 1 July 2001 and ending on 30 June 2002, $1,527.78 per Almondlot payable on 30 September 2001;
- in respect of the services to be provided in the period commencing on 1 July 2002 and ending on 30 June 2003, $1,527.78 per Almondlot payable on 30 September 2002; and
- thereafter, in respect of the services to be provided in each subsequent Financial Year during the term of the Agreement, an amount per Almondlot calculated by the Responsible Entity as the reasonable costs of managing the Almondlot, payable on 30 September during that Financial Year.

It should be noted that the Grower, as a joint venturer with the Landowner, will be required to pay 90% of these fees.

The Responsible Entity will be entitled to be paid the following additional management fees in a Financial Year out of, and immediately prior to, any distribution:

a) from 30 September 2003, the estimated costs of operating the Almondlots (which will include an allocation of overhead costs incurred by the Responsible Entity or its contractors that will not exceed $50 per Almondlot indexed to CPI (adopting year 2001 as the base year)) together with 6% of the proceeds of the sale of Crop and Product in that Financial Year; and

b) 25% of so much of the annual Net Proceeds payable to the Grower in a Financial Year in excess of the annual Net Proceeds estimated in the Prospectus to be received by the Grower in that Financial Year, less any allowance for inflation made in the Prospectus in arriving at such estimate, but indexed to CPI from the date of the Agreement (the "Incentive Fee Threshold"). But, if in the immediately preceding Financial Year, the Proceeds were less than the Incentive Fee Threshold, the sum of the deficit must be deducted from the Proceeds when calculating the fee payable to the Responsible Entity under this paragraph in respect of the Financial Year to which reference is first made.

After the actual costs for a Financial Year are determined by the Responsible Entity, the Responsible Entity will, when notifying the Grower (under paragraph (a) above) of the forecasted costs for the succeeding Financial Year, notify the Grower of those actual costs per Almondlot, and either deduct the surplus per Almondlot from, or add the excess per Almondlot to, the fees payable for the next Financial Year, depending on whether they are more or less than the costs calculated by the Responsible Entity under paragraph (a) above.

The Agreement provides that fees payable to the Responsible Entity can be increased to cover the GST.

9 Insurance

The Responsible Entity will be responsible for obtaining and keeping or procuring some other person to procure and keep policies of insurance, on behalf of the Grower, with a reputable insurer against damage to the Orchard, which is caused by fire or other insurable risks, including public risk and occupier's liability, provided that the cost of any such insurance is economically justified and it does not include crop insurance unless specifically agreed between the Responsible Entity and the Grower from year to year.

10 Management Plan and Reports

In performing its obligations under the Agreement, the Responsible Entity must observe and act in accordance with the Management Plan.

The Responsible Entity must consider any recommendation or direction made by a Grower and where it is satisfied that any such recommendation or direction is in the interests of the Growers and the Project generally, the Responsible Entity must use its best endeavours to carry out the recommendation or direction in accordance with the terms and conditions set out in the Agreement.

Within four months after the end of each Financial Year, the Responsible Entity will send an annual report to the Grower that addresses and contains information concerning matters such as the results of the harvest of Almonds, the condition of the Orchard, the Almondlots and the Almond Trees, any other matters which the Responsible Entity considers material and which ought reasonably to be made known to the Grower or any other matter reasonably requested by the Grower.

Once the Almond Trees start producing Crop, the Responsible Entity will also send to Growers annual statements of income and expenses.

11 Distributions

Subject to the Agreement, the Responsible Entity must pay to each Grower the amount of Proceeds standing to the credit of the Grower in the Agency Account in accordance with the Constitution.

12 Term

Unless terminated earlier by the Grower or the Responsible Entity (see below), the term of the Agreement will be from the Commencement Date and continue until the earlier of:

- termination of the Grower's Participating Interest in the Project;
- 30 June 2019; and
- termination of the Project.

The Grower may terminate the Agreement by notice in writing to the Responsible Entity:

- immediately, if the Responsible Entity:
- goes into liquidation other than for the purposes of reconstruction or amalgamation or a Controller or Administrator is appointed in relation to its undertaking;
- ceases to carry on business; or
- fails or neglects to pay any moneys due to any Grower, or the Responsible Entity is in default of a material obligation under the Agreement and this default continues for a period of 3 months after receipt by the Responsible Entity of written notice from the Grower(s) specifying the default and requesting that the default be remedied; or
- 6 months, or such shorter period as the parties may agree, after the Growers by Special Resolution at the meeting of Growers resolve to terminate the engagement of the Responsible Entity under the Agreement.

The Responsible Entity may terminate the Agreement if the Grower fails to make a payment within the required time under the Agreement, or commits a material breach of the Agreement, and fails to remedy the breach or make reasonable compensation in money within 30 days after the Responsible Entity has served a written notice on the Grower specifying the breach and requiring the Grower to remedy the breach. If the Responsible Entity exercises its right to terminate the Agreement, then:

- the Grower loses all rights as a participant in the Project;
- the Grower remains liable for payment of all fees in respect of work done by the Responsible Entity; and
- the procedure for the consequence of termination as set out in the Constitution must be followed.

Termination of the Agreement by the Grower or the Responsible Entity is without prejudice to any rights and obligations which may have accrued prior to the date of termination.

The Agreement terminates in respect of the Grower immediately if the Licence and Joint Venture Agreement or the Tree Supply and Planting Agreement is terminated in respect of the Grower for any reason.

13 Excuses for Non-Performance

A party to the Agreement will not have any obligation to observe or comply with the terms of the Agreement to the extent that the observance of, or compliance with, those terms is prevented by Force Majeure.

Force Majeure means any event or circumstance not reasonably within the control of the Responsible Entity or which the Responsible Entity is not reasonably able to prevent and includes:

- pestilence, vermin, disease, fire, acts of God, landslide, earthquake, flood, washout, lightning, storm, drought, seasonal and climatic conditions and the elements;
- strikes, lock-outs, bans, work limitations, boycotts and industrial disturbances or action;
- act of the enemies, wars, blockades, insurrection, riots and civil disturbances;
- orders of any court or the order, act or omission or failure to act of any government or governmental authority or instrumentality (including any failure to grant or any withdrawal of any licences, consent or authority);
- epidemic or quarantine;
- shortage or unavailability of equipment, materials or labour or any restriction on equipment, materials or labour or on the use of equipment, materials or labour;
- delays in transportation or communication; and
- breakage or breakdown of, or damage to, equipment or machinery or the necessity to repair equipment or machinery to prevent its breakdown.

Performance or fulfilment of an obligation is not to be taken to be prevented by Force Majeure if it is prevented by lack of funds or by an inability to use available funds resulting from Force Majeure.

A Party's failure to observe or comply with the terms of the Agreement will not give rise to any liability to the other Party for any direct or indirect ,consequential or special loss of any kind to the extent that the failure to comply with those terms is attributed to Force Majeure.

14 Limitation of Grower's Liability

The Grower is not obliged to contribute any money in respect of the Project Operations beyond the Licence Fee and the fees payable to the Responsible Entity under the Constitution, the Licence and Joint Venture Agreement, the Tree Supply and Planting Agreement and the Almondlot Management Agreement.

The liability of the Grower is absolutely limited to the Licence Fees, the fees and costs paid or payable to the Responsible Entity under the Licence and Joint Venture Agreement, the Tree Supply and Planting Agreement and the Almondlot Management Agreement and to any Proceeds of the Grower.

15 Proper Law

The Agreement is governed by the laws of Victoria. The rights and obligations of the parties under the Agreement are subject to the terms and conditions of the Constitution.

Other Agreements

Management Agreement

The Almondlot Management Agreement permits the Responsible Entity to delegate any of its obligations under that Agreement to its contractors. Accordingly, under a Management Agreement between the Responsible Entity and Almond Management Pty Ltd ("AMPL"), the Responsible Entity will engage AMPL as an independent contractor to carry out the Orchard Services set out in the Almondlot Management Agreement and to market and sell the almonds. This delegation does not release the Responsible Entity from liability under the Almondlot Management Agreement.

Under the Management Agreement, AMPL agrees to:

- manage and administer the Project;
- cultivate and manage the Orchard;
- cultivate and harvest the Almond Trees;
- procure the processing of the Crop into Product and sell the Product or Crop, as agent for Growers, for commercial gain; and
- provide certain administrative services.

In performing its obligations under the Management Agreement, AMPL must observe and act in accordance with the Management Plan.

Almond Orchard Management Agreement

The Management Agreement permits AMPL to appoint agents and sub-contractors to perform any of its duties under the Management Agreement, provided that AMPL at all times remains primarily responsible to the Responsible Entity for the performance of those duties. AMPL has entered into the Almond Orchard Management Agreement with Select Harvests Limited ("Select") under which it has engaged Select, as an independent contractor to:

- provide Orchard Services, including cultivation, maintenance and management services, and harvesting the Almonds;
- provide Processing Services relating to the Almonds; and
- provide Marketing Services relating to the sale of the Almonds.

In performing its obligations under the Almond Orchard Management Agreement, Select must observe and act in accordance with the Management Plan.

Under the Agreement, Select has guaranteed to AMPL that all Almonds produced from the Project and available from any harvest for a particular Season will be sold by Select by 30 June in the Financial Year after the Financial Year in which the harvest for that particular season commenced.

Following harvest, the Almonds from the Project will be pooled with all other almonds that are proposed to be sold by Select. It should be noted that, under the Almond Orchard Management Agreement, ownership of the Almonds will pass from the Growers to Select immediately prior to the payment for the pooled Almonds by the purchaser of them. However, Select will not be required to pay to AMPL the proceeds of sale of the Almonds until 7 days after the end of each month. Ordinarily, Growers would retain title to the Almonds until the proceeds of sale were received on their behalf. Therefore, there will be a short time gap, before receipt of sale proceeds, during which Growers will not have title to their Almonds. However, given the involvement of Select in the Project, and the nature of the pooling arrangements implemented by Select, we do not consider this will give rise to any difficulties.

Tree Supply and Capital Works Agreement

Both the Licence and Joint Venture Agreement and the Tree Supply and Planting Agreement permit Almond Land to appoint agents and sub-contractors for the purposes of exercising its powers or performing its obligations under those Agreements. Accordingly, Almond Land has engaged Select, under the Tree Supply and Capital Works Agreement, to assist Almond Land in carrying out its duties under the Licence and Joint Venture Agreement and Tree Supply and Planting Agreement.

Under the Tree Supply and Capital Works Agreement:

- Select agrees to sell to Almond Land the Almond Trees that it will use for the Project;
- Almond Land engages Select to oversee the establishment of the capital works associated with the establishment of the Orchard, including preparing an Establishment Plan, selecting Land for the Project, designing the Orchard, preparing the Land and supervising the installation of the internal irrigation equipment and infrastructure; and
- Almond Land engages Select to plant the Almond Trees on the Orchard.

Select has agreed to replace and replant, at its cost, any Almond Trees which fail in the first 6 months after planting, where such failure is due to any breach or default by Select or cause by Select, but not including those Almond Trees that fail due to an event of force majeure.

Additional Information

1 Registers

We will maintain the principal registers of Growers at our registered office at Level 5, 95 Queen Street, Melbourne, Victoria. The registers may be inspected by any member of the public between the hours of 9.00 am and 5.00 pm on Monday to Friday inclusive, excluding public holidays.

2 Our allocation and issue policy

Unless we agree otherwise with any particular Grower or financial intermediary, we will allocate Almondlots in order of receipt of completed applications. We reserve the right, in our absolute discretion, to accept an application for less than two Almondlots.

3 Repurchase and secondary market

We are not obliged to purchase from any Grower any Almondlots issued under this prospectus. However, we will assist to create a secondary market for Almondlots, subject to the provisions of the Corporations Law, by:

- maintaining a register of interested buyers and sellers; and
- making that register available for inspection by Growers and shareholders respectively at no charge.

4 Commissions

We may pay commissions or brokerage of up to 5% of the funds subscribed in relation to Almondlots for which you apply to those persons authorised by the Corporations Law to receive such commissions or brokerage. In addition, we may reimburse those persons at standard rates of up to 3% of the funds subscribed for reasonable marketing and other administrative costs incurred in relation to Almondlots sold.

5 Interests of directors

Directors' fees – Timbercorp Limited

The directors of Timbercorp (our parent company) are entitled to be paid an aggregate sum to be fixed by the directors, which sum will not exceed $150,000 per annum or such sum as the members may at general meeting from time to time determine.

The only directors' fees paid in the past 2 years were amounts of $20,000 and $30,000 to each of J M Vaughan and G W Liddell in each of the financial years ended 30 June 1999 and 30 June 2000. For the financial year ending 30 June 2001, Directors' fees will total $70,000 plus out of pocket expenses. D W A Muir and G W Liddell will receive directors' fees of $40,000 and $30,000 respectively. No fees are otherwise payable to our directors.

Directors' interests in shares and options

Our directors hold the following interests in Timbercorp Limited:

Director	Number of Shares	Number of Options
D W A Muir*	34,000,000	1,180,000
R J Hance*	34,626,719	1,180,000
G W Liddell**	185,788	480,000
J M Vaughan	140,866	680,000
S C Rabinowicz	317,419	1,021,250

* The majority of shares are held by virtue of a beneficial interest in Braidon Pty Ltd, Timbercorp's ultimate parent entity.

** G W Liddell is a partner with the chartered accounting firm, Liddell Weight & Co, which derives fees for professional services provided to Timbercorp.

Service agreements and other benefits

As at the date of this prospectus, no director is party to an executive agreement and no amount has been agreed to be paid as a bonus in respect of this Project.

Gary Liddell is a partner with the firm Liddell Weight & Co, Chartered Accountants, which provides accounting services to the Timbercorp group of companies. During the financial year ended 30 June 1999 Timbercorp paid an amount of $52,500 to Liddell Weight & Co and during the year ended 30 June 2000, Timbercorp paid an amount of $83,350 to Liddell Weight & Co at normal commercial rates. Liddell Weight & Co will not receive any fees in respect of this issue.

6 Minimum subscription

There is no minimum number of Almondlots that must be applied for under this prospectus before any Almondlots will be allocated. This means that the Project will proceed irrespective of how many Almondlots are applied for.

7 Inspection of documents

Copies of the Constitution, Custody Agreement, Licence and Joint Venture Agreement, Almondlot Management Agreement and Tree Supply and Planting Agreement may be inspected or obtained, free of charge, during normal business hours at our registered office at 95 Queen Street, Melbourne, Victoria.

8 Experts and advisors

Other than as set out below or elsewhere in this prospectus, no expert or any person named in this prospectus as performing any functions nor any firm in which any expert or such person is a partner or employee has, or has had within the two years before lodgement of this prospectus, any interest in the formation or promotion of the Project, in any property proposed to be acquired in connection with the formation or promotion of the Project, or in the offer of interests in the Project.

Interests and fees

Horticultural Development Services Pty Ltd is entitled to receive fees of $9,020 for the preparation of the Almond Orchard Expert's Report. Graham Johns, the sole director of Horticulture Development Service Pty Ltd, holds 92,921 shares in Select Harvests.

John de Wijn of Queen's Counsel is entitled to receive fees of $14,000 for the preparation of the Taxation Advisor's Report.

N M Taylor, Lawyers have acted, and continue to act, as our lawyers and performed work in respect of this prospectus, the due diligence enquiries, and other aspects of the Project. They have received, or are entitled to receive fees of $94,000 (plus disbursements) for these services and further amounts for any future services in accordance with their usual time-based charges.

Deloitte Touche Tohmatsu has been paid a fee of $93,650 (plus disbursements) for the audit of Timbercorp's financial statements for the year ended 30 June 2000 and a fee of $86,350 (plus disbursements) for the audit of Timbercorp's financial statements for the year ended 30 June 1999.

Consents

Horticultural Development Services Pty Ltd, J W de Wijn of Queen's Counsel and N M Taylor Lawyers have given their written consents to the inclusion in this prospectus of their respective reports in the form and context in which they appear and have not withdrawn such consents prior to lodgement of this prospectus with the ASIC.

Deloitte Touche Tohmatsu has consented and has not before lodgement of this prospectus withdrawn its written consent to the inclusion of extracts of Timbercorp's audited accounts in this prospectus in the form and context in which they appear.

Disclaimers

Horticultural Development Services Pty Ltd has acted as almond orchard expert and has authorised the issue only of the Almond Orchard Expert's Report. Horticultural Development Services Pty Ltd disclaims and takes no responsibility for any other part of this prospectus.

N M Taylor, Lawyers have assisted in preparing the Project Agreements, our Compliance Plan and in undertaking due diligence enquiries in relation to this prospectus. They have reviewed this prospectus to ensure that its contents are consistent with the Project Agreements and they have authorised the issue of the Lawyers' Report only. N M Taylor, Lawyers expressly disclaim and take no responsibility for any other matter referred to in this prospectus.

JW de Wijn of Queen's Counsel has acted as independent tax advisor and has authorised the issue only of the Taxation Advisor's Report. He expressly disclaims and takes no responsibility for any other matter referred to in this prospectus.

Deloitte Touche Tohmatsu has not been involved in any aspect of this prospectus. It expressly disclaims and takes no responsibility for any part of this prospectus.

9 Directors' consents and signing of prospectus

As required by law, each of the Directors of Timbercorp Securities Limited has given his written consent to the issue of this prospectus. Further, this prospectus has been signed by each of those directors or his agent authorised in writing.

Robert J Hance

John M Vaughan

Sol Rabinowicz

How to Apply

How to Apply

- Before signing the Application and Power of Attorney Form, you should read the whole of the prospectus relating to the 2001 Timbercorp Almond Project.
- You should then carefully read the declarations relating to the Application and Power of Attorney Form and then complete the form in full.
- The form must be signed and dated by individuals in the presence of an adult witness who must also sign as witness.
- Please lodge your completed Application and Power of Attorney Form together with your cheque or bank draft made payable to "Timbercorp – 2001 Almond Project" and crossed "Not Negotiable" with your financial advisor or deliver it to:

  Timbercorp Securities Limited

  Level 5, 95 Queen Street

  Melbourne Victoria 3000

- It should be noted that no applications for Almondlots will be processed until after the expiry of the exposure period for this prospectus and no preference will be conferred on applications received during the exposure period. The purpose of the exposure period is to enable the prospectus to be examined by market participants prior to the raising of funds. That examination may result in the identification of deficiencies in the prospectus, in which case any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Law.

Your details

- Applicants must be one or more individuals or a company.
- Joint applicants will be deemed to be holding their Almondlots as tenants in common.
- All communications from us will be sent to the address shown. For joint applicants, only one address is required.
- Please provide your full telephone, fax and e-mail details in case we need to contact you quickly.
- Please also provide your ABN if one has been issued to you.

Your Almondlots and payment details

- You must apply for a minimum of 2 Almondlots. Thereafter, you may apply for any number of Almondlots.
- Complete the payment details in this section. Your Application Moneys per Almondlot payable on application are $6,000 (including $545.45 GST) made up of initial management fees of $4,598 (including $418 GST), licence fees of $852 (including $77.45 GST) and costs of $550 (including $50 GST) relating to the purchase and planting of your Almond Trees.
- If you fill in the item "LESS amount subject to finance", your application will only be accepted on receipt of the Application Moneys in relation to your Almondlots. We do not warrant or undertake that such finance will be provided or procured.
- Please pay by cheque or bank draft made payable to "Timbercorp – 2001 Almond Project" and cross the cheque or bank draft "Not Negotiable".

Signature and declarations

Each application must be signed by the applicant personally. Joint applicants must each sign the Application Form. An application by a company does not require a company seal but must be signed in accordance with its constitution. A copy of its constitution need not be produced. The form should also be dated.

Application and Power of Attorney Form

To be completed by the Advisor

Dealer's Stamp	
	Dealer's Name
	Advisor's Name
	Telephone
	Facsimile
	Email

Please read the back of this form before signing it.

Your Details

Full Name (individual or company) Dr/Mr/Mrs/Ms/Miss

Address

Suburb/Town/City

State

Postcode

ACN (if a company)

ABN

Telephone

Home

Work

Mobile

Fax

Email Address

Joint Applicant (if applicable) Full Name (individual or company) Dr/Mr/Mrs/Ms/Miss

Address

State

Postcode

Your Almondlots

Number of Almondlots applied for **(minimum of 2)**	**Almondlots**
Amount payable (@ $6,000 per Almondlot which includes $545.45 GST)	$
Less amount subject to finance	$
Balance enclosed with this application	$

NB: Further payments of licence and management fees will be due each year.

Please make your cheque payable to: "Timbercorp – 2001 Almond Project"

Power of Attorney

I/we, the person(s) named in the "Your Details" section above irrevocably appoint Permanent Trustee Company Limited (ACN 000 000 993), of 294-296 Collins Street, Melbourne and Timbercorp Securities Limited (ACN 092 311 469), of Level 5, 95 Queen Street, Melbourne ("Attorney") severally to be my/our attorney and in my/our name and on my/our behalf and as my/our act and deed to:

- enter into and execute on my/our behalf a Licence and Joint Venture Agreement and an Almondlot Management Agreement in respect of the Almondlots for which I/we have applied and which Timbercorp Securities Limited accepts and a Tree Supply and Planting Agreement in respect of the Almond Trees that will be planted on the Almondlots for which I/we have applied ("the Project Agreements");
- vary, replace or cancel the Project Agreements and execute, vary, replace or cancel any other documents which are referred to in, or which are ancillary or related to, the Project Agreements;
- appoint one or more substitute attorneys to exercise the powers granted to the Attorney and to revoke any appointment of any substitute attorney or attorneys made under this document;

and to do all things necessary or expedient to give effect to those documents including but not limited to dating and completing any blanks in the Project Agreements, making any variations, replacements and cancellations to the documents which the Attorney considers not contrary to my/our interests, on the terms and conditions and subject to the acknowledgements contained in the "How to Apply" section accompanying this form.

Date of Signing ………./………../……….

If Applicant is a person

Signed

(joint applicant signature)

Witness

If Applicant is a company

Executed in accordance with its constitution by:

Director

Director/Secretary

Return this form to Timbercorp Securities Limited – Level 5, 95 Queen Street, Melbourne, Victoria 3000

Declarations

By signing the front of this application and power of attorney form, you make the following declarations:

- That you have read the prospectus dated 2 March 2001 to which this application is attached.
- That you acknowledge that Timbercorp Securities Limited has the right to accept or reject your application.
- That you agree to be bound by the Constitution and irrevocably appoint Permanent Trustee Company Limited and Timbercorp Securities Limited, severally, as your attorney to enter into the Licence and Joint Venture Agreement, the Almondlot Management Agreement and the Tree Supply and Planting Agreement.
- That you understand that by becoming a party to the Constitution and the Almondlot Management Agreement you irrevocably appoint Timbercorp Securities Limited as your attorney to enter into any agreement for the sale of the Almonds.

Terms and conditions of power of attorney

By granting the power of attorney to Timbercorp Securities Limited you do so on the following terms and conditions.

1 you will ratify and confirm whatever the Attorney does in the exercise of the power granted by you;

2 you will indemnify and keep indemnified the Attorney against all claims, demands, costs, damages, losses and expenses, however arising, consequent upon the exercise of the power granted by you except in the event of gross neglect, fraud or wilful default by the Attorney;

3 the Attorney may, and where required will, stamp and register this instrument at the cost of the applicant;

4 any person or corporation dealing with the Attorney in good faith may accept a written statement signed by the Attorney to the effect that this Power of Attorney has not been revoked as conclusive evidence of that fact;

5 this Power of Attorney is irrevocable until the expiration of the Project under the Constitution;

6 the authorisation in writing of any variations, replacements or cancellations referred to above may be by facsimile or any other form of written confirmation; and

7 this Power of Attorney will be governed by and construed in accordance with the laws of Victoria; and

8 words and expressions used in this Power of Attorney have the same meanings as in the Constitution unless the contrary requires.

Glossary

In this prospectus, the following expressions have the meanings set out below:

Almondlot
means a discrete area of the Orchard of 0.25 plantable hectares that is licensed to a Grower under the Licence and Joint Venture Agreement. The expression "Almondlots" means all of the Almondlots to which a Grower is entitled.

Almondlot Management Agreement
means the agreement of that name between us and each several Grower (comprising the Grower and Almond Land) by which the Grower engages us to cultivate and manage the Grower's Almondlots.

Almond Orchard Management Agreement
means the agreement of that name between Almond Management and Select Harvests by which Almond Management engages Select Harvests to undertake the day-to-day management of the Orchard, process the Almonds and sell the Almonds.

Almonds
means the almonds grown on the Orchard.

Almond Land
means Almond Land Pty Ltd (ACN 091 460 392).

Almond Management
means Almond Management Pty Ltd (ACN 094 468 845).

Almonds Trees
means the trees planted or to be planted on the Orchard.

Application Moneys
means the amount of $6,000 per Almondlot payable by a Grower.

ASIC
means the Australian Securities and Investments Commission.

Capital Works
the infrastructure and capital works that Almond Land has agreed to carry out under the Licence and Joint Venture Agreement.

Carina site
means that part of the Land comprising up to 139 plantable hectares located on, and being an extension of an existing almond orchard development approximately 29 kilometres from the town of Robinvale.

Constitution
means the deed that governs the rights and obligations of Growers, and us as Responsible Entity under the Project.

CPI
means the consumer price index (all groups), weighted average of eight capital cities as published from time to time by the Australian Bureau of Statistics.

Grower or You
means a person (or in the case of joint applicants, those persons) who becomes a party to the Licence and Joint Venture Agreement and the Almondlot Management Agreement as a Grower and the Tree Supply and Planting Agreement, as a result of either the allotment of Almondlots in the Project or a transmission, transfer, mortgage, assignment or other disposal of Almondlots.

GST
means GST as defined in the GST Law.

GST Law
means A New Tax System (Goods and Services Tax) Act 1999 (as amended).

indexed
means adjusted by CPI increments, in relation to the most recently published 4 quarters adopting 30 June 2001 as the base year, unless another year is stipulated as the base year.

Land
means the Liparoo site and the Carina site on which the Orchard is established and the Project is conducted.

Licence and Joint Venture Agreement
means the agreement between Almond Land, us and each several Grower by which Almond Land grants to the Grower a licence in respect of the Almondlots and enters into a joint venture with the Grower to cultivate and manage the Almond Trees on those Almondlots.

Liparoo site
means that part of the Land being a property comprising approximately 985 plantable hectares adjacent to the Huttah-Robinvale Road, Liparoo, approximately 129 kilometres southeast of Mildura in north Victoria.

Management Agreement
means the agreement of that name between us and the Project Manager by which we appoint the Project Manager to manage the Orchard and procure the processing of the Almonds and marketing of the Almonds.

Orchard
means the almond orchard to be established on the Land, including the Capital Works and Water Liciences, comprising all of the Growers' Almondlots.

Proceeds
means proceeds from the sale of Almonds; any moneys payable to a Grower under any policy of insurance in relation to the Grower's Almondlots, the Almonds or the Project; interest earned on the proceeds; and any other moneys payable to a Grower from or in relation to the Project. The expression Net Proceeds means Proceeds to which a Grower is entitled under the Constitution less all annual licence and management fees incurred by a Grower.

Project
means the 2001 Timbercorp Almond Project.

Project Agreements
means the Constitution, Licence and Joint Venture Agreement, Almondlot Management Agreement and the Tree Supply and Planting Agreement.

Project Manager
means Almond Management Pty Ltd (ACN 094 468 845).

Responsible Entity
means us as Responsible Entity under the Project.

Select Harvests
means Select Harvests Limited (ACN 000 721 380).

Tax Act
means Income Tax Assessment Act 1997 (as amended)

Timbercorp or Timbercorp Limited
means Timbercorp Limited (ACN 055 185 067) of Level 5, 95 Queen Street, Melbourne, Victoria.

Tree Supply and Planting Agreement
means the agreement of that name between Almond Land and each several Grower under which Almond Land agrees to sell and plant Almond Trees on Growers' Almondlots and to purchase the Almond Trees at the end of the Project.

Tree Supply and Capital Works Agreement
means the agreement of that name between Almond Land and Select Harvests under which Almond Land engages Select Harvests to oversee the establishment of the infrastructure and other capital works on the Orchard and to plant the Almond Trees.

us, we or Timbercorp Securities
means Timbercorp Securities Limited (ACN 092 311 469) of Level 5, 95 Queen Street, Melbourne, Victoria.

Water Licences
means permanent rights to draw water annually from the Murray River.

Timbercorp Offices

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TIMBERCORP
AGRIBUSINESS
INVESTMENT MANAGERS

2001 Timbercorp Almond Project Prospectus

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