

# **2002 Timbercorp Almond Project (ARSN 099 611 935)**

## **Second Supplementary Prospectus**

**This Second Supplementary Prospectus dated 13 May 2002 should be read together with the Prospectus dated 7 March 2002 and the First Supplementary Prospectus dated 13 March 2002, issued by Timbercorp Securities Limited, relating to the subscription for Almondlots in the 2002 Timbercorp Almond Project**

**Responsible Entity  
Timbercorp Securities Limited  
ACN 092 311 469**

## 1. Introduction

This is a Second Supplementary Prospectus to the Prospectus for the 2002 Timbercorp Almond Project (ARSN 099 611 935) (**the Project**) issued by Timbercorp Securities Limited (ACN 092 311 469) (**Timbercorp Securities**) and dated 7 March 2002 as modified by the First Supplementary Prospectus dated 13 March 2002 (**together the Prospectus**).

Timbercorp Securities does not consider the information disclosed in this Second Supplementary Prospectus to be materially adverse from the point of view of a Grower.

This Second Supplementary Prospectus is dated 13 May 2002. It should be read in conjunction with the Prospectus. Any term that is used but not defined in this Second Supplementary Prospectus has the meaning given to it in the Glossary (refer to the inside back cover of the Prospectus).

This Second Supplementary Prospectus must accompany any copies of the Prospectus which are issued after this Second Supplementary Prospectus has been lodged with the Australian Securities and Investments Commission.

The Australian Securities and Investments Commission takes no responsibility for the contents of this Second Supplementary Prospectus.

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## 2. Clarification of matters relating to the Prospective Financial Information in section 3 of the Prospectus

Timbercorp Securities wishes to clarify certain matters in relation to the assumptions made about the almond price in section 3, which deals with the potential returns that Growers may receive from the Project.

### 2.1 What is meant by the Australian almond price tracking inflation?

On page 54 of the Prospectus the Independent Price Analysis Expert states that it is reasonable to assume that the increase in the almond price will "track" the assumed Australian inflation rate of 2.5%. A similar statement is made in paragraph (c) of the Notes and Assumptions to the Prospective Financial Information included in section 3, beginning on page 12 and the detailed Report of the Independent Price Analysis Expert.

Those statements do not mean that the real or nominal almond sale price, whether in US dollars or Australian dollars is affected by changes in the Australian inflation rate.

The conclusion of the Independent Price Analysis Expert using the statistical model developed by it, the past history of US real and nominal prices and the qualitative characteristics of the US and Australian almond industry, is that the Australian almond price is likely to increase by 2.5% which is coincidentally in line with the assumed inflation rate of 2.5% used by Timbercorp Securities.

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## 2.2 Why is it assumed that the Australian almond price will increase by 2.5%?

As the United States is responsible for about 75% of the world's total production, both the Australian export and domestic price for almonds is largely determined by the US almond price.

Accordingly, the Independent Price Analysis Expert has focused on factors that affect the US almond price to forecast the future US almond price with the necessary currency conversion and adjustments for Australian industry factors then made to calculate the Australian real almond price.

The Independent Price Analysis Expert has advised Timbercorp Securities for the purposes of this Second Supplementary Prospectus that it is reasonable to assume that the forecast Australian almond price will increase annually by 2.5% based on the following quantitative and qualitative factors.

### (a) **Quantitative factors:**

The Independent Price Analysis Expert's research indicates that there has been a 2.2% annual compound growth rate in the US nominal almond price between 1980-81 and 2000-01 and that this growth rate is probable in the future. This opinion is based on the next 21 years being a mirror of the past 21 years, which may not necessarily be the case.

It must be noted that in the period 1980-81 to 2000-01, US inflation averaged 3.2%.

### (b) **Qualitative factors:**

There are a number of structural factors in the Californian almond industry which are likely to lead to an upward pressure on the US almond price in the future, and in particular, prices for the premium Non-Pareil almond variety.

Those structural factors in the Californian industry are described on pages 52 and 53 of the Prospectus and can be summarised as follows:

- (i) Change in variety mix in the US towards lower non-premium varieties;
- (ii) Age of Non-Pareil bearing acres and lower plantings of this premium variety could result in production of this variety continuing to fall as a proportion of the total US almond crop;
- (iii) Increased production of hard seeded almond varieties in the US could result in future almond quality falling as a result of more chipping and cracking;
- (iv) Age of bearing acres and low level of removals will continually put pressure on US yields per acre;
- (v) The gap between the production and consumption trendlines is closing which would suggest that maintaining future consumption will be a challenge; and



- (vi) Reduced carry over stocks as a proportion of total production will impact on the US industry's ability to manage fluctuations in production from year to year.

The Independent Price Analysis Expert has reiterated that, as stated in the Independent Price Analysis Expert's Report in the Prospectus, it is highly possible that at any given time, actual prices will not consistently follow the stated price increment, or annual compound growth rate, from year-to-year.

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### **3. Clarification of other matters**

The Independent Price Analysis Expert's Report contains the following statements:

- (a) the Independent Price Analysis Expert has no responsibility to update the Independent Price Analysis Expert's Report or its detailed report for events and circumstances occurring after the date of this report; and
- (b) to the extent permitted by law, all responsibility to third parties is disclaimed by David Neve & Associates.

Prospective applicants should be aware that:

- (a) the Independent Price Analysis Expert has an obligation during the application period of the Prospectus to notify Timbercorp Securities as soon as practicable of any material new circumstance that has arisen since the Prospectus was lodged of which it becomes aware, where such circumstance would have been required by the Corporations Act to be disclosed in the Prospectus; and
  - (b) liability under the Corporations Act for conduct in respect of the Prospectus cannot be avoided, subject to a number of defences that are available under the Corporations Act.
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### **4. Consent of, and additional fees paid to, the Independent Price Analysis Expert**

David Neve & Associates, the Independent Price Analysis Expert has given its consent to the issue of this Second Supplementary Prospectus with those statements attributed to it and the information provided by it in the form and context in which those statements and that information is included.

David Neve & Associates:

- has not withdrawn its consent before the lodgement of this Second Supplementary Prospectus with the Australian Securities and Investments Commission;
  - has not authorised or caused the issue of the whole or any part of this Second Supplementary Prospectus and does not make or purport to make any statement in this Second Supplementary Prospectus other than a reference to its name and any statement included in this prospectus with its consent; and
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to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Second Supplementary Prospectus other than a reference to its name and any statement included in this Second Supplementary Prospectus with its consent.

David Neve & Associates is entitled to receive additional fees of \$4,500.00 (exclusive of GST) for its assistance with the enquiries made by Australian Securities and Investments Commission.

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## 5. The Directors of Timbercorp Securities

Each of the directors of Timbercorp Securities has given his written consent to the lodgment of this Second Supplementary Prospectus with the Australian Securities and Investments Commission in accordance with section 720 of the Corporations Act.

This Second Supplementary Prospectus has been signed by a director of Timbercorp Securities for and on behalf of the directors in accordance with section 351 of the Corporations Act.



Robert J. Hance  
Director

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