Timbercorp Securities Limited ABN 12 092 311 469

Application Form

Persons intending to use an electronic version of the Application Forms should note the following:

- The Application Forms in this document relate to the 2004 Timbercorp Almond Project ARSN 108 336 670 ('project') pursuant to a PDS dated 23 March 2004 ("PDS").
- The Application Forms are accompanied by an electronic version of the PDS which contains information regarding investing in a financial product referred to in the Application Forms.
- Persons who access the PDS in electronic form should note that interests in the project offered by this PDS are not intended to be a short-term investment and will be subject to the risks generally associated with commercial almond orchard plantations. You should carefully consider these risks in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, lawyer or other professional adviser before deciding whether to invest.
- A person who gives another person access to the Application Forms must at the same time and by the same means give the other person access to the PDS and any supplementary document.
- Interests in the project will only be processed and issued on receipt of the Application Forms issued together with the PDS.
- The offer to subscribe for interests referred to in the PDS is available to Australian residents. The PDS does not constitute an offer of securities or financial products in any jurisdiction where, or to any person to whom, it would be unlawful to issue the PDS.
- Whilst the PDS is current, Timbercorp Securities Limited will send copies of the PDS and any supplementary document and the Application Form, on request and without charge. In this regard, please contact:

Timbercorp Securities Limited

Level 8, 461 Bourke Street,

Melbourne, Victoria, 3000

Telephone: 03 8615 1200 Facsimile: 03 9670 4271

Email: r.coughlan@timbercorp.com.au

2004 TIMBERCORP

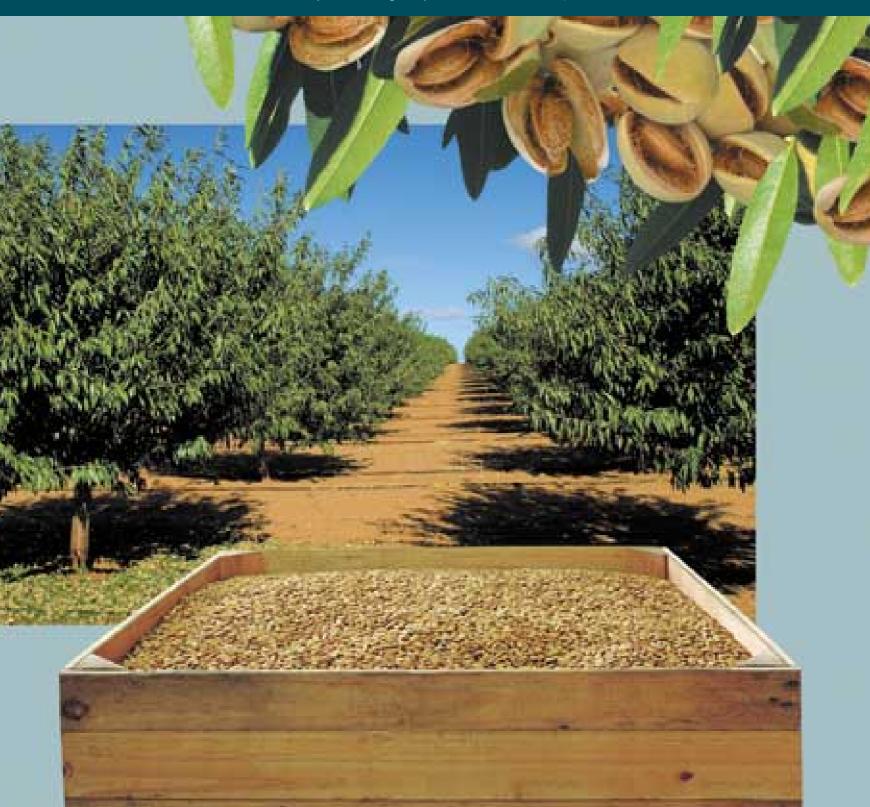




PRODUCT DISCLOSURE STATEMENT

ARSN 108 336 670

An offer to cultivate and manage up to 500 hectares of almond orchards (ie. 2,000 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.



CORPORATE DIRECTORY

Responsible Entity, Project Manager and Sub-Lessor

Timbercorp Securities Limited (ACN 092 311 469)

Australian Financial Services Licence No. 235653

Head Office

8th Floor, 461 Bourke Street Melbourne Victoria 3000 Telephone 03 8615 1200 Facsimile 03 9670 4271

Offices also in: Perth, Sydney, Brisbane, Adelaide, Hamilton, Albany and Penola

Directors

Gary W Liddell (Chairman) Robert J Hance John M Vaughan Sol C Rabinowicz

Project Manager

Almond Management Pty Ltd (ACN 094 468 845) Level 8, 461 Bourke Street Melbourne Victoria 3000

Land Owner

Almond Land Pty Ltd (ACN 091 460 392) Level 8, 461 Bourke Street Melbourne Victoria 3000

Orchard Contractor

Select Harvests Limited (ACN 000 721 380) 360 Settlement Road Thomastown Victoria 3074

Custodian

Trust Company of Australia Limited (ACN 004 027 749) Level 3, 151 Rathdowne Street Carlton Victoria 3053

Auditor

Deloitte Touche Tohmatsu Chartered Accountants 505 Bourke Street Melbourne Victoria 3000

Lawyers

N M Taylor Lawyers Level 7, 350 Collins Street Melbourne Victoria 3000

Independent Almond Orchard Expert

Horticultural Development Services Pty Ltd (ACN 094 895 271) 28 Craigburn Drive Flagstaff Hill South Australia 5159 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 document guarantees, warrants or underwrites the performance of this Project or any particular return.

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

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.

All legislative material herein is reproduced by permission but does not purport to be the official or authorised version. It is subject to Commonwealth of Australia copyright. The Copyright Act 1968 permits certain reproduction and publication of Commonwealth legislation. In particular, s.182A of the Act enables a complete copy to be made by or on behalf of a particular person. For reproduction or publication beyond that permitted by the Act, permission should be sought in writing from the Commonwealth. Requests in the first instance should be addressed to the Commonwealth Copyright Administration, Intellectual Property Branch, Department of Communications, Information Technology and the Arts, GPO Box 2154, Canberra ACT 2601, or by email Cwealthcopyright@dcita.gov.au

SELECT HARVESTS LIMITED

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 document: has not authorised or caused the issue of this document; has not been involved as a promoter of Timbercorp Securities, the Project or this document; has not taken any responsibility for the correctness of any disclosure in this document 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 Limited in relation to the issue or proposed issue of interests in the Project.

References to Select Harvests (or any related company of Select Harvests involved in the Project) in this document 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.

DATE OF PDS

This PDS is dated 23 March 2004. 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 PDS after the Offer Period has closed.

ELECTRONIC PDS

Timbercorp Securities Limited proposes to issue this PDS on the website www.timbercorp.com.au so that any person may access the electronic version of this PDS for the purpose of participating in the 2004 Timbercorp Almond Project. Any such person must be an Australian resident and must only access the information from within Australia. Almondlots will only be issued under the electronic version of the PDS on receipt of an application form issued together with the electronic version of the PDS.

DEFINITIONS AND GLOSSARY

This document contains a number of terms that have a special meaning or that you may not have heard before. A glossary of those terms appears in the section titled "Glossary" at the back of this document.

GENERAL

- (a) None of the photos used in the PDS represent assets of the Project.
- (b) No person, firm or corporation associated with the issue of the PDS guarantees, warrants or underwrites the performance of this Project or any particular return from the Project. This PDS does not take into account the investment objectives, financial situation nor particular needs of any potential Grower.
- (c) This PDS does not take into account the investment objectives, financial situation nor particular needs of any potential Grower.

CONTENTS

	Page
Corporate Directory	IFC
Features	2
1. Overview of the 2004 Project	5
2. The Almond Industry	12
3. How the Project Works	20
4. Factors Affecting Project Returns	31
Taxation Benefits and GST	34
6. Project Site and Development	36
7. Financial Information on Timbercorp	40
8. Project Risks and Safeguards	43
9. Product Ruling 2004/18	46
10. Independent Almond Orchard Expert's	
Report	57
11. Agreements and Principal Documents	61
12. Additional Information	73
13. How to Apply	74
Application and Power of Attorney Forms	
Glossary	



FEATURES

Benefit from an established and vibrant industry that has not experienced the boom and bust cycles common to many horticultural crops Page 12

An opportunity to participate in one of the largest commercial almond orchards in Australia Page 36

The Orchard is on premium land and is professionally managed by Select Harvests Limited, an ASX listed public company, and Australia's largest integrated producer, processor and marketer of almonds Page 24

Almonds have a variety of consumption purposes and are increasingly being recognised as offering significant health benefits Page 13

Significant tax deductions are available to Growers – confirmed by ATO Product Ruling PR 2004/18 Page 46

The opportunity to earn attractive after tax returns and earn income from 2007 Page 31

Your Almonds will be harvested and sold in both the export and domestic markets Page 22

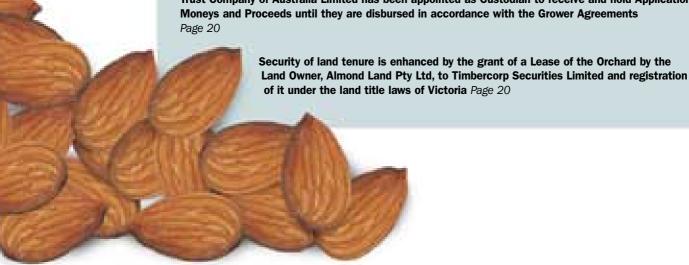
You may participate in the Project with another person as joint venturers Page 9

Part of the management fees payable in respect of services provided in the second and third years of your participation (Early Growers) and second year only of your participation (Post 30 June Growers) are payable out of the almond sale proceeds Pages 6 and 9

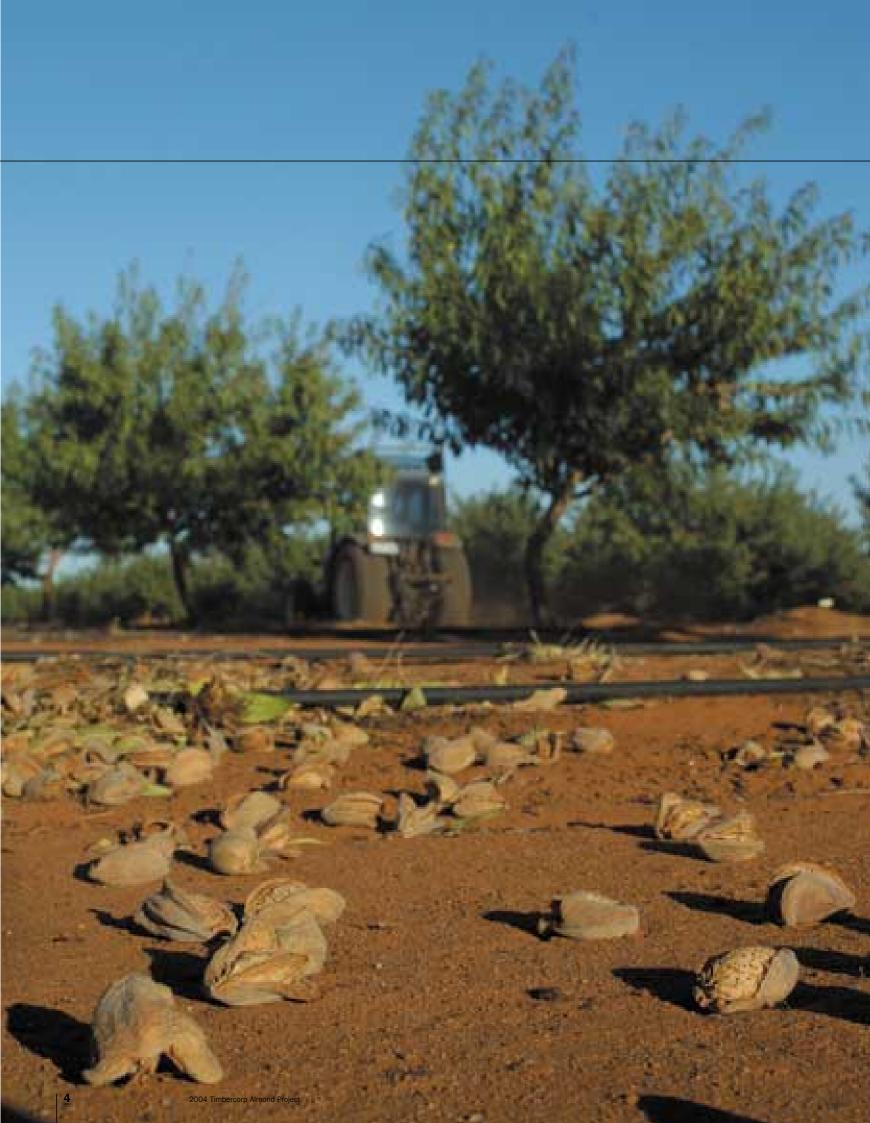
The Responsible Entity is a wholly owned subsidiary of Timbercorp Limited, an ASX/S&P 300 listed company Page 40

The Project contains safeguards to protect your investment Page 43

Trust Company of Australia Limited has been appointed as Custodian to receive and hold Application Moneys and Proceeds until they are disbursed in accordance with the Grower Agreements







OVERVIEW OF THE

2004 PROJECT

1

WHAT ARE WE OFFERING?

The 2004 Timbercorp Almond Project offers you a unique opportunity to participate in a vertically integrated project, in an historically stable, yet expanding, global industry.

The Australian almond industry, which accounts for less than 2% 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.

The Project is being conducted on a large commercial almond orchard in Australia, located near Boundary Bend in north west Victoria. Almond Land Pty Ltd, the Land Owner, will complete the establishment of the Orchard in June 2004 with the assistance of Select Harvests. 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 and enhanced returns.

The term of the Project is approximately 20 years from the date of acceptance of your application.

The Project represents our fourth issue of interests in an almond project and we have a total of 2,467 hectares of almond orchards under management.

HOW DOES THE PROJECT WORK?

You will enter into a Sub-lease with us, to use discrete allotments of the Orchard of approximately 0.25 hectares each, called Almondlots. Each Almondlot will include Almond Trees, an allocation of Water Licences and associated infrastructure, all of which you are entitled to use under the Sub-lease.

Then, you will engage us, as manager, under an Almondlot Management Agreement, to provide the following services:

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

We expect your Almondlots to enter commercial production in February-April 2007.

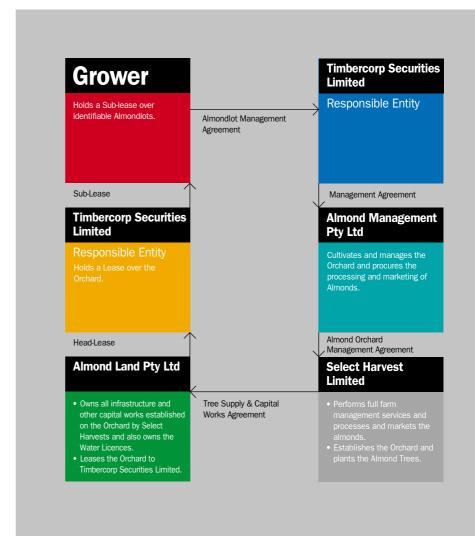
We will delegate our managerial responsibilities to Almond Management Pty Ltd, the Project Manager, under the Management Agreement, but will remain liable to you for the actions of the Project Manager.

We also act as Responsible Entity of the Project.

ENGAGEMENT OF SELECT HARVESTS

Under an Almond Orchard Management Agreement, Select Harvests, Australia's leading integrated producer, processor and marketer of almonds is engaged by the Project Manager to manage the day-to-day farming operations on the Orchard. It will harvest and process the entire crop of Almonds each year at its processing facility and market the Almonds through established channels in domestic and overseas markets. Select Harvests guarantees 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.

TIMBERCORP ALMOND PROJECT STRUCTURE





HOW MUCH WILL IT COST?

APPLICATIONS ON OR BEFORE 15 JUNE 2004 (EARLY GROWERS)

Initial fees and costs

If you apply to become a Grower in the Project on or before 15 June 2004, you will pay the following management fees and rent **per Almondlot** (0.25 of a hectare) in respect of the first three financial years of the Project. The total fees payable **per Almondlot** on application are \$4,075 (including \$370.45 GST).

Year ended 30 June	2004 \$	2005 \$	2006 \$
Management	3,950	* 1,500	* 1,500
fee	(incl. 359.09	(incl. 136.36	(incl. 136.36
	GST)	GST)	GST)
Rent	125	1,500	1,500
	(incl. 11.36	(incl. 136.36	(incl.136.36
	GST)	GST)	GST)
Total	4,075	3,000	3,000
When due	On application	31 October	31 October
		2004	2005
Tax deduction	100%	100%**	100%**

- * Deferred management fees: In consideration of all management services to be provided in the periods 1 July 2004 to 30 June 2005 and 1 July 2005 to 30 June 2006, you will pay the fixed management fees of \$1,500 on 31 October 2004 and 31 October 2005 and also pay a deferred management fee equal to 3% of the Gross Proceeds of the sale of Almonds (1.5% for the services in each of the financial years) payable and deducted at the time we receive Proceeds from the sale of your Almonds.
- ** As a non STS taxpayer, you are entitled to claim a deduction for the deferred management fees in the years in which the fees are incurred. Generally, you will incur the fees in the year or years in which we advise you of the amount of the deferred management fees payable. If you are an STS taxpayer during the relevant year, you will be entitled to claim a deduction in the year in which you pay the deferred management fees out of the Proceeds of sale.

Ongoing rent, fees and costs

On 31 October of each subsequent year during the life of the Project, commencing 31 October 2006, you will pay the following annual costs:

- (a) rent of \$1,500, which will be Indexed each year with the first indexation occurring in the 2010 financial year;
- (b) an amount per Almondlot that we estimate to be the reasonable operating costs of managing your Almondlots for that financial year, including an allocation of overheads incurred by us that will not exceed \$50 per Almondlot (Indexed, adopting 30 June 2004 as the base date). The estimated operating costs will be adjusted by adding or deducting the difference between the actual costs and the estimated operating costs for the preceding financial year.

You will also pay an annual management fee equal to 0.5% of the Gross Proceeds from the sale of your Almonds and the incentive fees described below. These fees will become due and payable and be deducted at the time we receive any Proceeds from the sale of your Almonds.

As Responsible Entity, we will remit any excess Proceeds to you periodically after deducting these amounts and any other amounts which are overdue and which have not been paid.





Incentive Fee

Our remuneration package is deliberately designed to provide an incentive for us to obtain the highest yield and best price for your Almonds and to minimise your operating costs. Accordingly, we will be entitled to a 25% of any Net Proceeds which exceed the Incentive Fee Thresholds specified below . In order to allow for a variation in yields from year to year, this fee will be calculated on a two year rolling basis. That is, if in an immediately preceding financial year, the actual Net Proceeds are less than the Net Proceeds specified below for that preceding financial year, the amount of the deficit must be deducted from the actual Net Proceeds when calculating the incentive fee payable for the current financial year.

The incentive fees will be deducted out of any Proceeds from the sale of your Almonds at the relevant time.

The Incentive Fee Thresholds have been determined using assumptions made by us as to average almond prices and yields, operating costs and inflation over the term of the Project.

Please note that:

- the Incentive Fee Thresholds are not an indication of the potential financial returns that Growers may receive from the Project and have been calculated by us solely for the purpose of determining the incentive fee payable to us; and
- the financial returns that Growers achieve from the Project may differ materially from the Incentive Fee Thresholds described below.

INCENTIVE FEE THRESHOLDS

Year ending 30 June	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Project Year	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Net Proceeds to Growers before tax	775	2,300	2,604	2,670	2,736	2,805	2,875	2,947	3,020	3,095	3,173	3,252	3,334	3,417	3,502	4,742





Other Fees

We may also receive interest or costs should you be in default. These are set out in the summaries of the Constitution, Sub-lease and Almondlot Management Agreement in section 11.

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

APPLICATIONS ON OR AFTER 1 JULY 2004 (POST 30 JUNE GROWERS)

Initial fees and costs

If you apply to become a Grower in the Project on or after 1 July 2004 and before the Offer Period closes, you will be required to pay the following management fees and rent **per Almondlot** in respect of the first two financial years of your participation in the Project. The total fees payable **per Almondlot** on application are \$5,700 (including \$518.18 GST).

Year ended 30 June	2005 \$	2006 \$
Management fee	4,950 (incl. 450 GST)	* 1,500 (incl. 136.36 GST)
Rent	750 (incl. 68.18 GST)	1,500 (incl.136.36 GST)
Total	5,700	3,000
When due	On application	31 October 2005
Tax deduction	100%	** 100%

^{*} Deferred management fees: In consideration of all management services to be provided in the 2006 financial year, you will pay the fixed management fees of \$1,500 on 31 October 2005 and a deferred management fee equal to 3.0% of the Gross Proceeds of the sale of Almonds payable and deducted at the time we receive Proceeds from the sale of your Almonds.

You will pay the same rent, management and incentive fees and other costs as are payable by Early Growers. Therefore, the Incentive Fee Thresholds outlined above are relevant for determining incentive fees payable by you as a Post 30 June Grower. As Responsible Entity, we will remit any excess Proceeds to you periodically after deducting these amounts and any other amounts which are overdue and which have not been paid.

TAXATION

Based on Product Ruling PR 2004/18, our directors believe that you should be entitled to an income tax deduction for Project costs and any interest incurred on borrowings when they are incurred. However, the amount of deduction will be reduced by the amount of any GST input tax credit to which you are entitled under GST Law.

You should also be entitled to a deduction for the costs associated with the establishment of the almond trees on the Orchard, even though the Land Owner incurs these costs.

JOINT VENTURE GROWERS

The Project provides for you and another person to participate in the Project a Joint Venture Grower. Under this arrangement:

- (a) the First Joint Venturer nominated in the application form is responsible for all management fees payable under the Almondlot Management Agreement and the Initial Rent payable under the Sub-lease; and
- (b) the Second Joint Venturer nominated in the application form is responsible for all rent associated with the sublease of Almondlots under the Sub-lease, other than the Initial Rent.

The Joint Venturers are then entitled to the Almonds, Proceeds and any other rights of the Joint Venture under the Project in the following proportions:

(a)	First Joint Venturer	70%; and
(b)	Second Joint Venturer	30%.

The Joint Venturers are responsible for any incentive fees payable to us in their Respective Proportions and will each be entitled to an income tax deduction for fees and costs for which they are responsible, including any interest incurred on borrowings to pay those costs. In addition, the Joint Venturers will be entitled to claim a write off in respect of the costs associated with the establishment of the almond trees on the Orchard in their Respective Proportions.

^{**} As a non STS taxpayer, you are entitled to claim a deduction for the deferred management fees in the years in which the fees are incurred. Generally, you will incur the fees in the year or years in which we advise you of the amount of the deferred management fees payable. If you are an STS taxpayer during the relevant year, you will be entitled to claim a deduction in the year in which you pay the deferred management fees out of the Proceeds of sale.



RISKS

Details of the risks associated with the Project are set out in section 8 of this PDS.

RETURNS

It is not possible to determine financial returns to Growers over the life of a 20 year agribusiness project with certainty. This is because the calculation of returns involves the consideration of a large number of variables, most of which are outside our control, and because anticipated events that affect returns may not occur as expected, whilst unanticipated events that affect returns may also occur.

However, we do want to provide you with sufficient information upon which to make your own assessment of the merits of participating in the Project. Some of the matters that will affect the returns you may achieve from the Project and which will help you to perform your own calculations of the cash flow which an investment in the Project may generate, are discussed in section 4.

Before deciding whether to participate, you should discuss the potential returns that you may achieve from the Project with your professional advisors.

SUBSCRIPTION AND ALLOCATION DETAILS

There is no minimum subscription that must be reached before we allocate Almondlots under this PDS.

You must apply for a minimum of two Almondlots (0.50 hectares), although we reserve the right in our absolute discretion to accept applications for less than two Almondlots.

We are offering up to 2,000 Almondlots for subscription and we reserve the right to accept oversubscriptions for Almondlots on the Orchard. Unless agreed otherwise with any particular Grower or financial intermediary and subject to our absolute discretion to refuse an application, Almondlots will be allocated and issued on a first come first served basis, that is, in the order of receipt of completed applications.

Applications will not be accepted after the Offer Period has closed. The Offer Period for Early Growers expires on 15 June 2004. The Offer Period for Post 30 June Growers commences on 1 July 2004 and expires on 15 June 2005. Please note however that our directors may determine in the absolute discretion to close the Offer Periods earlier.

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



THE ALMOND INDUSTRY

STABILITY AND GROWTH

2

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% 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.'

Since the issue of the SAG report, the Australian Almond industry has continued to expand with annual increases in production and consumption.





INCREASING GLOBAL DEMAND FOR ALMONDS

Almonds are the most versatile of all nuts as they are able to be consumed in their raw form as well as in a wide variety of processed forms, including blanched (whole, sliced or slivered), roasted and smoked. 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 highenergy fodder used as stock food.

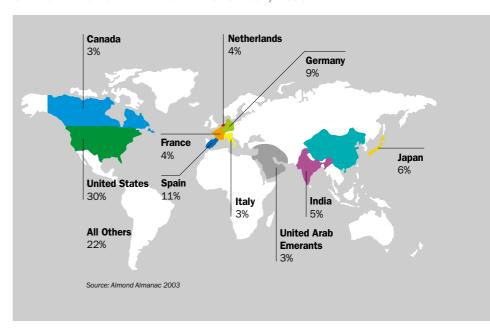
In developed countries, health-related considerations contribute to the increasing acceptance of almonds as an important component of a healthy diet. This has led to a drive among producers to develop an even wider range of applications for almonds.

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 - it accounts for approximately 80% of world almond production - 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 has achieved consistent growth since then, achieving pre-crisis export levels by 1997/98.

Asia accounts for approximately 24% of California's almond exports and over the past five years alone, exports to Asia have increased by approximately 107%. The three largest Asian importers of almonds are China, India and Japan. During the 12 month period to 2002/2003, China's demand for almonds increased by 28%, while Japan's and India's demand for almonds increased by approximately 9% each. India continues to account 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.

CALIFORNIA'S TOP TEN DESTINATIONS 2002/2003



Direct shipments to Eastern Europe have increased dramatically over the past five years from 2.4 million pounds in 1998/99 to 20.8 million pounds in 2002/03. In 2002/2003 alone, demand increased by 63%, and approximately 43% of Californian exports to the region have been shipped to Russia. Western Europe has traditionally been the leading destination of Californian almonds and continues to experience strong demand, accounting for approximately 56% of all exports in 2002/2003.

In an October 2003 position report, the Chairman of the International Nut Council stated that the 2002/03 record almond supply was readily consumed by continued world consumption levels that grew by almost 14% during 2002/2003. During the three-year period 2000-2002, world consumption increased by almost one third over the previous three-year period, 1997-1999.

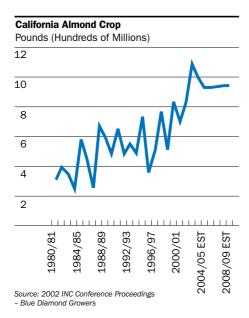
History shows that worldwide consumer demand for almonds is relatively elastic. Increased almond production has historically been met with increased market demand and market consumption.

International demand for almonds is expected to continue to show strong growth with considerable strength in traditional markets as well as emerging markets such as Japan, India, China and Eastern Europe.



THE CALIFORNIAN ALMOND CROP

The world's largest producer of almonds is California, which accounts for approximately 80% of the world supply. Almonds are the highest-value agricultural export for California and the United States' highest-value horticultural export. The size and quality of the Californian crop is the single most influential factor affecting the market price for almonds. Spain, Italy, Turkey and Greece are also significant almond growers accounting for approximately 18% of world production in 2002/2003, with a large number of other countries sharing the balance.

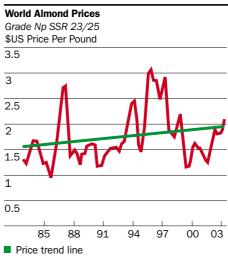


Despite recent bumper crops, California suffers from variable climatic conditions that result in substantial fluctuations in world almond production. An analysis of California's almond crops over the past 25 years shows that bumper crops occur only sporadically, with very good crops typically followed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

Due to the variable climatic conditions during the blossom period and the biennial production nature of the Californian crop, the Californian industry has traditionally maintained carry-over stocks of saleable almonds during the blossom period. Data published by the USDA National Agricultural Statistics Services in the 2003 Fruit and Tree Nut Yearbook shows that carry-over stocks have not increased with total production, and in fact have been steadily declining. This suggests that California is unlikely to be able to meet market demand in lower producing seasons should the historical production trend continue. The level of carry-over stocks to total shipments peaked at 56% in 1982/83 and stood at only 17% in 2002/2003, which is amongst the lowest levels on record.

The 2002/2003 almond crop totalled approximately 1,083.7 million pounds. Despite the all time record crop, according to Blue Diamond Growers, the largest almond growers Co-Operative in the US, almond prices in 2002/2003 increased by approximately 26%. This was despite the fact that the 2002/2003 almond crop was approximately one third larger than the 2001/2002 crop.

The cumulative market prices for the 2003/2004 crop are tracking more than 20% above the 2002/2003 prices and despite the upward trend, shipments are stronger than ever. The estimate for the 2003/2004 crop stands at 1,020 million pounds, approximately 8% lower than the 2002/2003 crop. Significantly, CASS predicts that the production of Non Pareil will fall by 350 million pounds or 20%. The Almond Board of Califoria will make final crop figures available in early August 2004.

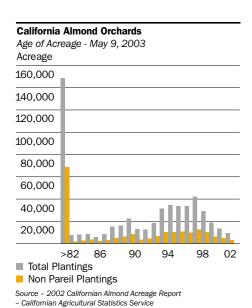


Figures sourced from David Neve & Associates Pty Ltd

FORECAST LOWER CALIFORNIAN PRODUCTION AND RISING ALMOND PRICES

In May 2003 the California Agricultural Statistics Service (CASS) released the 2002 California Almond Acreage Report.

The CASS Report disclosed that almost one third of California's almond bearing acres are now 20 years or older and 47% of these bearing acres are Non Pareil, the preferred table almond (and the main cultivar used for the Project). Furthermore, production from these orchards is declining.



In a position report issued in May 2002 the President of Blue Diamond Growers noted that new plantings had declined each year since 1998, on average by 18% per annum. In addition, the composition of almond varieties in California have seen the Non Pareil variety reduced from a peak of 56% of the total Californian crop in the early 1970's to only 39% in 2001/2002. Consequently, Blue Diamond Growers held the view that the then existing market premiums for the Non-Pareil variety were likely to continue in the future. Since then, new plantings fell for a third year in a row. In fact the plantings in 2002/2003 were the lowest in 15 years and significantly, the level of new plantings of Non-Pareil has fallen once more with only 4,353 acres planted – the second lowest planting since 1991.

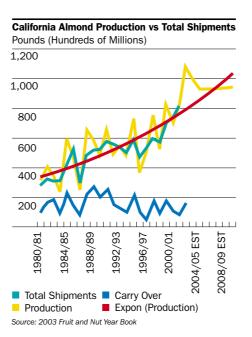
In February 2004, Blue Diamond reported an upswing in planting activity for the first time since 1998, when new plantings peaked at 42,801 acres, and predicted that up to 250,000 new acres may come into production by the end of the decade. However production increases may not be felt for years to come and in any event are unlikely to meet future demand.

Despite the renewed planting activity, given California's significant older acreage and the continued growth in almond consumption, almond tree removals must continue in the future and at the existing 530,000 bearing acres, it is likely that Californian almond bearing acreage has peaked for the foreseeable future.

Since 1981 the compound annual growth rate in consumption of Californian almonds has been 4.8% per year and CASS expects this rate to be maintained or increased given the global consumer awareness of the favourable health and nutritional information surrounding Almonds.

In an October 2003 position report, the Chairman of the International Nut Council noted that over the past five years alone, the compound annual growth rate in consumption has exceeded 9.2%. It is difficult to see how this growth rate can be sustained.

If any future consumption growth is to be satisfied, prices must continue to improve; otherwise available supplies will radically decline.





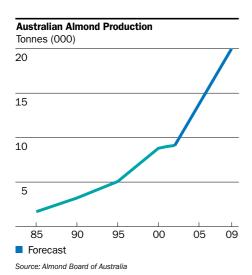


THE AUSTRALIAN ALMOND INDUSTRY

Climate

Unlike California, Australia has a history of stable almond production: see the graph below. 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

In 1999, the SAG report stated that Australian production of almonds had been steadily increasing over the preceding 15 years at approximately 13% per annum. In recent times production has outstripped consumption.

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 highgrade almonds, which are 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 needs and requirements of its customers. An example of this is the Indian market. In India, there is a demand for unshelled almonds and an established hand-shelling industry. Most of Select Harvests' exports of unshelled almonds 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 then record of approximately 8,500 tonnes and continues to increase. In 2001, it reached a new record of approximately 9,000 tonnes. The Almond Board of Australia (formerly, the Australian Almond Association) expects production of almonds to double between 2003 and 2009. The challenge for the industry will be to market as much as possible on the domestic market to optimise domestic price premiums. Select Harvests' recent sale results have been encouraging in this regard.

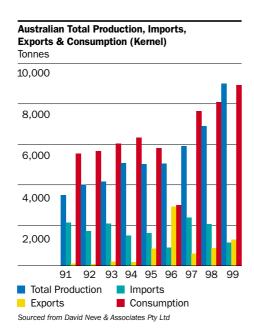


Consumption

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 and reached approximately 9,000 tonnes in 2001. This compares with 5,790 tonnes in 1995, equating to approximately 350 grams per head. In 2002, Australia's consumption of almonds increased once again.

It is difficult to obtain reliable information about more recent consumption trends, although Select Harvests' sale results over the past two years suggest that domestic consumption is on the rise once again at a similar rate to that experienced in the US over the same period. Importantly, unlike the US, Australia utilises all it produces each year and does not have any carry-over stocks/reserves.



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 2% of world production. Although Australia's production is increasing, so is 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 (for 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 by being able to meet demand for high-quality almonds and value added products such as blanched almonds.

Australia, being the dominant grower of almonds in the Southern Hemisphere, has a counter-seasonal advantage that provides a fresh alternative for consumers. It also benefits from a far less erratic climatic pattern than California and its pollination period is approximately twice that of California. These factors contribute to 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: 'Highquality almonds tend to be exported for premium prices 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.'

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 therefore, is well-placed to achieve a consistent quality of almonds.

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 long standing domestic customers such as confectioners, bakers and cereal manufacturers, dairy producers, supermarket packers and wholesalers. For further details regarding Select Harvests, refer to section 3.



ALMONDS - THE HEALTH BENEFITS

Current medical research demonstrates that not only are almonds healthy, but they may also provide some protection 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 this is 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. While 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. This was again confirmed by the American Heart Association (AHA) in a journal issued in August 2002. The journal published the results of a study which concluded that almonds significantly lowered 'bad' cholesterol levels in people with high cholesterol readings.

The findings demonstrated for the first time the more almonds you eat in place of higher saturated fat foods, the more effective you may be at lowering cholesterol levels. Since then the AHA has issued press releases advocating the benefits of consuming almonds.

More recently, in July 2003, a study published in the journal of the American Medical Association found that eating a certain dietary plan high in heart healthy foods, including almonds, is as effective in managing cholesterol as a starting dose of cholesterol lowing drugs.

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 of Australia has established that 'good' fats are found in nuts, fish, poly and mono unsaturated 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.

HOW THE

PROJECT WORKS

3

BECOMING A GROWER

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

On acceptance of your application, you will become an almond grower in your own right on Almondlots that we sub lease 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 and incentive fees and rent; 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 their progress.

GROWER AGREEMENTS

Your rights and obligations under the Project will be governed by the Constitution and the Grower Agreements. Following is an explanation of the key features of these agreements.

CONSTITUTION

The Constitution is a deed that establishes the 2004 Timbercorp Almond Project as a managed investment scheme. By completing the application and power of attorney form attached to this PDS, you agree 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 Trust Company 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 Grower Agreements; and
- retain the executed Grower 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.

SUB-LEASE

The Sub-lease will be between us as sub lessor and you as sub-lessee and the Land Owner.

Under the Sub-lease, the Land Owner agrees to establish all of the infrastructure and other capital works necessary to operate a commercial almond orchard including the planting of the Almond Trees on your Almondlots.

The Land Owner will own the entire infrastructure and other capital works on the Orchard including the Water Licences and irrigation equipment. For further details on the Orchard and the Water Licences refer to section 6.

The Land Owner has leased the Orchard to us in order to secure your tenure of the Land for the duration of the Project. The Lease confers on us exclusive possession of the Orchard and will be registered by us under the land title laws of Victoria. Under the Sub-lease, we then grant to you a sub-lease to use and occupy two or more identifiable Almondlots for the term of the Project. The purpose of the Sub-lease is to allow you to cultivate and harvest Almonds.

Almond Land, the Land Owner, has engaged Select Harvests:

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





ALMONDLOT MANAGEMENT AGREEMENT

Under the Almondlot Management Agreement between you and us, we will manage and cultivate your Almondlots, harvest your Almonds, procure the processing of the Almonds that have been harvested and procure the marketing and sale of the Almonds throughout the term of the Project.

We will engage Almond Management, the Project Manager, 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.

Under the Almondlot Management Agreement and the Constitution, we may deduct annual rent, management fees, incentive fees and other costs that are due and payable out of any Proceeds that we hold on your behalf or to which you are entitled.

HARVEST, PROCESSING AND SALE OF YOUR ALMONDS

Harvest and processing

We expect your Almondlots to start producing commercial quantities of Almonds in autumn 2007.

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. The Almonds will be shaken to the ground with the use of mechanical tree shakers. Some Almonds may 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, approximately 40 kilometres from the Orchard.

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, the husk is removed to produce inshell, or in addition, the shell is cracked to produce whole kernel. The hull and shell generated by the processing of the Almonds will be the property of Select Harvests and it will be responsible for its disposal.

After the Almonds are dried to remove excess moisture content, if necessary, they are transferred to the sorting and packing plant situated close by at Euston, the sister city of Robinvale on the New South Wales side of the Murray River. There they are graded having regard to size, variety and defects, if any, using United States Department of Agriculture specifications as a guide. The almonds are then weighed, tested and processed before being put through quality control before being stockpiled in the warehouse.

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 below.

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 the Project Manager as agent to sell the Almonds, subject to our direction.

One of the key arrangements that underpin the commerciality of the Project is the engagement 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. They will then be processed and, until they are sold, kept separate from all other almonds that have been processed or stored by Select Harvests.



Generally, Select Harvests will pool your Almonds with all other almonds that it sells. Alternatively, the Project Manager, 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 considerations will determine whether the Project Manager directs Select Harvests to sell outside these pool arrangements.

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.

Accordingly, Select Harvests will establish sub-pools at the commencement of each season. The sub-pools will be 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 the Project Manager within 7 days of the end of each month. Then, at the end of each quarter, Select Harvests will reconcile and adjust the actual contribution proportions made by the Project Manager on your behalf to each sub pool operated by Select Harvests 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 the Project Manager, plus any other proceeds of sale generated by the Project Manager 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. As Responsible Entity, we will distribute proceeds received from the Project Manager periodically. Prior to distributing the proceeds to you, we will deduct the rent due under the Sublease, the management fees and costs due under the Almondlot Management Agreement and other amounts payable under the Grower Agreements which are overdue and which have not been paid.

THE RESPONSIBLE ENTITY

We in our capacity as Responsible Entity have overall responsibility for the operation and management of the Project. We have been granted an Australian Financial Services Licence which enables us to operate the Project.

We were incorporated on 4 April 2000 as a wholly owned subsidiary of Timbercorp and this represents our fourth issue of interests in an almond project. Since 2001, we have issued interests in primary based managed investment projects including forestry, olive and almond projects.

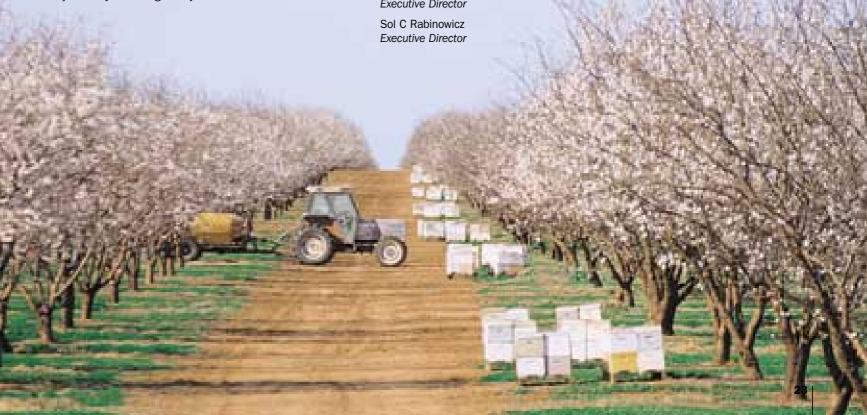
Financial accounts of the Timbercorp group and the Responsible Entity are set out in section 7.

Our directors are as follows:

Gary W Liddell Non Executive Chairman

Robert J Hance Chief Executive Officer

John M Vaughan Executive Director





THE PROJECT MANAGER

Almond Management

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

THE LAND OWNER

Almond Land Pty Ltd

Almond Land is a subsidiary of our parent company, Timbercorp Limited. It owns the Land and will own the entire infrastructure and other capital works necessary to operate the Orchard, including the irrigation equipment and Water Licences

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, 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 PDS. It is a public company listed on the Australian Stock Exchange and is responsible for the management of over 30% of Australia's total crop of almonds and over 50% of Australia's orchards that cover approximately 4,036 hectares 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 state-of the-art processing facilities, which it owns and operates. Further upgrades are scheduled to take place later this year and in 2005 and additional upgrades will be undertaken as required. Through the processing facilities, Select Harvests is able to control all stages of production to ensure high quality almonds are produced at the most efficient cost.

In 2003, Select Harvests sold 2,750 tonnes of almonds produced on orchards that it owns or operates. Approximately 34% of this crop was exported. It also traded a further 850 tonnes of Almonds which it either purchased domestically or imported. 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 \$60 million as at 30 June 2003, up 21% from the previous year. For the year ended 30 June 2003, group operating profit after tax increased by 28% to \$10.9 million on the back of a 30% increase for the year ended 30 June 2002.

Select Harvest's 2003 almond crop yielded 2,700 tonnes. The yields are 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 has maintained reduced costs of almond production by a further 5% on a per kilogram produced basis over the past year. These efficiency gains consolidate the cost savings achieved in previous years and 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 produced to date have been achieved on mature orchards established over 15 years ago. More recent orchards, including the orchard established under this Project have been developed with modern growing techniques and best practice farm management.



Select Harvests has been appointed to oversee the establishment of the infrastructure and other capital works on the Land and the planting of the Almond Trees on the Orchard. Its appointment will ensure that when completed, the Orchard will have been established consistently with proven techniques that have been developed by it over time. This factor, together with Select Harvests' proven orchard management record, will help 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.

LABOUR STANDARDS, ENVIRONMENTAL, SOCIAL AND ETHICAL CONSIDERATIONS

Environmental and social benefits

As Australia's leading agribusiness investment manager, the Timbercorp Group is committed to sustainable and environmentally sound business. We understand that sustainability – operational and financial – depends on adherence to the strictest environmental practices.

As a matter of policy Timbercorp establishes projects only on former farm land. We appreciate that native vegetation is a valuable asset, and generally aim to retain this vegetation and existing community plantings in order to promote biodiversity and provide wildlife corridors.

Extensive environmental impact assessments reviewing waste management and water quality, and vegetation management plans for the protection of remnant vegetation and indigenous revegetation, are prepared prior to Timbercorp's major project establishment work. More than 10,000 hectares of Timbercorp's total land holdings comprise remnant native vegetation, wetlands, creek beds and gullies that have been preserved and protected from any establishment activities.

In attaining crop growth, Timbercorp promotes water conservation through the use of state-of-the-art micro-irrigation systems. In the almond orchard double drip irrigation (that is, a dripline on each side of the tree) is utilised to accurately place water and minimise nutrient runoff into waterways. Variable speed drive pump stations are employed for their economical use of diesel fuel and optimum water transfer management feeds, so that the Timbercorp irrigation network is professionally designed to match water application to soil characteristics and almond





tree needs. Environmental and soil moisture monitoring equipment are installed to allow for accurate irrigation scheduling, fertiliser application and salinity management.

Timbercorp has also dedicated significant resources to minimising chemical usage and identifying more environmentally friendly alternatives.

Environmental policy

Timbercorp believes that excellence in environmental management is integral to being a successful business.

In order to achieve the expectations set by Timbercorp and the community, Timbercorp will:

- comply with applicable environmental legislation and regulations.
- commit to the prevention of pollution in the areas in which it operates.
- continually improve performance by developing a best practice approach to relevant aspects of almond orchard management.
- actively participate with industry bodies in the continual improvement of agribusiness practices, the conservation of the environment generally and the enhancement of regional biodiversity.
- ensure that its operations are conducted in accordance with relevant Codes of Practices, local planning schemes, and commitments to which the Timbercorp business subscribes.
- ensure that its employees and contractors are adequately trained in the company's environmental policy.

Regulatory compliance and auditing

As the farm manager, Select Harvests ensure it applies best-practice by having business systems that comply with the following international standards:

- ISO9002 Quality Management System; and
- HACCP (Hazard Analysis Critical Control Point)

These certifications require the application of risk management strategies that systematically identify, evaluate and control hazards relating to food safety and business management. Select Harvest's food safety and quality systems cover the total supply chain from tree nurseries to retail packs. Timbercorp and Select Harvests are currently working together to develop further Quality Assurance Systems for Timbercorp's almond projects.

Labour policy

The Project Manager has engaged Select Harvests as farm contractor, processor and marketer of the Almonds. We and the Project Manager will, in accordance with International Labour Organisation treaties and Australian State and Federal legislative requirements, take into account labour standards in the management of Select Harvests' workforce for the Project.

Ethical Considerations

As Responsible Entity, we will act in the best interest of Growers and will at all times seek to deal with Growers and all persons associated with the Project in a fair and ethical manner.

COMPLIANCE & DISPUTE RESOLUTION

As Responsible Entity we are required to operate the Project and perform the functions conferred on us by the Constitution and the Corporations Act. On 22 March 2004, the Project was registered by ASIC as a managed investment scheme. Our Australian financial services 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 Act, 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 Act 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 the plan. We have engaged Deloitte Touche Tohmatsu 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 PDS. The committee comprises two external members and one of our representatives. The members of the Compliance Committee are as follows:

Michael J Walter FCA (external member)

Greg Bush LLB BA (external member)

Andra Lazarescu LLB (our representative)

Dispute Resolution Procedures

Growers have the right to make a formal complaint to us in our capacities as Responsible Entity, manager and Sublessor about any aspect of the Project. We treat all complaints seriously and deal with them in a timely manner, attempting to respond fully to the complaint within 45 days of the complaint being made. A complaint includes any dispute or difference that you may have with us.

Staff receiving verbal complaints will attempt to settle them immediately to the satisfaction of the complainant or will involve another staff member who can resolve the complaint. Verbal complaints that cannot be resolved in a timely manner as well as all written complaints will be referred to the Complaints Officer. The Complaints Officer must notify a complainant in writing within 14 business days of receiving the complaint and will advise the complainant of an estimate of the time for the Complaints Officer to fully respond to the complaint.

If a complaint cannot be resolved to the satisfaction of a Grower, then that Grower is entitled to lodge a complaint with the Financial Industry Complaints Service (FICS), or Insurance Brokers Disputes Limited (IBD), which are the two external complaints resolution bodies of which the Responsible Entity is a member. Complainants in this category will be sent details of how to contact FICS or IBD.

If the dispute or difference does not fall within the rules of FICS or IBD or the Grower does not wish to refer the dispute or difference to FICS or IBD, the dispute or difference must be submitted by the Grower to arbitration.

We and the Grower, subject to any right of appeal contained in the rules of FICS or IBD, agree to accept the determination of FICS, IBD or the arbitrator, as the case requires, as final and binding.

The above procedure does not prevent Timbercorp Securities from:

- commencing proceedings against the Grower in any relevant jurisdiction;
- submitting any dispute or difference whatsoever with a Grower to arbitration.

For further details on these important provisions refer to the summaries of the Constitution, Almondlot Management Agreement and Sub-lease in section 11.

COOLING OFF RIGHTS

You have the right to "cool off" when you invest in certain financial products. This means that you can return these products within the cooling off period if you change your mind and get a refund, less any amounts for such things as taxes and administrative costs.

The cooling off period begins from the time your investment is confirmed by letter, fax or email and ends 14 days later. If you do not receive confirmation, your cooling off period begins at the end of the fifth day after your investment is issued to you. If you want to return a product and get a refund by exercising your cooling off rights, you must notify by letter, fax or email the person who issued you with the product. You must do this within the 14-day cooling off period.

Cooling off and the Project

The right to cool off applies to many managed investment products as well as other products. Interests in the Project are one type of managed investment product. However, it is unclear whether the cooling off rights apply to interests in the Project because upon acceptance of your application, your applications moneys are immediately disbursed to us in accordance with the PDS, the Constitution, the Almondlot Management Agreement and the Sub-lease.

Furthermore, even if the cooling-off rights do apply to the Project, you will not be able to exercise the cooling-off rights once your application is accepted. That is because the right to return the product and obtain a refund cannot be exercised after you exercise a right or power that you have under the Grower Agreements.

Upon commencement of the Sub-lease, you as a Grower are immediately entitled to a right of occupation of your Almondlots as sub-lessee. Contemporaneously under the Almondlot Management Agreement you are entitled to commence to receive management services.





FACTORS AFFECTING

PROJECT RETURNS

4

INTRODUCTION

In this section, you will find information that will help you to perform your own calculations of the cash flow which an investment in this Project may generate over its 20 year term. In providing you with the information you need, our directors have exercised due care in preparing and reviewing the information. In the opinion of our directors, the information is reasonable. In particular the directors have obtained confirmation from the Independent Almond Expert that the yield estimates are reasonable. The Independent Almond Orchard Expert's Report appears in section 10.

There are many factors that affect horticultural projects, particularly over the 20 year term of this Project. Many of those factors are beyond our control. Accordingly, we have elected not to provide forecast returns for each year of the Project; nor have we provided an estimate of the total return on investment. However, we do want to provide you with sufficient information upon which you can make your own assessment of the merits of investing in this Project.

In providing you with this information, we and our directors do not guarantee returns over the 20 year term of the Project.

FACTORS WHICH IMPACT FINANCIAL PERFORMANCE

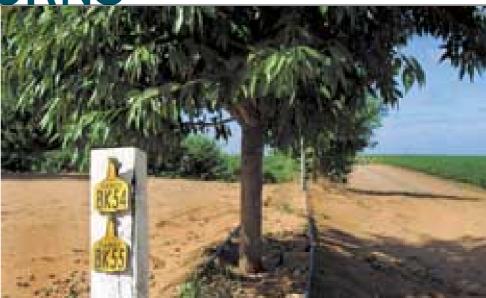
In considering whether to participate in the Project, you should have regard to the matters detailed below. Each of these matters will affect the returns you may achieve over the life of the Project. You should consider these matters in conjunction with the taxation benefits and GST issues discussed in section 5 and the risks that are described in section 8.

ALMOND PRICES

The first main factor that will determine the financial performance of the Project is income, which is a function of price and yield. This section of the PDS discusses almond prices.

The price at which Select Harvests is able to sell the Project's Almonds will be affected primarily by the almond price in US dollars, as California supplies approximately 80% of the worldwide demand for almonds.

Over the past 21 years, the Non Pareil SSR 23/25 almond variety has traded in a range of \$US2.18 to \$US6.72 per kilogram. A graph showing the movement in the nominal almond price (in US\$ per pound) over this period together with the historical price trend line appears in section 2 of this PDS. It can be reasonably expected that prices will continue to fluctuate in the future, thereby affecting your returns from year to year. The last coordinate on the graph



reflects the trading price for December 2003 which was \$US4.63 per kilogram (\$US2.10 per pound). This price is 16.6% higher than the December 2002 price before allowing for movements in the exchange rate over that period.

Under this Project the Orchard will comprise 50% Non-Pareil, 33% Carmel and 17% Price almond varieties. There is no published price information available for the Carmel and Price varieties. These pollinator varieties generally attract slightly lower prices than the premium Non Pareil almond variety.

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 Non Pareil SSR 23/25 almond is the benchmark grade and size of almonds used in the international almond market for the purpose of determining the price at which almonds will be traded. One half of the total crop produced by Select Harvests is Non Pareil.

The SSR (Select Sheller Run) grade is the lowest grade of almonds produced by Select Harvests. Of the crops managed by Select Harvests over the past two years, only approximately 13% of the Non Pareil variety and 60% of the Carmel and Price varieties were rated SSR grade. The balance was rated Extra No 1 or Supreme grade, which command premiums of up to \$US 44 cents per kilogram (\$US 20 cents per pound) above SSR and, significantly, approximately 63% of the Non Pareil crop was rated Extra No 1. Extra No 1 and Supreme are ranked as the second and third highest grades of almonds, respectively. The highest grade, Fancy, is rarely traded.

Importantly, Select Harvests has demonstrated a consistent and proven ability to produce premium end grade almonds. This is an important consideration for prospective Growers in the Project. By comparison, up to 25% of the Californian crop is comprised of std. sr which is an equivalent standard to the Australian SSR.



We have been advised by Select Harvests that prices for NP SSR 23/25 have risen by approximately 53% since December 2001, driven by very strong demand, in line with international market prices, although recent price increases have been offset to a certain extent by an appreciating Australian Dollar.

Select Harvests does not guarantee the sale price of the Almonds produced by the Project.

The Californian Almond Industry

Being the world's major supplier of almonds, the size of the Californian crop will have a significant bearing on global almond prices and your returns from year to year. For a discussion of the Californian Almond Industry and the challenges it faces in meeting future demand, see section 2 of this PDS.

Exchange Rate

Almonds in world markets are priced in US dollars. Therefore, fluctuations in the US\$/A\$ exchange rate will also influence your returns over the life of the Project.

Timing of sales

The speed with which Select Harvests is able to sell your Almonds will also affect the returns that you may achieve over the life of the Project.

Currently, Select Harvests sells approximately 50% of its stock of almonds in the period of March to June each year, while operating an active export program. The major domestic demand is in the period of August to December in the build up to Christmas.

There is no guarantee that Select Harvests will continue to sell almonds, including Almonds produced from this Project, in line with current sales patterns. However, under the Almond Orchard Management Agreement, Select Harvests guarantees that it will sell the entire crop produced each year by the end of the financial year following the year in which your Almonds are harvested. Your crop of Almonds will be harvested each year between February and April.

Domestic / export sales

Over the past five years, on average, almost 40% of all sales of Select Harvests' grown almonds have been into export markets. The balance has been sold on the domestic market which generally attracts premium prices. Over the past two years Select Harvests' domestic sales of packaged almonds have increased in volume by 13% for the calendar year ended 31 December 2001 and by approximately 17% for the calendar year ended 31 December 2002.

Select Harvests' ability to continue exporting almonds will depend on the following:

- the demand / supply dynamics within the Australian and overseas market and the availability of almonds for export; and
- availability of almonds for export in the March-July period when it operates an export market program.

Free trade agreement

At this stage, it is difficult to assess the precise effects that a free trade agreement with the USA would have on the Australian almond industry. It would appear to have the potential to reduce domestic almond prices by up to 5% as import duty on imported almonds into Australia from the USA would be removed.

Conversely, import duty on kernels supplied into the USA from Australia would also be lifted. Whilst this may not necessarily translate into increased prices for Australian exporters to the USA compared with other destinations, it has the potential to open up markets previously not accessible to Australian producers.

Other Matters

Finally, global economic conditions and actions taken by individual world governments and regulatory authorities, particularly those of the United States, will have an impact on the supply, demand and world price of almonds.

THE ALMOND YIELDS

The second important factor that will affect the returns you may achieve over the life of the Project are the almond yields produced by the Orchard.

Our directors believe that it is reasonable to expect that the average yield of Almonds will be as follows:

Year ended 30 June	Kilograms per Almondlot	Kilograms per hectare
2007	93	371
2008	340	1,359
2009	463	1,853
2010	803	3,212
2011 onwards p.a.	865	3,460



The above yields are based on an average planting density of 248 Almond Trees per hectare ie. 62 per Almondlot and are verified as reasonable by the Independent Almond Orchard Expert's Report, which is reproduced in section 10.

It should be noted that actual yields may vary from year to year from those set out above. Furthermore, some Almondlots may produce yields which are higher or lower than the expected yields. However, all almonds produced from the Project will be pooled and Early Growers and Post 30 June Growers will share in the proceeds of sale of the pooled almonds.

COSTS

Another important factor that will affect the returns you may achieve over the life of the Project is the costs that are to be paid by you. The costs for the Project are fully set out in section 1. From the fourth year of the Project certain components of the management fees will be Indexed and from the seventh year of the Project rent will be Indexed.

Based on information provided to us by Select Harvests as operator, we estimate that the operating costs of managing your Almondlots in the financial years ending 30 June 2007 to the end of the Project will be as follows:

Year ended 30 June	Estimated operating costs per Almondlot
2007	\$1,799
2008	\$2,249
2009	\$2,509
2010	\$3,028
2011	\$3,208
2012 onwards p.a.	\$3,294

Note: These costs are inclusive of GST and are estimates only. Actual costs may be higher or lower.

Other ongoing annual costs you will have to pay in the 2007 financial year and beyond will be rent Indexed annually with the first indexation occurring in the 2010 financial year, the deferred management fees referable to the 2005 and 2006 financial years respectively described in section 1, the annual management fee of 0.5% of the Gross Proceeds of sale and the 25% incentive fee calculated as described in section 1.

Certain components of the operating costs of managing your Almondlots and annual rent will be affected by the rate of inflation in Australia.

It is in our interest to maximise the price that you receive for your Almonds and to minimise the operating costs of managing your Almondlots, in order to exceed the incentive fee thresholds detailed in section 1.

TAX PROFILE

Your profile as a resident Australian taxpayer will also impact the returns you achieve from participation in the Project.

The higher your marginal tax rate, the greater the benefit you receive from the income tax deductions to which you are entitled for all management and incentive fees and rent that you pay in respect of the Project together with any interest incurred on borrowings and your entitlement to a write off for the costs incurred by the Land Owner to establish the almond trees on the Orchard.

Obviously, a natural person on the highest marginal tax rate (including the Medicare levy) of 48.5% will receive the greatest benefit from the income tax deductions available under the Project.

However, note that the amount of any deduction will be reduced by the amount of any GST input tax credit to which you are entitled under GST Law. You may claim input tax credits for the GST included in the Project costs provided you are registered for GST.

Your returns will also be affected by whether or not you elect to have the Simplified Tax System apply to your almond growing activities, and your marginal tax rate at the time you receive proceeds from the Project.

For a discussion of these matters, please see section 5 and Product Ruling PR 2004/18 which is reproduced in section 9.

TAXATION BENEFITS

AND GST

5

DEDUCTIONS AVAILABLE

You should be entitled to an immediate taxation deduction for the Application Moneys payable on application.

In addition, you should also be entitled to deductions for your ongoing annual and other costs when they are incurred. These costs include management and incentive fees and annual rent as well as interest on any funds that you borrow to finance your almond farming activities.

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

You should also be entitled to claim a write off for the costs associated with the establishment of the Almond Trees on the Orchard at the rate of 13% p.a. commencing from the year of first commercial production. The year of first commercial production is expected to be the financial year ending 30 June 2007.

JOINT VENTURE GROWER

Where two applicants apply as a Joint Venture Grower, they are entitled to the following deductions:

- the First Joint Venturer is entitled to deductions for all management fees and costs that it pays, including its proportion of any incentive fees paid, the Initial Rent and for interest on borrowed funds used to finance these costs; and
- the Second Joint Venturer is entitled to a deduction for all rent and costs associated with the sub-lease of the Grower's Almondlots other than the Initial Rent, its proportion of any incentive fees paid and for interest on borrowed funds used to finance these costs.

In addition, each Joint Venturer is entitled to a deduction in its respective proportion for the costs associated with the establishment of the almond trees on the Orchard, even though the Land Owner incurs these costs.

ATO PRODUCT RULING

The Australian Taxation Office has issued Product Ruling PR 2004/18. This Product Ruling confirms the deductibility of Project costs with the exception of the deferred management fees, which are deductible under section 8-1 of the Tax Act. The product ruling expires on 30 June 2007 which is prior to when these fees will be incurred or paid, and, therefore, does not deal with the deductibility of these fees in accordance with the standard practice of the Australian Taxation Office. A copy of the product ruling is reproduced in section 9.

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.

RALPH INITIATIVES

Under the New Business Tax System (Integrity Measures) Act 2000, prepayments in respect of 'tax shelter' arrangements are deductible over the period during which the services are provided, rather than being immediately deductible.

Growers in the Project should not be affected by these provisions, as all payments under the Grower Agreements 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 incentive fees and rent set out in this PDS 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 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 subscription or subsequent years up to the stage of harvest and the income is unlikely to be excepted income.

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

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 in respect of the Project include the management services provided by us, the sublease rights granted by us under the Sub-lease in relation to your Almondlots and all services associated with the harvesting, processing, delivery and marketing of your Almonds. All of the Grower Agreements contain provisions to the effect that where we are required to remit any GST in respect of services provided to you under a Project Agreement, the amount of the management or incentive fee and rent payable by you may be increased by an amount to cover the GST that we must remit.

It is important to note that the provision of finance is not a 'taxable supply' and, therefore, any interest payable by you on borrowed funds is not subject to GST.

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 sub-lease 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 Almond growing enterprise.

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 under the Grower Agreements 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.

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

ALMOND PROCEEDS

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

ALMONDS ON HAND AT THE END OF THE YEAR

Given the usual pattern of Select Harvests' sales, the entire crop of the Project for a season will generally not be sold by 30 June of the year in which it is harvested. However, any remaining crop for a season will be sold in the following financial year as guaranteed by Select Harvests under the Almond Orchard Management Agreement with the Project Manager.

As a result, you will generally have to bring to account opening and closing trading stock on hand at the end of each year when determining your taxable income. We will advise you each financial year of the value of opening and closing trading stock on hand to allow you to prepare your income tax return.

Note that Select Harvests does not guarantee the sale price of the Almonds.

TAXATION ADVICE

Before deciding whether to participate, you should refer to the Product Ruling in section 9 and obtain your own independent professional advice on this important matter.



PROJECT SITE AND

DEVELOPMENT

6

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 Land known as the Wandown site.

The Wandown site will comprise up to approximately 1,200 hectares of new almond orchards after allowing for the construction of roads, frost prone areas and unsuitable soil types. It is an extension of the 1,120 hectare orchard established in 2003 on the adjacent site known as Yungera. The Wandown site is situated within close proximity to Boundary Bend and is adjacent to an existing 145-hectare almond orchard owned and managed by Select Harvests. The property comprises a total of approximately 5,000 hectares.

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 that the Land is suitable for growing commercial crops of almonds.

Like many nut trees, almonds need deep well drained soils. The land topography is undulating throughout and is characterised by the existence of steep, predominantly east/west sand dunes and associated swales with some closed depressions. To the south the topography flattens considerably with rises much broader and wider. Certain areas will require soil amelioration in order to assist almond tree root growth. Areas on the Land with poor soil types, high drainage hazards 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 Independent Almond Orchard Expert's Report in section 10.

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, which is a significant almond-producing region. Rainfall is distributed quite evenly throughout the year with an average rainfall of approximately 20 to 35 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.

The Land Owner will progressively acquire, at is own cost, sufficient permanent Water Licences on the open market to meet the Project's needs up to a maximum of 12.5 megalitres per hectare. It will purchase sufficient Water Licences prior to the commencement of each irrigation season. If during the life of the Project, additional water in excess of 12.5 megalitres per hectare is required, and such water can be reasonably procured by way of temporary water rights, we will procure such additional water and supply it to you. The cost of supplying such additional water will be treated as a cost of operating the Almondlots, payable by Growers to us under the Almondlot Management Agreement.

Water for the Project is 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.

The water is transported from the Murray River to the Orchard via mainlines. The Land Owner has established two dams on the Yungera site on which the 2003 orchard was established with a combined capacity of 400 megalitres. A further 400 megalitre dam is under construction on the Wandown site. The water 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 subsurface drainage water resulting from irrigation activities.





Water is 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. The system is also designed with two submains delivering water to each block. To achieve optimum tree growth and yields, soil moisture needs to be maintained within strict limits. Therefore, the volume of water that is applied to the almond rows each day depends 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.

The Land Owner has commissioned a qualified expert irrigation company to prepare a fully integrated irrigation design, water budget and drainage management plan for the Orchard. These plans and budgets were reviewed by Select Harvests 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 Almonds produced and achieve consistent uniform production. For further details on the irrigation requirements of the Orchard, refer to the Almond Orchard Expert's Report in section 10.

The Land Owner owns the entire infrastructure and other capital works that it has carried out on the Orchard, including the Water Licences and irrigation equipment.

HOW THE ORCHARD IS ESTABLISHED

The Land Owner will purchase the Almond Trees for the Orchard from Select Harvests under a Tree Supply and

Capital Works Agreement. The trees, which will be largely supplied from Select Harvests nursery, will be defoliated in May in preparation for planting in June 2004. Select Harvests has agreed with the Land Owner that it will, at its cost, replace and replant any Almond Tree which fails on the Orchard in the first six months after planting where Select Harvests causes such failure.

Under the Tree Supply and Capital Works Agreement, the Land Owner has also appointed Select Harvests to oversee the installation of the internal irrigation system and other infrastructure works on the Orchard prior to planting. These works include identifying and organising 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.

The 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 allows trees to grow without undue overcrowding and enable machinery to travel down the rows without damaging the crop. Select Harvests will prune the Almond Trees 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 were planted to ensure bees carry out cross-pollination. Three varieties of Almond Trees will be planted, with the main Non Pareil variety being planted every second row. The other two varieties, Price, an early blooming variety, and Carmel, a later blooming variety, will be planted in alternate pollinator rows to ensure that the main variety is adequately pollinated





NON PAREIL

Non Pareil originated in Suisun, California in 1879. It is the main variety and has been 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.

As the preferred table almond, Non Pareil usually attracts a price premium.

CARMEL

Carmel is a pollinator that is sold as kernel and 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 smaller 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 Orchard on every sixth row.

THE ALMOND CROP AND YIELDS

It is expected that the Orchard will yield its first commercial crop in February-April 2007, and reach full maturity in the seventh year after the establishment of the Orchard. At full maturity, it is expected that the weighted average yield across the Orchard will be 3.46 metric tonnes per hectare.

The table below sets out the forecasted long term average yields from the first year of commercial crop to full maturity and beyond. These forecasts have been independently reviewed and endorsed by the Independent Almond Orchard Expert.

Year ended 30 June	Kilograms per Almondlot	Kilograms per hectare
2007	93	371
2008	340	1,359
2009	463	1,853
2010	803	3,212
2011 onwards p.a.	865	3,460

Of course, actual yields may vary from year to year because anticipated events may not materialise as expected, whilst unanticipated events may occur. Furthermore, some Almondlots may produce yields which are higher or lower than the estimated yields. However, all almonds produced from the Project will be pooled and Early Growers and Post 30 June Growers will share in the proceeds of sale of the pooled almonds.

For a discussion of the harvesting and processing of your Almonds and information on Select Harvests, the Orchard contractor, processor and marketer of the Almonds, see section 3.

FINANCIAL INFORMATION ON

TIMBERCORP

7

In this section we provide you with a brief overview of our parent company, Timbercorp, and extracts of the audited financial accounts of Timbercorp and ourselves.

THE TIMBERCORP GROUP

The Timbercorp group of companies was established in 1987 to bring together the forestry, viticulture and silviculture 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 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, the company listed on the Australian Stock Exchange in May 1996.

WHAT DOES THE TIMBERCORP GROUP DO?

Timbercorp is Australia's leading integrated agribusiness investment management company. It specialises in developing, promoting, managing and financing a continuing series of agribusiness investment projects.

The Timbercorp group employs over 100 full time staff in the areas of land acquisition, forestry and horticulture operations, marketing, finance and corporate and legal administration. It has corporate and marketing offices in all capital cities as well as a number of regional offices with an experienced team of scientists qualified in a number of agricultural disciplines including, olive grove management, tree physiology, forestry and research and support staff who have many years' combined experience in large scale agribusiness project development.

Timbercorp also has a research and development and technical forestry and horticultural division. This division provides a range of services including the use of global positioning systems to locate farms accurately and soil sample analysis for optimum planting, maintenance and harvesting. With the consolidation of information technology operations and services in this division, the Timbercorp group is well placed to evaluate agribusiness opportunities as public interest in agricultural investments remains high.



FINANCIAL ACCOUNTS OF THE TIMBERCORP GROUP

As a listed public company, Timbercorp is required to lodge periodic accounts and other relevant information with the Australian Stock Exchange. Extracts of the Timbercorp Group's audited accounts in respect of the financial year ended 30 September 2003, the three months ended 30 September 2002 and the financial year ended 30 June 2002 follow. Effective 30 September 2002, Timbercorp changed its financial year end from 30 June to 30 September.

A full set of Timbercorp's financial statements including Notes to Accounts is available on request.

EXTRACT OF AUDITED STATEMENT OF FINANCIAL PER	FORMANCE f	or the period	d ended
	30 Sept	30 Sept	30 June
	2003	2002	2002
	\$'000	\$'000	\$'000 12 months
Profit From Ordinary Activities Before Income	12 months	3 months	12 monus
Tax Expense	44,149	128	37,864
Income tax (expense) / benefit relating to ordinary	77,173	120	37,004
activities	(13,161)	7	(11,021)
Net Profit/(Loss)	30,988	135	26,843
Net result attributable to outside equity interests	(3,896)	251	(4,043)
Net Profit/(Loss) Attributable to Members of the	, , ,		
Parent Entity	27,092	386	22,800
Increase is asset revaluation reserve arising on			
revaluation of investments in listed entities	11,398	-	
Total Revenue, Expense and Valuation Adjustments			
Attributable to Members of the Parent Entity Recognised	44 200		
Directly in Equity Total Changes in Equity Other then these Resulting	11,398		<u>-</u>
Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners	38,490	386	22,800
ITOM ITALISACTIONS WITH OWNERS AS OWNERS	36,490	380	22,000
EXTRACT OF AUDITED FINANCIAL POSITION as at			
	20 Sont	30 Sept	30 June
	30 Sept 2003	2002	2002
	\$'000	\$'000	\$'000
Current Assets	Ψ 000	Ψ 000	Ψ 000
Cash	38,554	21,518	30,033
Receivables	23,377	15,018	6,426
Inventories at cost	25	1,402	1,495
Financial assets	5,522	10,221	22,355
Other	5,584	4,152	4,868
Total Current Assets	73,062	52,311	65,177
Non-Current Assets			
Financial assets	145,712	117,557	122,092
Property, plant and equipment	246,333	201,567	196,990
Self-generating and regenerating assets (SGARAs)	47,946 963	33,586	32,470
Intangibles Deferred tax assets	2,288	1,111 1,490	1,148 1,641
Other	2,200 4,478	3,172	2,845
Total Non-Current Assets	447,720	358,483	357,186
Total Assets	520,782	410,794	422,363
Current Liabilities	,	,	
Payables	18,086	13,671	22,514
Interest-bearing liabilities	7,731	9,978	6,633
Current tax liabilities	-	8,019	20,744
Provisions	1,167	5,813	588
Receipts in advance	28,287	13,368	16,608
Total Current Liabilities	55,271	50,849	67,087
Non-Current Liabilities			
Payables	450 400	500	500
Interest-bearing liabilities	159,423 16,320	101,965	92,909
Deferred tax liabilities Provisions	253	10,419 158	10,390 158
Receipts in advance	47,049	49,301	48,680
Total Non-Current Liabilities	223,045	162,343	152,637
Total Liabilities	278,316	213,192	219,724
Net Assets	242,466	197,602	202,639
Equity	-, 2	,	,
Contributed equity	101,739	99,330	99,330
Asset revaluation reserve	11,398	-	-
Retained profits	115,939	92,654	97,443
Parent entity interest	229,076	191,984	196,773
Outside equity interest	13,390	5,618	5,866
Total Equity	242,466	197,602	202,639



September 2002 and the financial year ended 30 June 2002 follow. Effective 30 September 2002, Timbercorp Securities Limited changed its financial year end from 30 June to 30 September.

A full set of our financial statements including the Notes to the Accounts are available on request.

EXTRACT OF AUDITED STATEMENT OF FINANCIAL P	ERFORMANCE	for the perior	a enaea
	30 Sept	30 Sept	30 June
	2003	2002	2002
	\$	\$	\$
	12 months	3 months	12 months
Profit From Ordinary Activities Before Income			
Tax Expense	3,342,667	189,450	2,099,586
Income tax expense relating to ordinary activities	(1,002,801)	(56,835)	(629,875)
Net Profit	2,339,866	132,615	1,469,711
Total Changes in Equity Other than those Resulting			
from Transactions with Owners as Owners	2,339,866	132,615	1,469,711

EXTRACT OF AUDITED FINANCIAL POSITION as at			
	30 Sept	30 Sept	30 June
	2003	2002	2002
	\$	\$	\$
Current Assets			
Cash	3,626,901	1,758,303	29,659,654
Receivables	5,780,036	2,464,027	491,974
Current tax benefit	1,074,374	-	-
Financial assets	7,623,086	3,041,261	-
Other	1,036,962	836,326	1,175,192
Total Current Assets	19,141,359	8,099,917	31,326,820
Non-Current Assets			
Deferred tax assets	332,842	-	-
Total Non-Current Assets	332,842	-	-
Total Assets	19,474,201	8,099,917	31,326,820
Current Liabilities			
Payables	1,662,108	1,689,684	3,877,010
Interest-bearing liabilities	-	-	18,998,631
Current tax liabilities	-	800,006	2,645,902
Receipts in advance	9,862,000	-	327,665
Total Current Liabilities	11,524,108	2,489,690	25,849,208
Total Liabilities	11,524,108	2,489,690	25,849,208
Net Assets	7,950,093	5,610,227	5,477,612
Equity			
Contributed equity	50,005	50,005	50,005
Retained profits	7,900,088	5,560,222	
Total Equity	7,950,093	5,610,227	5,477,612



PROJECT RISKS

AND SAFEGUARDS

8

The Project is a long-term commercial horticultural project and like any agricultural venture involves risks. You should carefully consider the risks detailed below before making an application to participate in the Project.

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 based on advice given to the Land Owner 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 the production of superior quality almond trees. Select Harvests will also ensure that contractor nurseries adopt best horticultural practices in growing and cultivating Almond Trees for the Project.

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

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.

Where practicable, we will arrange appropriate insurance cover to protect the Orchard against the risks of fire and other insurable risks but not crop insurance. 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

The Land Owner has incorporated the most advanced design features in the internal irrigation system, as well as the pipeline, dams, pump and other components of the irrigation infrastructure installed or to be installed on the Land. The substantial capital outlay involved in acquiring the 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. The Land Owner has adopted a policy to secure sufficient Water Licences prior to the commencement of each irrigation season. Although 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.

Importantly, despite the severe recent drought conditions, last year the Land owner received its full allocation of water rights from the Sunraysia Rural Water Authority.

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 including a licence to divert water to the Orchard from the Murray River 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 those of the United States, will have an impact on the supply and world price of almonds.

Select Harvests

The Almond Orchard Management Agreement addresses the risk of not selling the almond crop in any year. Under that agreement, Select Harvests guarantees to the Project Manager that the entire annual crop of Almonds available for harvest in a particular season will be sold by 30 June in the Financial Year following the year in which the harvest for that season commences and that it will endeavour to maximise returns. However, Select Harvests does not guarantee the sale price of the Almonds.



Returns

The ultimate financial success of the Project will depend on yield rates achieved, the prevailing market conditions when almonds are sold and the other factors discussed in section 4.

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.

Product Ruling PR 2004/18 protects Growers provided that the Project is carried out in accordance with the details we provided to the Australian Taxation Office and described in the ruling. The ruling is withdrawn from 30 June 2007, although it continues to apply to all persons who became Growers prior to its withdrawal. However, 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. Although Product Rulings PR 2004/18 constitutes a binding public ruling in respect of the Project, it may be superseded by a legislative change in tax laws.

We do not, nor does any other person, firm or corporation associated with the issue of this PDS guarantee the amount or timing of any tax deduction and there remains the risk that the Australian Taxation Office may disallow any claim in this regard or not give a favourable product ruling for the Project. If income tax deductions are disallowed, Growers may be required to pay penalty tax and interest.

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.

Default by Growers

Our ability and the ability of the Project Manager to provide quality services may be affected by Growers' failure to pay annual management fees and rent 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 Grower Agreements.

Grower Agreements

Anything that affects our ability to meet our obligations under the Almondlot Management Agreement and Sublease, and the ability of the Land Owner to meet its obligations under the Sub-lease, could also constitute a risk to Growers.

Illiquid interests

The Project is not intended to be a short-term investment and should be viewed as being one for a fixed term of approximately 20 years. It is expected that interests issued under this PDS 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 to the extent permitted by law 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.

RISK MANAGEMENT

We are preparing an initial management plan with the assistance of Select Harvests for the financial years ending 30 June 2004 and 30 June 2005. The plan includes risk mitigation plans that, to the maximum extent possible, will reduce the effect of the risks described above. We will also prepare a management plan for each subsequent financial year, again with the assistance of Select Harvests.

The management plan also includes a horticultural plan and an operational plan, including human resources and machinery requirements and farming programmes. 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 its processing facility in which it has invested substantial capital outlay; and
- the marketing of the entire crop of Almonds each year through established domestic and overseas channels,

are considered to be a major benefit to Growers participating in the Project. For details on Select Harvests' expertise see section 3 of this PDS.



PRODUCT RULING

9

PR 2004/18

INCOME TAX: 2004 TIMBERCORP ALMOND PROJECT

Preamble

The number, subject heading, and the **What this Product Ruling is about** (including **Tax law(s)**, **Class of persons** and **Qualifications** sections), **Date of effect, Withdrawal, Arrangement** and **Ruling** parts of this document are a 'public ruling' in terms of Part IVAAA of the **Taxation Administration Act 1953.** Product Ruling PR 1999/95 explains Product Rulings and Taxation Rulings TR 92/1 and TR 97/16 together explain when a Ruling is a public ruling and how it is binding on the Commissioner.

No guarantee of commercial success

The Australian Taxation Office (ATO) **does not** sanction or guarantee this product. 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 participants 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 participants 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, participants lose the protection of this Product Ruling. Potential participants may wish to seek assurances from the promoter that the arrangement will be carried out as described in this Product Ruling.

Potential participants 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

 This Ruling sets out the Commissioner's opinion on the way in which the 'tax law(s)' 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 '2004 Timbercorp Almond Project' or simply as 'the Project'.

Tax law(s)

- 2. The tax laws dealt with in this Ruling are:
 - Section 6-5 of the Income Tax Assessment Act 1997 (ITAA 1997);
 - Section 8-1 (ITAA 1997);
 - Section 17-5 (ITAA 1997);
 - Section 25-25 (ITAA 1997);
 - Division 27 (ITAA 1997);

- Division 35 (ITAA 1997);
- Division 40 (ITAA 1997);
- Division 328 (ITAA 1997);
- Section 82KL of the Income Tax Assessment Act 1936 (ITAA 1936);
- Section 82KZL (ITAA 1936);
- Sections 82KZME 82KZMF (ITAA 1936); and
- Part IVA (ITAA 1936).

Goods and services tax

3. In this Ruling all fees and expenditure referred to include the Goods and Services Tax (GST) where applicable. In order for an entity (referred to in this Ruling as a 'Participant 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.

Changes in the law

- 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, later amendments may impact on this Ruling. Any such changes will take precedence over the application of this Ruling and, to that extent, this Ruling will be superseded.
- Taxpayers who are considering participating 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 participants in projects such as this. In keeping with that intention the Tax Office suggests that promoters and advisers ensure that participants are fully informed of any legislative changes after the Ruling is issued.

Class of persons

- 7. The class of persons to whom this Ruling applies is the persons more specifically identified in the Ruling part of this Product Ruling and who enter into the arrangement specified 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 'Participant 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 it;
 - persons who are accepted to participate in the Project on or after 16 June 2004 and on or before 30 June in 2004;
 - persons who are accepted to participate in the Project on or after 16 June 2005 and on or before 30 June in 2005;
 - persons who participate in the Project through offers made other than through the Product Disclosure Statement; and
 - Timbercorp Securities Limited and its associates.

Qualifications

 The Commissioner rules on the precise arrangement identified in the Ruling. If the arrangement described in the Ruling is materially different from the arrangement that is actually carried out, the Ruling has no binding effect on the Commissioner. The Ruling will be withdrawn or modified. 10. A Product Ruling may only be reproduced in its entirety. Extracts may not be reproduced. As each Product Ruling is copyright, apart from any use as permitted under the Copyright Act 1968, no Product Ruling may be reproduced by any process without prior written permission from the Commonwealth. Requests and inquiries concerning reproduction and rights should be addressed to:

Commonwealth Copyright Administration Intellectual Property Branch Department of Communications, Information Technology and the Arts GPO Box 2154 Canberra ACT 2601

or by email to: commonwealth.copyright@dcita.gov.au.

Date of effect

- 11. This Ruling applies prospectively from 25 February 2004, 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).
- 12. 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 commenced 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

13. This Product Ruling is withdrawn and ceases to have effect after 30 June 2006. 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 arrangement specified below. 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

- 14. The arrangement that is the subject of this Ruling is specified below. This arrangement incorporates the following documents:
 - Application for a Product Ruling dated 3 February 2004 as constituted by documents received on 30 July 2003, 8 September 2003, 30 October 2003, 27 January 2004, 2 February 2004, 3 February 2004 and 10 February 2004;
 - Draft Product Disclosure Statement for the 2004 Timbercorp Almond Project ('PDS'), as amended, provided on 16 February 2004, undated, prepared for Timbercorp Securities Limited A.C.N. 092 311 469 ('TSL'), ('the Responsible Entity');
 - The Constitution of the 2004 Timbercorp Almond Project, undated, as amended, received on 27 January 2004;
 - Draft Compliance Plan of the 2004 Timbercorp Almond Project, undated, received on 8 September 2003;
 - Draft Almondiot Management Agreement between each 'Participant Grower' and TSL undated, as amended, received on 2 February 2004;
 - Draft Almond Orchard Management Plan, undated, received on 8 September 2003;
 - Draft Management Agreement between TSL and Almond Management Pty Ltd ('Almond Management'), undated, received on 8 September 2003:
 - Draft Almond Orchard Management Agreement for the 2004 Timbercorp Almond Project between Almond Management, Select Harvests Limited ('Select'), TSL, Timbercorp Limited, Almond Investments Australia Pty Ltd and Almond Land Pty Ltd, undated, received on 8 September 2003;

- Draft Tree Supply and Capital Works Agreement for the 2004
 Timbercorp Almond Project between Almond Land Pty Ltd, Select,
 Timbercorp Limited and Almond Investments Australia Pty Ltd, undated,
 received 8 September 2003;
- Draft Sub-lease Agreement between each Participant Grower, Almond Land Pty Ltd and TSL, undated, as amended, received on 18 February 2004:
- Draft Lease Agreement between Almond Land Pty Ltd and TSL for the 2004 Timbercorp Almond Project (Wandown Site), undated, received on 10 February 2004;
- Draft Custody Agreement between TSL and the Custodian, received on 8 September 2003; and
- Draft Finance Package, which includes the Loan Application Form and Loan Explanation and Loan Terms, undated, received on 8 September 2003.

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

- 15. The documents highlighted are those that 'Participant Growers' may enter into. For the purposes of describing the arrangement to which this Ruling applies, there are no other agreements, whether formal or informal, and whether or not legally enforceable, which a Participant Grower, or any associate of a Participant Grower, will be a party to, which are a part of the arrangement. In this Ruling the term 'associate' has the meaning given by section 318 of the ITAA 1936. The effect of these agreements is summarised as follows.
- 16. All Australian Securities and Investment Commission (ASIC) requirements are, or will be, complied with for the term of the agreements.

Overview

17. The salient features of the 2004 Timbercorp Almond Project are as follows:

Location North West Victoria. Type of business to be carried Commercial growing and cultivation of almond on by each Participant Grower trees for the purpose of harvesting almonds for sale. Number of hectares offered Up to 500 with capacity for oversubscription. for cultivation Size of each Almondlot 0.25 hectares. Minimum allocation 2 'Almondlots' (TSL may allocate less at its absolute discretion.) Minimum subscription Number of trees per hectare Approximately 247. Term of the Project 20 years. Initial cost per 'Almondlot' \$4,075 for 'Early Growers'. \$5,700 for 'Post 30 June Growers'.

Initial cost per hectare \$16,300 for 'Early Growers'.

\$22,800 for 'Post 30 June Growers'.

Ongoing costs Annual 'Rent'.

Annual management 'fees and charges'.

Incentive fees.
Insurance.

- 18. The Project will be registered as a managed investment scheme under the Corporations Act 2001. Applications to participate in the Project must be made on the Application Form shown in the PDS. There is no minimum amount that must be raised under the PDS. A Custodian will be appointed under the Custody Agreement to protect the interests of the 'Participant Growers' in their dealings with TSL.
- 19. Under a Power of Attorney contained on the Application Form, 'Applicants' who are accepted to participate in the Project will enter into agreements with TSL and its associates to establish and manage 'Almond Trees' for the purpose of harvesting the 'Almonds' for sale.
- 20. 'Participant Growers' whose applications are accepted on or before 15 June 2004 will become 'Early Growers'. 'Participant Growers' whose applications are accepted on or after 1 July 2004 and on or before 15 June 2005 will become 'Post 30 June Growers'.
- 21. The Project land is on a property known as Wandown, which is situated within close proximity to Boundary Bend, in North West Victoria. TSL will enter into a Lease with Almond Land Pty Ltd ('Land Owner') of the Land and the Water Licences. Participant Growers entering into the Project will sub-lease land from TSL. The Land Owner will establish the infrastructure and other capital works necessary to operate a commercial almond growing operation.
- 22. The minimum area of land that will be sub-leased by each 'Participant Grower' is 2 'Almondlots' of 0.25 hectares, although TSL reserves the right to accept applications for less than 2 'Almondlots'.
- 23. A 'Participant Grower' will also enter into an Almondlot Management Agreement with TSL to cultivate and maintain the 'Almond Trees' and be responsible for harvesting, procuring the processing of and selling the Participant Grower's 'Almonds', 'Crop' or 'Product'.
- 24. As an alternative to participation by a 'Participant Grower' as a single entity, the terms of the Constitution, the Almondlot Management Agreement, and the Sub-lease provide that two 'Participant Growers' may enter into a Joint Venture.

Constitution

- 25. The Constitution establishes the Project and operates as a deed binding all of the 'Participant Growers' (clause 8.6) and TSL. The Constitution sets out the terms and conditions under which TSL agrees to act as Responsible Entity and thereby manage the Project.
- 26. Under clause 4, TSL holds the Application Money on bare trust. TSL accounts for the Application Money in a special trust account and deposits the money into a bank account solely for 'Application Money' for this Project. Once TSL is satisfied that all documents have been executed and any finance has been approved for an applicant, the 'Application Money' is released and applied against the fees due to TSL (clause 9.3).
- 27. Where two Growers enter a Joint Venture the Constitution provides that:
 - one Joint Venture Grower is liable for the fees and other amounts payable under the Almondlot Management Agreement and the 'Initial Rent' (defined in the Constitution to mean the rent payable on application, clause 1.1) payable under the Sub-lease ('First Joint Venture Grower') (clause 29.5(a)); and
 - the other Joint Venture Grower is liable for the ongoing 'Rent' and other amounts payable under the Sub-lease ('Second Joint Venture Grower') (clause 29.5(b)).
- 28. The 'First Joint Venture Grower' is liable for 68% and the 'Second Joint Venture Grower' for 32% of any incentive fees (clause 29.5(c)) and each will be entitled to these proportions of the Joint Venture's 'Almonds', 'Crop' and the 'Product', and the 'Joint Venture Proceeds' (clause 29.6).
- 29. In summary, the Constitution also sets out provisions relating to:
 - invitations and offers under the PDS (clause 2);
 - the irrevocable appointment of TSL as the 'Participant Grower's' agent, representative and attorney (clause 3);

- procedures relating to 'Applications' (clause 6);
- the absolute discretion of TSL to refuse an 'Application' (clause 7);
- the effect of an Applicant's 'Application' being accepted by TSL (clause 8):
- preparation and execution of the Sub-lease, and Almondlot Management Agreement by TSL and release of the 'Application Money' (clause 9);
- preparation and issuing of 'Almondlot Statements' to 'Participant Growers' and the setting up and maintenance of a Register of 'Participant Growers' (clause 10);
- TSL's powers (clause 11);
- the keeping of a separate Agency Account for the holding of 'Proceeds and any other money', apart from 'Application Money' and interest thereon, that TSL may hold for the 'Participant Grower' (clause 12);
- distributions from the 'Agency Account' of 'Proceeds' to 'Participant Growers' and to insured 'Participant Growers' and pooling of amounts (clause 13);
- the right of TSL to be paid fees and other expenses (clauses 14 and 17);
- the status, the retention by TSL, and termination by TSL or the 'Participant Growers', of the Almondlot Management Agreement and Sub-lease (clause 18). This includes the right of 'Participant Growers' to obtain a copy of the above agreements by written request to TSL (clause 18.2) and the consequences of termination of these agreements (clause 18.4);
- the right of 'Participant Growers' to inspect certain documents related to their participation in the Project and to offer and give opinions to TSL (clause 19.1);
- the assignment and transmission of 'Almondlots' (clause 20) and restrictions on such assignments and transmissions (clause 21);
- resolution of complaints made by the 'Participant Grower' in relation to the Project or TSL (clause 25); and
- termination of the Project (clause 26).
- 30. Although Clause 6.4 of the Constitution provides that 'Participant Growers' may pay the Application Money by instalments, this Product Ruling does not apply to any 'Participant Grower' who enters into an arrangement to pay their Application Money by instalments.

Compliance Plan

31. As required by the *Corporations Act* 2001, TSL has prepared a Compliance Plan. The purpose of the Compliance Plan is to ensure that TSL manages the Project in accordance with its obligations and responsibilities contained in the Constitution and that the interests of 'Participant Growers' are protected.

Head Lease

32. The 'Land' and 'Water Licences' for the Project are owned by Almond Land Pty Limited (the Lessor) and will be leased to TSL under the Head Lease. The Head Lease sets out the terms and conditions under which the Lessor will lease the 'Land' and 'Water Licences' to TSL to use and exploit during the 'Term' of the Project.

Sub-lease

33. Participant Growers will enter into a Sub-lease with TSL and Almond Land Pty Ltd (in the Sub-lease called the 'Land Owner'). Under clause 3.1, TSL grants a Sub-lease of the 'Almondlot(s)' to the 'Participant Grower' for the purpose of growing and cultivating of 'Almond Trees' for the production of 'Almonds', 'Crop' or 'Product' for commercial gain. 'Almondlot' is defined to include the 'Participant Grower's' separate and identifiable interest in the 'Land' and includes the 'Almond Trees', the 'Capital Works' and the 'Water Licences'.

- 34. The Landowner must establish the orchard, including the necessary infrastructure and capital works on the 'Land' by 31 May 2004 and plant the almond trees by no later than June 2004 (clause 2.1). Under clause 3.2 the 'Land Owner' must fully exploit its 'Water Licences' to enable water to be supplied to the 'Almondlots' by TSL for the benefit of all the 'Participant Growers' during the 'Term' of the Project in accordance with the provisions of the Almondlot Management Agreement.
- 35. The Sub-lease is conditional upon the 'Participant Grower' entering into the Almondlot Management Agreement (clause 6.1).
- 36. The Sub-lease also sets out:
 - its 'Term' (clause 4.1):
 - the 'Rent' payable by 'Participant Growers' (clause 7);
 - provisions dealing with damage to or reduction in the viability of the Participant Grower's 'Almondlots' (clauses 10.3 and 10.4);
 - the obligations and rights of the 'Participant Grower' (clauses 6 and 8),
 TSL (clauses 5 and 6) and the 'Land Owner' (clauses 6 and 9); and
 - provisions relating to early termination of the Sub-lease by the 'Participant Grower' or TSL (clause 10) and the rights and obligations of the parties following such termination (clause 12).

Almondlot Management Agreement

- 37. Under clause 4.2 of the Almondlot Management Agreement a 'Participant Grower' engages TSL as an independent contractor to carry out the 'Orchard services' during the 'Term' of the Project.
- 38. The 'Orchard Services' include:
 - pruning the 'Almond Trees';
 - · operating the irrigation system;
 - fertilising the 'Almondlots';
 - keeping the improvements on the relevant 'Almondlots' in good and substantial repair;
 - weeding the 'Almondlots';
 - replanting any of the 'Almond Trees' in need of replacement;
 - complying with the 'Participant Grower's' obligations under the Sublease (except for those relating to payment of fees);
 - procuring additional water if required from time to time to irrigate the Orchard by way of temporary water rights; and
 - preparing the Management Plan for the Project, including a horticultural plan for the Orchard, a horticultural program, operational plan and annual financial and operational budgets in relation to these horticultural matters.
- 39. During each year of the Project TSL will test the 'Almonds' and, where they are ready for harvesting, harvest the mature 'Almond Trees' and deliver the harvested 'Almonds' to delivery point(s) for processing and sale (clause 6). Under clause 7, as agent for the 'Participant Grower', TSL will process, market and sell their share of the 'Almonds', the 'Crop' and the 'Product' for as high a price as it can reasonably achieve. 'Participant Growers' are entitled to receive a proportion of the proceeds of sale of all of the 'Product' or 'Crop' according to their interest in the Project (clause 7.3(a)).
- 40. The Almondlot Management Agreement also sets out:
 - certain administrative services to be provided to the 'Participant Growers' during the 'Term' of the Project;
 - the requirement for TSL to provide an annual report to 'Participant Growers' no later than 4 months after the end of each financial year of the Project (clause 13);
 - the ability of the Participant Grower to terminate the Almondlot Management Agreement in cases such as default (clause 15); and
 - dispute resolution procedures (clause 18).

Pooling of amounts and distribution of 'Proceeds'

- 41. Both the Constitution (clause 13) and the Almondlot Management Agreement (clause 7.3) set out provisions relating to the pooling of amounts from the sale of the Participant Growers' 'Almonds', 'Crop' or 'Product' and the distribution of 'Proceeds' from that sale or from insurance proceeds. This Product Ruling only applies where the following principles apply to those pooling and distribution arrangements:
 - only 'Participant Growers' who have contributed 'Almonds', 'Crop' or 'Product' or insurance proceeds to the pool making up the 'Proceeds' are entitled to benefit from distributions from those 'Proceeds'; and
 - any pools of 'Almonds', 'Crop' or 'Product' or other 'Proceeds' must consist only of 'Almonds', 'Crop' or 'Product' or other 'Proceeds' contributed by 'Early Growers' or 'Post 30 June Growers' in the 2004 Timbercorp Almond Project.

Management Agreement

42. Under the Management Agreement, TSL engages Almond Management Pty Ltd as Project Manager, to manage and administer the Project, to manage, direct and conduct the 'Project Operations' on behalf of the Participant Growers and to perform the 'Orchard Services'.

Almond Orchard Management Agreement

43. Under the Almond Orchard Management Agreement, Almond Management Pty Ltd engages Select Harvests Ltd as an independent contractor to provide management and cultivation services, including the 'Orchard Services' (clause 4), 'Processing Services' (clause 5) and 'Marketing Services' (clause 6). Select must carry out the provision of these services in accordance with an 'Almond Orchard Management Plan'. A draft 'Almond Orchard Management Plan' prepared by Select for the 'Financial Year' ending 30 June 2005 forms part of the application for this Product Ruling.

Tree Supply and Capital Works Agreement

- 44. Under the Tree Supply and Capital Works Agreement, Almond Land Pty Ltd (the Land Owner) engages Select Harvests Ltd as an independent contractor to provide services (the 'Capital Works') to establish the almond orchard. The 'Capital Works' include the preparation of the 'Land', the installation of irrigation facilities, and the planting and staking of the 'Almond Trees' at a density of approximately 247 trees per hectare on the Participant Growers' 'Almondlots'.
- 45. Under clause 5.2(c) Select will replace and replant, at its cost, any 'Almond Tree' that fails within 6 months where the failure is caused by Select.

Fees

46. The annual fees and charges per Almondlot, set out in clause 11 of the Almondlot Management Agreement and the 'Rent', set out in clause 7 of the Sub-lease, are as follows:

'Early Growers' will pay:

- For the 'Orchard Services' and all other services to be provided in the period from the Commencement Date to 30 June 2004, \$3,950 payable upon application;
- For the 'Orchard Services' and all other services in the period 1 July 2004 to 30 June 2005, \$1,500 payable on 31 October 2004, plus a deferred amount of 1.65% of the 'Gross Proceeds' of the sale of 'Crop' and 'Product' payable in each 'Financial Year' of the Project that the 'Proceeds' are paid (see paragraph 47);
- For the 'Orchard Services' and all other services in the period 1 July 2005 to 30 June 2006, \$1,500 payable on 31 October 2005, plus a deferred amount of 1.65% of the 'Gross Proceeds' of the sale of 'Crop' and 'Product' payable in each 'Financial Year' of the Project that the 'Proceeds' are paid (see paragraph 47);

- For the 'Orchard Services' and all other services in each subsequent 'Financial Year' after 30 June 2006, the **estimated costs** of operating the 'Almondlot', **plus 0.55%** of the 'Gross Proceeds', payable on 31 October 2006 and each 31 October thereafter (see paragraph 48);
- An incentive fee of 27.5% of 'Net Proceeds' in excess of the 'Incentive Fee Threshold' in each financial year:
- \$125 for 'Rent' payable upon application for the period commencing on the 'Commencement Date' and ending on 30 June 2004; and
- \$1,500 for 'Rent' for the 'Financial Years' ending 30 June 2005, 2006, 2007, 2008 and 2009, then that amount (indexed for CPI) in each subsequent year, payable on the 31 October of the relevant 'Financial Year'.

'Post 30 June Growers' will pay:

- For the 'Orchard Services' and all other services to be provided in the period from the Commencement Date to 30 June 2005, \$4,950 payable upon application;
- For the 'Orchard Services' and all other services in the period 1 July 2005 to 30 June 2006, \$1,500 payable on 31 October 2005, plus a deferred amount of 3.3% of the 'Gross Proceeds' of the sale of 'Crop' and 'Product' payable in each 'Financial Year' of the Project that the 'Proceeds' are paid (see paragraph 47);
- For the 'Orchard Services' and all other services in each subsequent
 'Financial Year', the estimated costs of operating the 'Almondlot', plus
 0.55% of the 'Gross Proceeds', payable on 31 October 2006 and each
 31 October thereafter (see paragraph 48);
- An incentive fee of 27.5% of 'Net Proceeds' in excess of the 'Incentive Fee Threshold' in each financial year;
- \$750 for 'Rent' payable upon application for the period commencing on the Commencement Date and ending on 30 June 2005; and
- \$1,500 for 'Rent' for the 'Financial Years' ending 30 June 2006, 2007, 2008 and 2009, then that amount (indexed for CPI) in each subsequent year, payable on the 31 October of the relevant 'Financial Year'.
- 47. As noted above, the annual fee in the 2005 and 2006 'Financial Years' (as relevant) consists of a set dollar amount and a deferred amount paid out of any 'Proceeds' payable to the 'Participant Grower'. The deferred amount is calculated as a percentage of the 'Participant Grower's' 'Gross Proceeds' and becomes payable at any time 'Proceeds' are paid over the term of the Project.
- 48. As noted above, from the 2007 'Financial Year', the annual fee will consist of an amount for the estimated costs of operating the 'Almondlot' plus a management fee equal to 0.55% of the 'Participant Grower's' 'Gross Proceeds'. The estimated costs of operating the 'Almondlot' for a 'Financial Year' will include an adjustment for the difference between the actual costs and the estimated costs of managing the 'Almondlot' during the preceding 'Financial Year'.

Finance

- 49. Participant Growers can fund their involvement in the Project by borrowing from independent sources or from Timbercorp Finance Pty Ltd ('the Financier'), a lender associated with the Responsible Entity.
- 50. The Financier will provide 'Participant Growers' with loans on a full recourse basis and will pursue legal action against any defaulting borrowers. Details of the loans that will be offered to 'Participant Growers' by the Financier are set out in the 'Loan Application Form' and 'Loan Explanation and Loan Terms'. These documents are summarised as follows:
 - the Financier will lend up to 90% of the Participant Grower's application amount but, at its discretion, may lend up to 100% of the Participant Grower's application amount;
 - the Financier will provide 'Participant Growers' who subscribe to the minimum subscription amount of two 'Almondlots' with a minimum 'Loan Amount' of \$5,000;

- the 'Participant Grower' will pay a loan application fee of \$250 to accompany the 'Application Form';
- the 'Participant Grower' may choose from a 3, 4, 5 or 7 year 'Loan Term' at an interest rate which is fixed for the 'Loan Term';
- the fixed rate of interest will depend on whether the 'Participant Grower' choses a 3, 4, 5 or 7 year loan;
- the loan is repayable over the 'Loan Term' by equal monthly instalments of principal and interest:
- in the event that any amount is overdue, the Financier may charge interest at the 'Default Rate';
- the 'Participant Grower' is entitled to repay the whole or any part of the 'Total Amount Owing' without penalty for early repayment;
- during the 'Loan Term' the 'Participant Grower' will assign and transfer over to the Financier by way of fixed charge all its rights, title and interest at any time in the Project including 'Almondlots' and the Project Agreements; and
- during the 'Loan Term' the 'Participant Grower' must maintain fire, wind and storm insurance over the 'Almondlots' on a full replacement basis.
- 51. Participant Growers cannot rely on this Product Ruling if they enter into a finance agreement with the Financier that materially differs from that set out in the 'Loan Application Form' and 'Loan Explanation and Loan Terms' provided to the Tax Office by TSL with the application for this Product Ruling.
- 52. Participant Growers also cannot rely on this Product Ruling if Application Money otherwise remains unpaid by 30 June 2004. Where an application is accepted subject to finance approval by any lending institution, 'Participant Growers' cannot rely on this Ruling if written evidence of that approval has not been given to the Responsible Entity by 30 June 2004.
- 53. This Ruling also does not apply if the finance arrangement entered into by the 'Participant Grower' with the Financier or any other lender includes or has any of the following features:
 - there are split loan features of a type referred to in Taxation Ruling TR 98/22;
 - there are indemnity arrangements or other collateral agreements in relation to the loan designed to limit the borrower's risk;
 - 'additional benefits' are or 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 payments of 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, directly or indirectly) back to the lender or any associate of the lender;
 - 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 'Participant Growers' for the Project.

RULING

Application of this Ruling

- 54. This Ruling applies only to 'Participant Growers' who are accepted to participate in the Project and who have executed an Almondlot Management Agreement and a Sub-lease Agreement:
 - on or before 15 June 2004 ('Early Growers'); and/or
 - on or after 1 July 2004 and on or before 15 June 2005 ('Post 30 June Growers').

55. The Participant Grower's participation in the Project must constitute the carrying on of a business of primary production. A 'Participant Grower' is not eligible to claim any tax deductions until the 'Participant Grower's' application to enter the Project is accepted and the Project has commenced.

The Simplified Tax System ('STS')

Division 328

- 56. For a 'Participant Grower' participating in the Project, the recognition of income and the timing of tax deductions is different depending on whether the 'Participant Grower' is an 'STS taxpayer'. To be an 'STS taxpayer' a Participant Grower:
 - must be eligible to be an 'STS taxpayer'; and
 - must have elected to be an 'STS taxpayer'.

Oualification

57. This Product Ruling assumes that a 'Participant Grower' who is an 'STS taxpayer' is so for the income year in which their participation in the Project commences. A 'Participant Grower' may become an 'STS taxpayer' at a later point in time. Also, a 'Participant Grower' who is an 'STS taxpayer' may choose to stop being an 'STS taxpayer', or may cease to be eligible to be an 'STS taxpayer', during the term of the Project. These are contingencies relating to the circumstances of individual 'Participant Growers' that cannot be accommodated in this Ruling. Such 'Participant Growers' can ask for a private ruling on how the taxation legislation applies to them.

Assessable Income

Section 6-5

- 58. That part of the gross sales proceeds from the Project attributable to the 'Participant Grower's' produce, less any GST payable on the 'Participant Grower's' share of those proceeds (section 17-5), will be assessable income of the 'Participant Grower' under section 6-5.
- 59. A 'Participant Grower' who is <u>not</u> an 'STS taxpayer' recognises ordinary income from carrying on the business of growing almonds for processing and sale at the time that income is derived.
- 60. A 'Participant Grower' who is an 'STS taxpayer' recognises ordinary income from carrying on the business of growing almonds for processing and sale at the time that income is received (paragraph 328-105(1)(a)).

Deductions for 'Management Fees', 'Rent', interest, and borrowing costs

Section 8-1, section 328-105, and section 25-25 $\,$

 An 'Early Grower' who enters into the Project on or before 15 June 2004 may claim tax deductions, on a per Almondlot basis, for the following expenditure.

Fee Type	30 June 2004	30 June 2005	30 June 2006
Management Fee	\$3,950 - See	\$1,500 - See	\$1,500 - See
	Notes (i), (ii)	Notes (i), (ii)	Notes (i), (ii)
	& (iii) below	& (iii) below	& (iii) below
Rent	\$125 - See	\$1,500 - See	\$1,500 - See
	Notes (i), (ii)	Notes (i), (ii)	Notes (i), (ii)
	& (iii) below	& (iii) below	& (iii) below
Interest on loans with Timbercorp Finance Pty Ltd	As incurred (Non-STS taxpayers) Or as paid (STS taxpayers) See Notes (iii) & (iv)	As incurred (Non-STS taxpayers) Or as paid (STS taxpayers) See Notes (iii) & (iv)	As incurred (Non-STS taxpayers) Or as paid (STS taxpayers) See Notes (iii) & (iv)
Borrowing costs for	Must be calculated - see Note (v)	Must be	Must be
loans with Timbercorp		calculated	calculated
Finance Pty Ltd		- see Note (v)	- see Note (v)

Notes:

- (i) If the Grower is registered or required to be registered for GST, amounts of outgoing would need to be adjusted as relevant for GST (e.g. input tax credits): Division 27. See Example 1 at paragraph 116;
- (ii) The 'Management Fees' and the 'Rent' shown in the Almondlot Management Agreement and the Sub-lease are deductible under section 8-1 in full in the year that they are incurred (where the Grower is not an 'STS taxpayer') or, under paragraph 328-105(1)(b) in the year in which they are paid (where the Grower is an 'STS taxpayer');
- (iii) This Ruling does not apply to Growers who choose to prepay fees for 'Management Services' or 'Rent', or who choose or who are required to prepay interest under a loan agreement (see paragraph 97). Amounts that are prepaid for a period that extends beyond the income year in which the expenditure is incurred may be subject to the prepayment provisions in sections 82KZME to 82KZMF of the ITAA 1936. Any Grower who prepays such amounts may request a private ruling on the taxation consequences of their participation in the Project:
- (iv) The deductibility or otherwise of interest arising from loan agreements entered into with financiers other than Timbercorp Finance Pty Ltd is outside the scope of this Ruling. Growers who borrow from lenders other than Timbercorp Finance Pty Ltd may request a private ruling on the deductibility of the interest incurred; and
- (v) The Loan Application fee payable to Timbercorp Finance Pty Ltd is a borrowing expense and is deductible under section 25-25. It is incurred for borrowing moneys that are used or are to be used during that income year solely for income producing purposes. The deduction is spread over the period of the loan or 5 years, whichever is the shorter. The deductibility or otherwise of borrowing costs arising from loan agreements entered into with financiers other than Timbercorp Finance Pty Ltd is outside the scope of this Ruling.
- 62. A 'Post 30 June Grower' whose application is accepted on or after 1 July 2004 and on or before 15 June 2005 may claim tax deductions, on a per Almondlot basis, for the following expenditure.

Fee Type	30 June 2005	30 June 2006
Management Fee	\$4,950 - See Notes (i), (ii) & (iii)	\$1,500 - See Notes (i), (ii) & (iii)
Rent	\$750 - See Notes (i), (ii), (iii) & (iv) - (vi)	\$1,500 - See Notes (i), (ii), (iii) & (vi)
Interest on loans with Timbercorp Finance Pty Ltd	As incurred - See Notes (iii) & (iv)	As incurred See Notes (iii) & (iv)
Borrowing costs for loans with Timbercorp Finance Pty Ltd	Must be calculated - see Note (v)	Must be calculated - see Note (v)

Note

(vi) For a 'Post 30 June Grower' accepted on or after 1 February 2005 and on or before 15 June 2005, the deduction for Rent is \$125 per month for each month or part month that the Grower leases the land. This will mean that for 'Post 30 June Growers' accepted on or after 1 February 2005, the full \$750 payable for the year ended 30 June 2005, will not be deductible. See paragraphs 92 and 93.

Joint Venture 'Participant Growers'

- 63. A 'Participant Grower' who is a Joint Venture 'Participant Grower' (as explained in paragraphs 27 to 28 above) and is <u>not</u> an 'STS taxpayer' may claim deductions for the following amounts set out in the relevant Tables and Notes above:
 - the 'First Joint Venture Grower' referred to in paragraph 27 may claim deductions under section 8-1 for amounts incurred for the management

- services and 'Rent' for the first year of their participation in the project, any interest on funds borrowed from Timbercorp Finance Pty Ltd, and under section 25-25 for any borrowing costs payable to Timbercorp Finance Pty Ltd;
- the '<u>Second Joint Venture Grower</u>' referred to in paragraph 27 may claim deductions under section 8-1 for amounts incurred for ongoing 'Rent', any interest on funds borrowed from Timbercorp Finance Pty Ltd, and under section 25-25 for any borrowing costs payable to Timbercorp Finance Pty Ltd.
- 64. Where either or both the 'First Joint Venture Grower' or the 'Second Joint Venture Grower' is an 'STS taxpayer' the deductions referred to in paragraphs 61 and 62, other than the borrowing expenses, are deductible in the income year in which they are paid by, or paid on behalf of the Joint Venture Grower (paragraph 328-105(1)(b)). Borrowing costs for Joint Venture Growers who are 'STS taxpayers' remain deductible under section 25-25 in the years shown in the Table above. Each Joint Venture Grower may also claim deductions for its proportional share of the incentive fees and the horticultural plant write-off explained below.

Deductions for horticultural plants

Division 40

- 65. Each 'Participant Grower' will also be entitled to tax deductions relating to the almond trees planted on the Almondlot. If the 'Participant Grower' is registered or required to be registered for GST, amounts of outgoing would need to be adjusted as relevant for GST (e.g. input tax credits): Division 27. See example at paragraph 116.
- 66. An almond tree is considered to be a 'horticultural plant' as defined in subsection 40-520(2). A 'Participant Grower' holds a sub-lease to cultivate almond trees on a designated area of land called an 'Almondlot' for the growing of 'Almonds' for commercial gain. As a 'Participant Grower' holds the 'Almondlot' under a sub-lease, one of the conditions in subsection 40-525(2) is met and a deduction for 'horticultural plants' is available under paragraph 40-515(1)(b) for their decline in value.
- 67. The deduction is determined using the formula in section 40-545. Almond trees have an 'effective life' of greater than 13 but fewer than 30 years and, for the purposes of section 40-545, this results in a straight-line write-off at a rate of 13%. The deduction is allowable when the 'Almond Trees' enter their first commercial season (section 40-530, item 2). TSL will notify 'Participant Growers' when their 'Almond Trees' enter their first commercial season and the amount that may be claimed.

Division 35 - Deferral of losses from non-commercial business activities

Section 35-55 - Commissioner's discretion

- 68. For a 'Participant Grower' who is an individual and who enters the Project by 15 June 2004 in the year ended 30 June 2004 (an 'Early Grower') or by 15 June 2005 in the year ended 30 June 2005 (a 'Post 30 June Grower') the rule in section 35-10 may apply to the business activity comprised by their involvement in this Project.
- 69. Under paragraph 35-55(1)(b) the Commissioner will decide for these 'Participant Growers' that the rule in section 35-10 does not apply to this activity for the income years ending 30 June 2004 to 30 June 2009 provided that the Project is carried out in the manner described in this Ruling.
- 70. This exercise of the discretion in subsection 35-55(1) will not be required where, for any year in question:
 - the 'exception' in subsection 35-10(4) applies (see paragraph 104 in the Explanations part of this ruling, below); or
 - a Participant Grower's business activity satisfies one of the tests in sections 35-30, 35-35, 35-40 or 35-45; or
 - a Participant Grower's business activity produces 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)).

- 71. Where, the 'exception' in subsection 35-10(4) applies, the Participant Grower's business activity satisfies one of the tests, or the discretion in subsection 35-55(1) is exercised, section 35-10 will not apply. This means that a 'Participant 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.
- 72. Participant Growers are reminded of the important statement made on Page 1 of this Product Ruling. Therefore, 'Participant Growers' should not see the Commissioner's decision to exercise the discretion in paragraph 35-55(1)(b) as an indication that the Tax Office sanctions or guarantees the Project or the product to be commercially viable. An assessment of the Project or the product from this perspective has not been made.

Sections 82KZME - 82KZMF. 82KL and Part IVA

- 73. For a 'Participant Grower' who participates in the Arrangement described above and incurs expenditure as required by the Almondlot Management Agreement, the Sub-lease and any loan agreement with the Financier, the following provisions of the ITAA 1936 have application as indicated:
 - expenditure by a 'Participant Grower' who participates in the Project does not fall within the scope of sections 82KZME to 82KZMF;
 - 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.

EXPLANATION

Is the 'Participant Grower' carrying on a business?

- 74. For the amounts set out in the Table above to constitute allowable deductions the 'Participant Grower's' activities of cultivating almond trees and harvesting the 'Almonds', 'Crop' or 'Product' for eventual sale as a participant in the 2004 Timbercorp Almond Project must amount to the carrying on of a business of primary production.
- 75. Where there is a business, or a future business, the gross proceeds from the sale of the 'Almonds', 'Crop' or 'Product' 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
- 76. For schemes such as the 2004 Timbercorp Almond Project, Taxation Ruling TR 2000/8 sets out in paragraph 89 the circumstances in which the Participant Grower's activities can constitute the carrying on of a business. As Taxation Ruling TR 2000/8 sets out, these circumstances have been established in court decisions such as FCT v Lau (1984) 6 FCR 202; 84 ATC 4929; (1984) 16 ATR 55.
- 77. Generally, a 'Participant Grower' will be carrying on a business of growing almonds, and hence primary production, if:
 - the 'Participant Grower' has an identifiable interest in the land (by lease) or rights over the land (by licence) on which the Participant Grower's 'Almond Trees' are established;
 - the 'Participant Grower' has a right to harvest and sell the 'Product';
 - the cultivation of the 'Almond Trees' and harvesting of the 'Almonds' are carried out on the 'Participant Grower's' behalf;
 - the activities of the 'Participant Grower' are typical of those associated with a business of cultivating almond trees and harvesting the almonds for commercial gain; and
 - the weight and influence of general indicators point to the carrying on of a business.

- 78. In this Project, each 'Participant Grower' enters into an Almondlot Management Agreement and a Sub-Lease.
- 79. Under the Sub-Lease each individual 'Participant Grower' will have rights over one or more specific and identifiable areas of land, each known as an Almondlot. The Sub-Lease provides the 'Participant Grower' with an ongoing interest in the specific 'Almond Trees' on the sub-leased area for the term of the Project from the commencement of the Sub-lease. Under the Sub-lease the 'Participant Grower' must use the land in question for the purpose of cultivating almond trees and harvesting the almonds, and for no other purpose. The Sub-lease allows TSL to come onto the land to carry out its obligations under the Almondlot Management Agreement.
- 80. Under the Almondlot Management Agreement, TSL is engaged by the 'Participant Grower' to provide management services, including 'Orchard Services' on the Participant Grower's identifiable area of land during the term of the Project. Under the Management Agreement and Almond Orchard Management Agreement the management services are subcontracted to Select Harvests Ltd. Select Harvests Ltd has provided evidence that it holds the appropriate professional skills and credentials to provide the services to establish and maintain the 'Almondlot' on the Participant Grower's behalf during the 'Term' of the Project.
- 81. TSL is also engaged to harvest and sell, on the Participant Grower's behalf, the 'Almonds' grown on the Participant Grower's 'Almondlot'(s).
- 82. 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 Project's description for all the indicators.
- 83. The activities that will be regularly carried out during the term of the Project demonstrate a significant commercial purpose. Based on reasonable projections, a 'Participant Grower' in the Project will derive assessable income from the sale of the 'Almonds', 'Crop' or 'Product' that will return a before-tax profit, i.e. a profit in cash terms that does not depend in its calculation on the fees in question being allowed as a deduction.
- 84. The pooling of the 'Almonds', 'Crop' or 'Product' grown on the Participant Grower's 'Almondlot' with the 'Almonds', 'Crop' or 'Product' of other 'Participant Growers' in the 2004 Timbercorp Almond Project is consistent with general horticultural practices. Each Participant Grower's proportionate share of the sale proceeds of the pooled 'Almonds', 'Crop' or 'Product' will reflect the proportion of the 'Almonds', 'Crop' or 'Product' contributed from their 'Almondlot'.
- 85. The Manager's services are also consistent with general horticultural practices. They are of the type ordinarily found in almond growing ventures that would commonly be said to be businesses. While the size of an individual 'Almondlot' is relatively small, it is of a size and scale to allow it to be commercially viable.
- 86. The Participant Grower's degree of control over TSL as evidenced by the Constitution and Almondlot Management Agreement, and supplemented by the Corporations Act 2001, is sufficient. During the term of the Project, TSL is required to provide the 'Participant Grower' with regular progress reports on the Participant Grower's 'Almondlot' and the activities cared out on the Participant Grower's behalf. 'Participant Growers' are able to terminate arrangements with TSL in certain instances, such as cases of default or neglect.
- 87. The activities of the 'Participant Grower' are typical of those associated with a business of cultivating almond trees and harvesting the almonds for commercial gain, 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. For the purposes of this Ruling, the Participant Grower's' activities of cultivating almond trees and harvesting the almonds for eventual sale in the 2004 Timbercorp Almond Project will constitute the carrying on of a business.

The Simplified Tax System

Division 328

- 88. Subdivision 328-F sets out the eligibility requirements that a 'Participant Grower' must satisfy in order to enter the STS and Subdivision 328-G sets out the rules for entering and leaving the STS.
- 89. The question of whether a 'Participant Grower' is eligible to be an 'STS taxpayer' is outside the scope of this Product Ruling. Therefore, any 'Participant Grower' who relies on those parts of this Ruling that refer to the STS will be assumed to have correctly determined whether or not they are eligible to be an 'STS taxpayer'.

Deductibility of 'Management Fees' and 'Rent'

Section 8-1

- 90. Consideration of whether the 'Management Fees' and 'Rent' are deductible under section 8-1 begins with the first limb of the section. This view proceeds on the following basis:
 - the outgoing 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 that a taxpayer is
 contractually committed 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 in determining
 whether the outgoing in question has a sufficient connection with
 activities to produce assessable income.
- 91. The 'Management Fees' and, subject to paragraphs 92 and 93, the 'Rent' will relate to the gaining of income from the Participant Grower's business of growing almonds (see above), and hence have a sufficient connection to the operations by which income (from the harvesting and sale of 'Almonds', 'Crop' or 'Product') 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 fee is identifiable from the arrangement. The fee appears to be reasonable. Subject to paragraphs 92 and 93, there is no capital component of this fee. The tests of deductibility under the first limb of section 8-1 are met. Subject to paragraphs 92 and 93, the exclusions do not apply.
- 92. One of the exclusions under section 8-1 relates to expenditure that is capital, or is capital in nature. Any part of the expenditure of a Grower entering into a horticulture business which is attributable to acquiring an asset or advantage of an enduring kind is generally capital or capital in nature and hence will not be deductible under section 8-1. The Commissioner is of the view that depending upon when they are accepted to participate in the Project, a portion of the initial 'Rent' payable by a 'Post 30 June Grower' will be capital expenditure. Therefore, the amount allowed as a deduction for 'Rent' under section 8-1 will be allowed as follows
- 93. If a 'Post 30 June Grower' enters the project on or before 31 January 2005 the 'Rent' of \$750 payable on application for the period from the 'Commencement Date' to 30 June 2005 will be deductible in full. However, 'Post 30 June Growers' accepted to participate in the Project on or after 1 February 2005 and on or before 15 June 2005, will not be entitled to the full deduction. The deduction will be calculated on a pro-rata monthly basis of \$125 for each month or part month that the 'Post 30 June Grower' sub-leases the land from TSL.

Interest deductibility

Section 8-1

- (i) 'Participant Growers' who use Timbercorp Finance Pty Ltd as the finance provider
- 94. Some 'Participant 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 the 'Management Fees' under the Almondlot Management Agreement.
- 95. The interest incurred will be in respect of a loan to finance the Participant Grower's business operations the cultivation and growing of almonds and the sub-lease of the land on which the 'Almond Trees' will have been planted that will continue to be 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) 'Participant Growers' who DO NOT use Timbercorp Finance Pty Ltd as the finance provider
- 96. The deductibility of interest incurred by 'Participant 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.

Prepayment provisions

Sections 82KZL to 82KZMF

97. The prepayment provisions contained in Subdivision H of Division 3 of Part III of the ITAA 1936 affect the timing of deductions for certain prepaid expenditure. 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 or the leasing of land) that will not be wholly done within the same year of income as the year in which the expenditure is incurred. If expenditure is incurred to cover the provision of services to be provided within the same year, then it is not expenditure to which the prepayment rules apply.

Application of the prepayment provisions to this Project

- 98. Under the Arrangement to which this Product Ruling applies 'Management Fees' and 'Rent' are incurred annually and interest payable to Timbercorp Finance is incurred monthly. Accordingly, the prepayment provisions in sections 82KZME and 82KZMF have no application to this Arrangement. A 'Participant Grower' who is an 'STS taxpayer' can, therefore, claim a deduction for each of the relevant amounts in the income year in which the amount is paid. A 'Participant Grower' who is not an 'STS taxpayer' can claim a deduction for each of the relevant amounts in the income year in which the fee is incurred.
- 99. However, sections 82KZME and 82KZMF may have relevance if a 'Participant Grower' in this Project prepays all or some of the expenditure payable under the Almondlot Management Agreement or prepays interest under a loan agreement (including loan agreements with lenders other than Timbercorp Finance Pty Ltd). Where such a prepayment is made these prepayment provisions will also apply to 'STS taxpayers' because there is no specific exclusion contained in section 82KZME that excludes them from the operation of section 82KZMF.
- 100. As noted in the Ruling section above, 'Participant Growers' who prepay fees or interest are not covered by this Product Ruling and may instead request a private ruling on the tax consequences of their participation in this Project.

Deferral of losses from non-commercial business activities

Division 35

- 101. Division 35 applies to losses from certain business activities for the income year ended 30 June 2001 and subsequent years. Under the rule in subsection 35-10(2) a deduction for a loss made by an individual (including an individual in a general law partnership) from certain business activities will not be taken into account in an income year unless:
 - the exception in subsection 35-10(4) applies;
 - one of four tests in sections 35-30, 35-35, 35-40 or 35-45 is satisfied;
 - if one of the tests is not satisfied, the Commissioner exercises the discretion in section 35-55.
- 102. 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.
- 103. Losses that cannot be taken into account in a particular year of income, because of subsection 35-10(2), can be applied to the extent of future profits from the business activity, or are deferred until one of the tests is satisfied, the discretion is exercised, or the exception applies.
- 104. For the purposes of applying Division 35, 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 'Participant Growers' who participate in the Project they are beyond the scope of this Product Ruling and are not considered further.
- 105. In broad terms, the 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, or an interest in real property, (excluding any private dwelling) 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 (excluding cars, motor cycles and similar vehicles) are used on a continuing basis in carrying on the business activity in that year (section 35-45).
- 106. A 'Participant 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 'Participant Grower' who acquires the minimum participation of two 'Almondlots' (although TSL reserves the right to accept applications for one Almondlot) in the Project is unlikely to pass one of the objective tests until the income year ended 30 June 2012. 'Participant Growers' who acquire more than the minimum allocation of one 'Almondlot' in the Project may however, find that their activity meets one of the tests in an earlier income year.
- 107. 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 Participant Grower's participation in the Project.
- 108. The first arm of the discretion in paragraph 35-55(1)(a) relates to 'special circumstances' applicable to the business activity, and has no relevance for the purposes of this Product Ruling. However, the second arm of the discretion in paragraph 35-55(1)(b) may be exercised by the Commissioner where:

- (i) the business activity has started to be carried on;
- (ii) because of its nature, it has not satisfied one of the objective tests;
- (iii) 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.
- 109. For a 'Participant Grower' who is an individual and who enters the Project during the years ended 30 June 2004 and/or 30 June 2005, information provided with the application for this Product Ruling indicates that they are expected to be carrying on a business activity that will either pass one of the objective tests, or produce a taxation profit, for the year ended 30 June 2010. The Commissioner will decide for such a Grower that it would be reasonable to exercise the second arm of the discretion until the year ended 30 June 2009.
- 110. This Product Ruling is issued on a prospective basis (i.e. before an individual Participant Grower's business activity starts to be carried on). The Project, however, may fail to be carried on during the income years specified above (see paragraphs 68 and 69), in the manner described in the Arrangement (see paragraphs 14 to 53). If so, this Ruling, and specifically the decision in relation to paragraph 35-55(1), that it would be unreasonable that the loss deferral rule in subsection 35-10(2) not apply, may be affected, because the Ruling no longer applies (see paragraph 9). 'Participant Growers' may need to apply for private rulings on how paragraph 35-55(1) will apply in such changed circumstances.
- 111. 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:
 - the report of the independent expert and additional expert and scientific evidence provided by the Responsible Entity with the application; and
 - 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.

Section 82KL - recouped expenditure

112. The operation of section 82KL depends, among other things, on the identification of a certain quantum of 'additional benefits(s)'. Insufficient 'additional benefits' will be provided to trigger the application of section 82KL. It will not apply to deny the deduction otherwise allowable under section 8-1.

Part IVA - general tax avoidance provisions

- 113. 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).
- 114. The 2004 Timbercorp Almond Project will be a 'scheme'. A 'Participant Grower' will obtain a 'tax benefit' from entering into the scheme, in the form of tax deductions for the amounts detailed at paragraphs 61, 62 and 65-67 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.
- 115. Participant 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 the 'Almonds', 'Crop' or 'Product'. There are no facts that would suggest that Participant 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 at arm's length or, if any parties are not dealing at arm's length or, if any parties are not dealing at arm's length or, if any parties are not dealing 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

Entitlement to GST input tax credits

116. Susan, who is a sole trader and registered for GST, contracts with a manager to manage her viticulture business. Her manager is registered for GST and charges her a management fee payable every six months in advance. On 1 December 2003, Susan receives a valid tax invoice from her manager requesting payment of a management fee in advance, and also requesting payment for an improvement in the connection of electricity for her vineyard that she contracted him to carry out. The tax invoice includes the following details:

Management fee for period 1/1/2004 to 30/6/2004	\$4,400*
Carrying out of upgrade of power for your vineyard as quoted	<u>\$2,200</u> *
Total due and payable by 1 January 2004	\$6,600 (includes GST of \$600)

^{*}Taxable supply

Susan pays the invoice by the due date and calculates her input tax credit on the management fee (to be claimed through her Business Activity Statement) as:

 $(1 / 11) \times \$4,400 = \$400.$

Hence her outgoing for the management fee is effectively \$4,400 less \$400, or \$4,000.

Similarly, Susan calculates her input tax credit on the connection of electricity

 $(1 / 11) \times \$2,200 = \$200.$

Hence her outgoing for the power upgrade is effectively \$2,200 *less* \$200, or \$2,000.

In preparing her income tax return for the year ended 30 June 2004, Susan is aware that the management fee is deductible in the year incurred. She calculates her management fee deduction as \$4,000 (not \$4,400).

Susan is aware that the electricity upgrade is deductible 10% per year over a 10 year period. She calculates her deduction for the power upgrade as \$200 (one tenth of \$2,000 only, not one tenth of \$2,200).

Commissioner of Taxation

25 February 2004

Not previously released in draft form.

ATO references:

NO 2003/008888

ISSN: 1441-1172

Related Rulings/Determinations:

PR 1999/95

TR 92/1

TR 97/16

TR 92/20 TD 93/34

TR 98/22

TR 98/22

TR 2000/8

TR 97/11

Subject References:

advance deductions and expenses for certain forestry expenditure carrying on a business

commencement of business

fee expenses

forestry agreement

interest expenses

management fees

non commercial losses

producing assessable income

product rulings

public rulings

seasonally dependent agronomic activity

taxation administration

tax avoidance

tax benefits under tax avoidance schemes

tax shelters

tax shelters project

Legislative References:

ITAA 1936 Div 3 Subdiv H Pt 3

ITAA 1936 82KL

ITAA 1936 82KZL

ITAA 1936 82KZME

ITAA 1936 82KZMF

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 25-25

ITAA 1997 Div 27

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 Div 40

ITAA 1997 40-515(1)(b)

ITAA 1997 40-520(2) ITAA 1997 40-530(2)

ITAA 1997 40-545

ITAA 1997 Div 328 ITAA 1997 328-105

ITAA 1997 328-105(1)(a) ITAA 1997 328-105(1)(b)

ITAA 1997 Subdiv 328-F ITAA 1997 Subdiv 328-G

TAA 1953 Pt IVAAA

Copyright Act 1968

Corporations Act 2001

Case References:

Commissioner of Taxation v. Lau (1984) 6 FCR 202 84 ATC 4929 (1984) 16 ATR 55

INDEPENDENT ALMOND ORCHARD

EXPERT'S REPORT

10

PREPARED FOR THE 2004 TIMBERCORP ALMOND PROJECT

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

18 March 2004

INTRODUCTION

This independent expert's report has been commissioned by Timbercorp Securities Limited and has been prepared by Mr. Graham Johns from Horticultural Development Services Pty. Ltd. The report will be included in the 2004 Timbercorp Almond Project Product Disclosure Statement (PDS) for the cultivation and management of almond orchards near the town of Boundary Bend in Northern Victoria ('Project').

Graham Johns, (Roseworthy Diploma Agriculture, Roseworthy South Australia), has had extensive experience in the Australian and International Almond industries, with over 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 2004 Timbercorp Almond Project has been made after consideration of:

- 1. Site maps locating the properties on which the development is proposed.
- Soil Survey Plans produced by Sunraysia Environmental based in Mildura Victoria.
- 3. Climatic data for the area.
- An assessment of parameters being used to design an irrigation system being prepared by Agri-Hort Developments Pty. Ltd.
- Review of a forecast 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 the orchard manager, Select Harvests Limited.
- Estimated almond yields for the development supplied by Timbercorp Securities Limited.
- Information sourced from an on site inspection of the proposed development site and existing orchards managed by the orchard manager, Select Harvests Limited.
- Yield estimates of mature and young tree production supplied from actual harvest and hulling and cracking records provided by Timbercorp Securities Limited from Select Harvests Limited.

Horticultural Development Services Pty. Ltd. does not have any personal interest in the Project. Graham Johns is a shareholder in Select Harvests Ltd., the company managing the Project's almond orchard. We 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

The site selected for the 'Project' is known as Wandown.

Wandown is in close proximity to the township of Boundary Bend in North West Victoria. The project site is adjacent to an existing 145 Ha almond orchard owned and managed by Select Harvests Limited. Wandown is situated on a property which is approximately 5,000 Ha in area of which 1,118 ha was planted in 2003 (Yungera plantings) and 1,200 ha will be developed under the 2004 Timbercorp Almond Project. The land topography is undulating throughout and is characterised by the existence of steep predominantly east/west sand dunes and associated swales with some closed depressions. To the south the topography flattens considerably with rises much broader and wider.

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 approximately 7.0 km from a state of the art almond cracking plant and approximately 35km from packing facilities owned and operated by Select Harvests Limited. The close proximity of the Project to these facilities will minimise the handling and transport costs of field weight product during harvest and processed kernel. 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 34^{9} 43'S latitude the Project is well positioned for almond production. The area is a Mediterranean semi arid climate, with a mean annual rainfall of 353.8mm (14.32"), which most closely resembles the southern end of the San Joaquin valley in California 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 35mm 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 and 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 34.5 mm, 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, the orchard manager, 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 almond trees 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 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. Drying temperatures above 20°C are required to allow the kernel to dry in a timely manner in the field to not more than 6.5% moisture prior to being harvested. Mean daily maximum temperatures for the months of harvest, which are February, March and April, are approximately, 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 site. 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.

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 Boundary Bend 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. An inspection of the new almond orchards being managed by Select Harvests confirmed that young trees were being managed satisfactorily to avoid damage from high wind events.

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. The risk of frost damage has been minimised by excluding from planting the higher frost risk low-lying areas. 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 for Euston, a town within approximately 28km of the Project, is 6.7 days. Developing almond kernels are susceptible to frost damage if the temperature is less than or equal to zero. Experience has shown that economically significant frost damage is usually 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. Therefore frost events over the life of the development are not likely to significantly impact on the economic performance

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 in diameter or falls for extended periods of time. 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, August to October inclusive. 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 approximately 32km from the proposed development, which is 174 hectares in area, incurred significant crop loss on approximately 40 hectares. No losses due to this hail event occurred in an almond orchard adjacent to the Project. Hail is not expected to have an economically significant affect on the financial performance of the orchard during the term of the investment.

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 Wandown site is therefore not unusual in this respect.

Analysis of the soil survey results indicate that the Wandown development site has been categorised into five major soil groups. The suitable soil groups have been assigned a range of amelioration requirements that have been identified

on specific maps. The amelioration recommended allows limitations to satisfactory almond tree growth existing in the plantable soils to be overcome. We are satisfied that the Project management team is aware of the soil amelioration required and will carry out all recommendations in accordance with soil maps provided.

The soil survey assessment results have indicated that it would be reasonable to expect approximately 78% of the surveyed area of 1,962 Ha to be suitable for planting to almond trees after ameliorating recommended areas, less areas excluded due to their high frost risk potential.

From our general knowledge of the soils in the proposed development and a review of the soil reports obtained in respect of the site we believe soils identified as suitable for almond production at Wandown would be capable of sustaining commercial almond production.

WATER SUPPLY

Water to the Project will be supplied by a mainline from the Murray River. A review of the almond water budget developed by the orchard manager, Select Harvests Limited, from year 1 through to year 6 inclusive, appears adequate with approximately 3.0 mega litres per hectare budgeted in years 1 through to 12.5 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. Drought conditions may also mean that additional water may have to be leased or purchased to compensate for any annual reductions in licence allocations.

The water supply salinity in the area of the development is well below any reading that would be detrimental to almond production. At the town of Euston, which is immediately downstream of Robinvale and Boundary Bend, the salinity of the Murray River ranges between 150EC (96ppm) and 300EC (192ppm) at varying times of the year.

Dam sites and water quality in dams should be monitored. This is to ensure that no seepage is occurring from the dam and there is no water tables building up near or under the dams that could result in the incursion of ground water into the dams. We have been assured that the appropriate monitoring will be done.

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 are to 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 pollinator 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 pollinator, 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.

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. Drip systems minimise the capital investment in the irrigation system and the amount of water to be purchased. The disadvantage of a drip irrigation system is that it tends to wet a percentage of the available soil volume that roots could occupy and therefore the tree has less reserves of soil moisture. Recent research work has demonstrated that a drip system can be managed to give nearly full orchard floor coverage. The orchard manager needs to be able to monitor soil moisture accurately to enable the application of water and fertiliser in a precise and timely manner. We understand constant data-loggers radio linked to a central control point in the orchard will be installed on representative soil types. This soil moisture monitoring technology will assist with the maintenance of soil moisture within the optimum range. To achieve optimum tree growth rates and yields, soil moisture needs to be maintained within strict limits. The orchard manager (Select Harvests Ltd.) has significant experience and expertise with drip irrigated orchards and the maintenance of optimum soil moisture levels using drip systems.

Water is applied to the trees using two poly drip laterals with one lateral on each side of the tree row. Dripper outputs are 2.3 litres per hour and the drippers will be spaced at 0.7m 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, the 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. Lateral pressure will be maintained at a minimum of 19 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 maximum Mean Daily Pan Evaporation for the area is 9.8mm/day. Trees experiencing very high temperatures, for example in the upper thirties or forties, could be exposed to evaporation rates of 15mm/day, especially if the prevailing winds at the time are strong. With soil moisture reserves in the root zone of at least 35mm, a buffer of at least two days exits before moisture stress is likely to develop in the trees.

Providing irrigation cycling is well managed, the system designed will ensure no trees would be subject to economic losses caused by moisture stress, other than during prolonged days of extreme evapotranspiration. The irrigation dam capacity proposed is sufficient to supply the orchard development for four days. This capacity is adequate to buffer the orchard from unexpected temporary interruptions to water supply. This dam capacity will ensure sufficient time exists to allow emergency repairs to the irrigation system to be done, without significant economic losses to trees. We are satisfied that reasonable dam capacity exists in the Project.

Fertigation of large areas of drip irrigated orchards needs to be done efficiently, accurately and evenly across the orchard. This is important to help ensure trees grow well and evenly and the labour costs associated with fertigation are minimised. We recommend that at the time of commissioning of the fertigation system, independent tests be undertaken to verify that satisfactory dissolution of fertiliser at the pump station and the accurate and even distribution of fertiliser in the orchards can be achieved by the fertigation system installed.

After communication with the irrigation designers, we have been advised that the fertilisier management system design in this development, that has been used in previous developments and it has been found to be highly accurate.

The average area irrigated by an irrigation valve is 4 hectares. 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, in so far as it is practical, within appropriate soil types according to their different infiltration rates, water holding capacities and drainage characteristics of the soils.

Orchard vields

Orchard yield estimates for the Project used in the Public Disclosure Statement have been included below in Table 1. The maximum yield assumed for the Project is 3,460 kg per hectare (1.4 metric tonnes per acre) in year seven. Mature yields in older orchards are consistent across four years of data at close to the 2011 mature yield estimate of 3,460 kg per hectare in Table 1. A review of yield data by tree age for orchards planted since 1997, indicates that the orchard manager has increased production in its new orchards for three, four and five year old trees in 2003 compared with trees the same age in 2002. The consistency of mature yields in older orchards owned by Select Harvests Limited over four years and the continuing increase in early yields being achieved in young orchards suggests that further yield improvement is still possible. It is therefore reasonable to assume that, although challenging. the production estimates in Table 1 below could be achieved. The experience gained by the orchard manager since their young orchards were planted in 1997, the very high quality irrigation system being installed, the timely planting of the orchard and the detailed soil amelioration to be done in accordance with the soil survey report, will all significantly contribute to the attainment of the estimated early and mature yields in Table 1.

Year ended 30 June	Kilograms per Almondlot	Kilograms per hectare
2007	93	371
2008	340	1,359
2009	463	1,853
2010	803	3,212
2011 onwards p.a.	865	3,460

Table 1 Yield estimates each year for almond production in the 2004 Timbercorp Almond Project commencing with the first crop in 2007 from trees 2 years and eight months of age.

We understand Timbercorp, in conjunction with their orchard manager Select Harvests Limited, has established a 27 hectare almond trial block to evaluate a range of parameters that could lead to the adoption of technology that increases production and profitability in their orchards in the future. This we see as a very positive initiative toward assisting with achieving, or perhaps exceeding, the target yields in Table 1.

The production figures presented in the 2004 Timbercorp Almond PDS, reflect long term averages that 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 has been established and aims to develop data that 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. It is planned to run the trial 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 targets within the time frames stated in the 2004 Timbercorp Almond Project PDS. This trial is producing encouraging results to date. While no conclusive results are available from the trial, preliminary data suggests higher water and fertiliser

inputs in young trees could improve early tree growth and yields. It is to be determined if the cost of the higher inputs will increase or decrease the overall profitability of the orchard.

One important factor that will have significant influence upon the achievement of the early yield estimates 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 approximately 4,026 hectares of almonds under management of which 3,266 Ha (81%) are owned by external investors. Over the last five years Select Harvests Limited's Horticultural Division has established an ability to consistently produce almonds at world-class levels of production. The orchard manager Select Harvests Limited brings considerable experience to the operational and technical management of the Project.

Resourcing the new development with suitably qualified personnel will need to happen progressively using internal expertise to train and support new managers and staff. Given the current size of the almond orchards and the rapid growth of them, we believe it would be timely and prudent to consider having two operational managers and not just one as is currently the position. Each operations manager could comfortably manage up to 10,000 acres each. For each operational management position, a person with the desire and ability to perform the duties of an operational manager in their absence should be identified or employed, probably in a second in charge role, From our general knowledge many orchard and secondary businesses in North West Victoria find it challenging to attract and keep staff, at all levels, for very long because of the geographic isolation of the region. The orchard manager is minimising the significance of this situation in the business by focusing on employing local people wherever possible. The employment of a second operations manger in the orchards and the employment or identification of suitable personnel to be trained for the operational management role, would reduce the risks associated with not having sufficient depth at a senior horticultural management level on site. From our discussions we believe the Project management team will address appropriately the employment of adequate numbers of qualified senior horticultural human resources in the Project.

In addition it will be essential to support internal operational and training programs with external professional advice. It would be of assistance to the orchard manager and the future success of the Project if communication channels were established with other large horticultural enterprises nationally and internationally. The Project's strong technical base will be further enhanced with the establishment of an R&D trial orchard, currently being developed, that will conduct field trials on site, that are specific to the needs of the Project.

The recent appointment of a Timbercorp representative to the Research and Development Committee of the Almond Board of Australia Inc., will ensure the project managers can contribute to and take a leadership role in the future development of R&D programs in the Australian Almond Industry. We view the decision by Timbercorp to be involved in the development of R&D programs in the industry and on site at the almond orchards as a valuable initiative to assist with the success of the Project.

Ensuring that adequate and appropriate human resources are engaged in the Project and that technology transfer from external sources occurs in a timely manner, will be needed to ensure a high standard of project performance now and in the future.

From discussions with various members of the Project management team we believe these issues will be properly addressed.

ENVIRONMENTAL OBLIGATIONS

We were advised that the Vegetation Management Plan for the development would be implemented as described in the plan and within the time constraints required. Irrigation test wells will be installed as recommended throughout the development and at the dam site to monitor ground water movements. Appropriate action will be taken if ground water monitoring detects that groundwater is rising anywhere in the development.

RISKS

There are a number of very large mature almond orchards, which are high yielding, situated in close proximity to the Project sites. The location for the Project therefore has been well selected and has the potential to do very well. The soil survey report has identified areas to be planted and excluded unsuitable land so as to minimise the risk of tree and production losses associated with poor soil types and frosts. The irrigation system designed 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, 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 'Project' site is climatically well suited to almond production. The water supply to the orchards is of high quality and secure. Soils have been evaluated for their suitability and any unsuitable areas will be excluded from planting. The irrigation system will allow high and efficient almond production to occur. The topography of the site 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 increasing awareness of the health benefits of almonds and the diversified range of uses for the product, it is reasonable to assume this situation will continue into the foreseeable future. Production will vary from long term Product Disclosure Statement projections with the occurrence of biennial crops and climatic events. There is a focused research and development commitment in the industry and by the Project and Orchard Managers to maximise profitability through understanding how best to manage inputs and production. Variety and rootstock improvement through selection and importation are also a key focus of the industry.

It would be anticipated that with the experienced and high quality management being engaged, the 2004 Timbercorp Almond Project has excellent prospects of success.

Graham Johns

Horticultural Development Services Pty. Ltd.

AGREEMENTS AND

PRINCIPAL DOCUMENTS

11

INTRODUCTION

Terms or expressions used in this section that are capitalised and are not defined elsewhere in this PDS have the same meaning as in the relevant document unless the context implies the contrary. The actual terms of the relevant document will prevail over this summary if there is any inconsistency.

THE CONSTITUTION

The 2004 Timbercorp Almond Project has been registered as a managed investment scheme under the Corporations Act. The Constitution establishing the Project is between each several Grower and us as Responsible Entity. The Constitution is a legally enforceable deed.

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

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:

- (a) to receive and hold the Application Moneys;
- (b) to invest the moneys in the Agency Account in any Authorised Investment;
- to use the Application Moneys of a Grower in discharging the Grower's obligations under the Agreements or under the Constitution;
- (d) 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;
- (e) to monitor the performance of all parties to the Project Documents and to exercise all rights and powers of the Grower under any Project Document;
- (f) 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;
- (g) 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;
- (h) 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
- (i) 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:

- (a) to store its Participating Interest in the Crop;
- (b) 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
- (d) as its agent and attorney, to sell its Participating Interest in the Product or Crop on such terms and conditions as the Responsible Entity in its absolute discretion determines. [13.3 and 13.4]

2 Rights of Growers

(a) 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 owing (if any) 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 amounts payable under the Constitution, the Almondlot Management Agreement and the Deed of Sub-lease. [24.1]

(b) 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)]

(c) Opinions

Each Grower has the right to express opinions and to give recommendations relating to any matters the subject of the Deed of Sub-lease and the Almondlot Management Agreement and the Responsible Entity will give due consideration to any such opinions or recommendations received in writing. [19.1(b)]

(d) Right to Remove Responsible Entity and Auditors

Growers may take action under Part 2G.4 of the Corporations Act 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 Act].

(e) 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]

(f) Right to Terminate Project

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

3 Almondlots

(a) 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.

b) Almondlot Statements

Almondlot Statements will be sent by the Responsible Entity to Growers within 2 months after the Almondlots are issued, the allocation of Almondlots to a Grower in substitution for other Almondlots or when next accounting to the Grower after any change in the holding of the Grower. [10.1]

(c) Transfer or Assignment

No Grower may transfer, assign or otherwise dispose of its Almondlots without the consent of the Responsible Entity, unless the Grower transfers, assigns or disposes of the Almondlots individually to the one legal person including joint owners (unless the Responsible Entity otherwise agrees in its absolute discretion) who agrees to become a party to the Constitution and the Agreements. 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

(a) 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. There is no Minimum Subscription. 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 PDS, 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 again that there is no Minimum Subscription specified in this PDS.

Where the Responsible Entity does not issue an Almondlot to an Applicant within the time required by the Corporations Act, it must refund to the Applicant the Application Money paid with any interest earned and without deduction except for bank fees and government charges. [9.3(b)]

(b) Application Procedure

Every Applicant must deliver to the Responsible Entity an Application and Power of Attorney Form signed by the Applicant appointing 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 PDS 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 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]

Following acceptance of an Application, the Responsible Entity will prepare the Deed of Sub-lease and Almondlot Management Agreement in accordance with the details on the Application which will commence from such date as is determined by the Responsible Entity. [9.1]

(c) Allotment of Almondlots and Entry into Agreements

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

- immediately allocate and allot Almondlots to the Grower and within 21 days thereafter enter the Grower's details in the Register; and
- enter into the Deed of Sub-lease and Almondlot Management Agreement and any other ancillary or related documents. [8.7(a)]

The Responsible Entity may at any time after the above agreements are entered into, allocate an Almondlot or Almondlots to a Grower on the Land in substitution for an Almondlot or Almondlots currently allocated to a Grower. The allocation of an Almondlot or Almondlots in substitution for another Almondlot or Almondlots does not affect, or detract from, any rights, interests, powers, privileges, obligations and liabilities held by the Grower under the Constitution and under the Deed of Sub-lease and Almondlot Management Agreement, other than that the Grower will cultivate and harvest Almonds on the replacement Almondlot or Almondlots on and from the date of substitution. [8.7(b)]

(d) Release of Application Money

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

- the Deed of Sub-lease and Almondlot Management Agreement are in the form required by the Constitution and have been duly entered into by all parties;
- all necessary consents to the grant of the Sub-lease and entry into the Agreements have been obtained or will be obtained;

- the property the subject of the Sub-lease is not subject to any encumbrance or restriction which detrimentally affects the interests of the Applicant;
- any other matter required to be attended to, which is necessary for the creation of the Sub-lease and the effective vesting in the Grower of its Agreements, whether by reason of the Constitution or otherwise, has been attended to; and
- 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 2 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(a)]

(e) 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 Constitution, the Deed of Sub-lease and Almondlot Management Agreement. The Responsible Entity will give to each Grower at least one month's prior written notice as to the amount due. [17.1]

(f) Payment of Expenses

Subject to the rights of the Responsible Entity and the Growers under the Almondlot Management Agreement, 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]

(g) Agency Account

The Responsible Entity must keep one or more Agency Accounts for the purpose of depositing the 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]

(h) 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 or Bank, 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 of "Authorised Investments"]

(i) 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]

(j) Grower's Entitlement

A Grower is entitled to the money in the 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 Deed of Sub-lease plus interest;
- any fees payable under the Grower's Almondlot Management Agreement plus interest; and
- any other amounts payable by the Grower under the Constitution and the Agreements plus interest.

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. [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]

Subject to paragraph 18.4(e) and clause 18.5, a Grower is not entitled to its Participating Interest in each Financial Year where the Grower is a Defaulting Grower, in which case that Grower's Participating Interest in the Almonds, Crop and Product will be used to satisfy the Grower's obligations in the manner set out in clause 13.7. [13.2]

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 Act. [22.1]

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

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

- (a) in relation to section 252R of the Corporations Act, 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 Act, 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 Act, 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 Act, 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 Act, 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 Act, 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

(a) Liability of the Responsible Entity

To the extent permitted by the Corporations Act, 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(a)]

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 Act, 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(b)]

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

(b) 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]

(c) Liability and Indemnity of Growers (refer also paragraph 2(a))

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 Constitution, the Deed of Sub-lease and the Almondlot Management Agreement. [24.3]

7 Default and Termination

If any Agreement is terminated for whatever reason, 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 is in breach of any of the Agreements or the Constitution and has failed to rectify such breach after receiving written notice from Timbercorp Securities, or ceases to participate in the Project due to a breach of any of the Agreements or the Constitution, including where any of the Agreements in respect of an Almondlot of a Grower are terminated, the Responsible Entity may exercise any of the following rights:

- (a) sue the Defaulting Grower for any amount or amounts due; [18.4(b)]
- (b) assign the Defaulting Grower's Almondlots to the Land Owner or any other person nominated by the Responsible Entity, at the market value of the relevant Almondlots determined by an independent valuer, and apply the proceeds in the following order of priority: in payment of fees owing to the valuer, in payment of the Responsible Entity's reasonable costs in connection with the Grower's default plus interest, in payment of any amounts payable by the Defaulting Grower under the Deed of Sub-lease and then the Almondlot Management Agreement, each plus interest, in payment of any amounts owing by the Defaulting Grower under the Constitution plus interest and then treat any residue as Proceeds for the benefit of the Defaulting Grower; [18.4(d)]
- 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]

After a Grower has ceased to participate in the Project in respect of a relevant Almondlot due to the termination of any of the Agreements in respect of the Almondlot:

- (a) The Responsible Entity may continue to manage the Almondlot in accordance with the Constitution and the Almondlot Management Agreement, in which case the Responsible Entity will be entitled to all amounts that it would have received under the Agreements had it not been terminated in respect of the Almondlot;
- (b) the Participating Interest in the gross income from the sale of the Product or Crop for a particular production period or any other Proceeds attributable to the Almondlot of the Grower will be applied in payment of any amounts to which the Land Owner and the Responsible Entity are entitled to under the Agreements and the Constitution plus interest with any residue being treated as Proceeds for the benefit of the Land Owner. [18.4(e)]

A Grower must pay the reasonable costs and expenses incurred by the Responsible Entity and the Land Owner in connection with any default of the Grower under the Agreements or the Constitution within 1 month of receiving written notice to pay such amounts. [18.4(g)]

Joint Venturers

A default on the part of one Joint Venturer will constitute a default of the Participant Grower which comprises the Participating Grower in respect of the Joint Venture Almondlots. However, the Responsible Entity acknowledges that a Joint Venturer is not liable for any amount or liability exceeding the Joint Venturer's respective 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 Venturer. [18.4(i)]

8 Accounts and Audit

The Responsible Entity will keep such accounting records as correctly record and explain the transactions and financial position of the Project in such a way as will enable true and fair financial statements to be prepared and conveniently and properly audited. The financial statements will be lodged in accordance with the requirements of the Corporations Act.

The Responsible Entity has appointed Deloitte Touche Tohmatsu to be the Auditor of the Project to audit its financial statements. 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
- 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(b)]

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] The Project may also be wound up at the direction of Growers under section 601NB of the Corporations Act; if the court directs Timbercorp Securities to wind up the Project under section 601ND of the Corporations Act; if Timbercorp Securities considers that the purpose of the Project has been accomplished or cannot be accomplished and in any other circumstances provided for under the Corporations Act.

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 2004, 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 Participant Grower Joint Venture

(a) Background

The Joint Venturers propose to establish an unincorporated joint venture amongst themselves for the purpose of engaging in a primary production business of developing and cultivating an almond orchard and producing and processing Almonds for commercial gain under this Project.

- (b) Terms of the Joint Venture
 - (j) The joint venture commences on the date of the Almondlot Management Agreement and the Sub-lease and terminates on the earlier of the completion of the sale of the Joint Venture Assets and the date a Joint Venturer sells its interest in the Joint Venture to the other Joint Venturer. The interests of the Joint Venturers in the Joint Venture and the Joint Venture Assets and any losses realised from the Joint Venture will be as tenants in common in their Prescribed Proportions. The interest of the joint venturers in each Almondlot are stapled so that the interest of one Joint Venturer must not be dealt with without the interest of the other Joint Venturer in the Almondlots and vice versa:
 - (ii) the First Joint Venturer is entitled to a prescribed proportion of the Joint Venture Assets of 70% and the Second Joint Venturer is entitled to a Prescribed Proportion of the Joint Venture Assets of 30%;
 - (iii) the First Joint Venturer is solely responsible for paying all fees and other amounts under the Almondlot Management Agreement (other than the incentive fees) and the Initial Rent payable under the Deed of Sub-lease. The First Joint Venturer is entitled to its Prescribed Proportion of the Joint Venture's Almonds, Crop and the Product, and the Joint Venture Proceeds;

- (iv) the Second Joint Venturer is solely responsible for paying all Rent and other amounts under the Deed of Sub-lease other than the Initial Rent. The Second Joint Venturer is entitled to its Prescribed Proportion of the Joint Venture's Almonds, Crop and the Product, and the Joint Venture Proceeds:
- (v) the Joint Venturers are responsible for paying their Prescribed Proportion of any incentive fees due under the Almondlot Management Agreement;
- (vi) subject to other provisions of the Constitution, each Joint Venturer indemnifies the other against any losses or liability exceeding its respective 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. [29]

11 Modification of the Constitution

The Corporations Act 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 Trust Company of Australia Limited ("Trust Company") 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 Trust Company as custodian to:

- receive and hold the Scheme Assets and all income accruing in respect of them and any document of title to them in safe custody; and
- (b) retain in safe custody executed copies of the 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;
- 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 Custody Agreement, the Custodian has absolute discretion as to the exercise of all powers, authorities and discretions vested in it under the Custody 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 Custody Agreement, Trust Company must act on Timbercorp Securities' instructions in relation to any Scheme Asset. If Trust Company does not have any instructions, it is required, subject to the Custody 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 Act, 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 required by the Custody 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' applications and a further amount of \$1,000 for each additional 100 Growers' applications, an ongoing annual fee of \$3,000, (Indexed) and a termination fee equivalent to the greater of 0.1% of net Proceeds paid to all Growers or \$50,000 (together with any GST payable by the Custodian 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 Custody 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 Custody Agreement or fails to observe or perform any representation, warranty, indemnity or undertaking pursuant to the Custody Agreement in a material respect, subject to a 14 day period to remedy the default; or
- 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 Custody 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 DEED OF SUB-LEASE

1 Parties

The Deed of Sub-lease will be between Almond Land Pty Ltd as the Landowner, Timbercorp Securities Limited and each several Grower (referred to as a Participant Grower in the Deed of Sub-lease).

2 Grant of Sub-lease

Under the Deed of Sub-lease, Timbercorp Securities grants to the Grower a sub-lease to use and occupy the relevant Almondlots for the purpose of conducting Almondlot Operations. [3]

3 Establishment of Orchard

The Land Owner agrees with the Grower that it must, at its own cost, establish, or procure the establishment of, Almondlots on the Land in accordance with good horticultural and environmental practices and construct necessary infrastructure and carry out capital works. For this purpose, 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;
- organise various soil surveys, including reconnaissance surveys, detailed soil surveys and contour plans;
- (c) organise block layout in relation to the Almondlots and the pegging of
- (d) acquire rights to, construct and install, as the case requires, the Internal Irrigation System and the Irrigation Infrastructure;
- (e) carry out drainage work and work to help prevent soil erosion on all Land;
- (f) clear any vegetation or trees from the Orchard, perform broadacre weed spraying, disc ploughing and ripping and mounding of tree rows, apply preplant fertiliser spreading and undertake discing, x-planning of tree rows and marking out of tree location; and
- (g) plant almond trees on the Orchard during June 2004; and
- (h) provide or undertake, as the case requires, such other capital works, services or things which, in the reasonable opinion of the Land Owner, are incidental or ancillary to the effective establishment and provision of the works referred to above [2.1(a)]

The Landowner will use its best endeavours to complete the Capital Works in full on the Almondlots by 31 May 2004 or such later date as may be agreed between the Landowner and the Grower. The Landowner will not be liable for any loss (including consequential loss) or damage (including all costs, expenses and other disbursements) incurred by the Grower arising from any delay in so doing caused for any reason other than the negligence of the Land Owner, its officers, employees or agents. [2.1(b)]

The Grower acknowledges that the Almond Trees and Capital Works on, and the Water Licences attaching to, the Grower' Almondlots, are and will at all times remain the property of the Land Owner. [2.2(a)]

The Grower agrees and acknowledges that Timbercorp Securities will not be liable for any loss or damage incurred by the Grower arising out of or in connection with any act or omission of the Land Owner or its officers, directors, employees, agents or agents, whether or not constituting negligence, misconduct, dishonesty or fraud. [2.2(b)]

4 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 all the Growers in the Project. It must also take all steps to avoid interfering with the supply of water to the relevant Almondlots and to avoid any actions that would prejudice the Grower's rights under the Deed of Sub-lease. [3.2(a)]

Furthermore, the Land Owner must purchase and maintain the Water Licences during the term of the Project. [3.2(a)]

The Grower acknowledges that:

- the Land Owner may purchase water licences and provide water to Timbercorp Securities to meet its obligations under the Almondlot Management Agreement; and
- (b) such additional water licences do not attach to the Almondlots of any of the Growers, are not attributable to the Project and will at all times remain the property of the Land Owner. [3.3]

5 Term

Unless terminated earlier by the Grower or the Land Owner (see below), the term of the Deed of Sub-lease will be from the Commencement Date until the earlier of:

- (a) 30 June 2024;
- (b) the date which is one day before the expiry or termination of the lease between Timbercorp Securities and the Land Owner;
- (c) the termination of the Grower's Participating Interest in the Project; and
- (d) the termination of the Project. [4.1]

At the end of the Deed of Sub-lease, the Grower must return the relevant Almondlots to the Land Owner in good condition, but the Grower is not required to remove Almond Trees or restore the relevant Almondlots to their original condition. Any structures or plant and equipment of any description which belong to the Grower must be removed from the relevant Almondlots within 30 days after the end of the Deed of Sub-lease and if the Grower does not comply with this requirement, all structures and plant and equipment remaining on the relevant Almondlots at the time will become the absolute property of the Land Owner. The Land Owner and Timbercorp Securities have no obligation to pay the Grower any compensation, including for any structures and plant and equipment remaining on the relevant Almondlots that become the absolute property of the Land Owner after the end of the Deed of Sub-lease. [4.2]

The Grower may terminate the Agreement:

- immediately, if Timbercorp Securities goes into liquidation or a Controller or Administrator is appointed in relation to the undertaking of the Land Owner or Timbercorp Securities or any part of its undertaking; [10.1(a)]
- (b) immediately, if Timbercorp Securities ceases to carry on business; [10.1(b)]
- immediately, if either the Land Owner or Timbercorp Securities fails or neglects to pay any moneys due to any Grower, or is in default of any material obligation under the Deed of Sub-lease and such default continues for a period of 3 months after receipt by the Land Owner or Timbercorp Securities, as appropriate, of written notice from the Grower specifying the default and requesting that the default be remedied; [10.1(c)]
- (d) by giving four months' written notice to Timbercorp Securities, if the whole or a substantial part of the relevant Almondlots are damaged or destroyed whether by fire or any other cause whatsoever, or if an independent horticultural consultant commissioned jointly by the Grower and us reasonably determines that the whole or a substantial part of the relevant Almondlots are no longer commercially viable. Termination in these cases takes effect on and from the 30 June next following the expiration of the notice period; [10.3]
- (e) in relation to only part of the relevant Almondlots, by giving four months' written notice to Timbercorp Securities, if that part of the relevant Almondlots are damaged or destroyed whether by fire or any other cause whatsoever, or if an independent horticultural consultant commissioned jointly by the Grower and us reasonably determines that part of the relevant Almondlots are no longer commercially viable. Termination in these circumstances takes effect on and from the 30 June next following the expiration of the notice period. [10.4]

Timbercorp Securities may terminate the Deed of Sub-lease in respect of all the Almondlots of the Grower, with immediate effect, if the Grower fails to make a payment within the time required under the Deed of Sub-lease in relation to any Almondlot of the Grower or the Constitution, or commits a material breach of

the Deed of Sub-lease in relation to any Almondlot of the Grower or the Constitution, and fails to remedy the breach or make reasonable compensation in money within 30 days after Timbercorp Securities has served a written notice on the Grower requiring the Grower to remedy the breach. [10.2]

If Timbercorp Securities terminates the Deed of Sub-lease in this manner in relation to all Almondlots of the Grower, the Grower will lose all its rights and interest as a participant in the Project and the procedures for consequences of default and termination as set out in the Constitution and, if applicable, clause 12 of the Deed of Sub-lease, may be followed. [10.5(c)]

Termination of the Deed of Sub-lease by the Grower or Timbercorp Securities terminates the rights and obligations of the parties, but 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 other Almondlots or part of any Almondlot. [10.5(a), (b) and (d)]

6 Timbercorp Securities' Obligations and Rights

Timbercorp Securities must:

- (a) 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 Almondlots:
- (b) allow the Grower to peaceably and quietly hold and enjoy the Almondlots without any interruption by Timbercorp Securities or any person claiming through or under Timbercorp Securities:
- not store or use any chemical, inflammable, noxious or dangerous substances in a manner which is likely to result in damage to vegetation, crops or water reserves on the Almondlots;
- (d) comply with the provisions of the Head Lease;
- (e) not create any encumbrances over the Land or the Almondlots or any part of the Land or the Almondlots ranking in priority to the interests of the Growers under the Deed of Sub-lease other than the Almondlot Management Agreement and Head Lease;
- (f) take all necessary measures to ensure that any fires which may occur or be lit on any neighbouring land owned or occupied by Timbercorp Securities are properly controlled and supervised; and
- (g) comply with all laws and regulations relating to the use and occupancy of any neighbouring land occupied by Timbercorp Securities. [5.1]

Timbercorp Securities:

- (a) is entitled to full and free access for the purposes of carrying out its obligations and exercising its rights under the Deed of Sub-lease and the Almondlot Management Agreements with or without vehicles to the Almondlots along any road or track or any neighbouring land owned or occupied by Timbercorp Securities, the Land Owner or other Growers which gives access to the Almondlots;
- (b) is entitled to full and free access with or without vehicles to the relevant Almondlots for the purpose of accessing neighbouring land owned or occupied by , the Land Owner or other Growers;
- (c) may at its own expense erect and maintain a sign on the Almondlots detailing such matters as Timbercorp Securities reasonably considers appropriate. [5.2]

7 Conditions Precedent

The Deed of Sub-lease is subject to and conditional on the Grower entering into the Almondlot Management Agreement with Timbercorp Securities, and Timbercorp Securities entering into the Head Lease with the Land Owner, on or before the Commencement Date in respect of the relevant Almondlots.

Each of Timbercorp Securities, the Land Owner and the Grower will use all reasonable endeavours to ensure that the conditions are satisfied as soon as is reasonably practicable, and where required will keep each other fully informed as to progress towards satisfaction of the conditions. [6]

8 Rent and other amounts

For an Early Grower, the initial rent payable to Timbercorp Securities for the period from the Commencement Date until 30 June 2004 is \$113.63 per Almondlot. For a Post 30 June Grower, the initial rent payable to Timbercorp Securities for the period from the Commencement Date until 30 June 2005 is \$681.82 per Almondlot. The rent payable by an Early Grower in respect of each of the Financial Years ending on 30 June 2005, 2006, 2007, 2008 and 2009, and by Post 30 June Growers in respect of each of the Financial Years ending on 30 June 2006, 2007, 2008 and 2009 is \$1,363.63. [7.1]

Thereafter, on each subsequent 31 October during the life of the Project, commencing 31 October 2009 in respect of the Financial Year ending 30 June 2010, the rent payable will be the rent payable on the immediately preceding 31 October, Indexed. [7.1]

The Deed of Sub-lease provides that the rent payable to Timbercorp Securities are to be increased to cover the GST payable by the Land Owner. [14]

If the Grower fails or neglects to pay the rent, any amount due by the Grower under the Almondlot Management Agreement or any amount due and payable by the Grower under the Constitution in respect of the Almondlots, by the due date, Timbercorp Securities may after giving the Grower 30 days' prior written notice:

- (a) terminate the Deed of Sub-lease under clause 10.2;
- (b) pay on behalf of the Grower, from its own funds, any such expense owing by the Grower and Timbercorp Securities will be entitled to be reimbursed out of any Proceeds to which the Grower is entitled, the amount of such payment together with interest at a rate of interest for the time being fixed under section 2 of the Penalty Interest Rates Act 1983 (Victoria), calculated from the date that the payment fell due until Timbercorp Securities has been reimbursed in full; or
- (c) deal with the Grower's interest in accordance with the Constitution. [12]

9 The Grower's Obligations

The Grower must only use the Almondlots solely for the purpose of the Almondlot Operations. [8.1]

The Grower agrees at the Grower's expense to:

- (a) undertake the Almondlot Operations on the relevant Almondlots;
- (b) use the relevant Almondlots solely for the purpose of the Almondlot Operations;
- (c) comply with good horticultural and environmental practices;
- (d) comply with all laws and regulations relating to the use and occupancy of the relevant Almondlots;
- (e) take all reasonable steps to avoid interfering with the activities carried out on any neighbouring land by the owner or occupier of that land;
- (f) maintain the relevant Almondlots in accordance with good horticultural practices including, without limitation, using soil management technique methods to reduce erosion and maintain soil quality;
- (g) permit Timbercorp Securities and its employees, agents or contractors to enter upon the relevant Almondlots from time to time with or without equipment for the purposes of observing the state of the relevant Almondlots:
- permit Timbercorp Securities and its employees, agents or contractors to enter on the relevant Almondlots for the purposes of performing its obligations under the Almondlot Management Agreement and the Deed of Subleage.
- permit the Land Owner and its employees, agents or contractors to enter on the relevant Almondlots for the purposes of performing its obligations under the Deed of Sub-lease;
- (j) comply or procure compliance with the provisions of the Almondlot Management Agreement; and

(k) give such rights to occupiers of other Almondlots adjoining the relevant Almondlots and their agents and contractors, as are necessary for their proper use and enjoyment of their Almondlots, but such rights are limited to the unimpeded use of any existing access roads, pathways or firebreaks on or about the relevant Almondlots. [8.2]

10 The Land Owner's Obligations and Rights

The Land Owner must:

- (a) 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
- (b) comply with all laws and regulations relating to the use and occupancy of any neighbouring land occupied by the Land Owner. [9.1]

The Land Owner:

- (a) is entitled to full and free access for the purposes of carrying out its obligations and exercising its rights under the Deed of Sub-lease with or without vehicles to the Almondlots along any road or track or any neighbouring land owned or occupied by Timbercorp Securities, the Land Owner, other Participant Growers or any other person which gives access to the Almondlots:
- (b) is entitled to full and free access with or without vehicles to the relevant Almondlots for the purpose of accessing neighbouring land owned or occupied by Timbercorp Securities, the Land Owner, other Participant Growers or any other person. [9.2]

11 Excuses for Non-Performance

Timbercorp Securities and the Land Owner will not have any obligation to observe or comply with the terms of the Deed of Sub-lease to the extent that the observance of, or compliance with, those terms is prevented by Force Majeure. [11.1]

Force Majeure means any event or circumstance not reasonably within the control of Timbercorp Securities or the Land Owner or which Timbercorp Securities or the Land Owner, as the case requires, is not reasonably able to prevent and includes:

- (a) pestilence, vermin, disease, fire, acts of God, landslide, earthquake, flood, washout, lightning, storm, drought, seasonal and climatic conditions and the elements;
- (b) strikes, lock-outs, bans, work limitations, boycotts and industrial disturbances or action;
- (c) act of the enemies, wars, blockades, insurrection, riots and civil disturbances:
- (d) 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);
- (e) 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;
- (g) delays in transportation or communication; and
- (h) breakage or breakdown of, or damage to, equipment or machinery or the necessity to repair equipment or machinery to prevent its breakdown.
 [11.4]

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. [11.2]

The failure of Timbercorp Securities or the Land Owner to observe or comply with the terms of the Deed of Sub-lease will not give rise to any liability to the 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. [11.3]

12 Assignment

The Land Owner or Timbercorp Securities may assign its rights and interests under the Deed of Sub-lease provided that the Land Owner or Timbercorp Securities 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 Deed of Sub-lease and the Almondlot Management Agreement and required to be observed or performed by the Land Owner or Timbercorp Securities. This requirement also applies where the Land Owner sells the Land. [13.1]

The Grower may only assign its rights under the Agreement if the Grower:

- (a) first obtains a deed of covenant signed by the proposed assignee in favour of the Land Owner and Timbercorp Securities stating that the assignee will at all times during the remainder of the term of the Deed of Sub-lease observe and perform all of the terms and conditions of the Agreement and of the Almondlot Management Agreement applying to the Grower's Almondlots being assigned; and
- (b) is not in default of any of its obligations under the Deed of Sub-lease, the Constitution and the Almondlot Management Agreement applying to the relevant Almondlots or any other agreement to which the Participant Grower is a party in respect of the Project. [13.3(a)]

The proposed assignee is deemed to have entered into a Almondlot Management Agreement and Deed of Sub-lease, with the same terms and conditions as those applying to the Almondlots being assigned to it by the Grower immediately before the date of the assignment, on and from the date of the assignment, [13,3(b)]

Once the Grower has assigned its interest under the Deed of Sub-lease, it ceases to remain liable under the Deed of Sub-lease in respect of any act done or omitted to be done after the assignment is effected in respect of the Almondlots assigned. [13.4]

13 Limitation of Liability of Grower

Subject to the terms of the Deed of Sub-lease, the Grower is not obliged to incur any liability under the Deed of Sub-lease in excess of the annual rent, the fees and expenses payable by the Grower under the Almondlot Management Agreement in relation to the relevant Almondlots and its Participating Interest in the Proceeds. [15]

14 Proper Law

The Deed of Sub-lease is governed by the laws of Victoria. The rights and obligations of the parties under the Deed of Sub-lease are subject to the terms and conditions of the Constitution. [17, 20]

15 Amendments

The Deed of Sub-lease may be amended by:

- another document in writing and duly signed by the parties to the Deed of Sub-lease:
- (b) the Land Owner and Timbercorp Securities, to such extent as may be required to:
 - satisfy the requirements of any statute, ordinance, rule, regulation or by-law which may be passed and which affects the Project;
 - (ii) comply with the effect of any judicial decision; or
 - enable the provisions of the Deed of Sub-lease, or the Project, to be more conveniently, advantageously, profitably or economically administered or managed.

Before the Land Owner and Timbercorp Securities amend the Deed of Sublease, Timbercorp Securities must be reasonably satisfied that the amendment does not adversely affect the rights of all the Growers.

Timbercorp Securities may make the amendments on behalf of itself, and then on behalf of the Grower. To give effect to the amendment clause, the Grower appoints Timbercorp Securities as its attorney to make amendments to the Deed of Sub-lease.

If Timbercorp Securities cannot be satisfied that it can consent to the amendments in accordance with paragraph (b), then amendments may only be made in accordance with paragraph (a). [18]

16 Disputes

If a dispute arises under the Deed of Sub-lease between any parties it must be referred for resolution under the dispute resolution provisions. [19]

17 Constitution

The rights and obligations of the parties under the Deed of Sub-lease are subject to the terms and conditions of the Constitution. [20]

18 Statutes

To the extent permitted by law, all provisions implied by the Transfer of Land Act 1958 are expressly excluded from the Deed of Sub-lease and the sub-lease granted under the Deed of Sub-lease. [21]

The provisions of section 144(1) of the Property Law Act 1958 do not apply to the Deed of Sub-lease and the sub-lease granted under the Deed of Sub-lease. [22]

19 Caveat

The Grower may at its own expense lodge a caveat at the Land Titles Office in respect of its interest under the Deed of Sub-lease. Timbercorp Securities will provide to the Grower all plans and other details reasonably necessary to enable the Grower to lodge a caveat.

Upon the expiration or earlier termination of the Deed of Sub-lease, the Grower must promptly withdraw at its own expense any caveat. Upon the allocation to a Grower of Almondlots in substitution for its current Almondlots, the Grower must promptly withdraw at its own expense any caveat in respect of the Almondlots being substituted.

The Grower irrevocably appoints Timbercorp Securities its attorney to execute a withdrawal of any caveat required to be withdrawn by the Grower in the event of the Grower failing promptly to do so, and the Grower agrees to ratify anything done by the attorney. [23]

20 Insurance

Each party agrees that it will not do or permit or suffer to be done any act, manner or thing which may prejudice or render void or voidable any insurances in respect of the Almondlots or the Almond Trees or result in the premiums for such insurances being increased.

SUMMARY OF THE ALMONDLOT MANAGEMENT AGREEMENT

1 Parties

The Almondlot Management Agreement will be between each several Grower and Timbercorp Securities.

2 Appointment of Project Manager

The Grower engages Timbercorp Securities, as an independent contractor, generally to manage and administer the Project, manage, direct and conduct the Project Operations on behalf of the Grower and perform the Orchard Services.

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

- (a) in a commercially reasonable manner;
- (b) honestly;
- (c) generally in accordance with good horticultural management and environmental practices which are generally recognised and adopted in Australia and are known and acceptable to Timbercorp Securities and suitable for use on the Orchard; and

(d) in the best interests of all the Growers and not in the interests of Timbercorp Securities if those interests are not the same as those of the Growers.

3 Orchard Management

Timbercorp Securities must cultivate and manage the Orchard in accordance with the Management Plan and good horticultural and environmental practices.

Timbercorp Securities 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 Timbercorp Securities include:

- (a) pruning the Almond Trees by mechanical or other methods;
- (b) 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;
- operate the irrigation system at various times in order to irrigate the relevant Almondlots:
- (d) at Timbercorp Securities' 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;
- (f) in Timbercorp Securities' 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;
- (g) keeping the improvements on the Grower's Almondlots in good and substantial repair;
- (h) 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;
- (k) 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;
- (m) regularly inspecting and repairing all stakes, fences and irrigation equipment on the Grower's Almondlots;
- inspecting and, where appropriate, re-tying the Almond Trees to stakes and attaching Almond Trees to trellising in accordance with good horticultural practices;
- (o) 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;
- (p) complying with the Grower's obligations under the Sub-lease (except for those relating to payment of fees);
- (q) not discriminating between Growers in the supply of water under the Water Licences;
- (r) if additional water in excess of 3.125 megalitres per Almondlot is required from time to time in order to irrigate the Orchard and such water can be reasonably procured by way of temporary water rights, procuring such additional water and supplying it to Growers, at a cost to Growers under the Agreement, calculated and to be taken into account as Timbercorp Securities' reasonable costs of procuring the additional water in operating the Almondlots;

- (s) for each Financial Year commencing with the Financial Year ending 30 June 2004, 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 Timbercorp Securities, 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.

Timbercorp Securities must give the Land Owner 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, Timbercorp Securities 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 Timbercorp Securities in accordance with good horticultural practices by any method (including machine harvesting) deemed appropriate by Timbercorp Securities.

Timbercorp Securities will promptly deliver all harvested Almonds to a delivery point or points to enable the Almonds to be processed and sold. Until the harvested Almonds are delivered, Timbercorp Securities 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 Timbercorp Securities.

5 Processing and Sale

Timbercorp Securities will procure the processing of the Crop into Product and will enter into a Project Document as agent and attorney for the Grower.

Timbercorp Securities will:

- (a) sell the Product, using its reasonable endeavours to seek to maximise returns, on such terms and conditions as Timbercorp Securities determines in its absolute discretion and, for this purpose, is authorised to and will enter into an agreement for sale of the Product as agent and attorney for the Grower; and
- (b) in the event that Timbercorp Securities 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 Timbercorp Securities in its absolute discretion determines and, for this purpose, is authorised to and will enter into any agreement as agent and attorney for the Grower.

Before the Crop is sold, Timbercorp Securities may gather in all of the Growers' Almonds or Crop and Timbercorp Securities may store, market and sell the Product or Crop gathered in without having regard to the quantity or quality of the particular Almonds, Product or Crop from the particular Almondlots. The proceeds of sale of the Product or Crop gathered in will be divided pro rata according to the Growers' Participating Interests in the Product or Crop.

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

6 Administrative Services

Timbercorp Securities agrees to provide the following administrative services throughout the term of the Agreement:

(a) preparing reports to Growers on the allocation and location of Growers' Almondlots:

- (b) preparing reports to Growers detailing the work to be done on each Grower's Almondlot:
- (c) preparing all other reports to Growers required under the Almondlot Management Agreement;
- (d) preparing a statement to the Grower to assist with income tax preparation;
- (e) recording the Grower's transactions and make payments on behalf of the Grower;
- (f) general administrative management of the Project;
- (g) reviewing the sales and marketing plan for the Project; and
- (h) co-ordinating visits of Growers to inspect their Almondlots.

7 Access to Orchard

Timbercorp Securities and its invitees will be entitled to such access to the Grower's Almondlots and Almond Trees as is necessary or desirable to perform Timbercorp Securities' obligations under the Agreement and the Constitution.

Timbercorp Securities 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.

Timbercorp Securities 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 Timbercorp Securities 7 days' prior written notice, Timbercorp Securities 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 Timbercorp Securities' Fees

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

- (a) in respect of the services to be provided in the period commencing on the Commencement Date and ending on 30 June 2004 (for Early Growers) or 30 June 2005 (for Post 30 June Grower), an amount of \$3,590.91 per Almondlot for Early Growers and \$4,500 per Almondlot for Post 30 June Growers, payable in advance on or before the Commencement Date:
- (b) in consideration of the Orchard Services and all other services to be provided in the period 1 July 2004 to 30 June 2005 for Early Growers, an amount of \$1,363.63 per Almondlot and an amount equal to 1.5% of the Gross Proceeds of the sale of Crop and Product in each Financial Year of the Project payable out of and at the time the Proceeds are received by Timbercorp Securities as the Responsible Entity;
- (c) in consideration of the Orchard Services and all other services to be provided in the period 1 July 2005 to 30 June 2006 for Early Growers, an amount of \$1,363.63 per Almondlot and an amount equal to 1.5% of the Gross Proceeds of the sale of Crop and Product in each Financial Year of the Project payable out of and at the time the Proceeds are received by Timbercorp Securities as the Responsible Entity;
- (d) in consideration of the Orchard Services and all other services to be provided in the period 1 July 2005 to 30 June 2006 for Post 30 June Growers, the amount of \$1,363.63 per Almondlot and an amount equal to 3% of the Gross Proceeds of the sale of Crop and Product in each Financial Year of the Project payable out of and at the time the Proceeds are received by Timbercorp Securities as the Responsible Entity; and
- (e) for each Financial Year after 30 June 2006, the estimated costs of operating the relevant Almondlot (which includes an allocation of overhead costs that will not exceed \$50 per Almondlot Indexed, using 30 June 2004 as the base date), and an amount equal to 0.5% of the Grower's Participating Interest of the Gross Proceeds from the sale of Crop and Product in that Financial Year payable out of and at the time the Proceeds are received by Timbercorp Securities as the Responsible Entity.

Timbercorp Securities will also be entitled to be paid as an incentive fee by the Growers out of, and prior to, any distribution 25% of so much of the annual Net Proceeds received by the Grower in a Financial Year in excess of the annual Net Proceeds specified in the PDS for that Financial Year (the "Incentive Fee Threshold"). But, if in the immediately preceding Financial Year, the Net Proceeds were less than the Incentive Fee Threshold, the amount of deficit must be deducted from the Net Proceeds when calculating the fee payable to Timbercorp Securities in respect of the Financial Year to which reference is first made.

Timbercorp Securities will, when notifying the Grower (under paragraph (e) above) of the estimated costs of operating the Almondlots, notify the Grower of the actual costs of operating the Almondlots for the preceding Financial Year, and adjust the estimated costs for the current Financial Year by the difference between the actual costs and estimated costs unless the surplus per Almondlot has been added to, or the excess has been deducted from, any distribution of Proceeds made to the Grower following the end of the preceding Financial Year.

The Agreement provides that fees payable to Timbercorp Securities will be increased to cover the GST payable to the Responsible Entity.

9 Insurance

Timbercorp Securities 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 Timbercorp Securities and the Grower from year to year.

10 Management Plan and Reports

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

Timbercorp Securities 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, Timbercorp Securities 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, Timbercorp Securities 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 Timbercorp Securities 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, Timbercorp Securities 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 and Termination

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

- $\hbox{(a)} \quad \text{termination of the Grower's Participating Interest in the Project;} \\$
- (b) 30 June 2024;
- (c) termination of the Sub-lease; and
- (d) termination of the Project.

The Grower may terminate the Agreement by notice in writing to Timbercorp Securities:

- (a) immediately, if Timbercorp Securities:
 - 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
- (b) 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 Timbercorp Securities under the Agreement.

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

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

Termination of the Agreement by the Grower or Timbercorp Securities terminates the rights and obligations of the parties, but 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 Sub-lease is terminated in respect of the Grower for any reason.

13 Excuses for Non-Performance

Timbercorp Securities 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 Timbercorp Securities or which Timbercorp Securities is not reasonably able to prevent and includes:

- (a) pestilence, vermin, disease, fire, acts of God, landslide, earthquake, flood, washout, lightning, storm, drought, seasonal and climatic conditions and the elements:
- (b) strikes, lock-outs, bans, work limitations, boycotts and industrial disturbances or action;
- act of the enemies, wars, blockades, insurrection, riots and civil disturbances;
- (d) 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);
- (e) epidemic or quarantine;
- (f) 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:
- (g) delays in transportation or communication; and
- (h) 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.

Timbercorp Securities' failure to observe or comply with the terms of the Agreement will not give rise to any liability to the Grower 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 fees and other costs payable under the Sub-lease, the Constitution and the Agreement.

The liability of the Grower is absolutely limited to the fees and costs paid or payable to Timbercorp Securities and the Land Owner under the Constitution, the Sub-lease and the 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 us to delegate any of our obligations under that Agreement to our contractors. Accordingly, under a Management Agreement between us as 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 us as the Responsible Entity from liability under the Almondlot Management Agreement.

Under the Management Agreement, AMPL agrees to:

- (a) manage and administer the Project;
- (b) cultivate and manage the Orchard;
- (c) cultivate and harvest the Almond Trees;
- (d) procure the processing of the Crop into Product and sell the Product or Crop, as agent for Growers, for commercial gain; and
- (e) 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 us as the Responsible Entity for the performance of those duties. AMPL has entered into the Almond Orchard Management Agreement with Select Harvests Limited ("Select Harvests") under which it has engaged Select Harvests, as an independent contractor, to:

- (a) provide Orchard Services, including cultivation, maintenance and management services, and harvesting the Almonds;
- (b) provide Processing Services relating to the Almonds; and
- (c) provide Marketing Services relating to the sale of the Almonds.

In performing its obligations under the Almond Orchard Management Agreement, Select Harvests must observe and act in accordance with the Management Plan.

Under the Almond Orchard Management Agreement, Select Harvests 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 Harvests 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 Harvests. It should be noted that under the Almond Orchard Management Agreement ownership of the Almonds will pass from the Growers to Select Harvests immediately prior to the payment for the pooled Almonds by the purchaser of them. However, Select Harvests 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 Harvests in the Project, and the nature of the pooling arrangements implemented by Select Harvests, we do not consider this will give rise to any difficulties.

Tree Supply and Capital Works Agreement

The Deed of Sub-lease permits the Land Owner to appoint agents and subcontractors for the purposes of exercising the powers or performing its obligations under that agreement. Accordingly, the Land Owner has engaged Select Harvests under the Tree Supply and Capital Works Agreement to assist it in carrying out its duties under the Deed of Sub-lease. Under the agreement:

- Select Harvests agrees to sell the Almond Trees to be planted on the Orchard to the Land Owner;
- the Land Owner engages Select Harvests to oversee the establishment of the Capital Works associated with the establishment of the Orchard, including preparing the establishment plan, identifying those parts of the Land suitable for growing almonds, designing the Orchard, preparing the Land and supervising and installing the irrigation system; and
- the Land Owner engages Select Harvests to plant the Almond Trees on the Orchard

Select Harvests has agreed to replant, at its cost, any Almond Trees that fail in the first 6 months after planting, where such failure is due to a breach or default by Select Harvests or caused by Select Harvests, but not where the failure is due to an event of force majeure.

ADDITIONAL

INFORMATION

12

1 Registers

We will maintain the registers of Growers at our registered office at Level 8, 461 Bourke Street, Melbourne, Victoria. The registers may be inspected by a Grower 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 and subject to our absolute discretion to refuse an application, 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. Almondlots will be allocated randomly across the Orchard.

3 Repurchase and secondary market

We are not obliged to purchase from any Grower any Almondlots issued under this PDS. However, to the extent permitted by law, we will:

- maintain a register of interested buyers and sellers; and
- make that register available for inspection by Growers at no charge.

4 Previous Issues

We were incorporated on 4 April 2000 as a wholly owned subsidiary of Timbercorp and this represents our fourth issue of interests in an almond project, following our previous issues under the 2001, 2002 and 2003 Timbercorp Almond Projects. We have also issued interests in Timbercorp Eucalypts and Olive Projects and propose to issue interests in a number of projects in 2004.

5 Minimum subscription

There is no minimum number of Almondlots that must be applied for under this PDS before any Almondlots will be allocated. This means that the Project will proceed irrespective of how many Almondlots are applied for.

6 Experts and advisors

Other than as set out below or elsewhere in this PDS, no expert nor any firm in which any expert or such person is a partner or employee has, or has had within the two years before the issue of this PDS, 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.

Deloitte Touche Tohmatsu has been paid a fee of \$313,500 (plus disbursements) for the audit of Timbercorp's financial statements for the 12 month period ended 30 September 2003, a fee of \$95,000 (plus disbursements) for the three months ended 30 September 2002 and a fee of \$276,425 (plus disbursements) for the 12 month period ended 30 June 2002.

Horticultural Development Services Pty Ltd has been paid or is entitled to receive fees of \$11,363.64 for the preparation of the Independent Almond Orchard Expert Report.

Consents

Horticultural Development Services Pty Ltd has given its written consent to the inclusion in this PDS of its report in the form and context in which it appears and has not withdrawn such consent prior to the issue of this PDS.

Deloitte Touche Tohmatsu has consented and has not before issue of this PDS, withdrawn its written consent to the inclusion of extracts of Timbercorp's audited accounts in this PDS in the form and context in which they appear.

Disclaimers

Horticultural Development Services Pty Ltd has acted as almond orchard expert and has authorised only the issue of the Almond Orchard Expert's Report and the inclusion of its report and the references to that report in this PDS. Horticultural Development Services Pty Ltd disclaims and takes no responsibility for any other part of this PDS.

Deloitte Touche Tohmatsu has not been involved in any aspect of this PDS. It expressly disclaims and takes no responsibility for any part of this PDS.

HOW TO

APPLY

12

- Before signing the Application and Power of Attorney Form, you should read the whole of the PDS relating to the 2004 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 Application Moneys with your financial advisor or deliver them to the
 office of Timbercorp Securities Limited in your state or territory. Timbercorp's
 offices are listed on the reverse side of the Application and Power of Attorney
 Form
- For payment methods, see below.

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 two Almondlots, although we reserve the right, in our absolute discretion, to accept an application for less than two 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 as follows:
- For Early Growers \$4,075 (including \$370.45 GST) made up of initial management fees of \$3,950 (including \$359.09 GST) and rent of \$125 (including \$11.36 GST). 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.
- For Post 30 June Growers \$5,700 (including \$518.18 GST) made up of initial management fees of \$4,950 (including \$450 GST) and rent of \$750 (including \$68.18 GST). 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.
- Method of Payment:
- (a) You may pay by cheque made payable to "Timbercorp 2004 Almond Project" and crossed 'Not Negotiable"; or
- (b) alternatively, you may pay by credit card by completing your credit card details in the space provided on the Application and Power of Attorney Form.

Signature and declarations

Each Application Form 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.

Joint Venture Growers

Joint Venture Growers should use the yellow Application Form. By signing the form, the applicants agree to participate as a Joint Venture Grower and to be bound by the joint venture terms and conditions described in the Constitution.

You will need to nominate one applicant as the First Joint Venturer responsible for the Initial Rent and all management fees and costs other than the incentive fees which the Joint Venturers must pay in their Respective Proportions and the other applicant as the Second Joint Venturer responsible for all rent and other costs associated with the sub-lease of the Almondlots other than the Initial Rent. The First Joint Venturer's respective proportion is 70% and the Second Joint Venturer's respective proportion is 30%. The Joint Venturers will be entitled to the Almonds, the Proceeds and all other rights and entitlements of the Joint Venture in their Respective Proportions.

Electronic PDS

The Corporations Act prohibits any person from passing on to another person the Application Form which is attached to the electronic copy of the PDS unless the Application Form is attached to a complete and unaltered copy of the electronic PDS.

Timbercorp Securities will send you, at no charge, a paper copy of the electronic PDS if you ask for one during the Offer Period described in the PDS.

If you apply for Almondlots on the basis of the Application Form attached to the electronic PDS, you are deemed to declare to us that you received personally the electronic PDS, or a print out of it, attached to the Application Form before applying for Almondlots.

Your Personal Information

The Timbercorp group comprises several companies which have specific functions in the establishment, promotion, administration, project management and resourcing of eucalypt, olive, almond and other agribusiness and related investment projects. It also includes a finance company and entities which have interests in land utilised for these projects.

When submitting your Application Form, you will be providing entities within the Timbercorp group with your personal information. Your personal information will be treated strictly in accordance with the National Privacy Principles outlined in the federal Privacy Act. At any time upon request you may gain access to the information the Timbercorp group holds about you in accordance with the National Privacy Principles.

We have requested this information to enable us to issue Almondlots offered under this PDS in your name and to keep you updated during the life of the Project as to the progress of your Almondlots by, for example, sending you reports, Almondlot statements, invoices and other correspondence in relation to the Project and other activities of the Timbercorp group. We are required by law to maintain a register of Growers under the Corporations Act and to make the register available for inspection by any person. We may also be required to provide details of Growers to ASIC and other regulatory bodies from time to time.

The Timbercorp group may disclose your personal information to:

- financiers or other such organisations in connection with its corporate activities;
- · rating agencies; and
- your financial planner or adviser.

The Timbercorp group may use your personal information for:

- marketing Timbercorp group products and services to you; and
- developing an understanding of the products and services you may be interested in obtaining from the Timbercorp group

By signing the Application Form, you consent to the Timbercorp group using and disclosing your personal information as described above.

You can gain access to any information the Timbercorp group holds about you by calling (03) 8615 1200 or going in person to Level 8, 461 Bourke Street, Melbourne Victoria 3000.

If you do not provide us with the information requested in the Application Form, we will be unable to allot Almondlots to you. If you provide us with incomplete or incorrect information, we will be unable to inform you as to the progress of your Almondlots.

Timbercorp Securities Limited ABN 12 092 311 469

Application Form

Persons intending to use an electronic version of the Application Forms should note the following:

- The Application Forms in this document relate to the 2004 Timbercorp Almond Project ARSN 108 336 670 ('project') pursuant to a PDS dated 23 March 2004 ("PDS").
- The Application Forms are accompanied by an electronic version of the PDS which contains information regarding investing in a financial product referred to in the Application Forms.
- Persons who access the PDS in electronic form should note that interests in the project offered by this PDS are not intended to be a short-term investment and will be subject to the risks generally associated with commercial almond orchard plantations. You should carefully consider these risks in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, lawyer or other professional adviser before deciding whether to invest.
- A person who gives another person access to the Application Forms must at the same time and by the same means give the other person access to the PDS and any supplementary document.
- Interests in the project will only be processed and issued on receipt of the Application Forms issued together with the PDS.
- The offer to subscribe for interests referred to in the PDS is available to Australian residents. The PDS does not constitute an offer of securities or financial products in any jurisdiction where, or to any person to whom, it would be unlawful to issue the PDS.
- Whilst the PDS is current, Timbercorp Securities Limited will send copies of the PDS and any supplementary document and the Application Form, on request and without charge. In this regard, please contact:

Timbercorp Securities Limited

Level 8, 461 Bourke Street,

Melbourne, Victoria, 3000

Telephone: 03 8615 1200 Facsimile: 03 9670 4271

Email: r.coughlan@timbercorp.com.au

To be completed by the Advisor

APPLICATION	ON AND POWER OF ATTORNEY FORM	Advisor's Stamp	Advisor's Name Company Name							
			Telephone							
loaco road the has	of this form before signing it.		Facsimile							
				Email						
our Details	Full Name (individual or company) Dr/Mr/Mrs/Ms/Miss									
	Address									
	Address									
	Suburb/Town/City		State	e Postcode						
	ACN (if a company)	ABN								
	Are you registered for GST Yes No									
	Telephone:									
	Home	Work								
	Mobile	Fax								
	Email Address									
	Joint Applicant (if applicable) Full Name (individual or company) Dr/Mr/M	rs/Ms/Miss								
	Address		Ctat	Destands						
	Address		State	e Postcode						
	ACN (if a company)	ABN								
		ADIN								
	Are you registered for GST Yes No									
our Almondlots	Number of Almondlots applied for:		Almondlots							
	Amount payable: Growers on or before 15 June 2004: @ \$4,075 per Almondlot (inclusive \$370.45 GST):	\$								
	Amount payable: Growers on or after 1 July 2004: © \$5,700 per Almondlot (inclusive \$518.18 GST):	\$								
	Amount enclosed with this application:	\$		NB: Further payments of						
	Amount subject to finance:	\$		rent and management fees will be due each year.						
ower of Attorney	I/we, the person named in the "Your Details" section above appoint TIMBE	RCORP SECURITI	IES LIMITED (ACN 09	·						
	Bourke Street, Melbourne, Victoria ("Attorney") 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 Sub-lease and an Almondlot Management Agreement in respect of the Almondlots for which I/we have applied and which Timbercorp Securities Limited accepts pursuant to the Constitution ("the Grower Agreements"); • vary, replace or cancel the Grower Agreements and execute, vary, replace or cancel any other documents which are referred to in or which are ancillary or related to, the Grower 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 Grower Agreements, making any variations, replacements and cancellations to the documents which the Attorney considers not contrary to the interests of the Applicant, on the terms and conditions and subject to the acknowledgements on the reverse side of this form.									
ate of Signing	/									
	If Applicant is a person	If Applicant is a								
	Signed X	Executed in acc	cordance with its cor	nstitution by:						
	(joint applicant signature)	Director X								
	Witness X	Director/Secret	tary X							
lethod of	Cheque enclosed (all cheques must be made payable to "Timbercorp – 2004 Almond Project" and crossed "Not Negotiable")									
Payment whether for the eposit or the ull Application Moneys)	or Credit Card Please debit my: Visa Card Bankcard Master Card									
	Card Number		Expir	y Date /						
	Name on credit card	Contact F	Phone No							
	For the amount of: \$ Card holder's signature X			Date / /						
	Note: A limit of \$40,000 applies to credit card payments									

Return this form to the office of Timbercorp Securities Limited (AFSL No 235 653) in your State or Territory

(Please see reverse side of this form for details of Timbercorp's offices)

Office use only - Invoice No.

TIMBERCORP OFFICES

Head Office

8th Floor, 461 Bourke Street Melbourne, Victoria 3000 Telephone 03 8615 1200 Facsimile 03 9670 4271 Email melb@timbercorp.com.au

Perth Office

Level 4, 50 Colin Street Perth, Western Australia 6005 Telephone 08 9481 0581 Facsimile 08 9481 0582 Email perth@timbercorp.com.au

Brisbane Office

Milton Business Centre
Suite 4, Level 3
349 Coronation Drive
Milton, Queensland 4064
Telephone 07 3842 3142
Facsimile 07 3371 7300
Email brisbane@timbercorp.com.au

Sydney Office

Suite 1103, 37 Bligh Street Sydney, New South Wales 2000 Telephone 02 9223 1300 Facsimile 02 9223 1399 Email syd@timbercorp.com.au

Adelaide Office

64 Kensington Road Rose Park, South Australia 5067 Telephone 08 8431 4665 Facsimile 08 8431 7995 Email adelaide@timbercorp.com.au

DECLARATIONS

By signing the front of this application and power of attorney form, you make the following declarations:

- That you have read the PDS for the 2004 Timbercorp Almond Project to which this Application Form relates.
- 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 Timbercorp Securities Limited as your attorney to enter into the Sublease and the Almondlot Management
- 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:

- you will ratify and confirm whatever the Attorney does in the exercise of the power granted by you;
- 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;
- the Attorney may, and where required will, stamp and register this instrument at the cost of the applicant;
- 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;
- this Power of Attorney is irrevocable until the expiration of the Project under the Constitution;
- the authorisation in writing of any variations, replacements or cancellations referred to above may be by facsimile or any other form of written confirmation:
- this Power of Attorney will be governed by and construed in accordance with the laws of Victoria: and
- words and expressions used in this Power of Attorney have the same meanings as in the Constitution unless the contrary requires.

Timbercorp Securities Limited ABN 12 092 311 469

Application Form

Persons intending to use an electronic version of the Application Forms should note the following:

- The Application Forms in this document relate to the 2004 Timbercorp Almond Project ARSN 108 336 670 ('project') pursuant to a PDS dated 23 March 2004 ("PDS").
- The Application Forms are accompanied by an electronic version of the PDS which contains information regarding investing in a financial product referred to in the Application Forms.
- Persons who access the PDS in electronic form should note that interests in the project offered by this PDS are not intended to be a short-term investment and will be subject to the risks generally associated with commercial almond orchard plantations. You should carefully consider these risks in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, lawyer or other professional adviser before deciding whether to invest.
- A person who gives another person access to the Application Forms must at the same time and by the same means give the other person access to the PDS and any supplementary document.
- Interests in the project will only be processed and issued on receipt of the Application Forms issued together with the PDS.
- The offer to subscribe for interests referred to in the PDS is available to Australian residents. The PDS does not constitute an offer of securities or financial products in any jurisdiction where, or to any person to whom, it would be unlawful to issue the PDS.
- Whilst the PDS is current, Timbercorp Securities Limited will send copies of the PDS and any supplementary document and the Application Form, on request and without charge. In this regard, please contact:

Timbercorp Securities Limited

Level 8, 461 Bourke Street,

Melbourne, Victoria, 3000

Telephone: 03 8615 1200 Facsimile: 03 9670 4271

Email: r.coughlan@timbercorp.com.au

APPLICATION AND POWER OF ATTORNEY FORM IOINT VENTURE GROWERS

10 be completed by the Advisor				
Advisor's Stamp	Advisor's Name			
	Company Name			
	l l			

	of this form before signing it.			Facsimile						
		(NA= (NA:==		Email						
Your Details	First Joint Venture Grower: Full Name (individual or company) Dr/Mr/M	ITS/INIS/INISS								
	Address									
	Address Table 1									
	Suburb/Town/City			te Postcode						
	ACNI (if a company)	ADN								
	ACN (if a company) ABN									
	Are you registered for GST Yes No									
	Telephone:	Work								
		<u> </u>								
	Mobile	Fax								
	Email Address									
	Second Joint Venture Grower: Full Name (individual or company) Dr/Mr	/Mrs/Ms/Miss								
	Address		Sta	te Postcode						
	ACN (if a company)	ABN								
	Are you registered for GST Yes No									
Your Almondlots	Number of Almondists applied for		Almandiata							
	Number of Almondlots applied for: Amount payable: Growers on or before 15 June 2004:		Almondlots							
	@ \$4,075 per Almondlot (inclusive \$370.45 GST):	\$								
	Amount payable: Growers on or after 1 July 2004: @ \$5,700 per Almondlot (inclusive \$518.18 GST):	\$	\$							
	Amount enclosed with this application:	\$	\$ NB: Furthe							
	Amount subject to finance:	rent and management								
	,		fees will be due each year.							
Power of Attorney	I/we, the person(s) named in the "Your Details" section above appoint and TIMBERCORP SECURITIES LIMITED (ACN 055 185 067) of Level 8, 461 Bourke Street, Melbourne, Victoria ("Attorney") to be my/our attorney and in my/our name and on my behalf and as my/our act and deed to:									
	 enter into and execute on my/our behalf a Sub-lease and an Almondlot Management Agreement in respect of the Almondlots for which I/we have applied and which Timbercorp Securities Limited accepts ("the Grower Agreements"); 									
	vary, replace or cancel the Grower Agreements and execute, vary, replace or cancel any other documents which are referred to in or which are ancillary or									
	related to, the Grower 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 Grower									
	Agreements, making any variations, replacements and cancellations to the documents which the Attorney considers not contrary to the interests of the Applicant									
Date of Signing	on the terms and conditions and subject to the acknowledgements on the revers	se side of this form.								
Date of Signing										
	If first Joint Venture Applicant is a person Signed X		iture Applicant is a ordance with its co	• •						
				·						
	(joint applicant signature) X	Director A	Director X							
	Witness	Director/Secreta	Director/Secretary X							
	If Second Joint Venture Applicant is a person	If Second Joint	Venture Applicant	is a company						
	Signed X	Executed in accordance with its constitution by:								
	(joint applicant signature)	Director X								
	Witness		Director/Secretary X							
			-							
Method of Payment	Cheque enclosed (all cheques must be made payable to "Timbercorp – 2004 Almond Project" and crossed "Not Negotiable")									
(whether for the	or Credit Card Please debit my: Visa Card Bankcard	Master Card								
deposit or the full Application										
Moneys)	Card Number		Expi	iry Date/						
, .,	Name on credit card	Contact P	hone No							
	For the amount of: \$ Card holder's signature X			Date / /						
	Note: A limit of \$40,000 applies to credit card payments									

Return this form to the office of Timbercorp Securities Limited (AFSL No 235 653) in your State or Territory

(Please see reverse side of this form for details of Timbercorp's offices)

Office use only - Invoice No.

TIMBERCORP OFFICES

Head Office

8th Floor, 461 Bourke Street Melbourne, Victoria 3000 Telephone 03 8615 1200 Facsimile 03 9670 4271 Email melb@timbercorp.com.au

Perth Office

Level 4, 50 Colin Street Perth, Western Australia 6005 Telephone 08 9481 0581 Facsimile 08 9481 0582 Email perth@timbercorp.com.au

Brisbane Office

Milton Business Centre
Suite 4, Level 3
349 Coronation Drive
Milton, Queensland 4064
Telephone 07 3842 3142
Facsimile 07 3371 7300
Email brisbane@timbercorp.com.au

Sydney Office

Suite 1103, 37 Bligh Street Sydney, New South Wales 2000 Telephone 02 9223 1300 Facsimile 02 9223 1399 Email syd@timbercorp.com.au

Adelaide Office

64 Kensington Road Rose Park, South Australia 5067 Telephone 08 8431 4665 Facsimile 08 8431 7995 Email adelaide@timbercorp.com.au

DECLARATIONS

By signing the front of this application and power of attorney form, you make the following declarations:

- That you have read the PDS for the 2004 Timbercorp Almond Project to which this Application Form relates.
- 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 in particular the terms applicable to Joint Venture Growers as set out in the Constitution and irrevocably appoint Timbercorp Securities Limited as your attorney to enter into the Sublease and the Almondlot Management 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.

- you will ratify and confirm whatever the Attorney does in the exercise of the power granted by you;
- 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;
- the Attorney may, and where required will, stamp and register this instrument at the cost of the applicant;
- 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;
- this Power of Attorney is irrevocable until the expiration of the Project under the Constitution;
- the authorisation in writing of any variations, replacements or cancellations referred to above may be by facsimile or any other form of written confirmation:
- this Power of Attorney will be governed by and construed in accordance with the laws of Victoria: and
- words and expressions used in this Power of Attorney have the same meanings as in the Constitution unless the contrary requires.

GLOSSARY

In this document, the following expressions have the meanings set out below:

Almondia

means a discrete area of the Orchard of 0.25 plantable hectares that is subleased to a Grower under the Sub-lease. 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).

Almond Trees

means the trees planted or to be planted on the Orchard.

Application Form

means an application form attached to this PDS.

Application Moneys

means the amount of \$4,075 per Almondlot payable by an Early Grower and the amount of \$5,700 per Almondlot payable by a Post 30 June Grower.

ASIC

means the Australian Securities and Investments Commission.

Capital Works

means the infrastructure and capital works that the Land Owner has agreed to carry out on the Orchard and any other capital works that the Land Owner may, in future, carry out on the Orchard, if required and includes the Almond Trees.

Constitution

means the deed that governs the rights and obligations of Growers, and us as Responsible Entity under the Project.

Early Grower

means a person whose application for Almondlots under the Project is made and accepted on or before 15 June 2004.

Grower or You

means an Early Grower or Post 30 June Grower (or in the case of joint applicants, those persons) who becomes a party to the Sub-lease and the Almondlot Management Agreement as a Grower, as a result of either the allotment of Almondlots in the Project or a transmission, transfer, mortgage, assignment or other disposal of Almondlots.

Grower Agreements

means the Constitution, Sub-lease and the Almondlot Management Agreement.

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

the amount adjusted on the date on which a relevant payment is due or the date upon which the relevant calculation is made, as the case requires ('the Adjustment Date') in accordance with the formula: At = A0 x CPlt/CPl0 where At = the amount on the Adjustment Date; A0 = the amount being adjusted; CPlt = the highest CPl for a full calendar quarter published between the date CPl0 is published and the Adjustment Date, including CPl0; CPl0 = the CPl for a full calendar quarter most recently published before the date from which the adjustment is being made ('the Base Date'), provided that if no Base Date is specified, 'CPl0' will be the CPl published for the full calendar quarter that ended 12 months before the full calendar quarter in respect of which the CPl has most recently been published before the Adjustment Date.

Initial Rent

means the rent which forms part of the Application Moneys payable by a Grower on application which forms part of the Application Moneys payable by a Grower on application. For Early Growers, the Initial Rent is \$125 and is payable in respect of the period from acceptance of the Grower's application until 30 June 2004 and for Post 30 June Growers, the Initial Rent is \$750 and is payable in respect of the period from acceptance of the Grower's application until 30 June 2005.

Joint Venture

the joint venture between two persons who comprise a Grower in the Project and the expression Joint Venturers is a reference to the two persons who comprise the Joint Venture Grower. The expression "First Joint Venturer" means the first Joint Venturer described in the Application Form and the expression "Second Joint Venturer" means the second Joint Venturer described in the Application Form.

Land

means the Wandown site on which the Orchard will be established and the Project will be conducted and includes the Water Licences and Capital Works.

Land Owner

means Almond Land Pty Ltd (ACN 091 460 392).

Lease

means the lease of those parts of the Land on which the Project will be conducted between the Land Owner as lessor and us as lessee.

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.

Offer Period

for applicants on or before 15 June 2004, means the period commencing on the date of issue of the PDS and expiring on 15 June 2005; and for applicants on or after 1 July 2004, means the period from 1 July 2004 to 15 June 2005.

Orchard

means the almond orchard to be established on that specified and identifiable part of the Land on which the Project will be conducted and on which Growers will each carry on the business of primary production.

Post 30 June Grower

means a person whose application for Almondlots under the Project is made and accepted on or after 1 July 2004 and before the Offer Period closes.

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 rent and management fees and costs incurred by a Grower and the expression 'Gross Proceeds' means proceeds from the sale of Almonds less the costs of processing and marketing and selling the Almonds.

Project

means the 2004 Timbercorp Almond Project.

Project Manager

means Almond Management Pty Ltd (ACN 094 468 845).

Respective Proportion

means the proportionate interest of the First Joint Venturer and Second Joint Venturer respectively in the Joint Venture, being a 70% interest for the First Joint Venturer and a 30% interest for the Second Joint Venturer.

Responsible Entity

means us as Responsible Entity under the Project.

Select Harvests

means Select Harvests Limited (ACN 000 721 380).

Sub-lease

means the deed between the Land Owner, us in our personal capacity and each several Grower by which we grant to the Grower a sub-lease in respect of the Almondlots to cultivate and manage the Almond Trees on those Almondlots.

Tax Ac

means the Income Tax Assessment Act 1997 (as amended).

Timbercorp

means Timbercorp Limited (ACN 055 185 067) of Level 8, 461 Bourke Street, Melbourne, Victoria.

Trust Company

means Trust Company of Australia Limited (ACN 004 027 749) of Level 3, 151 Rathdowne Street, Carlton, Victoria and Trust Company of Australia Group means Trust Company and its subsidiaries.

us, we or Timbercorp Securities

means Timbercorp Securities Limited (ACN 092 311 469) of Level 8, 461 Bourke Street, Melbourne, Victoria.

Wandown site

means all of the land described in certificate of title Volume 10773 Folio 364 (being Lot 2 of Crown Allotment CA 36) together with Crown Allotments CA 28 and 35 being part of the land described in certificate of title Volume 9481 Folio 888 on which the Orchard will be established.

Water Licences

means permanent rights to draw water annually from the Murray River owned or acquired by the Land Owner and attributed to the Project as required from time to time, up to a maximum of 3.125 megalitres per Almondlot as reduced by any variation in the maximum licence entitlement from time to time by the relevant water authority.

